Annual Board of Directors Report

2013

prepared in accordance with the National Bank of Romania Order no. 27/2010 and the National Securities Commission Regulation no.1/2006
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1. THE COMPANY AND ITS SHAREHOLDERS

BRD – GROUPE SOCIÉTÉ GÉNÉRALE PROFILE

BRD - Groupe Société Générale ("BRD" or „the Bank”) was set up on December 1st, 1990 as an independent bank with the legal status of a joint-stock company and with the share capital mainly held by the Romanian State, by taking over the assets and liabilities of Banca de Investitii (the Investment Bank).

In March 1999, Société Générale (“SG”) bought a stake representing 51% of the share capital, increasing its holding to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State. As at December 31st, 2013, 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:** B-dul Ion Mihalache nr. 1-7, sect. 1, Bucuresti
- **Tel/Fax:** 021.3016100 / 021.3016800
- **Sole registration number with the Trade Registry:** 361579/10.12.1992
- **Fiscal Code:** RO 361579/10.12.1992
- **Order number with the Trade Registry:** J40-608-1991
- **Number and date of registration in the Credit Institutions Register:** RB - PJR - 40 – 007/18.02.1999
- **Share capital subscribed and paid:** 696.901.518 lei
- **The main characteristics of securities issued by the company:** ordinary shares with a nominal value of 1 RON

EXTERNAL RATING

As at December 31, 2013 the Bank had the following ratings:

<table>
<thead>
<tr>
<th>Fitch Ratings (rating date: 13-Nov-2013)</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign-Currency Short-Term Issuer Default Rating</td>
<td>F2</td>
</tr>
<tr>
<td>Foreign-Currency Long-Term Issuer Default Rating</td>
<td>BBB+</td>
</tr>
<tr>
<td>Support Rating</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Moody's (rating date: 23-Jul-2013)</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Local Currency Short-Term Deposit</td>
<td>Not prime</td>
</tr>
<tr>
<td>Global Local Currency Long-Term Deposit</td>
<td>Ba2</td>
</tr>
<tr>
<td>Foreign Currency Short-Term Deposit</td>
<td>Not prime</td>
</tr>
<tr>
<td>Foreign Currency Long-Term Deposit</td>
<td>Ba2</td>
</tr>
<tr>
<td>Financial Strength</td>
<td>E+</td>
</tr>
</tbody>
</table>

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

- BRD - Groupe Société Générale S.A.;
- BRD Soglease IFN SA;
- BRD Finance IFN SA;
- BRD Asset Management SAI SA;
- BRD Corporate Finance SRL.
1. THE COMPANY AND ITS SHAREHOLDERS

SOCIÉTÉ GÉNÉRALE PROFILE

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

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

Société Générale has been playing a vital role in the economy for 150 years. With more than 154,000 employees, based in 76 countries, Société Générale accompany 32 million clients throughout the world on a daily basis. Société Générale’s teams offer advice and services to individual, corporate and institutional customers in three core businesses:

- **Retail banking in France** with the Société Générale branch network, Credit du Nord and Boursorama, offering a comprehensive range of multi channel financial services on the leading edge of digital innovation;
- **International retail banking, financial services and insurance** with a presence in emerging economies and leading specialised businesses;
- **Corporate and investment banking, private banking, asset management and securities services**, with recognized expertise, top international rankings and integrated solutions

As at December 31, 2013, the ratings of Société Générale were:

- Standard and Poor’s: A
- Moody’s: A2
- Fitch: A

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 Română pentru Dezvoltare and acquires 51% of the bank’s assets.

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, financial services division (IBFS), a structure designed in 2013 that aims to offer a broad range of products and services to more than 25 million clients, comprising individuals, professionals and corporates. Its global development is built upon:

- the international universal banking and consumer credit networks, organised around three regions: Europe, Russia and Africa / Asia / Mediterranean Basin & Overseas;
- three specialised businesses, leaders in their markets: Insurance, Car Renting and Fleet Management, Equipment and Vendor Finance.
### 1. The Company and its Shareholders

#### 2013 Key Figures

<table>
<thead>
<tr>
<th></th>
<th>The Bank</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td>13/12</td>
<td></td>
</tr>
<tr>
<td>Net banking income (RONm)</td>
<td>2,712</td>
<td>2,913</td>
<td>-6.9%</td>
<td></td>
</tr>
<tr>
<td>Operating expenses (RONm)</td>
<td>(1,278)</td>
<td>(1,354)</td>
<td>-5.6%</td>
<td></td>
</tr>
<tr>
<td>Cost of risk (RONm)</td>
<td>(2,083)</td>
<td>(1,937)</td>
<td>7.5%</td>
<td></td>
</tr>
<tr>
<td>Net result (RONm)</td>
<td>(386)</td>
<td>(331)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost / income ratio</td>
<td>47.1%</td>
<td>46.5%</td>
<td>0.6 pts</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>-7.2%</td>
<td>-5.8%</td>
<td>-1.4 pt</td>
<td></td>
</tr>
<tr>
<td>Own funds (RONm)</td>
<td>3,873</td>
<td>4,364</td>
<td>-11.2%</td>
<td></td>
</tr>
<tr>
<td>RWA (RONbn)</td>
<td>27.7</td>
<td>31.3</td>
<td>-11.5%</td>
<td></td>
</tr>
<tr>
<td>CAR (Basel 2)</td>
<td>14.3%</td>
<td>14.0%</td>
<td>0.3 pts</td>
<td></td>
</tr>
<tr>
<td>Total gross loans (RON bn)</td>
<td>33.5</td>
<td>35.4</td>
<td>-5.4%</td>
<td></td>
</tr>
<tr>
<td>Total deposits (RON bn)</td>
<td>36.1</td>
<td>31.9</td>
<td>13.3%</td>
<td></td>
</tr>
<tr>
<td>No of branches</td>
<td>883</td>
<td>915</td>
<td>-32</td>
<td></td>
</tr>
<tr>
<td>No of active customers (x 1000)</td>
<td>2,279</td>
<td>2,321</td>
<td>-42</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td>13/12</td>
<td></td>
</tr>
<tr>
<td>Net banking income (RONm)</td>
<td>2,836</td>
<td>3,047</td>
<td>-6.9%</td>
<td></td>
</tr>
<tr>
<td>Operating expenses (RONm)</td>
<td>(1,345)</td>
<td>(1,433)</td>
<td>-6.1%</td>
<td></td>
</tr>
<tr>
<td>Cost of risk (RONm)</td>
<td>(2,131)</td>
<td>(1,943)</td>
<td>9.7%</td>
<td></td>
</tr>
<tr>
<td>Net result (RONm)</td>
<td>(384)</td>
<td>(291)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost / income ratio</td>
<td>47.4%</td>
<td>47.0%</td>
<td>0.5 pts</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>-6.9%</td>
<td>-6.5%</td>
<td>-0.4 pts</td>
<td></td>
</tr>
<tr>
<td>Total gross loans, including leasing (RON bn)</td>
<td>34.5</td>
<td>36.4</td>
<td>-5.2%</td>
<td></td>
</tr>
<tr>
<td>Total deposits (RON bn)</td>
<td>36.1</td>
<td>31.8</td>
<td>13.5%</td>
<td></td>
</tr>
</tbody>
</table>
1. THE COMPANY AND ITS SHAREHOLDERS

BRD share
Starting with January 15th, 2001, the Bank’s shares are listed in the 1st category of the Bucharest Stock Exchange and are included in the BET, BET-BK and BET-C indexes. The Bank’s shares are ordinary, nominative, dematerialized and indivisible. According to the Articles of Incorporation, article 17, letter k, the shares of the Bank are traded freely on those capital markets set by General Assembly of Shareholders (“AGA”), whereas complying with the legislation on the trade of shares issued by bank institutions.

The closing price for BRD share as at December 30th, 2013, the last 2013 trading day, was of 9.00 RON/share. On the same date, the market capitalization was RON 6,272.11 million.

During 2013 neither the Bank, nor its subsidiaries have bought back its own shares.

DIVIDENDS
According to the Romanian legislation and the Articles of Incorporation, dividends are paid from the funds created for this purpose after the approval of the General Assembly of Shareholders, within maximum 3 months from the approval date of the annual financial statements for the year then ended.

If the general shareholders’ meeting does not establish the date when dividends are paid, these shall be paid within maximum 60 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, date starting from which the company has no right to any delay.

The change in the volume of approved and distributed dividends is presented below:

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributable profit (RON million)</td>
<td>-</td>
<td>465.3</td>
</tr>
<tr>
<td>Total dividends (RON million)</td>
<td>-</td>
<td>116.3</td>
</tr>
<tr>
<td>Number of shares (millions)</td>
<td>696.9</td>
<td>696.9</td>
</tr>
<tr>
<td>Dividend per share (RON), nominal</td>
<td>-</td>
<td>0.16690</td>
</tr>
<tr>
<td>Distribution rate from distributable profit</td>
<td>-</td>
<td>25%</td>
</tr>
</tbody>
</table>

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

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

According to the Articles of Incorporation of the Bank, dividends are paid within no more than 3 months from the approval date of the annual financial statements for the year then ended, in cash or by bank transfer, according to the shareholders’ choice.

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

Considering the negative result of 2013, there will be no dividend distributed in 2014.
2. GROUP ACTIVITY AND RESULTS

ECONOMIC AND BANKING ENVIRONMENT 2013

The main macroeconomic factors with significant impact on the banking activity, during 2013:

- GDP growth expected at around 3.5% for 2013 (according to the provisory data provided by the National Institute of Statistics), with large positive contributions from agriculture and exports;

- In 2013 the inflation reached 1.55% (the lowest level registered since 1990) under the influence of a good agricultural year and the VAT cut for bread in September 2013;

- In this context, NBR relaxed its monetary policy, consequently the money market interest rates decreased significantly (ROBOR 3M decreased from 5.98% in December 2012 to 2.58% in December 2013)

- NBR maintained during 2013 the minimum compulsory reserves at the same level as in 2012 (namely 20% for foreign currencies resources, and 15% for RON resources)

In 2013, the number of credit institutions remained constant, compared to 2012 - 40 units, out of which 9 are foreign bank branches and 2 are banks with fully or majority state-owned capital.

Regarding banking activity, a dynamic deposits’ growth (+8.0% yoy) has been noticed, with household maintaining a relatively high propensity to save, in a still uncertain environment and corporate deposits growth strongly accelerating in the last quarter of 2013.

The overall gross loans’ volume decreased by 3.5% yoy, over the last 12 months especially on the corporate segment (- 5.3% yoy), with companies continuing to restrict their investments. At the same time, loans to individuals contracted by 1.1% yoy, with consumer loans declining by 7.4% yoy and housing loans increasing by 10.2% yoy (supported by “Prima casa” program).

The total aggregate assets of the banking system stood at RON 362 billions at end of 2013, down from a year earlier by 1%.

The Romanian banking system capitalization in 2013 remained comfortable with a solvency ratio of 15.02% at year-end (14.6% at 2012 end).

The assets quality in the banking system continued to deteriorate in 2013, the non-performing loan ratio (according to prudential regulations) going up to 21.9% from 18.2% in 2012.
2. GROUP ACTIVITY AND RESULTS

THE BANK ACTIVITY

As at December 31st, 2013 the Bank had 883 branches, ensuring the distribution of its products throughout the whole country.

In 2013 BRD continued to have a strong customer base, despite a slightly decreasing trend in the number of active clients. The bank focused on upgrading its digital banking offer, with the ambition of turning it into the reference on the market.

The launch of the new mobile banking solution was a success, the product being subscribed by 30 000 clients in less than two months and generating a 15% increase of mobile banking users in the country.

The equipment rates (number of products per client) improved compared to 2012 both for individual and corporate customers, mostly pushed by remote banking solutions, but also by saving accounts and housing loans.

The Bank’s commercial offer includes a complete range of financial and banking products and services designed for both private and corporate customers.

BRD continued to be the second largest bank in Romania, with the following market shares:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL ASSETS</td>
<td>13.6%</td>
<td>13.1%</td>
<td>13.0%</td>
</tr>
<tr>
<td>LOANS</td>
<td>14.3%</td>
<td>14.6%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Individuals</td>
<td>15.7%</td>
<td>16.3%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Corporate</td>
<td>13.1%</td>
<td>13.3%</td>
<td>12.2%</td>
</tr>
<tr>
<td>DEPOSITS</td>
<td>14.9%</td>
<td>14.7%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Individuals</td>
<td>13.5%</td>
<td>13.3%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Corporate</td>
<td>16.7%</td>
<td>16.4%</td>
<td>18.8%</td>
</tr>
</tbody>
</table>
2. GROUP ACTIVITY AND RESULTS

The structure of the customers’ loans evolved as follows over the last three years:

<table>
<thead>
<tr>
<th>RON bln</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs</td>
<td>11.8</td>
<td>12.2</td>
<td>11.4</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Large corporate</td>
<td>5.8</td>
<td>6.2</td>
<td>4.8</td>
<td>-22.9%</td>
</tr>
<tr>
<td>Consumer loans</td>
<td>11.6</td>
<td>10.7</td>
<td>9.7</td>
<td>-9.9%</td>
</tr>
<tr>
<td>Housing loans</td>
<td>4.7</td>
<td>6.2</td>
<td>7.5</td>
<td>22.1%</td>
</tr>
<tr>
<td><strong>Total gross loans</strong></td>
<td><strong>33.9</strong></td>
<td><strong>35.4</strong></td>
<td><strong>33.5</strong></td>
<td><strong>-5.4%</strong></td>
</tr>
</tbody>
</table>

Loans to individuals grew by 1.8%, with the increase driven by housing loans, whose volume rose by 22.1%, significantly outperforming the market (+10.1%), and leading to a 1.7 pt market share increase.

BRD continued to be the main player on housing loans, benefiting from its leadership position on “Prima casa” program.

Low demand for corporate loans triggered an 11.9% decline of gross volume.

Nevertheless, BRD consolidated in 2013 its market leader position on large corporate and non-banking financial institutions segments through attracting new clients (multinational and local), expanding the product mix offer and developing high level expertise and top market position in the fields of syndications and factoring.

The customers’ deposits structure evolved as follows over the last three years:

<table>
<thead>
<tr>
<th>RON bln</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporates RON</td>
<td>10.5</td>
<td>9.7</td>
<td>13.1</td>
<td>34.8%</td>
</tr>
<tr>
<td>Corporates FX</td>
<td>4.5</td>
<td>5.9</td>
<td>6.3</td>
<td>6.2%</td>
</tr>
<tr>
<td>Individuals RON</td>
<td>8.2</td>
<td>7.9</td>
<td>8.4</td>
<td>6.1%</td>
</tr>
<tr>
<td>Individuals FX</td>
<td>7.1</td>
<td>8.4</td>
<td>8.4</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Total deposits</strong></td>
<td><strong>30.3</strong></td>
<td><strong>31.9</strong></td>
<td><strong>36.1</strong></td>
<td><strong>13.3%</strong></td>
</tr>
</tbody>
</table>

2013 was marked by the increasing deposits’ base on all segments, generating a dynamic growth of total deposits (+13.3%, versus +8.0% for the overall market) and leading to an improvement of the market share (+0.8 pt). This positive evolution was mainly triggered by particularly robust growth of corporate deposits and sustained increase in RON deposits.

Moreover, 2013 brought a strong development of stable resources’ base, with 12 months (and more) deposits registering a 57% increase in 2013.

For the evolution of the main components of the net banking income please refer to “Financial results” section.
2. GROUP ACTIVITY AND RESULTS

SUBSIDIARIES ACTIVITY

BRD SOGELEASE IFN SA

In 2013, the leasing market was still on a descending slope.

In this difficult context, despite the increase in number of clients by 3% to almost 2 700, the net financed amount decreased by 18%.

BRD Sogelease portfolio structure, at 31st of December 2013, was the following: cars (22.2%), commercial vehicles (32.0%), construction equipments (10.4%), medical equipments, industrial and agricultural equipments (19.6%), IT and office equipments (2.1%), real estate (13.6%).

During 2013, BRD Sogelease efforts were focused on diversifying its offer and services to customers, by consolidating existing partnerships, as well as by offering advantageous financing alternative.

The stock of leasing financing evolved as follows over the period 2011 - 2013:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>RONm</td>
<td>775</td>
<td>704</td>
<td>633</td>
<td>-10.1%</td>
</tr>
</tbody>
</table>

As at the end of December 2013, BRD Sogelease ranked 4th among the Romanian leasing companies, with a market share of 6.1%.

BRD FINANCE IFN SA

In 2013, BRD Finance remained one of the leading players in the consumer credit market in Romania, with a market share of 11% on the gross outstanding amount of loans as at September 2013, and ranking 2nd in terms of production among non-banking financial institutions which offer loans at the point of sale.

BRD Finance’s commercial strategy continued to be focused on strengthening existing partnerships with the key market retailers and major car dealers network through dynamic and flexible approaches, offering a wide range of value added products to end customers: credit cards, loans for durable goods, personal loans and car loans.

In terms of loans production, BRD Finance succeeded to register a growth of 14% compared to 2012, sustained by increases on all segments: revolving loans (+16%), consumer loans (+4%) and car loans (+17%).

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian mutual funds market, with a market share at 2013 end of 10.5%, significantly higher than at 2012 end (8.5%). BRD Asset Management proposes to investors a portfolio of 6 open investment funds: Simfonia, BRD Obligatiuni, Actiuni Europa Regional, Diverso Europa Regional, BRD Eurofond (EUR denominated) and Index Europa Regional.
2. GROUP ACTIVITY AND RESULTS

FINANCIAL POSITION ANALYSIS

According to NBR order 9/2010, starting January 1st, 2012 the Bank applies as accounting base the International Financial Reporting Standards, consequently the below financial position analysis is made based on the individual and consolidated financial statements accordingly prepared, for the period ended December 31, 2013 and the comparative periods.

FINANCIAL POSITION – ASSETS

The total assets decreased in 2013 by 1.8% both for the Bank and for the Group and had the following structure:

THE BANK

<table>
<thead>
<tr>
<th>Assets (RONm)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and current accounts with Central Bank</td>
<td>9,404</td>
<td>9,383</td>
<td>9,779</td>
<td>4.2%</td>
</tr>
<tr>
<td>Loans and advances to credit institutions</td>
<td>995</td>
<td>368</td>
<td>687</td>
<td>86.7%</td>
</tr>
<tr>
<td>Net loans and advances to customers</td>
<td>31,529</td>
<td>31,478</td>
<td>27,764</td>
<td>-11.8%</td>
</tr>
<tr>
<td>Other financial instruments</td>
<td>5,193</td>
<td>5,242</td>
<td>7,412</td>
<td>41.4%</td>
</tr>
<tr>
<td>Tangible and intangible assets</td>
<td>1,286</td>
<td>1,193</td>
<td>1,090</td>
<td>-8.6%</td>
</tr>
<tr>
<td>Other assets</td>
<td>343</td>
<td>260</td>
<td>347</td>
<td>33.7%</td>
</tr>
<tr>
<td>Total assets</td>
<td>48,751</td>
<td>47,924</td>
<td>47,079</td>
<td>-1.8%</td>
</tr>
</tbody>
</table>

THE GROUP

<table>
<thead>
<tr>
<th>Assets (RONm)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and current accounts with Central Bank</td>
<td>9,405</td>
<td>9,383</td>
<td>9,780</td>
<td>4.2%</td>
</tr>
<tr>
<td>Loans and advances to credit institutions</td>
<td>1,035</td>
<td>395</td>
<td>714</td>
<td>80.7%</td>
</tr>
<tr>
<td>Net loans and advances to customers</td>
<td>32,566</td>
<td>32,371</td>
<td>28,628</td>
<td>-11.6%</td>
</tr>
<tr>
<td>Other financial instruments</td>
<td>5,191</td>
<td>5,196</td>
<td>7,375</td>
<td>41.9%</td>
</tr>
<tr>
<td>Tangible and intangible assets</td>
<td>1,325</td>
<td>1,220</td>
<td>1,110</td>
<td>-9.0%</td>
</tr>
<tr>
<td>Other assets</td>
<td>357</td>
<td>325</td>
<td>384</td>
<td>18.2%</td>
</tr>
<tr>
<td>Total assets</td>
<td>49,879</td>
<td>48,891</td>
<td>47,991</td>
<td>-1.8%</td>
</tr>
</tbody>
</table>

Loans and advances to customers

The net loans’ outstanding amounts, both for the Bank and for the Group, continued to deteriorate both due to a declining lending activity and to the significant reinforcement of non-performing loans’ coverage with provisions.

Cash, current accounts with the Central Bank and loans and advances to credit institutions

The most liquid assets of the Bank, namely cash, current accounts with the Central Bank and loans and advances to credit institutions, increased in 2013 by around 4%, and continued to represent around 21% of the total assets. The most important component of this aggregate is the minimum compulsory reserve held with the National Bank of Romania (RON 6,924 millions as at December 31, 2013, RON 6,300 millions as at December 31, 2012).
2. GROUP ACTIVITY AND RESULTS

Other financial instruments
The other financial instruments mostly represent treasury bills issued by the Romanian Government which are accounted as available for sale and trading instruments. They stand for around 15% of the total assets and recorded an increase of 47% compared to 2012 end.

Tangible and intangible assets
The tangible and intangible assets stand for around 2.5% of the total assets both for the Bank and the Group. The most important share is represented by land and buildings (around 70%). Most of the buildings are recently constructed or modernized and are situated all over the country.

Capital expenditure reached RON 65.7 million for the Bank and RON 66.8 million for the Group in 2013, the main component being IT investments. There is no capitalized research and development expenditure.

FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities, for the period 2011 – 2013 is as follows:

THE BANK

<table>
<thead>
<tr>
<th>Liabilities and shareholders equity (RONm)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts owed to credit institutions</td>
<td>11,936</td>
<td>9,899</td>
<td>5,187</td>
<td>-47.6%</td>
</tr>
<tr>
<td>Amounts owed to customers</td>
<td>30,303</td>
<td>31,892</td>
<td>36,146</td>
<td>13.3%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>621</td>
<td>626</td>
<td>586</td>
<td>-6.5%</td>
</tr>
<tr>
<td>Shareholders equity</td>
<td>5,890</td>
<td>5,507</td>
<td>5,161</td>
<td>-6.3%</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders equity</strong></td>
<td>48,751</td>
<td>47,924</td>
<td>47,079</td>
<td>-1.8%</td>
</tr>
</tbody>
</table>

THE GROUP

<table>
<thead>
<tr>
<th>Liabilities and shareholders equity (RONm)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts owed to credit institutions</td>
<td>12,859</td>
<td>10,665</td>
<td>5,896</td>
<td>-44.7%</td>
</tr>
<tr>
<td>Amounts owed to customers</td>
<td>30,218</td>
<td>31,786</td>
<td>36,065</td>
<td>13.5%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>713</td>
<td>694</td>
<td>634</td>
<td>-8.7%</td>
</tr>
<tr>
<td>Shareholders equity</td>
<td>6,088</td>
<td>5,746</td>
<td>5,397</td>
<td>-6.1%</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders equity</strong></td>
<td>49,879</td>
<td>48,891</td>
<td>47,991</td>
<td>-1.8%</td>
</tr>
</tbody>
</table>
2. GROUP ACTIVITY AND RESULTS

Amounts owed to customers
The share in total liabilities of the customers’ deposits increased to 86.2% at 2013 end for the Bank (from 75.3% at 2012 end) and to 84.7% for the Group (from 73.7% at 2012 end), leading to a higher degree of financial autonomy.

Amounts owed to the credit institutions
Amounts owed to credit institutions represent mainly borrowings from the Parent (including subordinated debt) and from International Financial Institutions, and stood for 12.4% from the Bank’s total liabilities and for 13.8% of the Group’s total liabilities, their weight decreasing in favour of customers’ deposits.

Shareholders’ equity
Due to the negative result of 2013, the shareholders’ equity decreased by 6.3% for the Bank and by 6.1%, for the Group. Nevertheless the capital adequacy ratio remained at a comfortable level (14.3% at 2013 vs 14.0% at 2012 end).

The structure of the shareholders’ equity evolved as follows during the last three years:

<table>
<thead>
<tr>
<th>THE BANK</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>2,516</td>
<td>2,516</td>
<td>2,516</td>
<td>0.0%</td>
</tr>
<tr>
<td>Reserves from revaluation of available for sale assets</td>
<td>(15)</td>
<td>59</td>
<td>78</td>
<td>33.8%</td>
</tr>
<tr>
<td>Reserves from defined pension plan</td>
<td>-</td>
<td>(16)</td>
<td>(3)</td>
<td>-81.4%</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>3,390</td>
<td>2,949</td>
<td>2,570</td>
<td>-12.9%</td>
</tr>
<tr>
<td>Total</td>
<td>5,890</td>
<td>5,507</td>
<td>5,161</td>
<td>-6.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>THE GROUP</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>2,516</td>
<td>2,516</td>
<td>2,516</td>
<td>0.0%</td>
</tr>
<tr>
<td>Reserves from revaluation of available for sale assets</td>
<td>(15)</td>
<td>59</td>
<td>78</td>
<td>33.8%</td>
</tr>
<tr>
<td>Reserves from defined pension plan</td>
<td>-</td>
<td>(16)</td>
<td>(3)</td>
<td>-81.4%</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>3,545</td>
<td>3,136</td>
<td>2,755</td>
<td>-12.1%</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>44</td>
<td>52</td>
<td>50</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Total</td>
<td>6,088</td>
<td>5,746</td>
<td>5,397</td>
<td>-6.1%</td>
</tr>
</tbody>
</table>

Liquidity position
Both the Bank and the Group have maintained a balanced structure of resources and investments and a satisfactory liquidity level during 2013.

The net loans/deposits ratio significantly improved in 2013 to 76.8% at year end (from 98.7% at 2012 end) for the Bank and to 77.8% (from 99.8% at 2012 end) for the Group.
2. GROUP ACTIVITY AND RESULTS

2013 FINANCIAL RESULTS

The comparative income statement of the Bank for the period 2011 – 2013 is presented below:

<table>
<thead>
<tr>
<th>RONm</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net banking income,</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>out of which</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- net interest income</td>
<td>2,075</td>
<td>1,856</td>
<td>1,649</td>
<td>-11.1%</td>
</tr>
<tr>
<td>- net commissions</td>
<td>753</td>
<td>773</td>
<td>738</td>
<td>-4.6%</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>-1,384</td>
<td>-1,354</td>
<td>-1,278</td>
<td>-5.6%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>1,716</td>
<td>1,559</td>
<td>1,434</td>
<td>-8.0%</td>
</tr>
<tr>
<td><strong>Net cost of risk</strong></td>
<td>-1,199</td>
<td>-1,937</td>
<td>-2,083</td>
<td>7.5%</td>
</tr>
<tr>
<td><strong>Gross result</strong></td>
<td>517</td>
<td>(378)</td>
<td>(649)</td>
<td></td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>469</td>
<td>(331)</td>
<td>(386)</td>
<td></td>
</tr>
</tbody>
</table>

The comparative income statement of the Group for the period 2011 – 2013 is presented below:

<table>
<thead>
<tr>
<th>RONm</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>13/12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net banking income,</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>out of which</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- net interest income</td>
<td>2,179</td>
<td>1,946</td>
<td>1,728</td>
<td>-11.2%</td>
</tr>
<tr>
<td>- net commissions</td>
<td>768</td>
<td>803</td>
<td>768</td>
<td>-4.3%</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>-1,465</td>
<td>-1,433</td>
<td>-1,345</td>
<td>-6.1%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>1,777</td>
<td>1,614</td>
<td>1,491</td>
<td>-7.6%</td>
</tr>
<tr>
<td><strong>Net cost of risk</strong></td>
<td>-1,223</td>
<td>-1,943</td>
<td>-2,131</td>
<td>9.7%</td>
</tr>
<tr>
<td><strong>Gross result</strong></td>
<td>555</td>
<td>(329)</td>
<td>(640)</td>
<td></td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>498</td>
<td>(291)</td>
<td>(384)</td>
<td></td>
</tr>
</tbody>
</table>

The net banking income has been mostly affected, in 2013, by the decline in net interest margin. This decrease in net interest margin by 11.1% versus 2012 was generated by the decline of average net loans volumes on corporate segment and by an adverse structure effect (higher weight of housing loans in the portfolio, lower one for consumer loans).

The net fees and commissions contracted by 4.7%, mostly due to the lower lending activity and the decrease of off balance sheet commitments.

In 2013, BRD reinforced its operational efficiency by a tight and efficient cost control, which led to a 5.6% reduction in operational expenses compared to 2012. The Bank, consequently, maintained a low cost/income ratio at 47.1%.

This positive evolution has been generated by a 1.7% reduction of staff expenses as a result of headcount adjustment (FTEs number reduced by 249 employees in 2013, reaching 7,296 at year end) and by the implementation of a cost optimization program leading to a 9.1% decrease of non-staff expenses, especially on IT and real estate costs.
2. GROUP ACTIVITY AND RESULTS

Following the reinforcement of the non-performing loans coverage with provisions (from 51.9% at 2012 to 68.9% at 2013 end), the net cost of risk increased by 7.5% in 2013.

Significant provisioning efforts have been made in 2013 on SMEs and small business portfolios which register high default rate, a growing share of exposures under insolvency regime and decreasing loan collateral values.

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.

CONCLUSIONS ON 2013 AND PERSPECTIVES 2014

2013 was a turning point for recovery with BRD showing a strong financial structure, despite an accounting result which was affected by the consolidation of the non-performing loans coverage with provisions.

The Bank re-affirmed its financial and business solidity with an increased operational efficiency, a strengthened balance sheet structure and a comfortable capital adequacy.

In 2014, BRD will continue to sustain the economy and to focus its efforts on increasing the customer satisfaction and while continuing the optimization of its business processes for an enhanced operational efficiency.
3. CORPORATE GOVERNANCE

The corporate governance of BRD represents the set of principles underlying the framework through which the Bank and the Group are managed and controlled.

ADMINISTRATION AND MANAGEMENT OF THE BANK

BRD-Groupe Société Générale has adopted the unitary system of administration in full harmony with the principles of good corporate governance, transparency of relevant corporate information, protection of the shareholders and of other categories of concerned persons (stakeholders), as well as of an efficient operation on the banking market.

The composition of the management body (both supervisory - Board of Directors and management functions - Executive Committee) reflects an adequately broad range of experiences and all members of the management body commit sufficient time to their duties and to the examination of risk implications.

The members of the management body have the necessary expertise to carry out their duties, and are able to make their own judgments and decisions.

The management body promotes high ethical and professional standards and an internal control culture.

BOARD OF DIRECTORS

The Board of Directors is made up of 11 members, elected by the General Assembly of the Shareholders for a 4-year term of office.

The structure of the Board of Directors ensures a balance between the executive and the 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. It includes two executive and nine non-executive members, among which one independent non-executive member.

The year 2013 brought changes to the composition of the Board of Directors, as follows:

- The Ordinary General Meeting of the Shareholders of April 18, 2013 approved the election of Mr. Jean-Luc André Joseph PARER as director for a 4-year term of office, subject to the prior approval by NBR, following the end of Mr Bogdan Baltazar's term of office on account of his death;

- The renunciation of Mr. Sorin –Mihai Popa from the position as member of the Board of Directors of BRD-Groupe Société Générale, starting with June 3, 2013

- The renunciation of Mrs. Anne Clémentine Marcelle Marion - Bouchacourt from the position as member of the Board of Directors of BRD-Groupe Société Générale, starting with December 27, 2013.
3. CORPORATE GOVERNANCE

MEMBERS OF THE BOARD OF DIRECTORS AS AT DECEMBER 31, 2013

Philippe Charles LHOTTE
Chairman - CEO

Born on January 15, 1961
Residence: Bucharest, 1st district
Bachelor of Law at the University Paris 2 and graduated the Institute of Political Studies in Paris, Philippe Charles Lhotte made his entire career within Société Générale.
Between 1987 and 1994, he held the position of Inspector within the General Inspection of Société Générale.
Between 1994 and 1997, he was Deputy Director of the Group Saint Germain-en-Laye, then Regional Director of Group Hérault (Montpellier) between 1998 and 2004.
Between January 2005 and November 2012, he was Chairman of the Board and CEO of SG Expressbank AD in Bulgaria. During those seven years, the Bulgarian subsidiary of the Société Générale Group strongly developed its entire range of activities. It won the "Best Bank in Bulgaria" award given by Euromoney magazine, among the "Euromoney Awards for Excellence 2012".
Since October 31, 2012, he holds the positions of Director and CEO of BRD - Groupe Société Générale SA and since November 5th, 2012, he is Chairman of the Board of Directors of BRD.

Petre BUNESCU
Member of the Board of Directors
Deputy CEO

Born on November 15, 1952
Residence: Bucharest, 3rd District

In 1975, he becomes an employee of the Investment Bank, and in 1990 he is appointed as Deputy CEO of the Bucharest Branch. Once the Romanian Bank for Development is set up, on December 1st, 1990, he takes over the position of Vice-Chairman and member of the Board of Directors and of the Executive Committee of the bank until July 1999. Between November 1997 and May 1998, he holds the position of Interim Chairman of the Romanian Bank for Development. In the period 1998-2005 he represented BRD’s interests in MISR – Romanian Bank as Member of the Board of Directors.
Since August 1999, he has been Deputy CEO and member of the Board of Directors of BRD - Groupe Société Générale and between May 1, 2012 and November 5, 2012, he occupied the position of Interim Chairman of the Board of Directors.

On April 14th, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011. He is the Vice-Chairman of the Romanian Banking Association and member of the Board of Directors of Transfond SA. Between 1997 and 2006 he has been a permanent member of the teaching staff of the Romanian Banking Institute and of the Financial and Banking Studies Institute, and between 2007 and 2011 he has been an associated member of the teaching staff of the Romanian-American University in Bucharest.
He graduated from the Economic Studies Academy in 1975. In 2003, he got his PhD in Economics.
3. CORPORATE GOVERNANCE

Didier Charles Maurice ALIX  
Non-executive member of the Board of Directors

Born on August 16, 1946  
Residence: Paris, France

He joined Société Générale in 1971.  
Between 1972 and 1979, he was an inspector with the General Inspection and became the head of the Central Risk Control structure. In 1984, he was appointed Manager of the Levallois Group, then, in 1987, of the Paris Opera Group.  
Between 1991 and 1993, he was assigned at the Specialised Financing Division, seconded at Franfinance, the consumer financing subsidiary, as CEO. In 1993, he was appointed Deputy Manager of the French Network, and Manager in 1995.  
In 1998, he was appointed Deputy CEO in charge of private and corporate clients. Between 2006 and 2009, Didier ALIX was appointed Deputy CEO of the Société Générale Group.  
On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011.

He graduated the Political Studies Institute in Paris with a degree in Economic Sciences.

Jean-Louis MATTEI  
Non-executive member of the Board of Directors  
Chairman of the Audit Committee  
Chairman of the Remuneration Committee

Born on September 8, 1947  
Residence: Paris, France

In 1973, he joined the Société Générale Group and, in time, holding in the following positions:  
Controller with the Agencies’ Division in Provence area, Training Manager – HR Division, Officer in charge of the Cost Laboratory (study of costs and profitability) within the Technical Management Division, Officer in charge with Management Control within the Organization and Informatics Department within the Management Technique Division, Officer for the Africa Overseas Area.  
Since 1998 until 2012, he has been the Head of BHFM – the structure that coordinates the activity of the commercial banks - subsidiaries of Société Générale in Central and Eastern Europe, the Mediterranean area, Africa and the French Overseas territories.  
He has a degree in law and public services, and a diploma from the Centre of Higher Education in Banking.  
On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011.
3. CORPORATE GOVERNANCE

Jean-Luc André Joseph PARER
Non-executive member of the Board of Directors of BRD

Born on April, 1954, Madrid
Residence: Paris, France
Jean-Luc Parer is a graduate of HEC and holds a Master’s degree in Law.
Jean-Luc Parer began his career in September 1980 in Société Générale’s Inspection Department as Inspector and then Senior Inspector. In 1991, he joined Société Générale Corporate & Investment Banking where he occupied the positions of Deputy Head of Structured Finance, Deputy Head of Specialized Finance, and then Head of Structured Finance. In 2001-2007, he held the position of Deputy Head of Debt Finance Division. In 2008, he became Head of the Capital markets and Financing division, then Head of the Global Finance division in 2009.
In 2012, Jean-Luc Parer became Head of the Retail Banking outside France division (BHFM) and a member of the Executive Committee of the Group.
On October 21, 2013, he received the National Bank of Romania prior approval and he took over the position of Director of BRD – Groupe Société Générale S.A.

Bernardo Sanchez INCERA
Non-executive member of the Board of Directors of BRD

Born on March 9, 1960
Residence: Paris, France
Between 1984 and 1992, he was a customer consultant and deputy manager of the corporate branch La Defense of the Credit Lyonnais bank. Until 1994, he held the position of manager and chairman of the Credit Lyonnais subsidiary in Belgium. Between 1994 and 1996, he was Deputy Manager of the JOVER bank.
From 1996 until 2009, he held several managerial positions, such as Chairman of Zara France, Manager of International Operational Director of Inditex Group, Chairman of LVMH Mode et Maroquinerie Europe and LVMH Fashion Group France, General Director of Viavarte Group, CEO of of Monoprix France.
In 2009, he joined Société Générale by taking over, starting with January 2010, the position of Deputy CEO in charge of the International Retail Banking Division (BHFM) and of the Specialised Financial Services activity.
He graduated from the Political Studies Institute in Paris and has an INSEAD Master of Business Administration.
On April 14, 2011, he was elected director of BRD for a 4-year term of office, starting with April 18, 2011.
3. CORPORATE GOVERNANCE

Dumitru POPESCU
Non-executive member of the Board of Directors
Member of the Audit Committee

Born on March 15, 1953
Residence: Bucharest, 2nd district
He has 30 years of experience in the banking, financial, academic, administrative fields, both in operation and management, at the macro and microeconomic levels, and he held the following positions: Deputy Secretary of State in the Ministry of Economy and Finance – Economic Strategy and Orientation Department, National Coordinator of Technical and Economic Assistance for Romania, State Advisor of the Deputy Prime Minister, Secretary of State – Chairman of the Romanian Agency for Restructuring, Vice-Chairman of TEC MIAO, a Romanian-American Enterprise Fund, Project Manager within PSAL II – a World Bank Program for Romania, Senior Consultant for the Chairman of APAPS within the programme “High Technical Assistance for Evaluating the Effects of Privatization in Romania”, Senior Consultant for the United States Agency for International Development within a project regarding a complex analysis of the agricultural system in Romania.
He has 27 years of experience in the university field, now a professor at the Academy of Economic Studies in Bucharest in the fields of economic and financial analysis of companies. He is also the author of 14 books and 45 articles of financial analysis.
On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011.

Sorin Marian COCLITU
Independent member of the Board of Directors
Member of the Audit Committee
Member of the Remuneration Committee

Born on July 16, 1948
Residence: Bucharest, 6th district
Positions held in other companies: Chairman – CEO of Fondul Român de Garantare a Creditelor pentru Intreprinzatorii Privati.
Sorin Marian Coclitu is an economist and, over the years, held the following positions: economist with SC Grivita Rosie, main inspector within the State Planning Committee – Synthesis Division, expert with the Ministry of National Economy – Secretariat for Privatization, consultant with the Strategy and Reform Council – Government of Romania, Sub-Secretary of State - Ministry of Economy and Finance, and Advisor of the President and General Manager of the Coordination, Strategy and Control Department with the National Privatization Agency, General Secretary of the SIF Muntenia Shareholders’ Representative Council.
He graduated the Economic Computation and Economic Cybernetics Faculty within the Economic Studies Academy in Bucharest.
On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011 and, at the same time, the General Assembly appointed him as an independent director of BRD.
### 3. Corporate Governance

**Ioan CUZMAN**

**Non-executive member of the Board of Directors**

Born on October 3, 1944  
Residence: Arad, Arad County

As of 1981, he filled in the positions of: economist with the Enterprise Electrobanat Timisoara, Financial Office Manager with the Machine-Tools Factory in Arad, Deputy Commercial Manager with the Confections Factory in Arad, Sub-prefect of Arad County, University Lecturer at the West University in Timisoara, Chairman – CEO at Fondul Proprietatii Private no. 1 Banat-Crisana.

On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011.

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

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

**Attributions and responsibilities of the Board of Directors**

The main attributions of the Board of Directors, including those that cannot be delegated to members of the executive management, are set by law and by the Articles of Incorporation. In cases permitted by the law, the General Assembly of Shareholders may delegate to the Board of Directors other attributions, 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 structure, 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 system and approves the financial planning.

The Board of Directors approves the general strategy of development of the bank, of identification of significant risks and of management of such risks, and makes sure that the activity of the executive management structure 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.

The members of BRD’s Board of Directors meet the eligibility conditions and criteria required for an efficient administration of BRD, meaning they:

- Have a good reputation and carry out their business 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 Board for an efficient and highly performing administration of the bank’s activity.

To designate an independent director, the Board of Directors and the General Assembly of the Shareholders take into account the compliance with the independence criteria stipulated by the Companies’ Act no. 31/1990.
3. **CORPORATE GOVERNANCE**

**Meetings of the Board of Directors**

The Board of Directors meets any time it is necessary, but at least once every 3 months.

The notices of meeting of the Board of Directors 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.

**Activity of the Board of Directors in 2013**

In 2013, 10 meetings of the Board of Directors took place, and the decisions of the Board were made with the unanimity of the votes.

On the Board of Directors agenda the following subjects were included: The general strategy of development of the bank, the identification and management of material risks in 2013, the liquidity risk management of the Bank, BRD remuneration policy, reports on annual inventory, reports regarding the internal control framework, reports regarding Bank/Group results, memos regarding changes in Bank/Group Management, modifications in internal regulations etc.

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, on significant risks, on the activity of Audit Committee and Risk Management Committee, as well as on the main events that took place within BRD.

**Remuneration of the members of the Board of Directors**

For 2013, the Ordinary General Assembly of Shareholders approved a remuneration for the non-executive members of the Board of Directors amounting to EUR 1,500 / month (gross amount, in lei equivalent), as well as a general limit for the directors’ and members of the Executive Committee additional remunerations for 2013, amounting to RON 9 million, gross amount.
3. CORPORATE GOVERNANCE

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 three committees that assist it in performing its attributions, and for which organisation and operation rules are set and defined in the internal regulations.

Audit Committee as at December 31, 2013

The Audit Committee is made up of 3 non-executive directors, one of which is independent, elected by the Board of Directors from among its members: Jean-Louis MATTEI (Chairman), Dumitru POPESCU (Member), and Sorin Marian COCLITU (Independent Member).

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

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

The Audit Committee assists the Board of Directors in performing its responsibilities in terms of internal control and financial audit. To this effect, the Audit Committee makes recommendations to the Board of Directors regarding the strategy and policy of the credit institution in the field of internal control and financial audit.

In 2013, 4 meetings of the Audit Committee took place, where the activity and reports of internal control and conformity, internal audit and external auditor were analyzed.

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, 2013

It is a committee set up to support the Board of Directors, in order to elaborate and supervise the implementation of the remuneration policy of the Group.

The Committee is made up of 3 non-executive directors, one of which is independent, elected by the Board of Directors from among its members: Jean-Louis MATTEI (Chairman), Anne Marion BOUCHACOURT (Member), and Sorin Marian COCLITU (Independent Member). Mrs. Anne Clémentine Marcelle Marion - Bouchacourt renounced to her position as member starting with December 27, 2013.

It meets annually or any time necessary.

In order to perform the attributions entrusted, the Remuneration Committee presents to the Board of Directors, for approval, the proposed policy of remuneration within BRD, the proposals of remuneration of the directors and officers; it supervises the application of the principles of the Group staff remuneration policy and informs the Board of Directors in this respect.

Risk Management Committee as at December 31, 2013

Chaired by the CEO, the Risk Management Committee meets on a quarterly basis or more often, if necessary. 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 committee is made up of the members of the Executive Committee and the officers in charge of the internal structures, with an important role in risk management. A representative of the Internal Audit Department participates to each meeting of the committee.

In 2013, 4 meetings of the Risk Management Committee took place.
EXECUTIVE MANAGEMENT

The operational management and the coordination of the daily 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 together they represent the Executive Committee.

The Executive Committee is made up of the CEO and six Deputy CEOs. The Executive Committee is run by the CEO who is also the Chairman of the Board of Directors.

MEMBERS OF THE EXECUTIVE COMMITTEE AS AT DECEMBER 31, 2013

Philippe Charles LHOTTE
Chairman - CEO
He has direct authority over all structures and activities in the Bank and, as at December 31, 2013, the following structures were directly subordinated to him: Compliance Division, Permanent Control Division, General Secretariat, Human Resources Department, and Internal Audit Department.

Petre BUNESCU
Deputy CEO Finance / Treasury
Member of the Board of Directors
As at December 31, 2013, he was coordinating the following structures: Financial Department, Sourcing Division, Financial Markets Back Office Division, Banking Operations Pole, and Legal Division.

Alexandru-Claudiu CERCEL-DUCA
Deputy CEO – Financial Markets
Member of the Executive Committee
Born on February 17, 1968.
Residence: Bucharest, 1st district.
Between 1992 and 1993, he was a sales manager in the field of communications products. He has worked within BRD since 1993, and filled in the positions of Treasury Officer, FX technical analyst, FX trader, Treasury Deputy Manager, Market Operations Manager and Executive Officer of Financial Markets.
Since October 2, 2008, he has held the position of Deputy CEO of BRD – Groupe Société Générale.
He 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 from the Executive Master of Business Administration (EMBA) - ASEBUSS Bucharest / University of Washington, USA.
As at December 31, 2013 he was directly coordinating the following structures: Financial Markets Division, Securities Division, Financial Markets Operations Support Office, Market Analysis Office.
3. CORPORATE GOVERNANCE

Jean-Luc Bernard Raymond GRASSET
Deputy CEO – Resources
Member of the Executive Committee

Born on September 11, 1954
Residence: Bucharest, 1st district
He graduated from the University of Aix-en-Provence in 1977, having a license in Economic and Social Management. In 1979 he obtained DESS (Diploma in Specialised Higher Education) in Finance, specialty Econometrics.

In 1980, he joined Société Générale within the Group Nantes sur Loire. Between 1981 and 1989 he had several responsibilities within the Organisation Department in Paris, regarding marketing, coordination and projects implementation, among which the most important was the change in the banks’ core-banking system and banks’ reorganization.

In 1991, he started a series of missions within Société Générale structures from abroad, as Development and Audit Manager (Ivory Coast), CEO (South Africa), Ibank Implementation Manager (BRD).

Between 2003 and 2005 he returned to Paris, within BHFM, as Supervisor for a group of SG African subsidiaries.

Starting 2005 till 2010 he took over the job of Resources Manager at NSGB Egypt, where he coordinated 3 major organization projects.

Since 2010, he has held the position of Deputy CEO of BRD – Groupe Société Générale.

As at December 31, 2013 he was directly coordinating the following structures: Information System Department, Projects and Organisation Department, Banking Data Management Division, Real Estate, Logistics and Security divisions.

Gabriela Stefania GAVRILESCU
Deputy CEO – Corporate Banking
Member of the Executive Committee

Born on December 20, 1956
Residence: Bucharest, 2nd district.

Starting 1991, she enriched her professional expertise through several trainings in Société Générale and other external structures such as World Bank, DC Gardner or London Business School.

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

She has joined Société Générale in 1993 in the Bucharest Branch of Société Générale as Commercial Director.
3. CORPORATE GOVERNANCE

In 2000 she was named as Executive Delegate Director for Large Corporate Clients, where she was coordinating a team of 60 people involved in various activities such as management and development of clients’ portfolio and business, commercial policy and large clients strategy, structured lending, European funds and International Financing Institutions.

In October 2009, she became Executive Director of Large Corporate Customers Department, and starting beginning 2011 she has been appointed Member of the BRD Executive Committee.

As at December 31, 2013 she was directly coordinating the Corporate and Investment Banking Department, which includes the following structures: Corporate and Investment Banking – Commercial Division and Corporate and Investment Banking – Resources Division.

Gheorghe MARINEL
Deputy CEO – Commercial/ Marketing/ Network
Member of the Executive Committee

Born on March 13, 1965
Residence: Voluntari, Ilfov County

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

He followed several management and leadership trainings.

He has an experience of more than 20 years in the banking field, occupying several positions in credit institutions such as: Banca Comerciala Romana (1991-1993), Société Générale – Bucuresti (1993-1995) and ABN AMRO BANK Romania (1995-2001).

He has joined BRD- Groupe Societe General in 2001, occupying the following positions: project Manager – Network Reorganisation and Restructuring Project, Network Management Director and General Secretary.

Starting October 2011 he has been appointed as Deputy CEO Commercial/ Marketing/ Network.

As at December 31, 2013 he was directly coordinating: the Marketing and Product Management Department, Network Commercial Pole, Distribution Network Administration Pole, Bank Agency Network.
3. CORPORATE GOVERNANCE

Didier Luc Marie Dominique COLIN
Deputy CEO –Risk
Member of the Executive Committee

Born on April 20, 1963
Residence in Bucharest

Having an experience of over 24 years within Groupe Société Générale, he started in 1990 in Société Générale, USA Branch, as credit analyst.


In 1998, he became Financial Director of Société Générale, Branch USA, having under direct supervision 3 departments: Tax Planning, Accountancy and Financial and Management Reporting.

Between 1999 and 2000, he was Budget and Financial Director, being in charge with the redefinition and supervision of the budget process for all Société Générale Investment Banking activities in the USA.


Between 2004 and 2010, he was Risk Director and member of the Board of Directors of Komercni Banka (Czech Republic).

Between January 2011 and June 2013, he held the position of Director for Europe within International Retail Banking of Société Générale and he was in charge with the supervision of the retail activities of Société Générale in Central and Eastern Europe.

Since June 3rd, 2013, he holds the position of Deputy CEO of BRD - Groupe Société Générale, coordinator for Risk Management activities.

He graduated from University Paris IX Dauphine, with a degree in management sciences, and in 1990 he obtained a Master’s degree in Business Administration at City University of New York, Business School B. Baruch, New York, USA.

As at December 31, 2013 he was directly coordinating the Central Risk Management Pole.
3. CORPORATE GOVERNANCE

Attributions and responsibilities

The executive officers are in charge of making all the measures incumbent to the company management, within the limits of the company object and in compliance with the powers exclusively reserved by law or by the Memorandum and Articles of Association for the Board of Directors and the General Meeting of the Shareholders.

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

Within the limit of the powers and responsibilities set for 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 and in the Internal Regulations of the bank.

Changes in the structure of the Executive Committee in 2013

On January 16, 2013, the Board of Directors decided to appoint Mr Didier Luc Marie Dominique COLIN as Deputy CEO of BRD – Groupe Société Générale S.A., member of Executive Committee, coordinator of Central Risk Management Pole (subject to the NBR approval).

On June 3, 2013 Mr Colin received the approval of the National Bank of Romania.

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.

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

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

The Executive Committee provided the Board of Directors regular and comprehensive 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.

BRD shares held by the members of the Board of Directors and of the Executive Committee as at December 31st, 2013

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petre BUNESCU</td>
<td>300,000</td>
</tr>
<tr>
<td>Ioan CUZMAN</td>
<td>3,500</td>
</tr>
<tr>
<td>Claudiu CERCEL - DUCA</td>
<td>1,030</td>
</tr>
<tr>
<td>TOTAL</td>
<td>304,530</td>
</tr>
</tbody>
</table>
3. CORPORATE GOVERNANCE

RIGHTS OF THE SHAREHOLDERS

BRD respects the rights of its shareholders and ensures equal treatment for all of them.

Voting right

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

General Assemblies are called by the Board of Directors.

General Assemblies are ordinary and extraordinary. The Ordinary General Assembly of the Shareholders meets at least once a year, within no more than 5 months as of the end of the financial year, and the Extraordinary General Assembly of Shareholders meets whenever necessary. In 2013, there were 2 General Assembly (one Ordinary General Assembly of Shareholders and one Extraordinary General Assembly of the Shareholders), on April 18, 2013.

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 (former National Securities Commission) and of the Bucharest Stock Exchange (“BVB”).

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

The shareholders can participate in the works of 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 submitted to the shareholders’ approval, in order to ensure an orderly and efficient development of such works.

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

Right to dividends

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

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 set up and maintains an adequate structure for its relation with the investors, in general, and with its own shareholders, in particular. The staff of this structure has the necessary knowledge to carry out this activity and periodically attend professional training courses aimed at the development of their professional skills specific to this activity.

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. Also, all the shareholders receive an annual individual letter of information regarding their shares and the dividends due to them for the ended financial year.

The relevant information is published on the bank’s Internet page, both in Romanian and in English.

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

In order to communicate on its financial results, BRD organizes meetings with financial analysts, investment consultants, brokers and investors. These meetings during which the annual results of the bank are presented are an opportunity for Bank management and the financial market analysts to exchange opinions. The same policy of transparency has been adopted regarding the communication with the rating agencies and with the capital market institutions.

Financial calendar for the year 2014 is the following:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary financial results as at December 31, 2013 and meeting with journalists and financial analysts</td>
<td>12 February 2014</td>
</tr>
<tr>
<td>General Assembly of Shareholders</td>
<td>17 April 2014</td>
</tr>
<tr>
<td>Communication of results as of 31 December 2013</td>
<td>17 April 2014</td>
</tr>
<tr>
<td>Communication of results for the 2014 1st Quarter</td>
<td>7 May 2014</td>
</tr>
<tr>
<td>Communication of results for the 2014 2st Quarter</td>
<td>1 August 2014</td>
</tr>
<tr>
<td>Communication of results for the 2014 3st Quarter</td>
<td>7 November 2014</td>
</tr>
</tbody>
</table>
3. CORPORATE GOVERNANCE

OTHER CORPORATE GOVERNANCE ELEMENTS

Conflicts of interest

In 2013, no conflicts of interests between the members of the Board of Directors or of Executive Committee and the interests of the bank have been identified.

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

- the obligation to act only in the interest of the bank and to make decisions without allowing themselves to be influenced by any own interests that could occur in their activity;
- the obligation to keep the confidentiality of any fact, data or information which they became aware of while performing their duties, understanding that they do not have the right to use or reveal such information either during or after the end of their activity;
- the obligation to inform other members of the Board of Directors and the internal auditors of any operation in which they have direct or indirect interests, which are contrary to the interests of the bank, and not to take part in any deliberation regarding such operation.

Transactions with related parties

The internal regulations establish a set of rules to be observed by all members of the Board of Directors, members of the executive management and employees of the bank when performing their own transactions, and also in order to avoid any real or apparent (potential) conflict of interest.

The approval of the loans to related private and corporate persons falls within the competence of the Board of Directors.

Insider trading

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

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

Key figures 2013
- 8,300 employees at BRD Group level;
- 10.6% total turnover, out of which 6% voluntary turnover;
- 2% geographical mobility;
- 98% of the personnel followed at least one course of professional development;
- 3 days/employee is the average training duration per employee

In 2013, the Human Resources Department continued to deliver the projects and actions in line with the strategic HR axes: career management, managerial development, employee engagement, efficiency and communication.

Business support and continuous improvement

HR offered specific support in various business projects that aimed to optimize the structure of the bank in order to be more efficient and provide quality services for our clients. Our aim was to ensure efficient and dynamic structures in order to maximize business results. Among the main projects there were: network reorganizations (territorial reorganizations, back office centralization, market re-segmentation), optimizing the structure of different departments from the Headquarters, delivering support for special projects, etc.

Career Management

During the last year we continued the HR meetings with the employees in order to assess the potential of each employee and ensure they are occupying the right position according to their skills and experience. In 2013 we managed to have 1,482 employees who changed their position as a result of our internal mobility policy. Changes of functions were accompanied by specific training paths which contain various learning methods.

We’ve recruited more than 600 persons last year, mostly in the network sector, in order to expand our commercial capacity, to achieve our selling objectives.

Training & Risk Awareness

Last year we have delivered a series of specialized trainings, based on the business needs. The training programs delivered consisted of: Back office and front office Academies (for retail and corporate clients), while continuing the Client in Pole Position and Commercial School projects; Behavioural trainings (communication, sales & negotiation, time management, presentation, client relationship, etc.); Managerial training programs: (we continued to support our managers’ development through specialized training programs that reached 1,244 managers in 2013).

The programs delivered in 2013 took into consideration also punctual trainings determined by special projects such as the launch of MyBRD Mobile, the dematerialization of payment orders and others.

The entire population was enrolled in a series of risk awareness, market ethics mandatory e-learnings in order to reinforce the internal risk culture.
4. HUMAN RESOURCES

Employee engagement & impact in educational environment

In 2013 we have deployed the third Employee Barometer Survey that registered a 67% participation rate, higher than in the other editions. Results were communicated to each Group/department in order to establish local action plans to improve general satisfaction and employee engagement.

We also focused on delivering motivational projects for our employees, especially in the work life balance area. In 2013 we have continued volunteering projects for the employees who wanted to contribute to the improvement of education and the employability of the Romanian graduates, through the Campus Club Project. The employees involved last year delivered presentations to more than 7000 potential candidates. During the whole year, we placed more than 1400 interns throughout all the structures of the bank (network and Headquarters).
5. CORPORATE AND SOCIAL RESPONSIBILITY

BRD applies the principles of corporate responsibility both in its activities and business lines, through a responsible management of bankers’ profession and human resources management as well as its impact on the environment.

RESPONSIBILITY APPLIED TO BUSINESS LINES

EQUATOR PRINCIPLES

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

RESPONSIBILITY TO THE COMMUNITY

EDUCATION AND SOLIDARITY

BRD’s social mission is to make a positive change in Romanian society by contributing together with our employees and stakeholders, by a team effort, to a better education of children and young people.

Education is, from our point of view, essential for driving economic development, helping to create thriving communities and inspiring young people to achieve their potential.

In particular, we are concerned with improving access to education and reduce illiteracy, supporting young talent and supporting the integration of young people into active life.

Here we present a few figures expressing our involvement in educational programs:

- 180 severely impoverished children between age 3 and 5 in the villages of Araci and Hetea (Covasna County) are benefitting from early education through Fiecare Copil in Gradinita. They live in overcrowded deplorable housing conditions, without normal access to potable water or health care. Hetea is one of the most isolated areas in Romania.

- 150 children from Slobozia Noua (Bacau County) are getting support for homeworks and have access to educational programs with the help of Fundatia de Sprijin Comunitar Bacau.

- 120 children from Tecuci and Galati and close villages can go to school and get support to overcome difficulties. We also support 40 scholarships for children with very good school results. Our partner, in this project is Fundatia „Inima de Copil” from Galati;

- 200 children living on the street or in improvised shelters in Bucharest are helped to go to school by SamuSocial and Parada foundations. Their parents are counseled in order to start building a new life.
5. CORPORATE AND SOCIAL RESPONSIBILITY

INVOVLEMENT MECHANISMS
BRD is trying to create mechanisms through which employees but also customers and partners can become involved in a permanent manner.

Examples:
- Through internal program of salary donations, 1,500 employees donate monthly amount doubled by the bank. In 2013, 14 programs for education and labour market insertion were funded to the benefit of 2,700 children and youth;
- Volunteer in Education is our internal volunteering platform. Different programs are proposed each year so our employees can share knowledge in different areas: financial education, communication, time management etc. In 2013, 128 employees have been volunteers in education.
- Pro Bono Day is our newest project aiming offer our professional expertise to partners NGOs. A selected NGO present a specific need and a team of BRD experts are working one day along with NGO’s employees to find solutions from a different perspective. This year we’ve helped the foundation “Inocenti” to build a communication and marketing strategy.

SPORT
Be it tennis, football or cycling, confirmed athletes or talents, BRD was again involved in promoting sport in Romania. The most representative partnerships are BRD Nastase Tiriac Trophy, Hagi Academy, and Cycling Tour of Romania.

CULTURE
BRD organizes periodically at its headquarters exhibitions of famous Romanian artists and young people who are starting out. The Bank also supports cultural and academic events.

One of the most important partnerships is with Princess Margareta of Romania Foundation which supports the program for Young Talents. 30 young artists received scholarships and access to camps, competitions abroad, mentoring programs and promotion.

Another important project is Sonoro Manoir, a series of chamber music concerts in beautiful locations as manors, chateaux, aiming to draw attention to the importance of protecting our heritage. BRD also supports Sonoro Interefente - a scholarship program for young musicians - and is the sponsor of the Romanian Youth Orchestra. We are proud to support more than 170 young musicians every year.

ENVIRONMENT RESPONSIBILITY
Responsibility to protect the environment goes beyond legal mandatory issues, and is a voluntary commitment of the Bank who has proposed to completely neutralize CO2 emissions from its own activities.

Collection and recycling of waste in BRD
BRD implemented a program of collection and recycling of waste from electrical and electronic equipment, BRD in partnership with the associations Recolamp and Workshops Without Borders.
6. RISK MANAGEMENT

BRD risk management is governed by the Board of Directors, assisted by Audit Committee and Risk Management Committee. The Risk and Finance departments, which are independent from the business departments, are dedicated to permanent risk management and control under the authority of the Executive Committee.

Specialized committees are also assisting the Executive Committee to accomplish 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 makes sure that the activity of the executive management complies with the approved strategy and policies.

**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 role is to supervise the implementation of the risk monitoring system and framework of each significant risk.

**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.

**Specialized risk management committees of the Executive Committee**

- **Assets and Liabilities Committee** takes care of the assets and liabilities structure management, liquidity and funding sources management, management of structural risks (interest rate risk and currency risk in banking book) and capital management.

- **Credit Risk Individuals Committee** monitors the evolution of credit risk related to the individuals and recommends the measures to reduce and control the risk.

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

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

**Risk department**

Risk department is responsible for establishing a risk management and monitoring system in order to ensure sound development of the activities and profitability of BRD by closely working with the business divisions. Risk department is responsible with the credit, operational and market risk management.

**Finance department**

Finance department is responsible with the liquidity risk and structural risks (interest risk and fx risk in banking book) management. As coordinator of the budgeting and planning processes, it ensures that the financial, risk and business strategies are aligned. Finance department is also responsible with the capital management, aggregation of the capital requirements and capital adequacy assessment and reporting.

**Other departments**

The Conformity Department deals with compliance and reputational risks while legal risk is managed by the Legal department.
6. RISK MANAGEMENT

The risk assurance is provided through the three lines of defense which reinforces segregation of duties between various control functions.

The first line of defense is represented by the Permanent Supervision which is the responsibility of the operational staff and managers. The Permanent Supervision is coordinated by the Permanent Control and Risk Departments.

The second line of defense is represented by functions with risk management role which provide support to the business/operational functions in executing their duties. The second line functions are Finance (assets and liabilities management, capital management, financial control and accounting supervision), Risk (credit, market and operational risk management), General Secretariat (compliance and reputational risks management) and Legal (legal risk). The assurance provided consists of reports to Executive Committee, Audit Committee and regulatory authorities.

The third line of defense is represented by the independent assurance provided by the Internal Audit function and External Auditor. The Internal Audit function reports to and operates under the mandate of the Board of Directors. The BRD risk management principles, procedures and infrastructures and their implementation are independently reviewed and monitored by Internal Audit.

The Bank is exposed to the risks inherent in its core businesses. Given the diversity and changes in the Bank's activities, its risk management focuses on the following main categories of risks.

CREDIT RISK

Credit risk is mainly the risk that a counterparty may fail to fulfill its payment obligations towards the Bank and/or that a counterparty's or an issuer's credit quality may deteriorate.

The Group's management of credit risk is well integrated with SG's risk management processes. Some of the main principles employed in managing credit risk are as follows:

- client credit due diligence maintaining conservative underwriting standards
- diversified credit portfolio on client, industry, and product-specific concentrations being assessed and managed against our risk appetite
- 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 credit-granting criteria by type of customer, including thorough knowledge of borrowers as well as the purpose and structure of the credit, in-depth analysis of sources of repayment and risk mitigation through requests for collaterals or personal guarantees
- enhance the support to SMEs, corporates and to the economic recovery whilst maintaining safe and sound lending practices
- review and approval by senior management of new products and activities involving risks;
- ongoing follow-up of credit exposures, at single and group level
- regularly monitoring and reporting to senior management on the quality of credit portfolios
- regular internal and independent review of lending activities by the Bank's Internal Audit department
- identification and management of non-performing loans and of various other workout situations, using objective indicators

The Bank's primary exposure to credit risk is generated by on balance-sheet and off balance-sheet commitments.
6. RISK MANAGEMENT

Corporate credit risk
The main features of lending to corporate customers are as follows:

- lending deployed via individual credit risk decisions to safely and soundly develop the lending book
- every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level
- consolidation of exposures to a single obligor (consolidation of all direct and indirect exposures to a given relationship first at the national level and then applied across our consolidated Group)
- use of an internal rating system (derived from SG's rating system, customized and calibrated to the local business environment)
- transfer of non-performing credit exposure to a dedicated and independent recovery department

Retail credit risk
Lending to individuals and to certain small and medium-sized enterprises is approached in a standardized and industrial manner (products designed based on identified market needs, automated scoring models and granting processes, calibrated risk appetite using objective measures, "real time" monitoring techniques). The Bank is equipped with dedicated and independant units which are responsible for managing non-performing credit exposures.

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

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

The liquidity risk management approach starts at the intraday level managing the daily payments flows, forecasting and managing cash flows, and factoring in the access to central bank monetary policy operations and standing facilities. It then covers a longer term perspective, comprising the maturity profile of all assets and liabilities and the funding strategy.

BRD maintains a liquidity buffer of unencumbered, high quality 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 modelled using historic client behaviour or a conventional maturity.
6. RISK MANAGEMENT

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 is considering 3 liquidity crisis scenarios: specific to BRD (idiosyncratic), systemic and a combination of both.

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 linked to trading activities are excluded from the structural risk measurement scope as they belong to the category of market risks.

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

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

MARKET RISK

Market risks are the risks of losses resulting from unfavorable changes in market parameters. They concern all the trading book transactions as well as some of banking book portfolios.

Market risk management is well integrated within Bank’s and Group’s risk management, BRD pursuing market risks on a prudent approach, the objective being to ensure profitable market activities but undertaking acceptable risk levels. Therefore, Bank trading portfolio represents a small portion of Bank’s total B/S and contains highly liquid instruments which are traded only with good rated counterparts.

The main principles followed by BRD when addressing market risk are:

- Strong support from the Group
- Functional independence from business lines
- Transactions' allocation between structural and trading portfolios and permanent check of trading perimeter completeness
- Definition and/or validation of methodology, metrics, parameters and controls for all products or activities generating market risk
- Definition, calibration and approval of risk metrics and limits
- Daily analysis of exposures and compliance with the limits and periodical reporting to management
- Compliance with internal framework and local and European regulations

Market risks of BRD are monitored in a strong framework, using as main risk metrics / limits:

- VaR, (historical simulation with 99% confidence level, 1 day horizon) for the whole trading book
- Stress tests scenarios, covering a full range of historical, hypothetical and adverse scenarios’ types. This type of measurement takes into account low-probability events and is used complementary to VaR model (which assumes a normal distribution of events)
- Sensitivity limits for IR positions, split by currency, maturity and products
- Nominal and MTM limits (for FX position and bonds)

Replacement risk is a type of counterparty risk generated by the market value of transactions with Bank’s counterparties. It measures the cost for the Bank of replacing transactions with a positive market value should the counterparty default. This risk is quantified by a Credit VaR (CVaR) indicator, computed using Group’s methodology (Monte Carlo simulation, which computes the future potential value of market transactions, with 99% confidence level).

The CVaR indicator computes the future potential replacement cost for the Bank by taking into account the type of instrument, currencies traded, way, residual maturity, volatilities, but also the effect of collaterals and netting agreements signed between the Bank and the client.

Prior to first deal conclusion, limits must be authorized, based on client’s risk profile assessment using qualitative and quantitative criteria, as for the approval of any other type of exposure. Only authorized products are allowed for trading and only after the client are signing with the bank a specific contractual framework, including MiFid requirements. Exposures generated by market transactions are computed daily and monitored against approved limits; any breach is investigated and the result is notified to commercial and risk hierarchy. Periodically, a synthesis of these activities is presented to Bank’s management.

Instruments traded by the Bank with its clients are aimed to hedge client’s businesses flows, B/S structure or loans against different types of market risk (like FX, IR or commodity). No proprietary trading activity is encouraged by the Bank.
6. RISK MANAGEMENT

OPERATIONAL RISK
Operational risk is defined as the risk of incurring losses or not realizing the estimated benefits as a result of inadequate processes or deficiencies caused by internal factors (internal regulations, staff, internal systems) or external factors.

The operational risk monitoring process includes:
- Collection of internal data on operational risk losses;
- Risk and Control Self-Assessment (RCSA) process;
- Key Risk Indicators (KRI);
- Scenario analysis;
- Crisis management and business continuity planning (BCP);
- Permanent supervision on processes and accounts
- Fight against fraud;
7. BOARD OF DIRECTORS PROPOSALS

1) Considering the present report, we submit for the approval of the General Assembly of the Shareholders of BRD the individual and consolidated financial statements prepared according to the International Financial Reporting Standards as adopted by the European Union, for the period ended December 31, 2013, made of:

- Individual and consolidated statement of financial position;
- Individual and consolidated income statement;
- Individual and consolidated statement of other comprehensive income;
- Individual and consolidated statement of changes in equity;
- Individual and consolidated statement of cash flows;
- Notes to the individual and consolidated financial statements.

2) Discharge of the Board of Directors

Phlippe LHOTTE                        Petre BUNESCU
President and Chief Executive Officer  Deputy Chief Executive Officer

Stephane FORTIN
Chief Financial Officer