BRD – Groupe Société Générale S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Prepared in Accordance with
International Financial Reporting Standards as adopted by the European Union

DECEMBER 31, 2022

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
for the period ended December 31, 2022
(Amounts in thousands RON)

		Group		Bank	
	Note	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
ASSETS					
Cash and due from Central Bank	5, 36	7,625,002	6,206,356	7,624,933	6,206,323
Due from banks	6	7,220,963	4,537,941	7,204,987	4,521,357
Derivatives and other financial instruments held for trading	7	2,343,377	2,274,924	2,337,311	2,274,924
Financial assets at fair value through profit and loss	8	14,262	6,947	8,132	6,947
Financial assets at fair value through other comprehensive income	9	13,439,596	19,863,825	13,439,596	19,863,825
Financial assets at amortised cost	10	39,019,048	32,913,875	38,272,985	32,183,856
Loans and advances to customers	10.1	36,288,342	32,913,875	35,542,279	32,183,856
Treasury bills at amortised cost	10.2	2,730,706	-	2,730,706	-
Finance lease receivables	11	1,407,394	1,222,595	-	-
Investments in subsidiaries, associates and joint ventures	12	113,670	107,205	129,964	158,916
Property, plant and equipment	13	1,063,863	1,072,099	1,046,443	1,051,254
Investment property	13	15,503	16,312	15,503	16,312
Goodwill	14	50,130	50,130	50,130	50,130
Intangible assets	15	407,487	321,063	405,667	319,656
Current tax asset	24	23,563	7,484	23,563	7,484
Deferred tax asset	24	496,034	180,089	478,893	166,173
Other assets	16	590,963	271,256	473,958	176,910
Non-current assets held for sale		10,912	11,196	10,912	11,196
Total assets		**73,841,767**	**69,063,297**	**71,522,977**	**67,015,263**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	17	636,888	156,810	636,888	156,810
Derivatives and other financial instruments held for trading	7	1,443,546	498,651	1,443,546	498,651
Due to customers	18	56,660,841	52,683,581	56,915,740	52,917,886
Borrowed funds	19	5,625,488	4,056,470	3,567,262	2,230,572
Subordinated debts	20	1,238,651	495,022	1,238,651	495,022
Current tax liability	24	5,595	83,963	-	79,979
Provisions	21	393,452	383,185	380,172	374,745
Other liabilities	22	877,540	826,710	763,682	722,260
Total liabilities		**66,882,001**	**59,184,392**	**64,945,941**	**57,475,925**
Share capital	23	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		(2,054,109)	(385,380)	(2,054,109)	(385,380)
Retained earnings and capital reserves		6,439,441	7,690,955	6,115,523	7,409,096
Non-controlling interest		58,812	57,708	-	-
Total equity		**6,959,766**	**9,878,905**	**6,577,036**	**9,539,338**
Total liabilities and equity		**73,841,767**	**69,063,297**	**71,522,977**	**67,015,263**

The financial statements have been authorized by the Group's management on March 15, 2023 and are signed on the Group's behalf by:

Giovanni Luca Soma
Chairman of the Board of Directors

François Bloch
Chief Executive Officer

Etienne Loulergue
Deputy Chief Executive Officer

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE PROFIT OR LOSS
for the period ended December 31, 2022
(Amounts in thousands RON)

	Note	Group 2022	Group 2021	Bank 2022	Bank 2021
Interest and similar income	25	2,941,286	2,234,229	2,790,043	2,085,527
Interest and similar expense	26	(570,852)	(150,042)	(550,845)	(132,419)
Net interest income		**2,370,434**	**2,084,187**	**2,239,198**	**1,953,108**
Fees and commission income	27	1,123,056	1,064,987	1,079,100	1,018,273
Fees and commission expense	27	(368,727)	(320,760)	(359,906)	(312,230)
Fees and commissions, net		**754,329**	**744,227**	**719,194**	**706,043**
Gain on derivative, other financial instruments held for trading and foreign exchange	28	316,229	245,298	313,165	244,316
Gain from financial instruments at fair value through other comprehensive income		2,415	11,960	2,415	11,960
Gain from financial instruments at fair value through profit and loss		2,541	7,747	2,554	7,411
Net (loss)/Income from associates and joint ventures		5,344	11,441	(30,075)	3,349
Other income/(expense) from banking activities	29	7,931	(7,723)	42,412	3,700
Net banking income		**3,459,223**	**3,097,137**	**3,288,863**	**2,929,887**
Personnel expenses	31	(898,901)	(828,692)	(839,169)	(765,270)
Depreciation, amortisation and impairment on tangible and intangible assets	32	(228,889)	(238,946)	(223,599)	(230,458)
Contribution to Guarantee Scheme and Resolution Fund	30	(69,171)	(49,384)	(69,171)	(49,384)
Other operating expenses	33	(547,641)	(480,008)	(508,946)	(448,944)
Total operating expenses		**(1,744,602)**	**(1,597,030)**	**(1,640,885)**	**(1,494,056)**
Gross operating profit		**1,714,621**	**1,500,107**	**1,647,978**	**1,435,831**
Cost of risk	34	(95,106)	145,656	(92,699)	159,233
Operating profit		**1,619,515**	**1,645,763**	**1,555,279**	**1,595,064**
Profit before income tax		**1,619,515**	**1,645,763**	**1,555,279**	**1,595,064**
Current tax expense	24	(280,610)	(313,574)	(264,300)	(298,892)
Deferred tax income/(expense)		(1,817)	(13,286)	(5,041)	(16,916)
Total income tax		**(282,427)**	**(326,860)**	**(269,341)**	**(315,808)**
Profit for the period		**1,337,088**	**1,318,903**	**1,285,938**	**1,279,256**
Profit attributable to equity holders of the parent		1,328,008	1,309,686	-	-
Profit attributable to non-controlling interests		9,080	9,217	-	-
Basic earnings per share (in RON)	35	**1.9056**	**1.8793**	**1.8452**	**1.8356**

The accompanying notes are an integral part of this financial statements

(Amounts in thousands RON)

	Note	Group December 31, 2022	Group December 31, 2021	Bank December 31, 2022	Bank December 31, 2021
Profit for the period		**1,337,088**	**1,318,903**	**1,285,938**	**1,279,256**
Other comprehensive income					
Net comprehensive income that may be reclassified to profit and loss in subsequent periods		**(1,682,642)**	**(1,190,632)**	**(1,682,643)**	**(1,190,632)**
Net gain/(loss) on financial assets at fair value through other comprehensive income		(1,682,642)	(1,190,632)	(1,682,643)	(1,190,632)
Reclassifications to profit and loss during the period		2,884	11,596	2,884	11,596
Revaluation differences		(2,005,937)	(1,429,085)	(2,005,937)	(1,429,085)
Income tax		320,411	226,856	320,411	226,856
Net comprehensive income not to be reclassified to profit and loss in subsequent periods		**13,913**	**810**	**13,913**	**810**
Gain / (Loss) on defined pension plan	22	16,563	965	16,563	965
Income tax relating to defined pension plan	18	(2,650)	(154)	(2,650)	(154)
Other comprehensive income for the period, net of tax		**(1,668,729)**	**(1,189,822)**	**(1,668,729)**	**(1,189,822)**
Total comprehensive income for the period, net of tax		**(331,641)**	**129,081**	**(382,791)**	**89,434**
Attributable to:					
Equity holders of the parent		(340,721)	119,864		-
Non-controlling interest		9,080	9,217		-

(Amounts in thousands RON)

Group

	Attributable to equity holders of the parent					
		Other reserves				
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves	Non-controlling interest	Total equity
December 31, 2020	**2,515,622**	**789,030**	**15,412**	**6,403,510**	**48,491**	**9,772,065**
Total comprehensive income	-	(1,190,632)	810	1,309,686	9,217	**129,081**
Net Profit for the period	-	-	-	1,309,686	9,217	**1,318,903**
Other comprehensive income	-	(1,190,632)	810	-	-	**(1,189,822)**
Adjustment	-	-	-	29,959	-	**29,959**
Equity dividends	-	-	-	(52,198)	-	**(52,198)**
December 31, 2021	**2,515,622**	**(401,602)**	**16,222**	**7,690,955**	**57,708**	**9,878,905**

	Attributable to equity holders of the parent					
		Other reserves				
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves	Non-controlling interest	Total equity
December 31, 2021	**2,515,622**	**(401,602)**	**16,222**	**7,690,955**	**57,708**	**9,878,905**
Total comprehensive income	-	(1,682,642)	13,913	1,328,008	9,080	**(331,641)**
Net Profit for the period	-	-	-	1,328,008	9,080	**1,337,088**
Other comprehensive income	-	(1,682,642)	13,913	-	-	**(1,668,729)**
Equity dividends	-	-	-	(2,579,510)	(7,977)	**(2,587,487)**
December 31, 2022	**2,515,622**	**(2,084,244)**	**30,135**	**6,439,441**	**58,812**	**6,959,766**

(Amounts in thousands RON)

Bank

	Issued capital	Other reserves: Reserves from financial assets at fair value through other comprehensive income	Other reserves: Reserves from defined pension plan	Retained earnings and capital reserves	Total equity
December 31, 2020	**2,515,622**	**789,030**	**15,412**	**6,152,079**	**9,472,142**
Total comprehensive income	-	(1,190,632)	810	1,279,256	**89,434**
Net Profit for the period	-	-	-	1,279,256	**1,279,256**
Other comprehensive income	-	(1,190,632)	810	-	**(1,189,822)**
Adjustment	-	-	-	29,959	**29,959**
Equity dividends	-	-	-	(52,198)	**(52,198)**
December 31, 2021	**2,515,622**	**(401,602)**	**16,222**	**7,409,096**	**9,539,338**

	Issued capital	Other reserves: Reserves from financial assets at fair value through other comprehensive income	Other reserves: Reserves from defined pension plan	Retained earnings and capital reserves	Total equity
December 31, 2021	**2,515,622**	**(401,602)**	**16,222**	**7,409,095**	**9,539,338**
Total comprehensive income	-	(1,682,642)	13,913	1,285,938	(382,791)
Net Profit for the period	-	-	-	1,285,938	1,285,938
Other comprehensive income	-	(1,682,642)	13,913	-	(1,668,729)
Equity dividends	-	-	-	(2,579,510)	(2,579,510)
December 31, 2022	**2,515,622**	**(2,084,244)**	**30,135**	**6,115,523**	**6,577,036**

(Amounts in thousands RON)

	Note	Group 2022	Group 2021	Bank 2022	Bank 2021
Cash flows from operating activities					
Profit before tax		**1,619,509**	**1,645,763**	**1,555,278**	**1,595,064**
Adjustments for:					
Depreciation and amortization expense	32	228,889	238,946	223,599	230,458
Loss from investment in associates and joint ventures		3,335	(8,092)	38,752	-
Loss/ (Gain) from revaluation of assets at fair value through profit and loss	8	(1,172)	(7,255)	(1,184)	(6,919)
Impairment adjustments and provisions	36	301,912	106,330	277,466	78,404
Adjusted profit		**2,152,473**	**1,975,692**	**2,093,911**	**1,897,007**
Changes in operating assets and liabilities					
Due from Central Bank		(781,782)	911,925	(781,746)	911,925
Deposits with banks		(147,971)	16,220	(148,610)	15,609
Treasury bills at amortised cost		(2,730,706)	-	(2,730,706)	-
Sales of financial assets at fair value through profit and loss	8	(6,143)	85,548	(1)	58,356
Financial assets at fair value through other comprehensive income		4,741,587	(5,110,987)	4,741,587	(5,110,987)
Loans and advances to customers		(3,640,922)	(3,291,196)	(3,615,134)	(3,319,394)
Lease receivables		(195,110)	(171,721)	-	-
Other assets including trading		(709,142)	(224,854)	(676,642)	(191,953)
Due to banks		480,078	(42,201)	480,078	(42,201)
Due to customers		3,977,260	2,725,827	3,997,854	2,765,760
Other liabilities		1,045,221	(96,340)	1,029,379	(134,361)
Total changes in operating assets and liabilities		**2,032,370**	**(5,197,779)**	**2,296,059**	**(5,047,246)**
Income tax paid		(375,059)	(191,151)	(360,360)	(178,384)
Cash flow from operating activities		**3,809,784**	**(3,413,238)**	**4,029,610**	**(3,328,623)**
Investing activities					
Acquisition of investments in associates and joint ventures		(9,798)	-	(9,800)	-
Acquisition of tangible and intangible assets	13, 15	(269,491)	(211,730)	(268,348)	(211,275)
Proceeds from sale of tangible and intangible assets		932	850	932	850
Cash flow from investing activities		**(278,357)**	**(210,880)**	**(277,216)**	**(210,425)**
Financing activities					
Proceeds from borrowings		192,089,610	25,000,329	190,895,147	23,724,457
Repayment of borrowings		(189,776,959)	(22,191,189)	(188,814,828)	(21,005,628)
Repayment of principal lease liabilities	11	(84,665)	(90,612)	(81,319)	(85,398)
Dividends paid		(2,587,492)	(52,198)	(2,579,510)	(52,198)
Net cash from financing activities		**(359,506)**	**2,666,330**	**(580,510)**	**2,581,233**
Net movements in cash and cash equivalents		**3,171,921**	**(957,788)**	**3,171,884**	**(957,815)**
Cash and cash equivalents at beginning of the period	36	**6,301,478**	**7,259,266**	**6,301,445**	**7,259,261**
Cash and cash equivalents at the end of the period	36	**9,473,399**	**6,301,478**	**9,473,329**	**6,301,445**

Additional information on operational cash flows from interest and dividends:

	Group 2022	Group 2021	Bank 2022	Bank 2021
Interest paid	567,770	153,570	457,273	136,880
Interest received	2,939,945	2,242,909	2,881,812	2,107,487
Dividends received	8,677	3,349	45,894	19,315

(Amounts in thousands RON)

1. Corporate information

BRD – Groupe Société Générale (the "Bank" or "BRD") is a joint stock company incorporated in Romania. The Bank commenced business as a state owned credit institution in 1990 by acquiring assets and liabilities of the former Banca de Investitii. The Bank headquarters and registered office is 1-7 Ion Mihalache Blvd, Bucharest.

BRD together with its subsidiaries (the "Group') offers a wide range of banking and financial services to corporates and individuals, as allowed by law. The Group accepts deposits from the public and grants loans and leases, carries out funds transfer in Romania and abroad, exchanges currencies and provides other financial services for its commercial and retail customers.

The ultimate parent is Société Générale S.A. as at December 31, 2022 (the "Parent" or "SG").

The Bank has as at December 31, 2022 460 units throughout the country (December 31, 2021: 499).

The average number of active employees of the Group during 2022 was 6,158 (2021: 6,620), and the number of active employees of the Group as of the period-end was 6,126 (December 31, 2021: 6,408).

The average number of active employees of the Bank during 2022 was 5,846 (2021: 6,156), and the number of active employees of the Bank as of the period-end was 5,833 (December 31, 2021: 5,974).

The active employees are the full time employees (excluding maternity leave and long-term sick leave).

BRD – Groupe Société Générale has been quoted on Bucharest Stock Exchange ("BVB") since January 15, 2001.

The shareholding structure of the Bank is as follows:

	December 31, 2022	December 31, 2021
Societe Generale	60.17%	60.17%
Fondul De Pensii Administrat Privat NN/NN Pensii S.A.F.P.A.P. S.A.	5.56%	5.31%
Fondul De Pensii Administrat Privat AZT Viitorul Tau	3.98%	3.91%
S.I.F. Oltenia	3.95%	3.97%
Fondul De Pensii Administrat Privat Metropolitan Life	3.23%	3.17%
TRANSILVANIA INVESTMENTS ALLIANCE S.A.	2.19%	2.52%
Legal entities	15.43%	16.58%
Individuals	5.49%	4.38%
Total	**100.00%**	**100.00%**

2. Basis of preparation

a) Basis of preparation

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, and Order of the National Bank of Romania no. 27/2010 with subsequent amendments, BRD prepared the consolidated and separate financial statements of the Bank and its subsidiaries for the year ended December 31, 2022 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU").

The consolidated financial statements include the consolidated statement of financial position, the consolidated profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement, and consolidated notes.

The separate financial statements include the separate statement of financial position, the separate profit or loss, the separate statement of comprehensive income, the separate statement of changes in shareholders' equity, the separate cash flow statement, and separate notes.

The consolidated and separate financial statements are presented in Romanian lei ("RON"), which is the Group's and its subsidiaries' functional and presentation currency, rounded to the nearest thousand, except when otherwise indicated. The consolidated and separate financial statements has been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, financial assets through other comprehensive income, derivative financial instruments, other financial assets and liabilities held for trading, which have all been measured at fair value.

The Group and Bank's management has made an assessment of the Group and Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the consolidated and separate financial statements are prepared on the going concern basis.

b) Basis for consolidation

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2022. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2021: 99.98%), BRD Finance IFN S.A (49% ownership, 2021: 49%) and BRD Asset Management SAI SA (99.98% ownership, 2021: 99.98%).

According to IFRS 12 9(b), the Group controls BRD Finance IFN S.A even though it holds less than half of the voting rights, through the power to govern the financial and operating policies of the entity under various agreements. All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

(Amounts in thousands RON)

2. Basis of preparation

b) Basis for consolidation (continued)

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date such control ceases.

Equity and net income attributable to non-controlling interest are shown separately in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of comprehensive income, respectively.

The Bank is accounting the investments in subsidiaries, associates and joint ventures in the separate financial statements at cost less impairment adjustment.

Group

Associates	Field of activity	Address	%
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, floor 3, district 1, Bucharest	20.00%
BRD Asigurari de Viata SA	Insurance	58-60 Gheorghe Polizu Street, Bucharest Corporate Center building, floor 8 (zone 3) and floor 9, district 1, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, district 1, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	58-60 Gheorghe Polizu Street, floor 8 (zone 1, 2 and 4), district 1, Bucharest	49.00%
BRD Sogelease Asset Rental SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
Joint ventures			
CIT One SA	Protection and guard	319L Splaiul Independentei Street, Paris Building/A1, 1st floor, district 6, Bucharest,	33.33%

Bank

	Field of activity	Address	%
Associates			
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, floor 3, district 1, Bucharest	20.00%
BRD Asigurari de Viata SA	Insurance	58-60 Gheorghe Polizu Street, Bucharest Corporate Center building, floor 8 (zone 3) and floor 9, district 1, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, district 1, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	58-60 Gheorghe Polizu Street, floor 8 (zone 1, 2 and 4), district 1, Bucharest	49.00%
Joint ventures			
CIT One SA	Protection and guard	319L Splaiul Independentei Street, Paris Building/A1, 1st floor, district 6, Bucharest,	33.33%
Subsidiaries			
BRD Sogelease IFN SA	Financial lease	1-7, Ion Mihalache Street, floor 12, district 1, Bucharest	99.98%
BRD Finance IFN SA	Financial institution	1-7, Ion Mihalache Street, floor 15, district 1, Bucharest	49.00%
BRD Asset Management SAI SA	Fund administration	2 Doctor Staicovici Street, district 5, floor 5, Bucharest	99.98%

2. Basis of preparation (continued)

c) Changes in accounting policies and adoption of revised/amended IFRS

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Bank as of 1 January 2022.

The impact of the application of these new and revised IFRSs has been reflected in the interim financial statements and was estimated as not being material, except disclosures already presented in the Notes.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- **Annual Improvements 2018-2020** make minor amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments**, **IAS 41 Agriculture** and the Illustrative Examples accompanying **IFRS 16 Leases.**

- **IFRS 16 Leases - Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

2. Basis of preparation (continued)

d) Standards and Interpretations that are issued but have not yet come into effect

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

  The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

2. Basis of preparation (continued)

d) Standards and Interpretations that are issued but have not yet come into effect (continued)

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates

In the process of applying the Group and Bank's accounting policies, management is required to use its judgments and make estimates in determining the amounts recognized in the consolidated and separate financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 41.

Expected credit losses on financial assets at amortised cost and FVOCI

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank reviews its loans and advances to customers at each reporting date to assess whether there is any objective evidence of impairment. The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days, whether a severe alteration in the counterparty's financial standing is observed, entailing a high probability that the debtor will not be able to fully meet its credit obligations, whether concessions in the form of restructuring were consented under the circumstances of financial hardship experienced by the debtor, whether legal procedures were initiated or the debtor was transferred to specialized recovery structures (regardless of the number of days past due). The Bank's expected credit loss model (ECL) relies on several underlying assumptions regarding the choice of variable inputs and their interdependencies, which affect the level of allowances:

- The internal credit grating model, which assigns probabilities of default (PDs) to the individual grades
- The criteria defined (both in relative and absolute terms) for the assessment of significant increase in credit risk since initial recognition and consequently the computation of allowances based on life time expected credit loss (LTECL)
- The grouping of financial assets when their ECL is measured on a collective basis
- The development of ECL model, including the various formulas and the choice of inputs
- The macroeconomic scenarios and their probability weightings based on which ECL is derived
- The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, the Bank assesses the need/opportunity for additional amounts of provisions in the form of overlays, in order to address:
    - Sector of activity specific risks (adjustment of ECL on sectors that have a different default behavior from the whole calibration segment)
    - Visible macroeconomic threat impossible to be captured by the models (typically, when the predicted stress did not occur in the observed past serving as a base for models)
- For individually significant loans and advances, the Group and Bank identify and quantify the expected future cash flows to be used for a total or partial reimbursement of the obligations, based on the capacity of the client/business to generate revenues, proceeds resulting from sale of collaterals and other clearly identified sources of repayment. The individual assessment threshold is defined in between 500 - 1,500 thousands EUR, depending on the client type and customers' management departments.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Provisions for other risks and charges

The Bank operates in a regulatory and legal environment that, by nature has a heightened element of litigation risk inherent to its operations and, as a result it is involved in various litigations or is subject to various obligations arising from legislation in force.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case, as mentioned in this note. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Generally, the first step is to establish the existence of the present obligation followed by the estimation of the amount needed to settle that obligation taking into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates.

In case of litigations:

i. For a single individual litigation the Bank assess whether there is more likely than not to have an unfavourable court decision considering the factors mentioned above; then it estimates the amount at risk; in case there are several scenarios possible with different outcomes, the amount at risk is the weighted average of the amounts at risk for each scenario using the probability distribution for all scenarios (100% is allocated to the possible scenarios) and provisions 100% of the estimated amount;

ii. For multiple litigations, the assessment of "more likely than not" could be substantiated for the entire population using statistics and provision computation to be made at pool level.

In case of obligations arising from various legislation, the bank assesses first if there is no realistic alternative of settling that obligation, and if not, it estimates the amount needed to settle that obligation (using similar approach as above) and books provisions representing 100% of the estimated amount.

Please refer to note 22 and note 40 for more details.

f) Segment information

A segment is a component of the Group and Bank:

- That engages in business activity from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and;
- For which distinct financial information is available;

The Group and Bank's segment reporting is based on the following segments: *Retail* including Individuals and Small Business, *Non-retail* including Small and Medium Enterprises ("SMEs") and Large corporate and *Corporate Center* including: treasury activities, ALM and other categories unallocated to the business lines mentioned above (fixed assets, taxes, equity investments, etc.).

3. Summary of significant accounting policies

a) Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the benefits can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

i) Interest and similar income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVOCI, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. The effective interest is applied to the gross carrying amount for assets classified in Stage 1 or 2 and to all financial liabilities. For financial assets classified as Stage 3 or POCI the effective interest rate is applied to the net carrying amount.

The calculation takes into account all contractual terms of the financial instrument and includes any origination fees and incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate. The net carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

ii) Fee and commission income

The Group and Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time are accrued over that period. These fees include asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services: Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses. These fees are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

iii) Dividend income

Revenue is recognized when the Group and Bank's right to receive the payment is established, generally when the shareholders approve the dividend.

iv) Net trading income

Net trading income comprises gains less losses related to assets and liabilities held for trading and derivatives and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences. Interest income from all interest bearing trading financial assets required to be measured at FVPL is recognised part of the net trading income.

3. Summary of significant accounting policies (continued)

a) Recognition of income and expenses (continued)

v) Levies

IFRIC 21 “Levies” clarifies the accounting for a liability to pay a levy. For an entity, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. Furthermore, if an obligation to pay a levy is triggered when a minimum activity threshold is reached, the corresponding liability is recognised when that minimum activity threshold is reached.

The main related taxes which fall under the provisions of IFRIC 21 are as follows:
- The Bank annual contribution to Deposit Guarantee Scheme is fully recognised in the income statement at 1st January of the year in which the payment is made.
- The Bank annual contribution to the Single Resolution Fund, is fully recognised in the income statement at 1st January of the year in which the payment is made.

b) Financial instruments - recognition

i) Initial recognition and date of recognition

The Group applies settlement date accounting policy for all financial assets and financial liabilities (the financial assets / liabilities are initially recognized on the date of the transfer of funds). Between trade date and settlement date The Group recognizes off balance sheet commitments.

ii) Measurement categories of financial assets and liabilities

Financial instruments are initially recognised at their fair value including arrangements costs. Trade receivables are measured at the transaction price.

In accordance with IFRS 9 classification, the Group classifies financial assets in the following measurement categories:

- Fair value through profit and loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

Classification and subsequent measurement of financial assets is generally based on the Group business model to manage the assets and the cash flow characteristics of the assets.

The Group and the Bank classify and measure the financial liabilities at amortised cost.

The Bank classifies and measures its derivative and trading portfolio as FVPL.

The Group measures the equity instruments at fair value through profit and loss. Gains and losses on equity investments measured at fair value through profit and loss are included in the line “Net gains on financial assets measured at fair value through profit and loss” in the statement of profit and loss.

In the Bank’s Separate Financial Statement, the equity instruments representing investment in associates and subsidiaries continue to be measured at cost in accordance to IAS 27 “Separate financial statements”.

3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement

According to IFRS 9, the Group classifies its financial assets that are debt instruments into one of the following categories based on the assessment of business model and SPPI characteristics, as follows:

- Financial assets that are held for collection of contractual cash flows and cash flows represent solely payments of capital and interest (SPPI) are classified and measured at amortised cost. In this category the Group includes the loans granted to customers, deposits placed with banks, corporate bonds and repurchase transactions part of banking book portfolio. Treasury bonds in banking book portfolio purchased starting July 1, 2022 are classified in this category.
- Financial assets that are held for collection of contractual cash flows and for selling the assets and the contractual cash flows represent solely payments of capital and interest are measured at fair value through other comprehensive income. Treasury bonds in banking book portfolio purchased before June 30, 2022 are classified and measured at fair value through other comprehensive income.
- Financial assets that are held for trading, regardless of the cash flow characteristics are measured at fair value through profit and loss. In this category the Group includes the sub-portfolio of treasury bonds, placements made to banks and repurchase transaction held for trading.

1) Business model assessment

The business model assessment is one of the two steps to classify financial assets.

The Group's business model reflects how it manages its financial assets in order to generate cash flows; the business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

The business model assessment is performed on the basis of scenarios that the Group reasonably expects to occur, without taking 'worst case' or 'stress case' scenarios. The Group assesses the business model for newly originated financial assets, considering information about how cash flows were realized in the past (namely before the date of the origination of new assets) for that specific portfolio of assets, along with all other relevant information. This means that there is no 'tainting' concept, but if there is a change in the way that cash flows are realized then this will affect the classification of assets originated after the date of that change.

In some circumstances, the Bank separates a portfolio of financial assets into sub-portfolios to reflect how an entity manages them. Those portfolios are split and treated as separate portfolios, provided the assets belonging to each sub-portfolio are separately defined.

2) SPPI test

As a second step of its classification process the Group performs the assessment of the characteristics of the contractual cash flows aiming to identify whether the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" – SPPI test. The SPPI assessment is performed at the initial recognition of the financial asset as well as subsequently when significant modifications occur.

The principal for the purpose of applying SPPI test is "the fair value of the asset at initial recognition" and it may change over the life of the financial asset (e.g. if there are repayments of principal).

3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement (continued)

2) SPPI test (continued)

The most significant elements of interest are typically the consideration for the time value of money and credit risk. Interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement.

To make the SPPI assessment, the Group applies judgements and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

3) Debt instruments at FVOCI

These instruments largely comprise of treasury bonds.

After initial recognition FVOCI financial assets are measured at fair value with gains or losses being recognized as OCI until the investment is derecognized. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. Interest income and foreign exchange gains and losses are recognised in profit and loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

4) Derivatives that are not designated accounting hedging instruments

The Group uses derivative financial instruments such as forward currency contracts, currency swaps, currency options, swaps and cross currency swaps on interest rate, as products offered to its clients but also to hedge its risks associated with interest rate, liquidity and exchange rate. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when fair value is negative. Any gains or losses arising from changes in fair value of derivatives that are not designated as hedge accounting instruments are taken directly to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest swap contracts is determined by reference to market values of similar instruments.

3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement (continued)

5) Derivatives that are designated accounting hedging instruments

As a policy choice, the Group has also elected to continue to apply the hedge accounting requirements in accordance with IAS 39. The Group and Bank designates certain derivatives held for risk management as hedging instruments in qualifying accounting hedging relationships. The Group and Bank formally documents the relationship between the hedging instruments and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Group and Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value during the period for which the hedge is designated. The actual results of the hedge as recommended by IAS 39 should be in the range of 80-125 percent, but the Group and Bank uses a more prudent approach and the range considered is 88-114 percent.

The Group and Bank use fair value hedges. When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit and loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

6) Financial assets and financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value.

Changes in fair value are recognised in net trading income. Interest income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, repurchase transactions and short positions acquired principally for the purpose of selling or repurchasing in the near term.

7) Repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position as securities and are measured in accordance with the applicable accounting policies. The liability for amounts received under these agreements from banking book portfolio is included in customers' or interbank deposits. The difference between sale and repurchase price is treated as interest expense using the effective yield method. Assets acquired with a corresponding commitment to resell at a specified future date (reverse repos) from the banking book portfolio are recorded as loans and advances.

3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement (continued)

8) Borrowings

Borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently borrowings are stated at amortized cost using the effective interest rate method. Any discount or premium is integral part of the effective interest rate.

9) Financial guarantees, letter of credits and loan commitments

In the ordinary course of business, the Group and Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances and performance guarantees.

Financial guarantees are presented in 'Other liabilities' line with the amount of the premium received being the instruments' fair value. The financial guarantee are subsequently measured at the higher of the amount initially recognised less the cumulative amortisation recognised in the income statement and an ECL.

Any increase in the liability relating to financial guarantees is taken to the income statement in 'Credit loss expense'. The premium received is recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 22 and in Note 41.

d) Financial assets - derecognition

The Group derecognizes a portfolio of financial assets, a financial asset or a part of a financial asset (herein after called „financial asset“) when and only when one of the following conditions is fulfilled:

- The contractual rights to the cash flows expire;
- It transfers the financial asset and the transfer qualifies for derecognition;
- Voluntarily renounces its rights over the financial asset due to the asset being considered irrecoverable or in order to grant a concession to the debtor;
- Significant modification of a financial asset that generate the extinguishment of the existing financial asset and recognition of a new financial asset.

3. Summary of significant accounting policies (continued)

d) Financial assets – derecognition (continued)

Derecognition due to substantial modification of terms and conditions

In certain circumstances, the Group renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering both quantitative and qualitative factors that are substantially changing the size or the nature of lender's risks associated with the pre-existing loan contract.

If the new terms are substantially different, the Group derecognises the original financial assets and recognises a "new" financial asset. The new financial asset is initially recognized at fair value and the classification and subsequent measurement is reassessed considering the new business model and the contractual cash flows characteristics. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes. All financial assets that are impaired at the date of initial recognition (first origination or re-origination due to significant changes) are classified as purchased or originated credit impaired (POCI).

On initial recognition the difference between transaction price and fair value of new financial asset is recognised in P&L for loans where the fair value is calculated based on observable inputs (loans not impaired at the date of modification).

When assessing the new terms in order to establish if they are significantly modified, the Group considers if the change is made in order to increase recoverability of the pre-existing loan. The renegotiation or modification of the contractual cash flow of an existing financial asset can generate derecognition of the financial asset and the recognition of a new financial asset if the respective changes to the financial asset are significant. Changes made for the purpose of increasing the received cash flows and which are not considered significant change of the contractual characteristics do not generate derecognition.

The following modifications are considered significant contractual changes:

Quantitative criteria:

- interest rate margin modification for floating interest rate and interest rate modification for fixed interest rate higher than 3% over a 12 month period; the threshold is subject to review depending on the market conditions;
- tenor prolongation or reduction for non-revolving financial assets for more than 24 months or over 50% from initial (prior to modification) remaining tenor.

Qualitative criteria refer to contractual modifications that are substantially changing the size or the nature of lender's risks associated with the pre-existing loan contract and are applicable to all financial assets:

- change of the denomination currency;
- change of the type of interest (variable or fixed) for performing loans (commercial renegotiation);
- contract changed obligor / counterparty;
- consolidation of two or more loans to one loan (many to 1);
- split of one loan to two or more loans (1 to many);
- modification of an SPPI compliant contract by introducing a features that is non-SPPI or modification of a non-SPPI contract by removing the features that are non-SPPI through commercial renegotiation;
- change of a commercial product or use of the same product but from updated bank commercial offer available at the change date for performing loans (commercial renegotiation);
- renewal of a performing revolving loan (regardless of new tenor) if a substantive risk analysis is performed.

3. Summary of significant accounting policies (continued)

d) Financial assets - derecognition (continued)

Derecognition other than for substantial modification

A financial asset is derecognized where either:
- The rights to receive cash flows from the assets have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either a) has transferred substantially all the risks and rewards of the asset, or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially changed, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts are recognized in profit or loss.

Write-offs

A write-off is performed when the entire loan is deemed uncollectible (very high uncertainty regarding recoverable amount and timeframe). Write-off is not conditioned by the closure of the legal procedures, nor does it imply the forfeit of the bank's claims to the receivables / financial asset. A write-off is performed only where the chances of recoveries are remote.

The Bank performs permanent write-offs under certain situations, such as:
- the financial assets are considered immaterial, thus do not justify the initiation of the recovery process;
- the collaterals which cover the receivables have a recovery value deemed immaterial and no other recovery sources could be identified;
- exhaustion of all legal means;
- end of the statute of limitation period for enforcement rights, etc.

Any recoveries of previously written-off loans and receivables are recognized as income.

e) Financial assets reclassification

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

3. Summary of significant accounting policies (continued)

f) Impairment model of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") for the following categories of financial assets: loans and placed deposits measured at amortised cost, debt instruments measured at fair value to other comprehensive income, loan commitments and financial guarantee contracts, contract assets and trade receivables.

The group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The ECL calculation considers both the number of days past due recorded by the receivables and the credit risk analysis performed for clients with granted loans.

For contract assets and trade receivables the Group applies the simplified approach for measuring the expected credit losses and recognizes lifetime expected credit losses in accordance to the provisions of IFRS 9 "Financial Instruments". Based on an assessment of historical information the Bank recognizes expected credit loss for contract assets and the trade receivables with more than 90 days past due for the entire exposure amount.

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The ECL is computed from the time of origination.

Consequently, financial assets subject to loss allowances can be classified in Stage 1, Stage 2, Stage 3 or POCI, as described below:

- **Stage 1** when there is insignificant or no impairment of credit quality since initial recognition; Loss allowance shall be equal to 12mECL.
- **Stage 2** when a financial asset shown significant increase in credit risk since initial recognition, though not impaired; Loss allowance shall be equal to LTECL.
- **Stage 3** financial assets classified as impaired; Loss allowance is represented by LTECL.
- **POCI** financial assets that are credit impaired on initial recognition. Loss allowance shall be equal to LTECL. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

The expected credit loss may be calculated either individually or collectively in accordance with IFRS 9 perspective. The Bank model for computing the expected credit losses is:

- Individual or collective assessment for clients in Stage 3;
- Collective assessment for clients in Stage 2 or Stage 1.

3. Summary of significant accounting policies (continued)

f) Impairment model of financial assets (continued)

Staging criteria

The Bank has established criteria to perform the assessment of significant increase in credit risk since initial recognition on a monthly basis, considering both relative and absolute thresholds.

- For Non Retail portfolio (Corporate and Public Authorities), the staging criteria are:
  Stage 3: criteria as provided by EBA default definition as presented below.
  Stage 2: assessment of
  Relative threshold: Doubling of the lifetime Probability of default (“PD”) since origination and the absolute increase exceeds a pre-defined quantitative threshold
  Absolute thresholds: Clients rated with the last three risk classes in term of risk (“sub-standard grade”, as detailed in note 43.1), Clients with expired ratings for more than three months, Clients not rated as of reporting date, Healthy clients with restructured facilities in probation and DPD < 30, Clients with DPD > 30
  Stage 1: include all clients not classified in Stage 2 or Stage 3 based on the above conditions

- For Small Business, the staging criteria are:

  Stage 3: criteria as provided by EBA default definition as presented below
  Stage 2: assessment of
  Relative threshold: Doubling of the lifetime PD since origination and the absolute increase exceeds a pre-defined quantitative threshold
  Absolute thresholds: Clients rated with the last three risk classes in term of risk (“sub-standard grade”, as detailed in note 43.1), Healthy clients with restructured facilities in probation and DPD < 30, Clients with DPD > 30
  Stage 1: include all clients not classified in Stage 2 or Stage 3 based on the above conditions

- For Individuals and Professionals , the staging criteria are:

  Stage 3: criteria as provided by EBA default definition as presented below
  Stage 2: assessment of
  Relative threshold: Doubling of the lifetime PD since origination and the absolute increase exceeds a pre-defined quantitative threshold
  Absolute thresholds: Clients rated with the last two risk classes in term of risk (“sub-standard grade”, as detailed in note 43.1), Healthy clients with restructured facilities in probation and DPD < 30, Clients with DPD > 30
  Stage 1: include all clients not classified in Stage 2 or Stage 3 based on the above conditions

In accordance with EBA default definition, the main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days, whether a severe alteration in the counterparty’s financial standing is observed, entailing a high probability that the debtor will not be able to fully meet its credit obligations, whether concessions in the form of restructuring were consented under the circumstances of financial hardship experienced by the debtor, whether legal procedures were initiated or the debtor was transferred to specialized recovery structures (regardless of the number of days past due).

3. Summary of significant accounting policies (continued)

f) Impairment model of financial assets (continued)

ECL calculation techniques:

The key elements of ECL calculation are outlined below:

- PD *Probability of Default* models are based on a two-step approach: building of the through-the-cycle (TTC) marginal PD curve and Adjustment of the TTC curve to incorporate point in time and forward looking information;
- LGD *Loss Given Default* model takes into account cashbacks, portfolio sales and collateral recoveries;
- EAD Exposure at default estimation at each time step is based on internally modelled Credit Conversion Factor ("CCF").
- Point in time and forward looking transformation for ECL parameters.

Forward-looking information

Expected losses are computed based on three macroeconomic scenarios: optimistic, base and stress scenario. Consequently, expected credit losses are influenced both by changes in portfolio quality as well as changes in macroeconomic projections. Macroeconomic models are sensitive to GDP, RON/EUR exchange rate and unemployment rate. Final ECL is derived using the weighted average of the three scenarios (based on their probabilities of occurrence).

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, the Bank assesses the need/opportunity for additional amounts of provisions in the form of overlays, in order to address:

- Sector of activity specific risks (adjustment of ECL on sectors that have a different default behaviour from the whole calibration segment)
- Visible macroeconomic threat impossible to be captured by the models (typically, when the predicted stress did not occur in the observed past serving as a base for models).

Impairment/default principles

Impairment and recoverability are assessed, measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for impaired loans and receivables that are not individually significant. Loans and receivables for which an objective evidence of impairment was not identified, regardless the loans are individually significant or not, are included in a portfolio for collective impairment assessment. The carrying amount of the asset is reduced to its estimated recoverable amount through the use of an allowance account. The loss amount is recognised into profit and loss. If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the release of the allowance is credited to the income statement.

The Group implemented the definition of the default status according to the criteria set by EBA. All the PD curves used as input elements in the ECL calculation were calibrated by applying the EBA definition retroactively, in order to ensure the consistency regarding the entry into default status at the time of calibration.

(Amounts in thousands RON)

3. Summary of significant accounting policies (continued)

f) Impairment model of financial assets (continued)

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, letters of guarantees, real estate, etc.

Real estate collaterals are regularly valuated. Their market value is estimated by certified evaluators that can be either external or internal valuators. Depending on the collateral type, revaluation is performed:

- Yearly, for commercial / industrial / agricultural real-estate, plots of land
- At least once every 3 years, for residential real estate or with higher frequency if the real estate market displays a significant negative evolution.

The value of collateral affects the calculation of ECLs through LGD parameter, which is an estimate of the loss arising in the case where a default occurs at a given time, taking into account all the cash flows collected from the client, as well as the recovery value of collaterals (net of any cost and additional losses), by incorporating the effect of time value of money. The recovery value of a collateral is determined by applying discount coefficients to its market value when computing the provisions on individual assessment basis.

g) Foreign currency translation

Transactions in foreign currencies are initially recorded using the functional currency rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The exchange rates of the currencies with the most significant impact on the Group and Bank's consolidated and separate financial statements as of December 31, 2022 and 2021 were as follows:

	31-Dec-22	31-Dec-21
RON/ EUR	4.9474	4.9481
RON/ USD	4.6346	4.3707

h) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short-term placements at other banks, excluding amounts in transit and loans to banks with more than 90 days maturity from the date of acquistion. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

3. Summary of significant accounting policies (continued)

i) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessor

Finance leases are those which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item and are recognized as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are allocated both to the principal and the interest income on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For short-term leases or leases for which the underlying asset is of low value, the related lease payments are recognized as an expense on a straight-line basis over the lease term (please see Note 33).

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Note 13.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments can include fixed payments, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments can also include payments of penalties for terminating the lease.

3. Summary of significant accounting policies (continued)

j) Investment in associates and joint ventures

An associate is an enterprise in which the Group and Bank exercises significant influence and is neither a subsidiary nor a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group and Bank recognizes its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates.

Associates and joint venture are accounted using the equity method for consolidation purposes and cost method for separate financial statements.

Under the equity method, an investment in an associate and joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group and Bank's share of net assets of the associate or joint venture. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized. The Group and Bank does an assessment of any additional impairment loss with respect to the net investment in associate or joint venture.

The income statement reflects the share of the results of operations of associates and joint ventures. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of associates and joint venture and the Group are identical and the associates' or joint ventures' major accounting policies conform to those used by the Group for like transactions and similar events in similar circumstances.

k) Tangible assets

The cost of tangible asset is recognized as an asset if, and only if: (a) it is probable that future economic benefits associated with the item will flow to the Group; and (b) the cost of the item can be measured reliably.

Buildings and other tangible assets are stated at cost less accumulated depreciation and any impairment loss.

In accordance with IAS 29 "Reporting in Hyperinflationary Economies", tangible assets have been restated, as appropriate, by applying the change in the consumer price index from the date of acquisition through December 31, 2003.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset, as stated below:

Asset type	*Years*
Buildings and special constructions	10-40
Computers and equipment	3-5
Furniture and other equipment	15
Vehicles	5

3. Summary of significant accounting policies (continued)

k) Tangible assets (continued)

Land is not depreciated. Construction-in-progress is not depreciated until used. Expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is recognized as an asset under the same general recognition principle used at initial recognition.

The carrying amount of tangible assets is reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An asset's recoverable amount is the higher of an asset's or CGU (Cost Generation Unit)'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Tangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

l) Investment properties

Assets are classified as investment property if the property (land or a building - or part of a building - or both) is held (by the Bank or Group as owner) to earn rentals or for capital appreciation or both, rather than for: use in the production or for administrative purposes; or sale in the ordinary course of business.

Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed-off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party, or ending of construction or development. Transfers are made from investment property when and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale. The depreciation of buildings included in investment properties is computed using the linear method over the useful lives as presented in note 3.k).

m) Non-current assets held for sale

Non-current assets for which the carrying amount is estimated to be recovered principally through a sale transaction rather than continuing use are classified as held for sale.

Assets held for sale are initially and subsequently measured at the lower of the carrying amount and the fair value at the date of the measurement. For any decrease of the fair value below the carrying amount, impairment is recognised into profit and loss accounts. The increase of the fair value of a held for sale asset is accounted for as an impairment release. Fair value increase is recognised up to the level of the initial carrying amount of the asset.

3. Summary of significant accounting policies (continued)

m) Non-current assets held for sale (continued)

On the period an asset is classified as held for sale no depreciation charged is recognised. An asset that ceases to be classified as held for sale is measured at the lower of the carrying amount before the asset was classified as held for sale adjusted by the depreciation that would have been recognised had the asset was not classified as held for sale and its recoverable amount.

n) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group and Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of cash-generating unit is less than the carrying amount, an impairment loss is recognized.

o) Intangible assets

Intangible assets are measured initially at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. All intangible assets of the Group and Bank carried as of December 31, 2022 and 2021 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 5 years. The amortization period and the amortization method are reviewed at least at each financial year end. At each statement of financial position date or whenever events or changes in circumstances indicate the carrying value may not be recoverable, intangibles are reviewed for impairment. Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount by recognising impairment. An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

p) Employee benefits

Short-term employee benefits:
Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

Social Security Contributions:
The Group and its subsidiaries as well as its employees are legally obliged to make contributions described in the financial statements as social security contributions to the National Pension Fund, managed by the Romanian State Social Security (a defined contribution plan financed on a pay-as-you-go basis). The Group and Bank has no legal or constructive obligation to pay future benefits. Its only obligation is to pay the contributions as they fall due. If the members of the Romanian State Social Security plan cease to be employed by either the Group or its subsidiary, there will be no obligation on the Group to pay the benefits earned by these employees in previous years. The Group and Bank’s contributions are included in salaries and related expenses.

3. Summary of significant accounting policies (continued)

p) Employee benefits (continued)

Post-employment benefits:
The Group and Bank has a contractual obligation to pay to retiring employees a benefit calculated taking into account the salary at the date of retirement and the number of years served by the individual. The cost of providing benefits under defined benefit plans is estimated annually using the projected unit credit actuarial valuation method and is recognized to the income statement on an accruals basis. Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance are recognized as actuarial gains and losses. Actuarial gains and losses, excluding amounts expensed as net interest on the net defined benefit liability are components used to re-measure the net defined benefit liability. These components are immediately and fully recognised as unrealised gains and losses and presented under Reserves from defined pension plan.

These items are subsequently never reclassified in income statement but transferred to retain earnings. Where a new or amended plan comes into force, the past service cost is immediately recognized in profit or loss.

An annual charge is recorded under Personnel expenses for defined benefit plans, consisting of:
- the additional entitlements vested by each employee (current service cost);
- past service cost resulting from a plan amendment or a curtailment;
- the financial expense resulting from the discount rate (net interest on the net defined benefit liability);
- the settlement of plans.

Share–based payment transactions:
Employees (including senior executives) of the Group and Bank receive remuneration in the form of SG share–based payment transactions, whereby employees render services as consideration for equity instruments (‘equity–settled transactions’) and Group Société Générale attains certain ratios. The cost of equity–settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘the vesting date’).

Other benefits
The Bank also grants to all employees having a seniority in the Bank higher than 3 years an annual contribution to a private pension fund (Pillar 3) in total amount of EUR 200 /year/employee.

q) Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit, computed in accordance with Romanian tax rules and accrued for in the period to which it relates.

Deferred income tax liabilities are recognized for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts at the statement of financial position date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unutilized tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry forward of unused tax losses can be utilized.

3. Summary of significant accounting policies (continued)

q) Taxation (continued)

Deferred income tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities after taking into account the tax rates and legislation that have been enacted or substantially enacted until the statement of financial position date. Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists. Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

r) Provisions

Provisions are recognized when the Group and Bank has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as borrowing cost.

s) Contingencies

Contingent liabilities are not recognized in the financial statements, but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

t) Earnings per share

Basic earnings per share are calculated by dividing net profit/ (loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2022 and 2021 there were no dilutive equity instruments issued by the Group and Bank.

u) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group and Bank's shareholders.

v) Related parties

Parties are considered related with the Group and Bank when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party in making financial and operating decisions. Related party transaction represents a transfer of resources or obligations between related parties, regardless of whether a price is charged.

w) Subsequent events

Post - balance sheet events that provide additional information about the Group and Bank's position at the statement of financial position (adjusting events), or those that indicate that the going concern assumption is not appropriate are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when significant.

4. Segment information

The segments used for management purposes are based on customer type and size, products and services offered as follows:

In Retail (Individuals & Small Business) category the following customer's segments are identified:

- Individuals – the Bank provides individual customers with a range of banking products such as: saving and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities, etc.
- Small business – business entities with annual turnover lower than EUR 1 million and having an aggregated exposure at group level less than EUR 0.3 million. Standardised range of banking products is offered to small companies and professional: saving and deposits taking, loans and other credit facilities, etc.

Retail customers include clients with similar characteristics in terms of financing needs, complexity of the activity performed and size of business for which a range of banking products and services with medium to low complexity is provided.

In Non –Retail category the following customer's segments are identified:

- Small and medium enterprises (companies with annual turnover between EUR 1 million and EUR 50 million and the aggregated exposure at group level higher than EUR 0.3 million);
- Large corporate (corporate banking and companies with annual turnover higher than 50 million EUR, municipalities, public sector and other financial institutions).

The Bank provides these customers with a range of banking products and services, including saving and deposits taking, loans and other credit facilities, transfers and payment services, provides cash-management, investment advices, securities business, project and structured finance transaction, syndicated loans and asset backed transactions.

The Corporate Center includes: treasury activities, ALM and other categories unallocated to Retail and Non-Retail business lines.

The Executive Committee monitors the activity of each segment separately for the purpose of making decisions about resource allocation and performance assessment.

(Amounts in thousands RON)

4. Segment information (continued)

Group

	December 31, 2022				December 31, 2021			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	**73,841,767**	**23,896,003**	**13,799,733**	**36,146,031**	**69,063,297**	**23,148,761**	**10,987,709**	**34,926,827**
Loans and advances to customers, net & Finance lease receivables	37,695,736	23,896,003	13,799,733	-	34,136,470	23,148,761	10,987,709	-
Other assets	36,146,031	-	-	36,146,031	34,926,827	-	-	34,926,827
Total liabilities	**73,841,767**	**37,096,720**	**19,564,121**	**17,180,926**	**69,063,297**	**35,988,622**	**16,694,959**	**16,379,716**
Due to customers	56,660,841	37,096,720	19,564,121	-	52,683,581	35,988,622	16,694,959	-
Other liabilities	17,180,926	-	-	17,180,926	16,379,716	-	-	16,379,716

Bank

	December 31, 2022				December 31, 2021			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	**71,522,977**	**22,780,047**	**12,762,232**	**35,980,698**	**67,015,263**	**22,070,310**	**10,113,546**	**34,831,407**
Loans and advances to customers, net	35,542,279	22,780,047	12,762,232	-	32,183,856	22,070,310	10,113,546	-
Other assets	35,980,698	-	-	35,980,698	34,831,407	-	-	34,831,407
Total liabilities	**71,522,977**	**35,533,284**	**21,382,456**	**14,607,237**	**67,015,263**	**35,988,622**	**16,929,264**	**14,097,377**
Due to customers	56,915,740	35,533,284	21,382,456	-	52,917,886	35,988,622	16,929,264	-
Other liabilities	14,607,237	-	-	14,607,237	14,097,377	-	-	14,097,377

(Amounts in thousands RON)

4. Segment information (continued)

Group

	2022				**2021**			
	Total	**Retail**	**Non retail**	**Corporate Center**	**Total**	**Retail**	**Non retail**	**Corporate Center**
Net interest income	2,370,434	1,578,147	653,935	138,352	2,084,187	1,405,150	458,121	220,916
Fees and commissions, net	754,329	517,720	243,820	(7,211)	744,227	528,901	223,706	(8,380)
Total non-interest income	334,460	122,488	98,202	113,769	268,723	101,661	85,745	81,317
Operating income	**3,459,223**	**2,218,355**	**995,957**	**244,910**	**3,097,137**	**2,035,712**	**767,571**	**293,854**
Total operating expenses	**(1,744,602)**	**(1,301,754)**	**(443,157)**	**309**	**(1,597,030)**	**(1,187,264)**	**(409,575)**	**(191)**
Cost of risk	(95,106)	(87,662)	41,633	(49,077)	145,656	20,142	141,853	(16,340)
Profit before income tax	**1,619,515**	**828,939**	**594,434**	**196,142**	**1,645,763**	**868,590**	**499,850**	**277,323**
Total income tax	(282,427)	(144,558)	(103,663)	(34,207)	(326,860)	(172,482)	(99,259)	(55,120)
Profit for the period	**1,337,088**	**684,381**	**490,771**	**161,935**	**1,318,903**	**696,109**	**400,591**	**222,203**
Cost Income Ratio	**50.4%**	**58.7%**	**44.5%**	**0.0%**	**51.6%**	**58.3%**	**53.4%**	**0.0%**

(Amounts in thousands RON)

4. Segment information (continued)

Bank

	2022				2021			
	Total	**Retail**	**Non retail**	**Corporate Center**	**Total**	**Retail**	**Non retail**	**Corporate Center**
Net interest income	2,239,198	1,504,913	588,438	145,848	1,953,108	1,324,327	401,548	227,233
Fees and commissions, net	719,194	492,782	239,202	(12,789)	706,043	499,154	218,285	(11,396)
Total non-interest income	330,471	122,163	92,835	115,473	270,736	101,477	80,355	88,904
Operating income	**3,288,862**	**2,119,856**	**920,474**	**248,531**	**2,929,887**	**1,924,960**	**700,187**	**304,740**
Total operating expenses	**(1,640,885)**	**(1,229,137)**	**(411,991)**	**243**	**(1,494,056)**	**(1,111,003)**	**(383,022)**	**(31)**
Cost of risk	(92,699)	(95,202)	51,565	(49,062)	159,233	18,960	156,609	(16,337)
Profit before income tax	**1,555,279**	**795,518**	**560,048**	**199,713**	**1,595,064**	**832,918**	**473,774**	**288,372**
Total income tax	(269,341)	(137,767)	(96,988)	(34,586)	(315,808)	(164,910)	(93,803)	(57,095)
Profit for the period	**1,285,938**	**657,751**	**463,059**	**165,127**	**1,279,256**	**668,006**	**379,972**	**231,278**
Cost Income Ratio	**49.9%**	**58.0%**	**44.8%**	**0.0%**	**51.0%**	**57.7%**	**54.7%**	**0.0%**

(Amounts in thousands RON)

5. Cash and due from Central Bank

	Group		Bank	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Cash in vaults	1,898,120	1,323,877	1,898,051	1,323,844
Cash in ATM	633,229	570,571	633,229	570,571
Current accounts with Central Bank	5,093,654	4,311,908	5,093,654	4,311,908
Total	**7,625,002**	**6,206,356**	**7,624,933**	**6,206,323**

6. Due from banks

	Group		Bank	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Deposits at Romanian banks	22,001	124,453	22,001	124,453
Deposits at foreign banks	622,972	3,755,293	606,997	3,738,708
Current accounts at Romanian banks	3	(0)	3	-
Current accounts at foreign banks	652,035	507,149	652,035	507,149
Reverse repo	5,450,233	-	5,450,233	-
Bonds	473,718	151,047	473,718	151,047
Total	**7,220,963**	**4,537,941**	**7,204,987**	**4,521,357**

The Due from banks portfolio is classified as Stage 1. The Group and Bank registered an impairment allowance for Due from banks of 7 as at December 31, 2022 (December 31, 2021: 146).

7. Derivatives and other financial instruments held for trading

Group

	December 31, 2022		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	33,419	341,983	2,320,369
Currency swaps	47,067	32,726	2,079,583
Forward foreign exchange contracts	34,004	62,621	4,237,999
Options	65,609	65,645	3,053,774
Total derivative financial instruments	**180,099**	**502,975**	**11,691,725**

	December 31, 2022	
	Assets	**Liabilities**
Treasury notes	426,524	294,199
Trading loans/deposits	984,869	616,757
Reverse repo/Repo	751,885	29,615
Total financial assets and liabilities held for trading	**2,163,278**	**940,571**

(Amounts in thousands RON)

7. Derivatives and other financial instruments held for trading (continued)

Group	December 31, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	33,962	48,399	5,101,371
Currency swaps	8,386	4,593	3,012,164
Forward foreign exchange contracts	7,126	6,056	1,110,385
Options	35,214	35,258	3,775,969
Total derivative financial instruments	**84,688**	**94,306**	**12,999,889**

	December 31, 2021	
	Assets	Liabilities
Treasury notes	768,334	207,534
Trading deposits	-	76,830
Repo/Reverse repo	1,421,902	119,981
Total financial assets and liabilities held for trading	**2,190,236**	**404,345**

Bank	December 31, 2022		
	Assets	Liabilities	Notional (total)
Interest rate swaps	33,419	341,983	2,320,369
Currency swaps	47,067	32,726	2,079,583
Forward foreign exchange contracts	34,004	62,621	4,237,999
Options	65,609	65,645	3,053,774
Total derivative financial instruments	**180,099**	**502,975**	**11,691,725**

	December 31, 2022	
	Assets	Liabilities
Treasury notes	420,458	294,199
Trading loans/deposits	984,869	616,757
Reverse repo/Repo	751,885	29,615
Total financial assets and liabilities held for trading	**2,157,212**	**940,571**

Bank	December 31, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	33,962	48,399	5,101,371
Currency swaps	8,386	4,593	3,012,164
Forward foreign exchange contracts	7,126	6,056	1,110,385
Options	35,214	35,258	3,775,969
Total derivative financial instruments	**84,688**	**94,306**	**12,999,889**

	December 31, 2021	
	Assets	Liabilities
Treasury notes	768,334	207,534
Trading deposits	-	76,830
Reverse repo	1,421,902	119,981
Total financial assets and liabilities held for trading	**2,190,236**	**404,345**

7. Derivatives and other financial instruments held for trading (continued)

The Group continue to apply hedge accounting (fair value hedge) as at December 31, 2022 and has 4 hedging relationships (4 hedging relationships as at December 31, 2021).

- On June 30, 2018, the Bank initiated two macro fair value hedges one in EUR and one in USD of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged items are represented by the portion of the current accounts portfolio equal to the swaps nominal values of:

- 108 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 5.5 years.
- 30 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 2.5 years.
- 16 million EUR yearly with a fixed interest rate of -0.0125%, the remaining period of 0.5 years.
- 14 million EUR yearly with a fixed interest rate of -0.0125%; the remaining period of 0.5 years.
- 24 million USD yearly with a fixed interest rate of 2.813%; the remaining period of 5.5 years.
- 6 million USD yearly with a fixed interest rate of 2.765%; the remaining period of 0.5 years.

- In October 30, 2020 the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 315 million EUR. The swap has a fixed interest rate of -0.403% and a remaining period of 7.84 years.

- On September 30, 2021 the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 120 million EUR. The swap has a fixed interest rate of -0.337% and a remaining period of 3.75 years.

(Amounts in thousands RON)

7. Derivative and other financial instruments held for trading (continued)

All hedging relationships have quarterly settlement periods for both fixed and variable legs. The hedging relationships were effective throughout the reporting period.

Main source of hedge ineffectiveness that might be expected to affect the hedging relationships is the amortization model of current accounts. However, the amortization of the hedged item is based on a behavioral ALM model that is reviewed / back tested on a yearly basis. In order to avoid inefficiency generated by the underestimated amortization of the current accounts, maximum 70% of the current accounts portfolio per each time band is designated as hedged item.

The hedging relationship were designated on the date of the IRS origination. At that date, the theoretical derivative was built as to match the interest rate behavior of the current accounts, the hedged item (i.e. a spread was added to the variable leg so that the fair value of the theoretical swap on the designation date to be zero). Consequently no other major sources of ineffectiveness were identified.

As at December 31, 2022, the accumulated amount of fair value hedge adjustments on the current accounts hedged item are included in the carrying amount and presented in due to customer line in the statement of financial position and amounts to -300,004. The change in value of the hedged item during the period is explained by the cumulated effect of a gain from revaluation in amount of 280,948 and of the exchange rate evolution effect in amount of 449.

The fair value of hedging instrument for Group and Bank was the following:

	December 31, 2022		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	-	305,027	2,949,161

	December 31, 2021		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	21,192	39,703	3,593,965

Forwards
Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts concluded by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

(Amounts in thousands RON)

7. Derivatives and other financial instruments held for trading (continued)

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Bank purchases and sells options in the over-the-counter markets.

Options purchased by the Bank provide the Bank with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options written by the Bank provide the purchaser the opportunity to purchase from or sell to the Bank the underlying asset at an agreed-upon value either on or before the expiration of the option. The options are kept in order to neutralize the customer deals.

Trading treasury notes are treasury discount notes and coupon bonds held for trading purposes. All the treasury notes in Bank's portfolio are issued by the Romanian Government in RON, EUR and USD.

Trading loans/deposits (including reverse repo/repo) are financial instruments originated by clients or interbank flow and the associated risk management, those resulting from Bank obligations as primary dealer and from Bank position al liquidity provider.

8. Financial assets at fair value through profit or loss

	Group		Bank	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Equity investments	8,133	6,947	8,132	6,947
Other securities	6,130	-	-	-
Total	**14,262**	**6,947**	**8,132**	**6,947**

Equity investments

Other equity investments represent shares in Romanian Commodities Exchange (Bursa de Valori Bucuresti), Romanian Credit Guarantee Fund for Private Investors (Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA), National Society for Transfer of Funds and Settlements-TransFonD (Societatea Nationala de Transfer de Fonduri si Decontari), SWIFT, Shareholders' Register for the National Securities Commission (Depozitarul Central S.A.), Bucharest Stock Exchange (Bursa Romana de Marfuri SA).

Other securities

In July 2022 BRD Asset Management issued new funds. The Grup participation in this funds as at December 31, 2022 is the following:

December 31, 2022	**Unit value RON**	**No of units**	**Market value**
BRD Oportunitati clasa A	102	18,000	1,841
BRD Oportunitati clasa E	126	2,000	253
BRD Orizont 2035 clasa A	99	18,000	1,779
BRD Orizont 2035 clasa E	122	2,000	244
BRD Orizont 2045 clasa A	98	18,000	1,770
BRD Orizont 2045 clasa E	121	2,000	243
Total			**6,130**

(Amounts in thousands RON)

9. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include treasury notes, respectively treasury discount notes and coupon bonds issued by the Ministry of Public Finance, in amount of 10,982,029 (December 31, 2021: 15,769,371) rated as very good according to internal rating, bonds issued by French State in amount of 1,939,772 (December 31, 2021: 3,389,311) and bonds issued by the Belgian State in amount of 517,795 (December 31, 2021: 705,143) rated as very good according to internal rating.

As at December 31, 2022, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 2,558 (December 31, 2021: 3,045).

10. Financial assets at amortised cost

10.1. Loans and advances to customers

	Group		Bank	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Loans, gross	38,053,311	34,668,675	37,242,399	33,853,032
Loans impairment	(1,764,969)	(1,754,800)	(1,700,120)	(1,669,176)
Total	**36,288,342**	**32,913,875**	**35,542,279**	**32,183,856**

The structure of loans is the following:

	Group		Bank	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Working capital loans	7,158,039	4,706,233	7,158,039	4,706,233
Loans for equipment	3,650,998	3,428,885	3,275,108	3,171,233
Trade activities financing	1,385,051	1,318,133	1,385,051	1,318,133
Acquisition of real estate, including mortgage for individuals	14,476,288	13,747,465	14,476,288	13,747,465
Consumer loans	9,014,881	9,104,171	8,579,859	8,546,180
Other	2,368,053	2,363,788	2,368,053	2,363,788
Total	**38,053,311**	**34,668,675**	**37,242,399**	**33,853,032**

During 2022 the gross loan portfolio increased by 3,389 million RON as compared with 31 December 2021.

As at 31 December 2022 the Bank's gross loan portfolio and movements were distributed as follows:

- Stage 1: 27,178 million RON, with a 2,646 million increase compared to 31 December 2021
- Stage 2: 9,002 million RON, with a 838 million RON increase compared to 31 December 2021
- Stage 3: 1,010 million RON, with a 88 million RON decrease compared to 31 December 2021
- POCI: 53 million RON, with 6 million decrease compared to 31 December 2021.

10. Financial assets at amortised cost (continued)

10.1. Loans and advances to customers (continued)

The main movements on gross exposure value are along the following dimensions:

- Stage 1 increase driven mainly by robust performance on Non Retail segment

- The increase in Stage 2 portfolio reflects mainly the migrations from Stage 1 as a result of macroeconomic evolution, mainly on Retail portfolio

- The Stage 3 and POCI evolution is characterized by a net inflow of 276 million RON from performing portfolios, offset by good recovery performance on already defaulted portfolios of 204 million RON, and portfolio sale and write-off in amount of 167 million RON.

As of December 31, 2022 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 4,748,797 (December 31, 2021: 3,614,157), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 5,148,297 (December 31, 2021: 4,961,898).

(Amounts in thousands RON)

10. Financial assets at amortised cost (continued)

10.1. Loans and advances to customers (continued)

Impairment allowance movement

Group

	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2022	133,801	457,954	602,990	3,875	**1,198,619**
New assets originated or purchased	88,882	22,940	10,229	9	**122,060**
Assets derecognised or repaid (excluding write offs)	(15,373)	(30,293)	(105,813)	(467)	**(151,945)**
Net provision movement for assets that did not change classification	(49,371)	(17,293)	(357)	1,528	**(65,494)**
Movements due to change in classification	(22,631)	72,287	174,935	(20)	**224,571**
Amounts written off	-	-	(97,064)	(1,695)	**(98,759)**
Other adjustments	1	(46)	(116)	(10)	**(171)**
Impairment allowance as at 31 December 2022	**135,308**	**505,549**	**584,804**	**3,219**	**1,228,880**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2022	175,458	100,573	255,406	24,742	**556,180**
New assets originated or purchased	151,155	46,900	22,406	-	**220,461**
Assets derecognised or repaid (excluding write offs)	(97,119)	(27,058)	(57,544)	(367)	**(182,088)**
Net provision movement for assets that did not change classification	6,025	(27,730)	(15,779)	(2,685)	**(40,168)**
Movements due to change in classification	(3,306)	(6,373)	11,077	-	**1,398**
Amounts written off	-	-	(19,601)	(0)	**(19,601)**
Other adjustments	(4)	14	(101)	(3)	**(94)**
Impairment allowance as at 31 December 2022	**232,210**	**86,326**	**195,865**	**21,687**	**536,088**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2022	309,259	558,527	858,398	28,617	**1,754,801**
New assets originated or purchased	240,037	69,840	32,635	9	**342,521**
Assets derecognised or repaid (excluding write offs)	(112,492)	(57,351)	(163,357)	(834)	**(334,033)**
Net provision movement for assets that did not change classification	(43,346)	(45,023)	(16,136)	(1,157)	**(105,662)**
Movements due to change in classification	(25,937)	65,915	186,012	(20)	**225,969**
Amounts written off	-	-	(116,665)	(1,695)	**(118,360)**
Other adjustments	(3)	(31)	(219)	(14)	**(267)**
Impairment allowance as at 31 December 2022	**367,518**	**591,876**	**780,668**	**24,905**	**1,764,968**

(Amounts in thousands RON)

10. Financial assets at amortised cost (continued)

10.1. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2022	118,917	451,772	544,071	3,875	**1,118,635**
New assets originated or purchased	88,678	17,592	2,359	9	**108,637**
Assets derecognised or repaid (excluding write offs)	(15,357)	(30,269)	(105,481)	(467)	**(151,573)**
Net provision movement for assets that did not change classification	(49,332)	(18,027)	(1,055)	1,528	**(66,886)**
Movements due to change in classification	(19,059)	74,491	176,608	(20)	**232,019**
Amounts written off	-	-	(69,895)	(1,695)	**(71,590)**
Other adjustments	(12)	(33)	(116)	(10)	**(171)**
Impairment allowance as at 31 December 2022	**123,834**	**495,526**	**546,491**	**3,219**	**1,169,070**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2022	175,057	97,758	252,985	24,742	**550,542**
New assets originated or purchased	150,889	44,715	22,406	-	**218,011**
Assets derecognised or repaid (excluding write offs)	(97,091)	(26,804)	(57,143)	(367)	**(181,406)**
Net provision movement for assets that did not change classification	7,184	(27,607)	(14,692)	(2,685)	**(37,800)**
Movements due to change in classification	(4,360)	(5,284)	11,042	-	**1,398**
Amounts written off	-	-	(19,601)	(0)	**(19,601)**
Other adjustments	(4)	14	(100)	(3)	**(93)**
Impairment allowance as at 31 December 2022	**231,675**	**82,792**	**194,896**	**21,687**	**531,050**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2022	293,973	549,531	797,056	28,617	**1,669,176**
New assets originated or purchased	239,567	62,307	24,765	9	**326,648**
Assets derecognised or repaid (excluding write offs)	(112,448)	(57,073)	(162,624)	(834)	**(332,979)**
Net provision movement for assets that did not change classification	(42,148)	(45,634)	(15,747)	(1,157)	**(104,687)**
Movements due to change in classification	(23,419)	69,207	187,650	(20)	**233,417**
Amounts written off	-	-	(89,496)	(1,695)	**(91,191)**
Other adjustments	(16)	(19)	(216)	(12)	**(263)**
Impairment allowance as at 31 December 2022	**355,510**	**578,318**	**741,386**	**24,907**	**1,700,121**

(Amounts in thousands RON)

10. Financial assets at amortised cost (continued)

10.1. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Group

	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2021	136,253	597,234	572,879	3,955	**1,310,321**
New assets originated or purchased	93,146	24,232	18,924	24	**136,326**
Assets derecognised or repaid (excluding write offs)	(13,595)	(45,764)	(105,908)	(273)	**(165,540)**
Net provision movement for assets that did not change classification	(67,011)	(55,945)	(14,927)	1,554	**(136,328)**
Movements due to change in classification	(15,903)	(64,171)	208,292	8	**128,226**
Amounts written off	-	-	(79,061)	(1,412)	**(80,474)**
Other adjustments	910	2,369	2,791	18	**6,088**
Impairment allowance as at 31 December 2021	**133,801**	**457,954**	**602,990**	**3,875**	**1,198,619**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2021	72,612	157,710	320,906	29,502	**580,730**
New assets originated or purchased	91,947	54,735	2,173	192	**149,047**
Assets derecognised or repaid (excluding write offs)	(29,847)	(19,511)	(38,276)	(465)	**(88,099)**
Net provision movement for assets that did not change classification	14,207	(25,946)	491	(3,736)	**(14,984)**
Movements due to change in classification	25,502	(67,906)	32,994	(1,171)	**(10,581)**
Amounts written off	-	-	(66,312)	(5)	**(66,317)**
Other adjustments	1,037	1,491	3,432	425	**6,384**
Impairment allowance as at 31 December 2021	**175,458**	**100,573**	**255,406**	**24,742**	**556,180**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2021	208,865	754,944	893,787	33,457	**1,891,052**
New assets originated or purchased	185,094	78,967	21,096	216	**285,373**
Assets derecognised or repaid (excluding write offs)	(43,442)	(65,275)	(144,184)	(738)	**(253,639)**
Net provision movement for assets that did not change classification	(52,804)	(81,891)	(14,436)	(2,182)	**(151,312)**
Movements due to change in classification	9,600	(132,077)	241,285	(1,163)	**117,645**
Amounts written off	-	-	(145,373)	(1,417)	**(146,791)**
Other adjustments	1,947	3,859	6,222	443	**12,471**
Impairment allowance as at 31 December 2021	**309,259**	**558,527**	**858,397**	**28,617**	**1,754,800**

(Amounts in thousands RON)

10. Financial assets at amortised cost (continued)

10.1 Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2021	116,439	588,819	477,017	3,955	**1,186,230**
New assets originated or purchased	92,928	21,637	2,988	24	**117,577**
Assets derecognised or repaid (excluding write offs)	(13,548)	(45,750)	(105,566)	(273)	**(165,137)**
Net provision movement for assets that did not change classification	(66,858)	(55,706)	(15,524)	1,554	**(136,534)**
Movements due to change in classification	(10,951)	(59,590)	210,010	8	**139,477**
Amounts written off	-	-	(27,596)	(1,412)	**(29,008)**
Other adjustments	907	2,362	2,742	18	**6,029**
Impairment allowance as at 31 December 2021	**118,917**	**451,772**	**544,071**	**3,875**	**1,118,635**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2021	72,115	154,895	318,100	29,502	**574,612**
New assets originated or purchased	91,759	53,457	1,926	192	**147,335**
Assets derecognised or repaid (excluding write offs)	(29,816)	(19,366)	(37,785)	(465)	**(87,432)**
Net provision movement for assets that did not change classification	15,398	(25,770)	739	(3,736)	**(13,369)**
Movements due to change in classification	24,585	(66,919)	32,924	(1,171)	**(10,581)**
Amounts written off	-	-	(66,312)	(5)	**(66,317)**
Other adjustments	1,015	1,461	3,393	425	**6,294**
Impairment allowance as at 31 December 2021	**175,057**	**97,758**	**252,985**	**24,742**	**550,542**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2021	188,554	743,714	795,117	33,457	**1,760,842**
New assets originated or purchased	184,687	75,094	4,914	216	**264,912**
Assets derecognised or repaid (excluding write offs)	(43,365)	(65,116)	(143,350)	(738)	**(252,569)**
Net provision movement for assets that did not change classification	(51,460)	(81,476)	(14,785)	(2,182)	**(149,902)**
Movements due to change in classification	13,634	(126,509)	242,933	(1,163)	**128,896**
Amounts written off	-	-	(93,908)	(1,417)	**(95,325)**
Other adjustments	1,922	3,823	6,135	443	**12,323**
Impairment allowance as at 31 December 2021	**293,973**	**549,531**	**797,056**	**28,617**	**1,669,176**

The sensitivity assessment of ECL to key inputs shows that a +/- 1 p.p. change in LGD would result in an increase/ decrease of ECL with 35.9 million RON.

The sensitivity assessment of ECL to the macroeconomic scenarios used is described below:

- A change of +/- 1 p.p. of the optimistic scenario weight correlated with a -/+ 1 p.p. change in base scenario weight, will generate an ECL decrease/ increase of 0.4 million RON
- A change of +/- 1 p.p. of the pessimistic scenario weight correlated with a -/+ 1 p.p. change in base scenario weight, will generate an ECL increase/ decrease of 2.1 million RON.

(Amounts in thousands RON)

10. Financial assets at amortised cost (continued)

10.2. Treasury bills at amortised cost

Treasury bills at amortised cost income include bonds classified as being Hold To Collect (HTC), measured at amortised cost and rated as very good according to internal rating. These bonds are issued by: French State (in amount of 1,999,312), United States Government (in amount of 431,715) and by Romanian Ministry of Public Finances (in amount of 299,679).

As at December 31, 2022, these treasury bills at amortised cost are classified as Stage 1 and the ECL impairment allowance amounts to 40.

11. Finance lease receivables

The Group acts as a lessor through the subsidiary BRD Sogelease IFN SA, having in the portfolio vehicles, equipment (industrial, agricultural) and real estate leases. The leases are denominated mainly in EUR and RON, with transfer of ownership of the leased asset at the end of the lease term. The receivables are secured by the underlying assets and by other collateral. The payment timing analysis of lease receivables is as follows:

	Group	
	December 31, 2022	**December 31, 2021**
Gross investment in finance lease:		
Under 1 year	651,209	561,433
Between 1 and 5 years	963,284	824,401
Higher than 5 years	8,046	8,625
	1,622,539	**1,394,459**
Unearned finance income	(121,160)	(82,656)
Net investment in finance lease	**1,501,379**	**1,311,803**
Net investment in finance lease:		
Under 1 year	593,826	528,107
Between 1 and 5 years	899,704	775,580
Higher than 5 years	7,849	8,115
	1,501,379	**1,311,802**

	December 31, 2022	**December 31, 2021**
Net investment in the lease	1,501,379	1,311,802
Accumulated allowance for uncollectible minimum lease payments receivable	(93,985)	(89,207)
Total	**1,407,394**	**1,222,595**

As at December 31, 2022 and December 31, 2021, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	Group		Bank	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Less than one year	499	393	499	393
Between one and five years	559	373	559	373
More than five years	113	184	113	184
Total	**1,171**	**950**	**1,171**	**950**

(Amounts in thousands RON)

11. Finance lease receivables (continued)

Impairment allowance movement

	Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2022	1,450	3,544	19,701	**24,695**
New assets originated or purchased	937	3,541	3,261	**7,739**
Assets derecognised or fully repaid (excluding write offs)	(142)	(375)	(1,549)	**(2,066)**
Movements due to change in classification	354	1,020	(1,374)	**-**
Net movement for assets that did not change classification	(725)	(680)	2,895	**1,489**
Amounts written off	(1)	(40)	(204)	**(245)**
Other adjustments	(0)	(1)	(2)	**(3)**
Impairment allowance as at 31 December 2022	**1,873**	**7,010**	**22,726**	**31,609**

	Non-retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2022	1,866	16,210	46,436	**64,512**
New assets originated or purchased	1,479	4,948	1,027	**7,453**
Assets derecognised or fully repaid (excluding write offs)	(117)	(2,508)	(1,975)	**(4,601)**
Movements due to change in classification	4,804	(5,002)	198	**0**
Net movement for assets that did not change classification	(5,414)	(1,364)	3,927	**(2,850)**
Amounts written off	-	-	(770)	**(770)**
Other adjustments	(1)	(15)	(1,351)	**(1,367)**
Impairment allowance as at 31 December 2022	**2,616**	**12,269**	**47,491**	**62,377**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2022	3,316	19,754	66,137	**89,207**
New assets originated or purchased	2,415	8,489	4,287	**15,192**
Assets derecognised or fully repaid (excluding write offs)	(259)	(2,883)	(3,524)	**(6,666)**
Movements due to change in classification	5,158	(3,982)	(1,176)	**-**
Net movement for assets that did not change classification	(6,139)	(2,044)	6,822	**(1,361)**
Amounts written off	(1)	(40)	(975)	**(1,015)**
Other adjustments	(1)	(16)	(1,354)	**(1,370)**
Impairment allowance as at 31 December 2022	**4,489**	**19,279**	**70,218**	**93,986**

(Amounts in thousands RON)

11. Finance lease receivables (continued)

Impairment allowance movement (continued)

	Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2021	1,291	1,927	16,476	**19,694**
New assets originated or purchased	877	2,034	1,797	**4,708**
Assets derecognised or fully repaid (excluding write offs)	(158)	(285)	(921)	**(1,365)**
Movements due to change in classification	113	(860)	747	**-**
Net movement for assets that did not change classification	(691)	718	4,181	**4,209**
Amounts written off	(0)	(2)	(2,780)	**(2,783)**
Other adjustments	19	12	201	**232**
Impairment allowance as at 31 December 2021	**1,450**	**3,544**	**19,701**	**24,695**

	Non-retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2021	2,710	16,351	41,566	**60,626**
New assets originated or purchased	851	6,700	4,324	**11,875**
Assets derecognised or fully repaid (excluding write offs)	(319)	(1,345)	(1,858)	**(3,523)**
Movements due to change in classification	2,667	(3,819)	1,153	**-**
Net movement for assets that did not change classification	(4,113)	(1,749)	4,320	**(1,542)**
Amounts written off	(6)	-	(2,107)	**(2,113)**
Other adjustments	76	74	(962)	**(812)**
Impairment allowance as at 31 December 2021	**1,866**	**16,211**	**46,435**	**64,512**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2021	4,000	18,279	58,042	**80,321**
New assets originated or purchased	1,728	8,735	6,121	**16,583**
Assets derecognised or fully repaid (excluding write offs)	(478)	(1,630)	(2,779)	**(4,887)**
Movements due to change in classification	2,780	(4,679)	1,899	**-**
Net movement for assets that did not change classification	(4,803)	(1,031)	8,501	**2,667**
Amounts written off	(7)	(2)	(4,887)	**(4,896)**
Other adjustments	95	85	(761)	**(581)**
Impairment allowance as at 31 December 2021	**3,316**	**19,755**	**66,136**	**89,207**

(Amounts in thousands RON)

12. Investments in subsidiaries associates and joint ventures

Group

Associates and joint ventures	%	December 31, 2021	Additions/ Reclassifications	Increase / (decrease) in net assets	December 31, 2022
BRD Asigurari de Viata SA	49.00%	29,144	-	4,822	33,966
BRD Fond de Pensii S.A.	49.00%	10,646	9,800	(13,857)	6,589
Fondul de Garantare a Creditului Rural	33.33%	19,130	-	352	19,482
ALD Automotive	20.00%	30,336	-	3,992	34,328
BRD Sogelease Asset Rental SRL	20.00%	1,087	-	892	1,979
Biroul de Credit S.A.	16.38%	3,291	-	382	3,673
CIT One SA	33.33%	13,571	-	82	13,653
		107,205	**9,800**	**(3,335)**	**113,670**

Group

Associates and joint ventures	%	December 31, 2020	Increase / (decrease) in net assets	December 31, 2021
BRD Asigurari de Viata SA	49.00%	27,714	1,430	29,144
BRD Fond de Pensii S.A.	49.00%	11,153	(507)	10,646
Fondul de Garantare a Creditului Rural	33.33%	18,774	356	19,130
ALD Automotive	20.00%	25,597	4,739	30,336
BRD Sogelease Asset Rental SRL	20.00%	1,256	(169)	1,087
Biroul de Credit S.A.	16.38%	3,054	237	3,291
CIT One SA	33.33%	11,566	2,005	13,571
		99,114	**8,091**	**107,205**

Bank

Associates and joint ventures	%	December 31, 2021	Additions/ Reclassifications	Disposals/ Provisions	December 31, 2022
BRD Asigurari de Viata SA	49.00%	17,697	-	-	17,697
BRD Fond de Pensii S.A.	49.00%	33,599	9,800	(38,752)	4,647
Fondul de Garantare a Creditului Rural	33.33%	14,220	-	-	14,220
ALD Automotive	20.00%	11,873	-	-	11,873
Biroul de Credit S.A.	16.38%	729	-	-	729
CIT One SA	33.33%	11,900	-	-	11,900
Total associates and joint ventures		**90,018**	**9,800**	**(38,752)**	**61,066**
BRD Sogelease IFN SA	99.98%	11,558	-	-	11,558
BRD Asset Management SAI SA	99.98%	4,321	-	-	4,321
BRD Finance IFN SA	49.00%	53,019	-	-	53,019
Subsidiaries		**68,898**	**-**	**-**	**68,898**
Total associates and subsidiaries		**158,916**	**9,800**	**(38,752)**	**129,964**

(Amounts in thousands RON)

12. Investments in subsidiaries associates and joint ventures (continued)

Bank

Associates and joint ventures	**%**	**December 31, 2020**	**Additions/ Reclassifications**	**Disposals/ Provisions**	**December 31, 2021**
BRD Asigurari de Viata SA	49.00%	17,697	-	-	17,697
BRD Fond de Pensii S.A.	49.00%	33,599	-	-	33,599
Fondul de Garantare a Creditului Rural	33.33%	14,220	-	-	14,220
ALD Automotive	20.00%	11,873	-	-	11,873
Biroul de Credit S.A.	16.38%	729	-	-	729
CIT One SA	33.33%	11,900	-	-	11,900
Total associates and joint ventures		**90,018**	**-**	**-**	**90,018**
BRD Sogelease IFN SA	99.98%	11,558	-	-	11,558
BRD Asset Management SAI SA	99.98%	4,321	-	-	4,321
BRD Finance IFN SA	49.00%	53,019	-	-	53,019
Subsidiaries		**68,898**	**-**	**-**	**68,898**
Total associates and subsidiaries		**158,916**	**-**	**-**	**158,916**

In May 2022, BRD participation in the share capital of BRD Fond de Pensii SA was increased by an amount of 9,800. During 2022 the Bank also booked an impairment for this participation of 38,752 as of December 31, 2022.

(Amounts in thousands RON)

12. Investments in subsidiaries associates and joint ventures (continued)

The subsidiaries, associates and joint venture summary of financial position and income statement as at December 31, 2022 are as follows:

December 31, 2022	%	Current assets	Non-current assets	Net assets	% of net assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Net profit/(loss)
Subsidiaries											
BRD Sogelease IFN SA	99.98%	1,028,812	1,075,966	257,648	n/a	2,104,778	676,720	1,170,410	1,847,131	91,494	32,626
BRD Finance IFN SA	49.00%	160,063	353,361	116,506	n/a	513,424	238,748	158,171	396,919	100,843	17,804
BRD Asset Management SAI SA	99.98%	13,633	17,794	26,831	n/a	31,427	919	3,676	4,595	33,477	3,415
Associate and joint ventures											
ALD Automotive	20.00%	77,530	727,693	171,643	34,329	805,223	70,617	562,963	633,580	234,834	40,691
BRD Asigurari de Viata SA	49.00%	618,168	140,032	69,327	33,970	758,200	139,915	548,958	688,873	302,173	23,298
Fondul de Garantare a Creditului Rural	33.33%	1,003,886	4,930	58,438	19,478	1,008,816	64,584	885,794	950,378	17,499	3,106
Biroul de Credit S.A.	16.38%	22,030	914	22,448	3,676	22,944	496	-	496	15,676	7,791
BRD Fond de Pensii S.A.	49.00%	76,884	427	13,442	6,586	77,310	942	62,927	63,869	21,839	(6,543)
BRD Sogelease Asset Rental SRL	20.00%	11,611	7,376	9,894	1,979	18,987	405	8,688	9,093	10,489	(2,996)
CIT One S.A.	33.33%	38,624	88,518	40,962	13,652	127,142	37,066	49,114	86,180	227,257	(351)
Total					113,670						

(Amounts in thousands RON)

12. Investments in subsidiaries associates and joint ventures (continued)

The subsidiaries, associates and joint venture summary of financial position and income statement as at December 31, 2021 are as follows:

December 31, 2021	%	Current assets	Non-current assets	Net assets	% of net assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Net profit/(loss)
Subsidiaries											
BRD Sogelease IFN SA	99.98%	778,924	950,705	248,834	n/a	1,729,628	597,132	883,662	1,480,794	73,236	23,778
BRD Finance IFN SA	49.00%	178,424	452,703	114,342	n/a	631,128	287,373	229,412	516,785	112,328	18,073
BRD Asset Management SAI SA	99.98%	32,957	1,937	29,169	n/a	34,894	5,725	-	5,725	37,186	5,504
Associate											
ALD Automotive	20.00%	54,760	644,348	151,683	30,337	699,108	55,301	492,124	547,425	203,354	23,532
BRD Asigurari de Viata SA	49.00%	685,889	96,156	59,485	29,148	782,045	131,555	591,005	722,560	424,696	13,970
Fondul de Garantare a Creditului Rural	33.33%	780,817	4,787	57,383	19,126	785,604	50,147	678,074	728,221	15,050	3,342
Biroul de Credit S.A.	16.38%	20,036	526	20,112	3,293	20,562	450	-	450	12,699	5,456
BRD Fond de Pensii S.A.	49.00%	74,648	767	21,722	10,644	75,415	811	52,882	53,693	23,063	2,651
BRD Sogelease Asset Rental SRL	20.00%	13,410	13,986	5,435	1,087	27,396	339	21,622	21,961	10,471	(1,645)
CIT One S.A.	33.33%	37,887	66,226	40,715	13,570	104,113	27,494	35,904	63,398	176,270	8,148
Total					**107,205**						

(Amounts in thousands RON)

13. Property, plant and equipment

Group

	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	Total
Cost:							
as of December 31, 2020	**1,297,082**	**40,437**	**262,158**	**518,662**	**53,957**	**453,816**	**2,626,112**
Additions	-	-	918	10	85,220	112,934	199,082
Transfers	23,931	(1,219)	27,248	26,877	(76,837)	-	-
Transfers into/from inventory	(16,800)	(331)	-	-	-	-	(17,131)
Disposals	(39,770)	(644)	(10,688)	(60,002)	(7,169)	(45,354)	(163,627)
as of December 31, 2021	**1,264,443**	**38,243**	**279,636**	**485,547**	**55,171**	**521,396**	**2,644,436**
Additions	-	-	66	7	128,781	42,012	170,866
Transfers	36,282	(293)	26,567	27,440	(89,995)	-	1
Disposals	(21,293)	(937)	(16,832)	(53,334)	5,530	(77,390)	(164,256)
as of December 31, 2022	**1,279,432**	**37,013**	**289,437**	**459,660**	**99,487**	**486,018**	**2,651,047**
Depreciation and impairment:							
as of December 31, 2020	**(785,792)**	**(22,639)**	**(195,804)**	**(416,769)**	**(1,954)**	**(119,500)**	**(1,542,458)**
Depreciation	(36,145)	(625)	(29,525)	(32,538)	-	(90,425)	(189,258)
Impairment	1,009	-	-	351	-	-	1,360
Disposals	32,442	610	10,612	56,587	-	69,249	169,500
Transfers	(723)	723	-	-	-	-	-
Transfers into/from inventory	4,831	-	-	-	-	-	4,831
as of December 31, 2021	**(784,378)**	**(21,931)**	**(214,717)**	**(392,369)**	**(1,954)**	**(140,676)**	**(1,556,025)**
Depreciation	(33,958)	(481)	(29,780)	(26,668)	-	(86,283)	(177,170)
Impairment	1,617	-	-	(56)	-	-	1,561
Disposals	14,903	697	16,824	50,608	-	76,921	159,953
Transfers	127	207	-	(334)	-	-	-
as of December 31, 2022	**(801,689)**	**(21,508)**	**(227,673)**	**(368,819)**	**(1,954)**	**(150,038)**	**(1,571,681)**
Net book value:							
as of December 31, 2020	**511,290**	**17,798**	**66,354**	**101,893**	**52,003**	**334,316**	**1,083,654**
as of December 31, 2021	**480,065**	**16,312**	**64,919**	**93,178**	**53,217**	**380,720**	**1,088,411**
as of December 31, 2022	**477,743**	**15,505**	**61,764**	**90,841**	**97,533**	**335,980**	**1,079,366**

(Amounts in thousands RON)

13. Property, plant and equipment (continued)

Bank

	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	Total
Cost:							
as of December 31, 2020	**1,286,971**	**40,437**	**253,160**	**518,092**	**53,955**	**436,399**	**2,589,013**
Additions	-	-	-	6	85,220	103,796	189,022
Transfers	23,931	(1,219)	27,248	26,877	(76,837)	-	-
Transfers into/from inventory	(16,800)	(331)	-	-	-	-	(17,131)
Disposals	(39,770)	(644)	(9,914)	(59,717)	(7,169)	(44,945)	(162,159)
as of December 31, 2021	**1,254,332**	**38,243**	**270,494**	**485,258**	**55,169**	**495,250**	**2,598,745**
Additions	-	-	-	7	128,781	41,563	170,351
Transfers	36,282	(293)	26,566	27,440	(89,995)	-	-
Disposals	(21,181)	(937)	(16,520)	(53,311)	5,530	(68,595)	(155,014)
as of December 31, 2022	**1,269,433**	**37,013**	**280,540**	**459,394**	**99,485**	**468,218**	**2,614,082**
Depreciation and impairment:							
as of December 31, 2020	**(780,567)**	**(22,638)**	**(188,990)**	**(416,462)**	**(1,954)**	**(108,019)**	**(1,518,630)**
Depreciation	(35,894)	(625)	(28,387)	(32,375)	-	(84,695)	(181,976)
Impairment	1,009	-	-	351	-	-	1,360
Disposals	32,441	610	9,913	56,304	-	63,970	163,238
Transfers	(723)	723	-	-	-	-	-
Transfers into/from inventory	4,829	-	-	-	-	-	4,829
as of December 31, 2021	**(778,905)**	**(21,930)**	**(207,464)**	**(392,182)**	**(1,954)**	**(128,744)**	**(1,531,179)**
Depreciation	(33,706)	(481)	(28,937)	(26,640)	-	(82,779)	(172,543)
Impairment	1,617	-	-	(56)	-	-	1,561
Disposals	14,789	697	16,518	50,587	-	67,434	150,025
Transfers	127	207	-	(334)	-	-	-
as of December 31, 2022	**(796,078)**	**(21,507)**	**(219,883)**	**(368,625)**	**(1,954)**	**(144,089)**	**(1,552,136)**
Net book value:							
as of December 31, 2020	**506,404**	**17,799**	**64,170**	**101,630**	**52,001**	**328,380**	**1,070,383**
as of December 31, 2021	**475,427**	**16,313**	**63,030**	**93,076**	**53,215**	**366,506**	**1,067,566**
as of December 31, 2022	**473,355**	**15,506**	**60,657**	**90,769**	**97,531**	**324,129**	**1,061,946**

(Amounts in thousands RON)

13. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2022	**366,047**	**4,220**	**10,453**	**380,720**
Additions	26,415	11,904	3,409	41,728
Depreciation expense	(77,269)	(3,531)	(5,483)	(86,283)
Disposals and other decreases	(18,761)	(1,815)	(19)	(20,595)
Contractual changes	20,128	253	29	20,410
as of December 31, 2022	**316,560**	**11,031**	**8,389**	**335,980**

	Lease liabilities
as of January 1, 2022	**392,275**
Additions	41,725
Disposals and other decreases	(32,025)
Other movements (FX, other contractual changes)	22,435
Interest expense	5,042
Payments	(89,706)
as of December 31, 2022	**339,746**

Bank	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2022	**353,107**	**3,187**	**10,212**	**366,506**
Additions	26,418	11,904	3,241	41,563
Depreciation expense	(74,661)	(3,531)	(4,587)	(82,779)
Disposals and other decreases	(18,761)	(1,815)	-	(20,576)
Contractual changes	19,678	(247)	(16)	19,415
as of December 31, 2022	**305,781**	**9,498**	**8,850**	**324,129**

	Lease liabilities
as of January 1, 2022	**377,699**
Additions	41,563
Disposals and other decreases	(29,506)
Other movements (FX, other contractual changes)	19,084
Interest expense	4,920
Payments	(86,238)
as of December 31, 2022	**327,522**

(Amounts in thousands RON)

13. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2021	**323,403**	**5,510**	**5,403**	**334,316**
Additions	91,995	1,470	10,837	104,302
Depreciation expense	(81,861)	(2,862)	(5,702)	(90,425)
Disposals and other decreases	(15,785)	-	-	(15,785)
Contractual changes	48,295	102	(85)	48,312
as of December 31, 2021	**366,047**	**4,220**	**10,453**	**380,720**

	Lease liabilities
as of January 1, 2021	**342,813**
Additions	104,302
Disposals and other decreases	(21,100)
Other movements (FX, other contractual changes)	56,872
Interest expense	4,618
Payments	(95,230)
as of December 31, 2021	**392,275**

Bank	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2021	**319,395**	**4,514**	**4,471**	**328,380**
Additions	91,683	1,470	10,643	103,796
Depreciation expense	(76,931)	(2,862)	(4,902)	(84,695)
Disposals and other decreases	(15,784)	-	-	(15,784)
Contractual changes	34,744	65	-	34,809
as of December 31, 2021	**353,107**	**3,187**	**10,212**	**366,506**

	Lease liabilities
as of January 1, 2021	**336,838**
Additions	103,796
Disposals and other decreases	(20,416)
Other movements (FX, other contractual changes)	42,879
Interest expense	4,450
Payments	(89,848)
as of December 31, 2021	**377,699**

The Group and Bank holds investment property as a consequence of the ongoing rationalization of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties. The investment properties have a fair value of 12,529 as at December 31, 2022 (December 31, 2021: 12,705). The fair value has been determined based on a valuation by an independent valuer in 2022. Rental income from investment property of 2,427 (December 31, 2021: 1,708) has been recognized in other income.

(Amounts in thousands RON)

14. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999.

Following the acquisition, the branch become the present Sucursala Mari Clienti Corporativi ("SMCC") – the branch dedicated to large significant clients, most of them taken over from the former Société Générale Bucharest.

As at December 31, 2022, the branch had a number of 3,737 active customers (2021: 3,507), with loans representing approximately 17% from total loans managed by the network (2021: 14%) and with deposits representing about 15% of networks' deposits (2021: 11%). Most of the SMCC non-retail clients are large multinational and national customers.

Taking into account the stable base of clients and the contribution to the bank's net banking income, the branch which generated the goodwill is considered profitable, without any need of impairment.

15. Intangible assets

The balance of the intangible assets as of December 31, 2022 and December 31, 2021 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2020	**728,832**	**696,109**
Additions	126,837	126,025
Disposals	(7,212)	(201)
as of December 31, 2021	**848,457**	**821,933**
Additions	140,411	139,072
Disposals	(529)	45
as of December 31, 2022	**988,339**	**961,050**
Amortization:		
as of December 31, 2020	**(481,453)**	**(451,810)**
Amortization expense	(51,673)	(50,468)
Disposals	5,732	-
as of December 31, 2021	**(527,394)**	**(502,278)**
Amortization expense	(53,852)	(53,105)
Disposals	395	-
as of December 31, 2022	**(580,851)**	**(555,383)**
Net book value:		
as of December 31, 2020	**247,379**	**244,299**
as of December 31, 2021	**321,063**	**319,655**
as of December 31, 2022	**407,488**	**405,667**

(Amounts in thousands RON)

16. Other assets

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Advances to suppliers	77,413	66,480	-	-
Sundry receivable	422,867	143,706	414,235	133,450
Prepaid expenses	73,545	52,377	56,755	39,780
Repossessed assets	4,536	3,242	924	924
Other assets	12,602	5,451	2,044	2,756
Total	**590,963**	**271,256**	**473,958**	**176,910**

The sundry receivables balances includes various commissions, sundry debtors and are net of impairment allowance, which at Group level is 200,209 (December 31, 2021: 165,640) and at Bank level is 190,512 (December 31, 2021: 156,860).

As of December 31, 2022 the carrying value of repossessed assets for Group is 4,536 (December 31, 2021: 3,242). As of December 31, 2022 the carrying value of repossessed assets for Bank is 924 (December 31, 2021: 924), representing 3 residential buildings (December 31, 2021: 4 residential buildings).

Group

Sundry receivables	**Total (Stage3)**
Impairment allowance as at January 1, 2022	165,641
Additional expenses	67,810
Reversals of provisions	(23,868)
Receivables written off	(9,469)
Foreign exchange adjustments	95
Impairment allowance as at December 31, 2022	**200,209**

	Total (Stage3)
Impairment allowance as at 1 st January 2021	117,001
Additional expenses	83,383
Reversals of provisions	(14,068)
Receivables written off	(21,106)
Foreign exchange adjustments	430
Impairment allowance as at December 31, 2021	**165,641**

(Amounts in thousands RON)

16. Other assets (continued)

Bank

Sundry receivables	**Total (Stage3)**
Impairment allowance as at January 1, 2022	156,860
Additional expenses	66,146
Reversals of provisions	(23,262)
Receivables written off	(9,328)
Foreign exchange adjustments	95
Impairment allowance as at December 31, 2022	**190,512**

	Total (Stage3)
Impairment allowance as at 1 st January 2021	107,223
Additional expenses	82,126
Reversals of provisions	(12,872)
Receivables written off	(20,047)
Foreign exchange adjustments	429
Impairment allowance as at December 31, 2021	**156,860**

17. Due to banks

	Group		**Bank**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Demand deposits	591,058	156,810	591,058	156,810
Term deposits	45,830	-	45,830	-
Due to banks	**636,888**	**156,810**	**636,888**	**156,810**

18. Due to customers

	Group		**Bank**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Demand deposits	40,921,389	43,299,719	41,037,420	43,417,784
Term deposits	15,739,452	9,383,862	15,878,320	9,500,102
Due to customers	**56,660,841**	**52,683,581**	**56,915,740**	**52,917,886**

(Amounts in thousands RON)

19. Borrowed funds

	Group		Bank	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Borrowings from related parties	5,295,703	3,737,904	3,565,843	2,227,448
Borrowings from international financial institutions	329,785	318,566	1,419	3,124
Total	**5,625,488**	**4,056,470**	**3,567,262**	**2,230,572**

Borrowings from related parties includes three senior non-preferred loans from Société Générale in amount of:

- 450 million EUR, with an interest rate of EURIBOR 3M+0.86% and an initial term of three years (received in December 2021)
- 150 million EUR, with an interest rate of EURIBOR 3M+1.98% and an initial term of three years (received in June 2022)
- 120 million EUR, with a fixed interest rate of 4.77% and an initial term of three years (received in December 2022).

Other funds borrowed from related parties are senior unsecured and are used in the normal course of business.

20. Subordinated debts

Two subordinated debts were received from Société Générale in amount of:

- 100 million EUR with an interest rate of EURIBOR 3M+1.98% and an initial term of ten years (in December 2021)
- 150 million EUR with an interest rate of EURIBOR 3M+4.31% and an initial term of ten years (in June 2022).

(Amounts in thousands RON)

21. Provisions

The line Provisions includes provisions for financial guarantee and loan commitments and other provisions.

Financial guarantees and loan commitments provisions movement

Group

	Retail lending			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2022	3,374	3,132	3,371	**9,877**
New commitments originated or purchased	10,460	1,929	902	**13,291**
Commitments derecognised or transferred into assets	(1,241)	(659)	(706)	**(2,606)**
Net provision movement not resulting from changes in classification	(7,307)	(672)	(1,613)	**(9,592)**
Movements due to change in classification	(692)	329	1,327	**964**
Provision as at December 31, 2022	**4,594**	**4,059**	**3,281**	**11,934**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2022	72,616	25,268	200,787	**298,671**
New commitments originated or purchased	99,008	35,196	1,386	**135,590**
Commitments derecognised or transferred into assets	(47,357)	(5,188)	(69,194)	**(121,739)**
Net provision movement not resulting from changes in classification	14,131	(10,007)	3,755	**7,879**
Movements due to change in classification	(10,064)	4,931	8,602	**3,469**
Other adjustments	(95)	(12)	2,135	**2,028**
Provision as at December 31, 2022	**128,239**	**50,188**	**147,471**	**325,898**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2022	75,990	28,400	204,159	**308,549**
New commitments originated or purchased	109,468	37,125	2,288	**148,881**
Commitments derecognised or transferred into assets	(48,598)	(5,847)	(69,900)	**(124,345)**
Net provision movement not resulting from changes in classification	6,824	(10,679)	2,142	**(1,713)**
Movements due to change in classification	(10,756)	5,260	9,929	**4,433**
Other adjustments	(95)	(12)	2,135	**2,028**
Provision as at December 31, 2022	**132,833**	**54,247**	**150,753**	**337,833**

(Amounts in thousands RON)

21. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2022	3,365	3,125	3,371	**9,861**
New commitments originated or purchased	10,430	1,793	902	**13,125**
Commitments derecognised or transferred into assets	(1,234)	(650)	(706)	**(2,590)**
Net provision movement not resulting from changes in classification	(7,306)	(672)	(1,613)	**(9,591)**
Movements due to change in classification	(692)	329	1,328	**965**
Other adjustments	(1)	-	-	**(1)**
Provision as at December 31, 2022	**4,562**	**3,925**	**3,282**	**11,769**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2022	72,589	24,749	212,015	**309,353**
New commitments originated or purchased	98,864	34,849	1,386	**135,099**
Commitments derecognised or transferred into assets	(47,333)	(4,689)	(69,194)	**(121,216)**
Net provision movement not resulting from changes in classification	14,131	(10,006)	3,755	**7,880**
Movements due to change in classification	(10,064)	4,934	8,602	**3,472**
Other adjustments	(95)	(26)	787	**666**
Provision as at December 31, 2022	**128,092**	**49,811**	**157,351**	**335,254**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2022	75,954	27,874	215,386	**319,214**
New commitments originated or purchased	109,294	36,642	2,288	**148,224**
Commitments derecognised or transferred into assets	(48,567)	(5,339)	(69,900)	**(123,806)**
Net provision movement not resulting from changes in classification	6,825	(10,678)	2,142	**(1,711)**
Movements due to change in classification	(10,756)	5,263	9,930	**4,437**
Other adjustments	(96)	(26)	787	**665**
Provision as at December 31, 2022	**132,654**	**53,736**	**160,633**	**347,023**

(Amounts in thousands RON)

21. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Group	Retail lending			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	3,924	3,080	3,255	**10,259**
New commitments originated or purchased	8,116	1,226	335	**9,677**
Commitments derecognised or transferred into assets	(909)	(514)	(171)	**(1,594)**
Net provision movement not resulting from changes in classification	(6,969)	120	(4)	**(6,853)**
Movements due to change in classification	(793)	(781)	(45)	**(1,619)**
Other adjustments	5	1	1	**7**
Provision as at December 31, 2021	**3,374**	**3,132**	**3,371**	**9,877**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	32,754	52,854	272,841	**358,449**
New commitments originated or purchased	63,972	21,279	562	**85,813**
Commitments derecognised or transferred into assets	(18,583)	(9,421)	(13,271)	**(41,275)**
Net provision movement not resulting from changes in classification	(14,258)	(15,298)	(64,048)	**(93,604)**
Movements due to change in classification	8,447	(24,658)	941	**(15,270)**
Other adjustments	284	512	3,762	**4,558**
Provision as at December 31, 2021	**72,616**	**25,268**	**200,787**	**298,671**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	36,678	55,934	276,097	**368,709**
New commitments originated or purchased	72,088	22,505	897	**95,490**
Commitments derecognised or transferred into assets	(19,492)	(9,935)	(13,442)	**(42,869)**
Net provision movement not resulting from changes in classification	(21,227)	(15,178)	(64,052)	**(100,457)**
Movements due to change in classification	7,654	(25,439)	896	**(16,889)**
Other adjustments	289	513	3,763	**4,565**
Provision as at December 31, 2021	**75,990**	**28,400**	**204,159**	**308,549**

(Amounts in thousands RON)

21. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	3,913	3,080	3,255	**10,248**
New commitments originated or purchased	8,109	1,217	335	**9,661**
Commitments derecognised or transferred into assets	(897)	(514)	(171)	**(1,582)**
Net provision movement not resulting from changes in classification	(6,968)	121	(4)	**(6,851)**
Movements due to change in classification	(793)	(781)	(45)	**(1,619)**
Other adjustments	1	2	1	**4**
Provision as at December 31, 2021	**3,365**	**3,125**	**3,371**	**9,861**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	32,727	52,784	285,417	**370,928**
New commitments originated or purchased	63,947	20,749	562	**85,258**
Commitments derecognised or transferred into assets	(18,556)	(9,285)	(13,271)	**(41,112)**
Net provision movement not resulting from changes in classification	(14,258)	(15,297)	(64,048)	**(93,603)**
Movements due to change in classification	8,447	(24,655)	941	**(15,267)**
Other adjustments	282	453	2,414	**3,149**
Provision as at December 31, 2021	**72,589**	**24,749**	**212,015**	**309,353**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	36,640	55,864	288,672	**381,176**
New commitments originated or purchased	72,056	21,966	897	**94,919**
Commitments derecognised or transferred into assets	(19,453)	(9,799)	(13,442)	**(42,694)**
Net provision movement not resulting from changes in classification	(21,226)	(15,176)	(64,052)	**(100,454)**
Movements due to change in classification	7,654	(25,436)	896	**(16,886)**
Other adjustments	283	455	2,415	**3,153**
Provision as at December 31, 2021	**75,954**	**27,874**	**215,386**	**319,214**

(Amounts in thousands RON)

21. Provisions (continued)

The line Provisions includes also Other provisions representing provisions for litigation in amount of 19,837 as of December 31, 2022 (20,030 as of December 31, 2021), other provisions for risks and charges in amount of 10,826 as of December 31, 2022 (22,873 as of December 31, 2022) and provisions for risks related to banking activity in amount of 2,486 as of December 31, 2022 (12,594 as of December 31, 2021).

The movement in other provisions is as follows:

Group	**TOTAL**
Carrying value as of December 31, 2020	**73,393**
Additional expenses	14,164
Reversals of provisions	(8,877)
Usage	(4,043)
Carrying value as of December 31, 2021	**74,637**
Additional expenses	19,000
Reversals of provisions	(30,466)
Usage	(7,553)
Carrying value as of December 31, 2022	**55,618**

Bank	
Carrying value as of December 31, 2020	**54,416**
Additional expenses	13,562
Reversals of provisions	(8,410)
Usage	(4,037)
Carrying value as of December 31, 2021	**55,531**
Additional expenses	15,354
Reversals of provisions	(30,184)
Usage	(7,552)
Carrying value as of December 31, 2022	**33,149**

22. Other liabilities

	Group		**Bank**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Sundry creditors	272,164	205,589	201,271	136,574
Other payables to State budget	59,038	52,261	56,716	50,733
Deferred income	40,772	32,809	40,772	32,809
Payables to employees	165,820	143,776	137,401	124,445
Creditors - Lease liabilities	339,746	392,275	327,522	377,699
Total	**877,540**	**826,710**	**763,682**	**722,260**

Sundry creditors are expected to be settled in no more than twelve months after the reporting period.

Payables to employees include, among other, gross bonuses, amounting 93,153 as of December 31, 2022 (December 31, 2021: 71,305) and post-employment benefits amounting 19,576 as of December 31, 2022 (December 31, 2021: 31,678).

(Amounts in thousands RON)

22. Other liabilities (continued)

Post-employment benefit plan

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually. During 2022, the movements in defined benefit obligation is generated by the service cost and benefits paid, resulting in a change of obligation carrying value 19,576 as of December 31, 2022, from 31,678 as of December 31, 2021.

Movement in defined benefits obligations

	December 31, 2022	December 31, 2021
Opening defined benefit obligation	**31,678**	**65,651**
Total service cost	4,887	4,342
Benefits paid	(633)	(1,159)
Interest cost on benefit obligation	207	106
Past service cost	-	(632)
Actuarial (gains) / losses arising from changes in demographic assumptions	-	30
Actuarial (gains) / losses arising from changes in financial assumptions	(16,563)	(995)
Other increases or (decreases)	-	(35,665)
Closing defined benefit obligation	**19,576**	**31,678**

Main actuarial assumptions

	December 31, 2022	December 31, 2021
Discount rate	9.20%	0.66%
Long term inflation rate	3.00%	2.02%
Average remaining working period (years)	12	12

Sensitivities on the defined benefit obligation

The results of any valuation depend upon the assumptions employed. Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase.

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate used were 0.5% higher, then the defined benefit obligation would be lower by about 4.73% meaning 18,650.
- If the discount rate used were 0.5% lower, then the defined benefit obligation would be higher by about 5.04% meaning 20,562.
- If the salary increase rate used were 0.5% higher, then the defined benefit obligation would be higher by about 4.94% meaning 20,543.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position. The eventual cost of providing the benefits depends on the current future experience. Other factors such as the number of new employees could also change the cost.

(Amounts in thousands RON)

23. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2021: 696,901). Included in the share capital there is an amount of 1,818,721 (2021: 1,818,721) representing hyperinflation restatement surplus.

Share capital as of December 31, 2022 represents 696,901,518 (2021: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2021: RON 1). During 2022 and 2021, the Bank did not buy back any of its own shares.

24. Taxation

Current income tax is calculated based on the taxable income as per the tax statement derived from the stand alone accounts of each consolidated entity. As of December 31, 2022 the Group has a current tax liability in total amount of 5,595 (December 31, 2021: 83,963) and 23,563 current tax asset (December 31, 2021: 7,484) and at Bank level a current tax liability in total amount of 0 (December 31, 2021: 79,979) and 23,563 current tax asset (December 31, 2021: 7,484).

The deferred tax liability/asset is reconciled as follows:

	Group December 31, 2022			
	Temporary differences Asset / (Liability)	**Consolidated Statement of Financial Position Asset / (Liability)**	**Consolidated Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**
Elements generating deferred tax				
Defined benefit obligation	71,315	(11,410)	-	(2,650)
Financial assets at fair value through other comprehensive income	(2,484,289)	397,486	-	320,411
Tangible and intangible assets	(9,772)	1,564	(11,617)	-
Provisions and other liabilities	(677,465)	108,394	9,800	-
Taxable items	**(3,100,211)**			
Deferred tax		**496,034**	**(1,817)**	**317,761**

	Bank December 31, 2022			
	Temporary differences Asset / (Liability)	**Individual Statement of Financial Position Asset / (Liability)**	**Individual Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**
Elements generating deferred tax				
Defined benefit obligation	71,315	(11,410)	-	(2,650)
Financial assets at fair value through other comprehensive income	(2,484,289)	397,486	-	320,411
Tangible and intangible assets	(9,772)	1,563	(11,648)	-
Provisions and other liabilities	(570,335)	91,255	6,607	-
Taxable items	**(2,993,081)**			
Deferred tax		**478,893**	**(5,041)**	**317,761**

(Amounts in thousands RON)

24. Taxation (continued)

	Group December 31, 2021				
	Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income	Retained earnings
Elements generating deferred tax					
Defined benefit obligation	54,752	(8,760)	-	(154)	(5,706)
Financial assets at fair value through other comprehensive income	(481,722)	77,076	-	226,856	
Tangible and intangible assets	(82,368)	13,179	(8,460)	-	
Provisions and other liabilities	(616,221)	98,593	(4,826)	-	
Taxable items	**(1,125,559)**				
Deferred tax		**180,089**	**(13,286)**	**226,702**	**(5,706)**

	Bank December 31, 2021				
	Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income	Retained earnings
Elements generating deferred tax					
Defined benefit obligation	54,752	(8,760)	-	(154)	(5,706)
Financial assets at fair value through other comprehensive income	(481,722)	77,076	-	226,856	
Tangible and intangible assets	(82,561)	13,210	(8,457)	-	
Provisions and other liabilities	(529,050)	84,647	(8,459)	-	
Taxable items	**(1,038,581)**				
Deferred tax		**166,173**	**(16,916)**	**226,702**	**(5,706)**

Movement in deferred tax is as follows:

	Group	Bank
Deferred tax asset, net as of December 31, 2020	**(27,620)**	**(37,907)**
Deferred tax recognized in other comprehensive income	226,701	226,702
Deferred tax recognized in profit and loss	(13,286)	(16,916)
Deferred tax recognized in retained earnings	(5,706)	(5,706)
Deferred tax liability, net as of December 31, 2021	**180,089**	**166,173**
Deferred tax recognized in other comprehensive income	317,761	317,761
Deferred tax recognized in profit and loss	(1,817)	(5,041)
Deferred tax asset, net as of December 31, 2022	**496,032**	**478,892**

Reconciliation of total tax charge

	Group		Bank	
	2022	2021	2022	2021
Profit before income tax	**1,619,515**	**1,645,763**	**1,555,279**	**1,595,064**
Income tax (16%)	259,122	263,322	248,845	255,210
Fiscal credit	(6,987)	(7,994)	(5,214)	(5,210)
Income tax without basis	7,484	35,625	7,484	35,625
Non-deductible elements	39,941	48,155	31,641	36,225
Non-taxable elements	(17,133)	(12,249)	(13,415)	(6,042)
Expense from income tax at effective tax rate	**282,427**	**326,860**	**269,341**	**315,808**
Effective tax rate	17.4%	19.9%	17.3%	19.8%

Recognition of deferred tax asset is based on the management's profit forecasts, which indicates that it is probable that future taxable profits will be available against which the deferred tax assets can be utilized.

At the Bank level, as at December 31, 2022, permanent non-deductible elements include the impact of provisions for overdue commissions 9,777 (December 31, 2021: 9,535), sponsorship expenses with an impact of 1,276 (December 31, 2021: 1,099) and debt sales and other operations with limited deductibility in amount of 8,225 (December 31, 2021: 15,142); permanent non-taxable elements are mainly a result of releases for provisions for overdue commissions in amount of 1,722 (December 31, 2021: 1,833), provisions for risks and charges/litigations 1,184 (December 31, 2021: 572) and dividends income with an impact of 7,574 (December 31, 2021: 3,257).

(Amounts in thousands RON)

25. Interest and similar income

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Interest on loans	2,289,039	1,617,870	2,201,210	1,521,489
Interest on finance lease	62,781	51,675	-	-
Interest on deposit with banks	60,254	19,645	59,622	18,998
Interest on financial assets	520,035	526,898	520,034	526,898
Interest income from hedging instruments	9,177	18,141	9,177	18,142
Total	**2,941,286**	**2,234,229**	**2,790,043**	**2,085,527**

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 51,540 for Group (2021: 58,337) and 47,953 for Bank (2021: 52,690).

26. Interest and similar expense

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Interest on term deposits	323,977	68,583	324,590	69,220
Interest on demand deposits	110,324	57,246	114,448	58,339
Interest on borrowings	119,242	19,595	94,620	410
Interest expense on lease liabilities	5,042	4,618	4,920	4,450
Interest expense from hedging instruments	12,267	-	12,267	-
Total	**570,852**	**150,042**	**550,845**	**132,419**

27. Fees and commissions, net

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Services	608,341	601,912	605,206	594,002
Management fees	110,532	107,879	110,532	107,879
Packages	70,122	57,174	70,122	57,174
Transfers	70,472	73,166	70,472	73,166
OTC withdrawal	68,293	72,081	68,293	72,081
Cards	206,032	197,345	206,032	197,345
Brokerage and custody	48,254	52,513	48,254	52,513
Other	34,636	41,754	31,502	33,845
Loan activity	100,766	105,933	68,765	75,658
Off balance sheet	45,222	36,382	45,222	36,382
Total	**754,329**	**744,227**	**719,194**	**706,043**

28. Gain on derivative and other financial instruments held for trading and foreign exchange

	Group		Bank	
	2022	**2021**	**2022**	**2021**
FX position revaluation	(12,498)	(7,682)	(12,498)	(7,682)
FX Spot	233,802	190,027	230,738	189,045
Gain on instruments held for trading	56,251	28,100	56,251	28,100
Derivative financial instruments	38,674	34,853	38,674	34,853
Gain/ (loss) on interest rate derivatives	(7,948)	(2,775)	(7,948)	(2,775)
Gain/ (loss) on currency and interest swap	998	5,520	998	5,520
Gain on forward foreign exchange contracts	39,420	22,619	39,420	22,619
Gain on currency options	6,879	3,444	6,879	3,444
Gain/ (loss) on hedging	-	4,075	-	4,075
Other	(675)	1,970	(675)	1,970
Gain on derivative, other financial instruments held for trading and foreign exchange	**316,229**	**245,298**	**313,165**	**244,316**

(Amounts in thousands RON)

29. Other income/expense from banking activities

	Group		Bank	
	2022	2021	2022	2021
Dividend income from subsidiaries	-	-	37,217	15,966
Provision for litigations	(3,385)	(4,548)	(3,385)	(4,539)
Held for sale fixed assets expenses	(3,836)	(1,582)	-	-
Other income/(expenses)	15,152	(1,593)	8,580	(7,727)
Total income / (expense) from banking activity	**7,931**	**(7,723)**	**42,412**	**3,700**

For the Bank, other income includes dividends from subsidiaries in amount of 37,217 as of December 31 2022 (15,966 as of December 31, 2021), income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, for the Bank, is 2,427 (2021: 1,708).

30. Contribution to Guarantee Scheme and Resolution Fund

According to the Romanian legislation (Law no. 311/2015 on Deposit Guarantee Schemes and the Bank Deposit Guarantee Fund), the deposits of individuals and certain entities, including small and medium enterprises and large companies are covered up to EUR 100,000 by the Bank Deposit Guarantee Fund (“Fund”). Each credit institution participating to deposit guarantee scheme shall pay the annual contribution as determined and notified by the Fund. The amount of the contribution refers to the total covered deposits at the end of the previous year and reflects also the degree of risk associated to each credit institution in the scheme.

The degree of risk is determined based on the financial and prudential indicators reported by the credit institutions to the National Bank of Romania. For this purpose, the Bank Deposits Guarantee Fund uses a methodology approved by the National Bank of Romania considering also the guidelines issued by the European Banking Authority.

For the year 2022 the expense related to the Deposit Guarantee Fund amounts to 33,575 (2021: 11,547).
According to Law no. 312/2015 on recovery and resolution of credit institution and investment firms, each credit institution shall pay an annual contribution to Bank Resolution Fund as determined and notified by the National Bank of Romania.

The National Bank of Romania as the local resolution authority establish the credit institutions annual contributions to Bank Resolution Fund, in compliance with Commission Delegated Regulation EU 2015/63, supplementing Directive 2014/59 of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements.

For the year 2022 the expense related to the Bank Resolution Fund was 35,690 (2021: 37,949).

Both contributions to the Bank Deposit Guarantee Fund and Bank Resolution Fund meet the criteria for recognition as taxes and accounted in accordance with IFRIC 21 “Levies” requirements. The liability is recognized at the date when the obligating event occurs and the contribution is recognized as an expense in full on 1st of January of the year in which the payment is made.

(Amounts in thousands RON)

31. Personnel expenses

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Salaries	775,468	738,028	742,372	690,825
Social security	19,065	17,920	17,594	16,422
Bonuses	96,614	66,963	72,976	55,471
Post-employment benefits	5,094	3,816	5,094	3,816
Capitalisation of internal projects	(31,130)	(31,131)	(31,130)	(31,131)
Other	33,790	33,095	32,263	29,867
Total	**898,901**	**828,692**	**839,169**	**765,270**

In 2022, the expense related to the Bank defined benefit contribution plan was 4,286 (2021: 4,583).

32. Depreciation, amortisation and impairment on tangible and intangible assets

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Depreciation and impairment	175,115	187,273	170,494	179,990
Amortisation	53,775	51,673	53,105	50,468
Total	**228,889**	**238,946**	**223,599**	**230,458**

The difference as at December 31, 2022 between the amount presented in note 13 and the amount presented in note 32 represents depreciation of investment property in total amount of 481 (December 31, 2021: 625).

33. Other operating expenses

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Administrative expenses	437,767	384,846	409,840	364,306
Publicity and sponsorships	36,627	29,742	36,349	29,667
Other expenses	73,247	65,420	62,757	54,971
Total	**547,641**	**480,008**	**508,946**	**448,944**

Administrative expenses include for the Bank maintenance expenses, various utilities such as energy and telecommunication, expenses related to short-term leases of 5,824 (December 31, 2021: 5,913) and to leases of low-value assets of 3,934 (December 31, 2021: 3,866). This line also includes audit fees amounting 3,246 for Group (out of which statutory audit in amount of 2,229, other audit fees in amount of 982 and other non-audit services in amount of 35) and 2,574 for Bank (out of which statutory audit in amount of 1,693, other audit fees in amount of 846 and other non-audit services in amount of 35).

(Amounts in thousands RON)

34. Cost of risk

	Group		Bank	
	2022	2021	2022	2021
Net impairment allowance for loans	186,295	70,015	179,897	63,548
Net impairment allowance for sundry debtors	44,165	68,742	43,137	68,730
Net impairment allowance for finance lease	10,311	16,025	-	-
Income from recoveries of derecognized receivables & sales of bad debts	(225,825)	(250,742)	(207,149)	(236,522)
Write-offs	11,897	14,662	8,669	9,764
Financial guarantee and loan contracts provisions	68,709	(64,722)	68,591	(65,117)
Net impairment allowance for debt securities	(446)	364	(446)	364
Total	**95,106**	**(145,656)**	**92,699**	**(159,233)**

35. Earnings per share

Basic earnings per share are calculated by dividing net profit/loss for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2022 and December 31, 2021 there were no dilutive equity instruments issued by the Group and Bank.

	Group		Bank	
	2022	2021	2022	2021
Ordinary shares on market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	1,328,008	1,309,686	1,285,938	1,279,256
Earnings per share (in RON)	1.9056	1.8793	1.8452	1.8356

36. Cash and cash equivalents details

Cash and cash equivalents:

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short term placements at other banks. The amounts in transit in amount of 262,937 (December 31, 2021: 114,327) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 15,975 (December 31, 2021: 16,585), for the Group, are excluded. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash in hand	2,531,348	1,894,448	2,531,279	1,894,415
Current accounts and deposits with banks	6,942,051	4,407,030	6,942,050	4,407,030
Total	**9,473,399**	**6,301,478**	**9,473,329**	**6,301,445**

(Amounts in thousands RON)

36. Cash and cash equivalents details (continued)

Impairment and provisions adjustment for non-cash items:

	Group		Bank	
	2022	2021	2022	2021
Net impairment allowance for loans	186,295	70,015	179,897	63,548
Net impairment allowance for sundry debtors	44,165	68,742	43,137	68,730
Net impairment allowance for financial leases	10,311	16,025	-	-
Write-offs	11,897	14,662	8,669	9,764
Financial guarantee and loan contracts	68,709	(64,722)	68,591	(65,117)
Net movement in other provisions	(19,019)	1,244	(22,383)	1,115
Net impairment allowance for debt securities	(446)	364	(446)	364
Total	**301,912**	**106,330**	**277,465**	**78,404**

37. Other commitments

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Tangible non-current assets	13,470	7,159	13,470	7,159
Intangible non-current assets	81,086	19,553	81,086	19,553
Commitments relating to short-term and low value leases	24,547	17,297	24,547	17,297
Total	**119,103**	**44,009**	**119,103**	**44,009**

The other commitments presented above include short term and low value leases, software maintenance contracts and other IT services.

As at December 31, 2022 and December 31, 2021 the future minimum lease payments regarding rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Less than one year	11,654	9,033	11,654	9,033
Between one and five years	9,855	5,910	9,855	5,910
More than five years	104	55	104	55
Total	**21,613**	**14,999**	**21,613**	**14,999**

(Amounts in thousands RON)

38. Related parties

The Group entered into related party transactions with its parent, other SG entities, subsidiaries, associates and joint venture and key management personnel. All related party transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties. The transactions/balances with subsidiaries were eliminated for consolidation purposes. The transactions/balances with related parties can be summarized as follows:

	Group							
	2022				2021			
	Parent	Other related parties	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Associates & Joint ventures	Key management of the institution
Assets	**353,013**	**133,944**	**28,438**	**9,506**	**87,078**	**36,250**	**9,671**	**8,920**
Nostro accounts	29,287	115,287	-	-	14,158	23,812	-	-
Deposits	220,963	-	-	-	16,585	-	-	-
Loans	-	18,462	25,866	9,505	-	12,362	7,119	8,915
Derivative financial instruments	100,173	-	-	-	54,762	2	-	4
Other assets	2,590	195	2,572	0	1,573	73	2,551	1
Liabilities	**8,656,069**	**172,742**	**89,915**	**13,226**	**4,328,132**	**93,454**	**92,845**	**15,505**
Loro accounts	-	1,031	-	-	44	8,938	-	-
Deposits	217,000	171,056	71,348	13,226	-	83,792	78,609	15,505
Borrowings	5,295,707	-	-	-	3,737,904	-	-	-
Subordinated borrowings	1,238,651	-	-	-	495,022	-	-	-
Derivative financial instruments	313,410	-	-	-	62,415	2	-	-
Other liabilities	1,591,301	655	18,567	-	32,747	721	14,236	-
Commitments	**5,800,063**	**255,718**	**51,381**	**758**	**7,896,555**	**181,197**	**79,232**	**971**
Total commitments granted	249,274	85,330	1,364	561	120,406	71,018	18,138	537
Total commitments received	129,358	163,376	28,137	197	165,066	103,322	31,789	210
Uncommitted facilities granted	12,968	7,012	21,879	-	12,969	5,868	29,305	-
Notional amount of foreign exchange	2,095,028	-	-	-	3,585,978	990	-	224
Notional amount of interest rate derivatives	3,313,435	-	-	-	4,012,136	-	-	-
Income statement	**(297,798)**	**(3,860)**	**2,643**	**263**	**(73,666)**	**(6,196)**	**2,850**	**170**
Interest and commision revenues	13,440	10,713	56,869	373	21,500	7,131	23,350	237
Interest and commission expense	(90,705)	(5,264)	(17,497)	(46)	(25,300)	(3,374)	(6,765)	(38)
Net (loss) on interest rate derivatives	(223,663)	-	-	(5)	(51,304)	-	-	(4)
Net gain on foreign exchange derivatives	39,601	-	-	-	15,731	-	-	-
Dividend income	-	-	8,677	-	-	-	3,349	-
Other income	733	2	76	-	389	(308)	1,429	-
Other expenses	(37,203)	(9,311)	(45,483)	(58)	(34,683)	(9,644)	(18,513)	(26)

(Amounts in thousands RON)

38. Related parties (continued)

	Bank									
	2022					2021				
	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution
Assets	**336,818**	**133,944**	**46,553**	**26,165**	**9,506**	**70,493**	**36,250**	**48,378**	**7,673**	**8,920**
Nostro accounts	29,287	115,287	-	-	-	14,158	23,812	-	-	-
Deposits	204,988	-	-	-	-	-	-	-	-	-
Loans	-	18,462	44,934	25,866	9,505	-	12,362	45,078	7,119	8,915
Derivative financial instruments	100,173	-	-	-	-	54,762	2	-	-	4
Other assets	2,370	195	1,619	300	0	1,573	73	3,300	553	1
Liabilities	**6,920,955**	**172,716**	**256,653**	**89,333**	**13,226**	**2,813,630**	**93,425**	**235,571**	**92,012**	**15,505**
Loro accounts	-	1,031	-	-	-	44	8,938	-	-	-
Deposits	217,000	171,056	255,776	71,348	13,226	-	83,792	234,828	78,609	15,505
Borrowings	3,564,997	-	-	-	-	2,226,835	-	-	-	-
Subordinated borrowings	1,238,651	-	-	-	-	495,022	-	-	-	-
Lease payable	-	-	847	-	-	-	-	613	-	-
Derivative financial instruments	313,410	-	-	-	-	62,415	2	-	-	-
Other liabilities	1,586,897	629	29	17,985	-	29,315	692	130	13,403	-
Commitments	**5,800,063**	**255,718**	**76,081**	**51,381**	**758**	**7,896,555**	**181,197**	**91,131**	**79,232**	**971**
Total commitments granted	249,274	85,330	21,580	1,364	561	120,406	71,018	25,691	18,138	537
Total commitments received	129,358	163,376	-	28,137	197	165,066	103,322	-	31,789	210
Uncommitted facilities granted	12,968	7,012	54,501	21,879	-	12,969	5,868	65,441	29,305	-
Notional amount of foreign exchange	2,095,028	-	-	-	-	3,585,978	990	-	-	224
Notional amount of interest rate derivatives	3,313,435	-	-	-	-	4,012,136	-	-	-	-
Income statement	**(272,495)**	**(3,762)**	**56,996**	**(5,744)**	**263**	**(53,239)**	**(6,295)**	**38,423**	**(6,829)**	**170**
Interest and commision revenues	12,808	9,961	19,251	47,331	373	20,853	6,344	19,980	12,285	237
Interest and commission expense	(65,901)	(5,264)	(4,743)	(17,494)	(46)	(5,461)	(3,374)	(1,736)	(6,762)	(38)
Net (loss) on interest rate derivatives	(223,663)	-	-	-	(5)	(51,304)	-	-	-	(4)
Net gain on foreign exchange derivatives	39,601	-	(621)	-	-	15,731	-	61	-	-
Dividend income	-	-	37,217	8,677	-	-	-	15,966	3,349	-
Other income	733	2	266	-	-	389	(308)	(276)	1,353	-
Other expenses	(36,073)	(8,461)	5,626	(44,257)	(58)	(33,447)	(8,956)	4,429	(17,053)	(26)

(Amounts in thousands RON)

38. Related parties (continued)

Other liabilities and other expenses include mainly corporate and technical assistance with Société Générale Paris.

The Bank has collateral received from SG Paris regarding derivative instruments in total amount of 23,868 at December 31, 2022 (December 31, 2021: 1,826).

As of December 31, 2022 the Board of Directors and Managing Committee members own 48,858 shares (2021: 21,730).

Key management personnel benefits for 2022 and 2021 are:

	Group		**Bank**	
	2022	**2021**	**2022**	**2021**
Short-term benefits	17,992	17,790	13,954	13,821
Long-term benefits	5,129	5,460	4,442	5,022

(Amounts in thousands RON)

39. Interest in unconsolidated structured entities

According to IFRS 12 applied starting with January 1, 2014 the Group and Bank has to present the interests it has in entities that have been designated so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group and Bank has identified the investment funds in which it invested during the years and which manages, through the Bank's subsidiary, BRD Asset Management, as being unconsolidated structured entities. The structured entities are financed through the resources (unit funds) received from individuals and corporates that are afterwards placed on monetary and capital markets.

Interests in unconsolidated structured entities and size of structured entities in 2022:

Name of structured enitity	Carrying amount of financial assets recognised in the reporting institution's balance sheet	Of which: liquidity support drawn	Fair value of liquidity support drawn	Carrying amount of financial liabilities recognised in the reporting institution's sheet	Nominal amount of off-balance sheet items given by the reporting institution	Of which: Nominal amount of loan commitments given	Losses incurred by the reporting institution in the current period	Maximum exposure to loss	Total balance sheet of the structured entity (size)
BRD Oportunitati	2,751	657	646	1,213	-	-	-	2,751	9,254
BRD Orizont 2035	2,023	-	-	367	-	-	-	2,023	2,780
BRD Orizont 2045	2,013	-	-	100	-	-	-	2,013	2,380

Breakdown of interests in unconsolidated structured entities in 2022:

Name of structured enitity	Selected financial assets recognised in the reporting institution's balance sheet						Selected equity and financial liabilites recognised in the reporting institution's balance sheet					Off-balance sheet items given by the reporting	
	of which: defaulted	Derivatives	Equity instruments	Debt securities	Loans and advances	Total	Equity instruments issued	Derivatives	Deposits	Debt securities issued	Total	of which: defaulted	Total
BRD Oportunitati	-	0	2,094	-	657	2,751	-	-	1,213	-	1,213	-	-
BRD Orizont 2035	-	0	2,023	-	-	2,023	-	-	367	-	367	-	-
BRD Orizont 2045	-	0	2,013	-	-	2,013	-	-	100	-	100	-	-

40. Contingencies

As of December 31, 2022 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 670,213 (December 31, 2021: 689,921). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance. The Bank already booked a provision of 20,853 (December 31, 2021: 21,202) and the Group 43,324 (December 31, 2021: 40,308) in relation with the litigations.

41. Fair value

Determination of fair value and fair value hierarchy

To determine and disclose the fair value hierarchy of the financial instruments, the Group follows the three-level classification of the inputs to valuation techniques used to measure fair value:

- **Level 1: quoted (unadjusted) prices** in active markets for identical assets or liabilities;

  Level 1 instruments contain the government bonds, priced directly by external counterparties on various dealing platforms (Bloomberg, Reuters etc.);

- **Level 2: other inputs** than those quoted princes included within Level 1, **that are observable** for that particular asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);

  Level 2 instruments include in particular securities that cannot directly be quoted on the market (e.g. corporate bonds) and firm derivatives, with standard features and common maturities, whose value can be retrieved or derived from market data;

- **Level 3**: inputs that are not based on observable market data (**unobservable inputs**).

  Level 3 instruments include options traded over-the-counter and other derivatives with specifically-tailored return profiles and/or maturities extended over the normal spectrum;

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

(Amounts in thousands RON)

41. Fair value (continued)

	Group				Bank			
	December 31, 2022				December 31, 2022			
Assets measured at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	33,419	-	**33,419**	-	33,419	-	**33,419**
Currency swaps	-	47,067	-	**47,067**	-	47,067	-	**47,067**
Forward foreign exchange contracts	-	34,004	-	**34,004**	-	34,004	-	**34,004**
Options	-	-	65,609	**65,609**	-	-	65,609	**65,609**
	-	**114,490**	**65,609**	**180,099**	**-**	**114,490**	**65,609**	**180,099**
Financial assets at fair value through other comprehensive income	13,439,596	-	-	**13,439,596**	13,439,596	-	-	**13,439,596**
Equity investments (listed)	4,012	-	-	**4,012**	4,012	-	-	**4,012**
Equity investments (not listed)	-	-	4,120	**4,120**	-	-	4,120	**4,120**
Other securities quoted	-	6,130	-	**6,130**	-	-	-	**-**
Total	**13,443,608**	**6,130**	**4,120**	**13,453,857**	**13,443,608**	**-**	**4,120**	**13,447,728**
Other financial instruments held for trading	426,524	1,736,754	-	**2,163,278**	420,458	1,736,754	-	**2,157,212**
Total	**13,870,132**	**1,857,374**	**69,729**	**15,797,234**	**13,864,066**	**1,851,244**	**69,729**	**15,785,039**
Assets for which fair value is disclosed								
Cash and due from Central Bank	7,625,002	-	-	**7,625,002**	7,624,933	-	-	**7,624,933**
Due from banks	-	7,220,963	-	**7,220,963**	-	7,204,987	-	**7,204,987**
Loans and advances to customers	-	-	36,259,563	**36,259,563**	-	-	35,554,410	**35,554,410**
Treasury bills at amortised cost	2,675,354	-	-	**2,675,354**	2,675,354	-	-	**2,675,354**
Financial lease receivables	-	-	1,390,610	**1,390,610**	-	-	-	**-**
Total	**10,300,356**	**7,220,963**	**37,650,172**	**55,171,491**	**10,300,287**	**7,204,987**	**35,554,410**	**53,059,684**

(Amounts in thousands RON)

41. Fair value (continued)

	Group				Bank			
	December 31, 2022				December 31, 2022			
Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	341,983	-	**341,983**	-	341,983	-	**341,983**
Currency swaps	-	32,726	-	**32,726**	-	32,726	-	**32,726**
Forward foreign exchange contracts	-	62,621	-	**62,621**	-	62,621	-	**62,621**
Options	-	-	65,645	**65,645**	-	-	65,645	**65,645**
Total	**-**	**437,330**	**65,645**	**502,975**	**-**	**437,330**	**65,645**	**502,975**
Other financial instruments held for trading	294,199	646,372	**-**	**940,571**	294,199	646,372	**-**	**940,571**
Total	**294,199**	**1,083,702**	**65,645**	**1,443,546**	**294,199**	**1,083,702**	**65,645**	**1,443,546**
Liabilities for which fair value is disclosed								
Due to banks	-	636,888	-	**636,888**	-	636,888	-	**636,888**
Due to customers	-	56,645,790	-	**56,645,790**	-	56,900,621	-	**56,900,621**
Borrowed funds	-	5,625,488	-	**5,625,488**	-	3,567,262	-	**3,567,262**
Subordinated debts	-	1,238,651	-	**1,238,651**	-	1,238,651	-	**1,238,651**
Total	**-**	**64,146,817**	**-**	**64,146,817**	**-**	**62,343,422**	**-**	**62,343,422**

(Amounts in thousands RON)

41. Fair value (continued)

	Group				Bank			
	December 31, 2021				December 31, 2021			
Assets measured at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	33,962	-	**33,962**	-	33,962	-	**33,962**
Currency swaps	-	8,386	-	**8,386**	-	8,386	-	**8,386**
Forward foreign exchange contracts	-	7,126	-	**7,126**	-	7,126	-	**7,126**
Options	-	-	35,214	**35,214**	-	-	35,214	**35,214**
	-	**49,474**	**35,214**	**84,688**	**-**	**49,474**	**35,214**	**84,688**
Financial assets at fair value through other comprehensive income	19,863,825	-	-	**19,863,825**	19,863,825	-	-	**19,863,825**
Equity investments (listed)	2,898	-	-	**2,898**	2,898	-	-	**2,898**
Equity investments (not listed)	-	-	4,049	**4,049**	-	-	4,049	**4,049**
Total	**19,866,723**	**-**	**4,049**	**19,870,772**	**19,866,723**	**-**	**4,049**	**19,870,772**
Other financial instruments held for trading	768,334	1,421,902	-	**2,190,236**	768,334	1,421,902	-	**2,190,236**
Total	**20,635,057**	**1,471,376**	**39,263**	**22,145,696**	**20,635,057**	**1,471,376**	**39,263**	**22,145,696**
Assets for which fair value is disclosed								
Cash and due from Central Bank	6,206,356	-	-	**6,206,356**	6,206,323	-	-	**6,206,323**
Due from banks	-	4,537,941	-	**4,537,941**	-	4,521,357	-	**4,521,357**
Loans and advances to customers	-	-	33,164,250	**33,164,250**	-	-	32,465,118	**32,465,118**
Financial lease receivables	-	-	1,218,394	**1,218,394**	-	-	-	**-**
Total	**6,206,356**	**4,537,941**	**34,382,643**	**45,126,940**	**6,206,323**	**4,521,357**	**32,465,118**	**43,192,798**

(Amounts in thousands RON)

41. Fair value (continued)

	Group				Bank			
	December 31, 2021				December 31, 2021			
Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	48,399	-	**48,399**	-	48,399	-	**48,399**
Currency swaps	-	4,593	-	**4,593**	-	4,593	-	**4,593**
Forward foreign exchange contracts	-	6,056	-	**6,056**	-	6,056	-	**6,056**
Options	-	-	35,258	**35,258**	-	-	35,258	**35,258**
Total	**-**	**59,048**	**35,258**	**94,306**	**-**	**59,048**	**35,258**	**94,306**
Other financial instruments held for trading	207,534	196,811	-	**404,345**	207,534	196,811	-	**404,345**
Total	**207,534**	**255,859**	**35,258**	**498,651**	**207,534**	**255,859**	**35,258**	**498,651**
Liabilities for which fair value is disclosed								
Due to banks	-	156,810	-	**156,810**	-	156,810	-	**156,810**
Due to customers	-	52,685,690	-	**52,685,690**	-	52,920,005	-	**52,920,005**
Borrowed funds	-	4,056,470	-	**4,056,470**	-	2,230,572	-	**2,230,572**
Subordinated debts	-	495,022	-	**495,022**	-	495,022	-	**495,022**
Total	**-**	**57,393,992**	**-**	**57,393,992**	**-**	**55,802,409**	**-**	**55,802,409**

The bank reviewed the classification of financial instruments in fair value categories (deposits taking, deposits placed, repos and reverse repos) to reflect the methodology for determining the fair value. Consequently, the bank also changed the comparative period for these instruments.

41. Fair value (continued)

Financial instruments measured at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Treasury notes are represented by treasury bills and bonds, and are classified as financial assets at fair value through other comprehensive income or financial instruments held for trading measured at fair value through profit and loss, being measured using a valuation technique based on market quotes published by Bloomberg or by Reuters (market approach).

Derivatives
The fair value of the derivatives is determined using valuation techniques commonly known on the market, such as discounted cash flows for swaps or Black-Sholes formula for options.

Firm derivatives – interest rate swaps, currency swaps and forward foreign exchange contracts, are the main derivative products measured using as valuation technique the income approach (discounting cash flows) and incorporating observable inputs from market (foreign exchange spot rate, forward rates, interest rate rates, futures), both directly observable ones (explicit parameters) and indirectly observable ones.

The directly observable parameters are variables that come directly from the market and are presumed to be easily available, accessible to each market participant. The main explicit parameters used in valuation of firm financial instruments are interbank fixing FX rates published by NBR, interbank swap points, interbank bid/ask interest rates, futures quotes on EUR and USD. Implicit parameters are variables obtained through standard intermediary calculation, using market prices for relevant financial instruments. The yield curves designated at the level of each product and currency are fed with explicit parameters according to the pre-set configuration, facilitating the computation of implicit parameters used in computing the fair value such as Zero-coupons, Discount Factors and Forward Interest Rates.

Conditional derivatives - FX options, interest rate options and equity options, are valued daily, using the mark-to-model approach. The model is calibrated to derive the value of the option based on the current market conditions (spot rates) and the future values presumed to be attained by the underlying (forward exchange rates, FRAs etc.), integrating in the calculation the standard option-sensitivities (delta, gamma, vega, theta), along with information regarding the size of the positions and the liquidity of the instrument. The fair value is determined through SG's computation module, the values of the specific parameters being daily retrieved from the market and stored in the database, serving as direct input in the daily final formula or further used for the statistical calculation implied by the valuation process.

BRD manages the group of these financial asset s and liabilities (options) on the basis of the entity's net exposure to a particular market risk (foreign exchange, interest rate, price risk) and, according to the trading book policy in place, BRD assumes no residual market risk induced by option-trading. Any bought option is perfectly matched on the same day with a sold option, identical in terms of option type, underlying, exercise prices, maturity. The perfect back-to-back system is subject to daily controls performed at back-office level, to ensure that no mismatch occurred and there is no residual open position on options. Therefore, the impact of a specific change on the estimated value on one non-observable parameter used on the valuation of an option classified/ accounted as financial asset is offset by same specific change on estimated value of the same non-observable parameter on the valuation of the mirror-replicated option classified/ accounted as financial liability.

41. Fair value (continued)

Equities

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.

The fair value of equity instruments not listed classified as at fair value through profit and loss and consisting of ordinary shares of other entities is determined by using the net assets of the entities as at the end of the last closed reporting period. The entities net assets represent the best estimation of the current replacement cost that would be paid in order to replace the holding as it consists of the initial capital investment adjusted by the financial performance of the entity.

In the case of Visa share, following the acquisition of VISA Europe by VISA Inc, transaction which was closed in June 2016, the Bank, as principal member, received a share of the sale proceeds, having both a cash component and a share in VISA Inc component. Following the SG approach, in order to determine the fair value of the share, the Bank adjusted the sale proceeds using some prudential haircuts (liquidity, litigation risks etc.).

Fair value of financial assets and liabilities not carried at fair value

Financial assets

Deposits with banks, loans originated by the Group and leases are measured at amortized cost using the effective interest rate method less any impairment allowance.

For deposits with banks, amortized cost is estimated to approximate fair value due to their short–term nature, interest rates reflecting current market conditions and no significant transaction costs.

For loans and lease receivables the fair value is determined by using discounted cash-flows based on interest rate offered to similar products and similar time horizons.

Financial liabilities

The amortized cost of deposits from banks is considered to approximate their respective fair values, since these items have predominantly short maturities, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

For due to customers and borrowings amounts the fair value is determined by using discounted cash-flows based on interest rate offered to similar products and customers and with similar time horizons.

(Amounts in thousands RON)

41. Fair value (continued)

The following table presents the fair value and the carrying amount per type of financial instrument.

	Group				Bank			
	December 31, 2022		December 31, 2021		December 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash and due from Central Bank	7,625,002	7,625,002	6,206,356	6,206,356	7,624,933	7,624,933	6,206,323	6,206,323
Due from banks	7,220,963	7,220,963	4,537,941	4,537,941	7,204,987	7,204,987	4,521,357	4,521,357
Loans and advances to customers	36,288,342	36,259,563	32,913,875	33,164,250	35,542,279	35,554,410	32,183,856	32,465,118
Treasury bills at amortised cost	2,730,706	2,675,354	-	-	2,730,706	2,675,354	-	-
Financial lease receivables	1,407,394	1,390,610	1,222,595	1,218,394	-	-	-	-
	55,272,407	**55,171,491**	**44,880,767**	**45,126,940**	**53,102,905**	**53,059,684**	**42,911,536**	**43,192,798**
Financial liabilities								
Due to banks	636,888	636,888	156,810	156,810	636,888	636,888	156,810	156,810
Due to customers	56,660,841	56,645,790	52,683,581	52,685,690	56,915,740	56,900,621	52,917,886	52,920,005
Borrowed funds	5,625,488	5,625,488	4,056,470	4,056,470	3,567,262	3,567,262	2,230,572	2,230,572
Subordinated debts	1,238,651	1,238,651	495,022	495,022	1,238,651	1,238,651	495,022	495,022
	64,161,868	**64,146,817**	**57,391,883**	**57,393,992**	**62,358,541**	**62,343,422**	**55,800,290**	**55,802,409**

(Amounts in thousands RON)

41. Fair value (continued)

The methods and significant assumptions applied in determining the fair value of the elements in the table above are listed below.

The fair value of fixed rate instruments is estimated by discounting the maturing cash flows with discount factors derived from the rates offered to similar clients, for similar products on similar maturities. The fair value of floating instruments is estimated by discounting from the next re-pricing date using as discount factors rates offered to similar clients, for similar products on similar time horizons.

Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of impairment is recognized separately by deducting the amount of the allowance for credit losses from both carrying and fair values.

For the purposes of the fair value disclosure, the interest accrued to date is included in the carrying value of the financial instruments.

The transfers between levels of fair value hierarchy are deemed to have occurred the date of the event or change in circumstances that caused the transfer, but not later that the end of the reporting period.

Movement in level 3:

Fair value of equity investments not listed is estimated based on net assets of the investments.

	Equity investments (not listed)	Options (A)	Options (L)
Closing balance as at December 31, 2020	**37,121**	**13,273**	**13,357**
Acquisitions	-	12,227	12,227
Sales	(35,434)	(34)	(34)
Reimbursements	-	(5,020)	(5,020)
Gain losses from change in fair value	1,373	14,768	14,728
Translation differences	989	-	-
Closing balance as at December 31, 2021	**4,049**	**35,214**	**35,258**
Acquisitions	-	7,777	7,777
Sales	-	(1,579)	(1,579)
Reimbursements	-	(23,968)	(23,968)
Gain losses from change in fair value	71	48,165	48,157
Closing balance as at December 31, 2022	**4,120**	**65,609**	**65,645**

42. Subsequent events

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

43. Risk management

Risk management within the Group and Bank is based on an integrated concept that takes into account the statutory and regulatory norms as defined and required by the National Bank of Romania, Société Générale risk management standards as well as best practices accepted by the banking industry. The level of risk appetite fully reflects the Group's and Bank's risk management strategy, aiming to support a sustainable growth of its lending activity while reinforcing the Bank's and Group's market position.

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

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

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

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

The Group and Bank's risk management governance is centered along the following axes:

- continuous process of identification, assessment, monitoring, reporting and control, considering risk limits, approval competences, segregation of duties and other mitigation techniques;
- risks are taken within the defined risk appetite approved by the Board of Directors;
- strong involvement of the Bank's management body in the risk management system and promotion of risk culture, throughout the entire organizational structure, from the Board of Directors down to operational teams;
- clearly defined internal rules and procedures;
- communication of information regarding risk management across the organization in a timely, accurate, comprehensible and meaningful manner;
- continuous supervision by an independent risk function to monitor risks and to enforce rules and procedures.

The Group and Bank's risk management is organized around two key principles:

- risk assessment departments must be independent from the business divisions;
- the risk management approach and risk monitoring must be consistent throughout the Group and Bank.

The Group and the Bank is exposed to the risks inherent to its core businesses. The main financial assets and liabilities are the loans and advances, lease receivables, amounts placed with NBR, demand and term deposits and borrowings. These instruments are exposed to a series of risks such as credit risk, foreign exchange risk, interest rate risk, liquidity risk and market risk which are discussed below.

43. Risk management (continued)

43.1 Credit risk

Credit risk represents current or future risk of negative impact on profits and capital arising from a debtor's failure to fulfil the contractual obligations or failure to perform as agreed. The credit risk is inherent to traditional banking products - loans, commitments to lend and other contingent liabilities such as letters of credit - and to fair value derivative contracts (refer to the Notes 7, 9, 10, 11, and 40).

The Group and Bank's credit policy is based on the principle that approval of any credit risk undertaking must rely on a sound knowledge of a given client and its business, an understanding of the purpose and structure of the transaction and the sources of debt repayment. As part of Group Société Générale, the Bank has a cash flow based lending approach, meaning the bank expects debt to be serviced primarily through the future cash flow (legal entities)/income (individuals) generated by the client.

The Group and Bank assesses the quality of its Non Retail portfolio by use of Société Générale's rating system, with a scale from 1 to 10 (1 to 7- in bonis exposures, 8 to 10 – defaulted exposures). Within the in bonis portfolio, the most vulnerable counterparties are grouped into a distinct category (referred to as sensitive, rating class 7) which is subject to increased monitoring requirements, in order to improve reactivity through timely implementation of corrective measures.

The internal rating system is based on models that include both quantitative and qualitative assessment criteria, differentiated by counterparty type and size, in which the expert judgment is a key element. Internal models are developed based on the Group and Bank's available data history and the use of rating model is regulated by internal norms and procedures. Rating review is performed at least once per year, or as soon as new and significant aspects impacting the credit quality of the counterparty occur. This process results in the classification of exposures between sound, sensitive and non performing client status.

Throughout the post approval period, the monitoring of counterparties is conducted on a continuous basis, so that potential vulnerabilities can be identified early and reacted upon. The outcome of monitoring activity is analysed as an inherent responsibility of commercial and risk structures. Risky counterparties defined according to internally prescribed criteria are closely monitored through dedicated committees, with the aim of defining a strategy towards them and ensuring consistent rating and loss recognition.

Retail counterparties are assessed at origination, based on application scorecards and/or behavioral rating models, and monitored throughout the lifespan of the loans using behavioral rating models.

Security, in the form of collateral (funded protection) or guarantee (unfunded protection), is accepted by the Bank in order to mitigate credit risk and do not serve as a substitute for the borrower's ability to meet obligations. The securities accepted by the Bank in support of granted commitments primarily include real estate, both residential and commercial, guarantees issued by other banks and guarantee funds, equipment and inventories.

Concentration risk related to credit risk is managed primarily through a set of limits established based on the Bank's risk appetite and the expectations on the evolution of the economic environment. The limits are monitored periodically and revised whenever necessary, but at least annually. The set of limits is related to the following dimensions: individual concentration (single name or group of connected clients), economic sector concentration, geographical concentration, concentration by product type/transaction type and credit risk mitigations techniques types.

The Bank has in place a process of continuous monitoring of exposure by concentration dimensions, set out in the local normative guidelines, meant to prevent any excessive concentration.

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Maximum exposure to credit risk before considering any collaterals or guarantees

	Group December 31, 2022	Group December 31, 2021
ASSETS		
Due from Central Bank	5,093,654	4,311,908
Due from banks	7,220,963	4,537,941
Derivatives and other financial instruments held for trading	2,343,377	2,274,924
Financial assets at fair value through profit and loss	14,262	6,947
Financial assets at fair value through other comprehensive income	13,439,596	19,863,825
Financial assets at amortised cost	**39,019,048**	**32,913,875**
Loans, gross	*38,053,311*	*34,668,675*
Impairment allowance for loans	*(1,764,969)*	*(1,754,800)*
Loans and advances to customers	36,288,342	32,913,875
Treasury bills at amortised cost	2,730,706	-
Finance lease receivables	1,407,394	1,222,595
Other assets	392,517	115,317
Total assets	**68,930,811**	**65,247,332**
Letters of guarantee granted	6,449,588	5,427,857
Financing commitments granted	6,183,371	5,834,265
Total commitments granted	**12,632,959**	**11,262,122**
Total credit risk exposure	**81,563,770**	**76,509,454**

	Bank December 31, 2022	Bank December 31, 2021
ASSETS		
Due from Central Bank	5,093,654	4,311,908
Due from banks	7,204,987	4,521,357
Derivatives and other financial instruments held for trading	2,337,311	2,274,924
Financial assets at fair value through profit and loss	8,132	6,947
Financial assets at fair value through other comprehensive income	13,439,596	19,863,825
Financial assets at amortised cost	**38,272,985**	**32,183,856**
Loans, gross	*37,242,399*	*33,853,032*
Impairment allowance for loans	*(1,700,120)*	*(1,669,176)*
Loans and advances to customers	35,542,279	32,183,856
Treasury bills at amortised cost	2,730,706	-
Other assets	383,885	105,060
Total assets	**66,740,550**	**63,267,877**
Letters of guarantee granted	6,451,531	5,441,448
Financing commitments granted	5,740,595	5,344,315
Total commitments granted	**12,192,126**	**10,785,763**
Total credit risk exposure	**78,932,676**	**74,053,640**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Analyses of the inputs to the ECL model is made under multiple economic scenarios.

An overview of the approach to estimate ECLs is set out in Note 2 e) Significant accounting judgments and estimates and Note 3 Summary of significant accounting policies. Economic input data is obtained from a team of economists in the Bank and Group Société Générale. To ensure accuracy and completeness, inputs are corroborated with third party sources – economic forecasts issued by specialized institutions.

Expected losses are computed based on three macroeconomic scenarios, each with a corresponding weight: optimistic (10%), baseline (60%) and stress scenario (30%). The table below shows the values of the key forward looking economic variables/ assumptions used in the base, optimistic and stress economic scenario for the ECL calculation.

The Bank presents the estimation of key drivers for 2022 because these scenarios have produced effects during the year and have been used in the computation of ECL as at December 31, 2022.

December, 31 2022

Key drivers	**ECL Scenario**	**2023**	**2024**	**2025**
GDP growth [%]				
	Baseline/ Central	1.9	2.5	2.8
	Stress	-3.1	-0.5	1.3
	Optimistic	2.9	4.5	3.8
Unemployment rate [%]				
	Baseline/ Central	5.8	5.6	5.4
	Stress	6.8	7.1	7.6
	Optimistic	5.2	4.7	4.4
Exchange rate RON/EUR [RON]				
	Baseline/ Central	5	5	5
	Stress	6.2	6.5	6.2
	Optimistic	5	5	5

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Considering the internal rating quality, the exposures of the counterparties not impaired are split in 4 categories which are defined below:

Very good – The counterparty is considered to be very reliable. The capacity to service its debt is very strong.

Good – The counterparty is judged to be of good quality. The capacity to service its debt is strong but counterparty is somewhat more sensitive to adverse changes in circumstances and economic conditions.

Standard grade – The counterparty has an average solvency. The ability to service its debt is still sufficient, but more likely to be undermined by unfavourable economic conditions and changes in circumstances.

Sub-standard grade - The counterparty reflected credit behaviour or financial deterioration implying increased credit risk. Timely debt service repayment is uncertain and depends on favourable economic and financial conditions. Close and more frequent monitoring of the client's capacity to service the bank debt is needed, in order to be able to react to a potential deterioration via implementation of corrective measures.

Analysis of due from banks by credit rating

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Internal rating grade				
Very good grade	6,926,230	4,240,203	6,910,254	4,223,619
Good grade	246,081	273,361	246,081	273,361
Standard grade	22,007	14,798	22,007	14,798
Not rated internally	26,652	9,725	26,652	9,725
Total	**7,220,970**	**4,538,087**	**7,204,994**	**4,521,503**
Provision allowance				
Very good grade	(7)	(146)	(7)	(146)
Net Carying amount	**7,220,963**	**4,537,941**	**7,204,987**	**4,521,357**

(Amounts in thousands RON)

43. Risk management (continued)

432.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance

Group

%	December 31, 2022									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	54.7%	35.1%	82.3%	83.1%	70.7%	72.3%	52.8%	12.9%	61.8%	67.3%
Agriculture, forestry and fishing	3.8%	6.3%	2.8%	3.6%	4.2%	4.6%	0.0%	0.0%	3.5%	4.6%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	7.5%	11.1%	2.7%	2.5%	3.0%	3.2%	1.6%	0.7%	6.2%	4.6%
Electricity, gas, steam and air conditioning supply	5.3%	5.2%	1.8%	0.3%	2.6%	0.9%	0.0%	0.0%	4.3%	1.6%
Water supply	0.3%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.1%
Construction	2.3%	4.4%	0.3%	0.3%	7.0%	7.5%	0.0%	0.0%	1.9%	4.3%
Wholesale and retail trade	11.8%	18.2%	1.9%	1.6%	1.9%	1.3%	2.6%	2.3%	9.1%	4.9%
Transport and storage	2.1%	3.8%	0.9%	2.0%	0.5%	0.5%	0.0%	0.0%	1.8%	1.7%
Accommodation and food service activities	0.9%	1.6%	0.1%	0.2%	3.9%	3.6%	0.0%	0.0%	0.8%	2.0%
Information and communication	1.7%	1.7%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	1.2%	0.4%
Financial institutions	2.3%	3.2%	2.9%	2.1%	0.0%	0.0%	0.0%	0.0%	2.4%	1.4%
Real estate activities	1.2%	2.4%	2.7%	2.0%	1.1%	1.5%	42.4%	82.9%	1.6%	3.0%
Professional, scientific and technical activities	0.4%	0.3%	0.1%	0.2%	2.8%	3.5%	0.0%	0.0%	0.4%	1.7%
Administrative and support service activities	0.4%	0.7%	0.1%	0.2%	0.1%	0.1%	0.6%	1.3%	0.3%	0.3%
Public administration and defence, compulsory social	3.7%	2.7%	0.3%	0.3%	2.0%	0.9%	0.0%	0.0%	2.9%	1.0%
Education	0.0%	0.1%	0.3%	0.5%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Human health services and social work activities	1.2%	2.0%	0.5%	0.8%	0.2%	0.2%	0.0%	0.0%	1.0%	0.8%
Arts, entertainment and recreation	0.2%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Other services	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Loans to individuals include mortgage loans, consumer loans and overdrafts.

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank

%	Stage 1		Stage 2		Stage 3		POCI		Total	
	December 31, 2022									
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	54.3%	33.2%	83.8%	84.3%	70.2%	71.5%	52.8%	12.9%	61.8%	67.0%
Agriculture, forestry and fishing	3.6%	6.5%	1.4%	2.5%	3.8%	4.5%	0.0%	0.0%	3.1%	4.1%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	7.6%	11.5%	2.8%	2.6%	3.2%	3.3%	1.6%	0.7%	6.3%	4.7%
Electricity, gas, steam and air conditioning supply	5.4%	5.3%	1.8%	0.3%	2.7%	0.9%	0.0%	0.0%	4.4%	1.6%
Water supply	0.3%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.2%
Construction	2.3%	4.5%	0.3%	0.3%	7.3%	7.9%	0.0%	0.0%	2.0%	4.5%
Wholesale and retail trade	12.0%	18.8%	1.7%	1.5%	1.9%	1.3%	2.6%	2.3%	9.2%	5.0%
Transport and storage	1.8%	3.8%	0.6%	1.8%	0.2%	0.3%	0.0%	0.0%	1.4%	1.5%
Accommodation and food service activities	0.9%	1.7%	0.1%	0.1%	4.1%	3.8%	0.0%	0.0%	0.8%	2.0%
Information and communication	1.7%	1.8%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	1.3%	0.4%
Financial institutions	2.5%	3.3%	3.0%	2.1%	0.0%	0.0%	0.0%	0.0%	2.6%	1.4%
Real estate activities	1.3%	2.5%	2.8%	2.1%	1.1%	1.5%	42.4%	82.9%	1.7%	3.1%
Professional, scientific and technical activities	0.4%	0.3%	0.1%	0.2%	3.0%	3.7%	0.0%	0.0%	0.4%	1.8%
Administrative and support service activities	0.4%	0.7%	0.2%	0.2%	0.1%	0.1%	0.6%	1.3%	0.3%	0.3%
Public administration and defence, compulsory social	3.8%	2.8%	0.3%	0.3%	2.1%	0.9%	0.0%	0.0%	2.9%	1.1%
Education	0.0%	0.1%	0.3%	0.5%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Human health services and social work activities	1.2%	2.0%	0.5%	0.8%	0.2%	0.3%	0.0%	0.0%	1.0%	0.8%
Arts, entertainment and recreation	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Other services	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Loans to individuals include mortgage loans, consumer loans and overdrafts.

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Group	December 31, 2021									
%	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	61.4%	41.9%	81.8%	81.2%	68.2%	67.9%	50.5%	13.4%	66.5%	66.6%
Agriculture, forestry and fishing	2.8%	5.8%	1.9%	3.7%	5.3%	5.2%	0.0%	0.0%	2.7%	4.7%
Mining and quarrying	0.2%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%
Manufacturing	6.1%	8.5%	5.2%	3.6%	3.1%	3.2%	2.0%	0.1%	5.8%	4.2%
Electricity, gas, steam and air conditioning supply	4.7%	3.9%	0.0%	0.0%	5.5%	2.1%	0.0%	0.0%	3.6%	1.7%
Water supply	0.6%	1.1%	0.1%	0.2%	0.1%	0.2%	0.0%	0.0%	0.4%	0.3%
Construction	1.6%	2.6%	0.2%	0.2%	6.7%	8.1%	0.0%	0.0%	1.4%	4.5%
Wholesale and retail trade	8.2%	15.4%	1.9%	2.3%	2.0%	1.7%	4.2%	2.9%	6.5%	4.3%
Transport and storage	2.3%	4.2%	1.5%	1.8%	0.5%	0.5%	0.2%	0.0%	2.1%	1.6%
Accommodation and food service activities	0.8%	1.4%	0.1%	0.2%	3.9%	5.1%	0.0%	0.0%	0.8%	2.8%
Information and communication	2.3%	2.6%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	1.7%	0.5%
Financial institutions	2.0%	2.1%	3.5%	1.7%	0.0%	0.0%	0.0%	0.0%	2.3%	0.9%
Real estate activities	1.3%	3.5%	1.9%	2.0%	1.1%	1.4%	41.9%	81.5%	1.5%	3.3%
Professional, scientific and technical activities	0.4%	0.3%	0.2%	0.1%	3.1%	4.0%	0.0%	0.0%	0.4%	2.1%
Administrative and support service activities	0.2%	0.3%	0.1%	0.1%	0.2%	0.2%	1.1%	2.0%	0.2%	0.2%
Public administration and defence, compulsory social	3.6%	3.1%	0.9%	1.4%	0.0%	0.0%	0.0%	0.0%	2.8%	1.0%
Education	0.0%	0.3%	0.3%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	1.1%	2.4%	0.1%	0.2%	0.2%	0.3%	0.0%	0.0%	0.8%	0.6%
Arts, entertainment and recreation	0.1%	0.1%	0.2%	0.6%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Other services	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Loans to individuals include mortgage loans, consumer loans and overdrafts.

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank	December 31, 2021									
%	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	60.9%	39.2%	82.4%	81.4%	67.0%	66.2%	50.5%	13.4%	66.3%	65.5%
Agriculture, forestry and fishing	2.5%	6.0%	1.6%	3.5%	5.1%	5.2%	0.0%	0.0%	2.3%	4.7%
Mining and quarrying	0.2%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%
Manufacturing	6.2%	8.9%	5.2%	3.6%	3.3%	3.5%	2.0%	0.1%	5.9%	4.4%
Electricity, gas, steam and air conditioning supply	4.8%	4.1%	0.0%	0.0%	5.9%	2.2%	0.0%	0.0%	3.7%	1.8%
Water supply	0.6%	1.2%	0.1%	0.2%	0.1%	0.2%	0.0%	0.0%	0.4%	0.3%
Construction	1.7%	2.7%	0.2%	0.2%	7.2%	8.7%	0.0%	0.0%	1.5%	4.7%
Wholesale and retail trade	8.4%	16.2%	1.9%	2.3%	2.0%	1.7%	4.2%	2.9%	6.6%	4.5%
Transport and storage	2.1%	4.3%	1.2%	1.5%	0.2%	0.3%	0.2%	0.0%	1.8%	1.4%
Accommodation and food service activities	0.9%	1.4%	0.1%	0.2%	4.1%	5.5%	0.0%	0.0%	0.8%	2.9%
Information and communication	2.4%	2.8%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	1.7%	0.5%
Financial institutions	2.3%	2.2%	3.5%	1.7%	0.0%	0.0%	0.0%	0.0%	2.5%	1.0%
Real estate activities	1.4%	3.7%	1.9%	2.1%	1.2%	1.6%	41.9%	81.5%	1.6%	3.5%
Professional, scientific and technical activities	0.4%	0.3%	0.2%	0.1%	3.3%	4.3%	0.0%	0.0%	0.4%	2.2%
Administrative and support service activities	0.2%	0.4%	0.1%	0.1%	0.2%	0.3%	1.1%	2.0%	0.2%	0.3%
Public administration and defence, compulsory social	3.7%	3.2%	0.9%	1.4%	0.0%	0.0%	0.0%	0.0%	2.9%	1.0%
Education	0.0%	0.3%	0.3%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	1.1%	2.5%	0.1%	0.2%	0.3%	0.3%	0.0%	0.0%	0.8%	0.6%
Arts, entertainment and recreation	0.1%	0.1%	0.2%	0.6%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Other services	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Loans to individuals include mortgage loans, consumer loans and overdrafts.

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Analysis of collateral coverage – Loans and advances

Group

December 31, 2022

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	2,189,968	4,961,785	11,261,966	1,679,572
Retail lending	15,185,445	26,902,441	9,415,931	574,100
Small business lending	376,637	830,323	710,299	314,552
Consumer lending	11,631	34,776	8,390,992	1,231
Residential mortgages	14,797,177	26,037,342	314,640	258,317
Total	**17,375,413**	**31,864,226**	**20,677,898**	**2,253,672**
out of which non-performing				
Non-retail lending	131,395	272,730	174,531	90,108
Retail lending	272,185	638,242	466,304	29,239
Small business lending	5,703	27,797	15,425	4,784
Consumer lending	627	371	415,970	43
Residential mortgages	265,856	610,074	34,909	24,411
Total	**403,580**	**910,973**	**640,835**	**119,347**

December 31, 2021

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,801,528	3,894,168	8,973,434	1,321,398
Retail lending	14,591,880	24,057,314	9,301,832	602,913
Small business lending	332,167	798,084	521,361	222,088
Consumer lending	13,672	34,213	8,327,828	4,050
Residential mortgages	14,246,041	23,225,017	452,642	376,774
Total	**16,393,408**	**27,951,482**	**18,275,266**	**1,924,310**
out of which non-performing				
Non-retail lending	182,848	351,344	190,640	113,074
Retail lending	269,074	611,550	501,145	46,869
Small business lending	8,932	42,602	12,064	1,955
Consumer lending	598	445	427,141	15
Residential mortgages	259,545	568,503	61,940	44,899
Total	**451,922**	**962,894**	**691,785**	**159,943**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Analysis of collateral coverage – Loans and advances (continued)

Bank

December 31, 2022

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	2,014,971	4,704,502	11,278,311	1,657,127
Retail lending	15,035,398	26,677,474	8,913,718	553,755
Small business lending	226,591	605,356	688,396	294,206
Consumer lending	11,631	34,776	7,910,682	1,231
Residential mortgages	14,797,177	26,037,342	314,640	258,317
Total	**17,050,369**	**31,381,976**	**20,192,029**	**2,210,882**
out of which non-performing				
Non-retail lending	129,759	268,796	174,296	90,108
Retail lending	272,185	638,242	466,304	29,239
Small business lending	5,703	27,797	15,425	4,784
Consumer lending	627	371	415,970	43
Residential mortgages	265,856	610,074	34,909	24,411
Total	**401,944**	**907,038**	**640,600**	**119,347**

December 31, 2021

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,653,844	3,669,874	9,010,244	1,314,183
Retail lending	14,494,541	23,899,237	8,694,403	600,607
Small business lending	234,828	640,008	517,160	219,783
Consumer lending	13,672	34,213	7,724,601	4,050
Residential mortgages	14,246,041	23,225,017	452,642	376,774
Total	**16,148,385**	**27,569,111**	**17,704,647**	**1,914,790**
out of which non-performing				
Non-retail lending	179,564	344,429	189,993	113,074
Retail lending	269,074	611,550	501,145	46,869
Small business lending	8,932	42,602	12,064	1,955
Consumer lending	598	445	427,141	15
Residential mortgages	259,545	568,503	61,940	44,899
Total	**448,638**	**955,979**	**691,138**	**159,943**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Analysis of collateral coverage for finance lease receivables

December 31, 2022

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	877,900	1,333,317	68,262	43,749
Retail lending	533,868	856,018	21,349	7,083
Small business lending (retail) & residential	533,815	855,958	21,277	7,083
Consumer lending	53	59	73	-
Total	**1,411,768**	**2,189,335**	**89,611**	**50,832**

December 31, 2021

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	751,095	1,144,990	82,343	57,215
Retail lending	450,140	710,350	28,224	10,705
Small business lending (retail) & residential	450,063	710,223	28,096	10,661
Consumer lending	77	128	128	44
Total	**1,201,235**	**1,855,340**	**110,567**	**67,920**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Rating analysis of loans

Group

Retail lending December 31, 2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	8,682,463	6,044	-	-	8,688,507
Good grade	5,771,318	5,205,882	-	-	10,977,199
Standard grade	1,086,252	1,647,851	-	-	2,734,102
Sub-standard grade	-	791,378	-	18,885	810,262
Past due but not impaired	-	-	-	-	-
Non- performing	-	-	729,609	8,880	738,489
(out of which) Individual assessment	-	-	19,698	113	19,811
Not rated internally	496,465	107,354	48,997	-	652,817
Total	16,036,497	7,758,509	778,606	27,765	24,601,377
Provision allowance					
Internal rating grade					
Very good grade	(46,987)	(90)	-	-	(47,077)
Good grade	(47,240)	(117,360)	-	-	(164,600)
Standard grade	(29,607)	(174,635)	-	-	(204,243)
Sub-standard grade	-	(203,440)	-	(92)	(203,533)
Non- performing	-	-	(546,491)	(3,127)	(549,617)
(out of which) Individual assessment	-	-	(18,993)	(87)	(19,080)
Not rated internally	(11,475)	(10,023)	(38,313)	-	(59,811)
Total	(135,309)	(505,549)	(584,804)	(3,219)	(1,228,881)
Net Carying amount	**15,901,189**	**7,252,959**	**193,802**	**24,546**	**23,372,496**

Non-Retail lending December 31, 2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	-	-	-	-	-
Good grade	8,095,047	865,172	-	-	8,960,218
Standard grade	3,628,529	231,841	-	-	3,860,370
Sub-standard grade	-	324,606	-	814	325,420
Non- performing	-	-	281,901	24,025	305,926
(out of which) Individual assessment	-	-	254,369	24,025	278,394
Total	11,723,576	1,421,619	281,901	24,838	13,451,935
Provision allowance					
Internal rating grade					
Very good grade	-	-	-	-	-
Good grade	(136,420)	(34,204)	-	-	(170,624)
Standard grade	(95,791)	(15,845)	-	-	(111,636)
Sub-standard grade	-	(36,277)	-	(64)	(36,341)
Non- performing	-	-	(195,865)	(21,623)	(217,488)
(out of which) Individual assessment	-	-	(178,010)	(21,625)	(199,634)
Not rated internally	-	-	-	-	-
Total	(232,210)	(86,326)	(195,865)	(21,687)	(536,088)
Net Carying amount	**11,491,365**	**1,335,293**	**86,037**	**3,151**	**12,915,846**

Total December 31, 2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	8,682,463	6,044	-	-	8,688,507
Good grade	13,866,364	6,071,054	-	-	19,937,418
Standard grade	4,714,780	1,879,692	-	-	6,594,472
Sub-standard grade	-	1,115,984	-	19,698	1,135,683
Non- performing	-	-	1,011,510	32,905	1,044,415
(out of which) Individual assessment	-	-	274,067	24,137	298,205
Not rated internally	496,465	107,354	48,997	-	652,817
Total	27,760,073	9,180,128	1,060,507	52,603	38,053,312
Provision allowance					
Internal rating grade					
Very good grade	(46,987)	(90)	-	-	(47,077)
Good grade	(183,659)	(151,564)	-	-	(335,224)
Standard grade	(125,398)	(190,481)	-	-	(315,879)
Sub-standard grade	-	(239,717)	-	(156)	(239,873)
Non- performing	-	-	(742,355)	(24,750)	(767,105)
(out of which) Individual assessment	-	-	(197,003)	(21,711)	(218,714)
Not rated internally	(11,475)	(10,023)	(38,313)	-	(59,811)
Total	(367,519)	(591,876)	(780,668)	(24,906)	(1,764,969)
Net Carying amount	**27,392,554**	**8,588,252**	**279,839**	**27,697**	**36,288,342**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Rating analysis of loans (continued)

Bank

	Retail lending				
	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	8,682,463	6,044	-	-	8,688,507
Good grade	5,771,318	5,205,882	-	-	10,977,199
Standard grade	1,086,252	1,647,851	-	-	2,734,102
Sub-standard grade	-	791,378	-	18,885	810,262
Non- performing	-	-	729,609	8,880	738,489
(out of which) Individual assessment	-	-	19,698	113	19,811
Not rated internally	556	-	-	-	556
Total	15,540,588	7,651,154	729,609	27,765	23,949,116
Provision allowance					
Internal rating grade					
Very good grade	(46,987)	(90)	-	-	(47,077)
Good grade	(47,240)	(117,360)	-	-	(164,600)
Standard grade	(29,607)	(174,635)	-	-	(204,243)
Sub-standard grade	-	(203,440)	-	(92)	(203,533)
Non- performing	-	-	(546,491)	(3,127)	(549,617)
(out of which) Individual assessment	-	-	(18,993)	(87)	(19,080)
Total	(123,834)	(495,526)	(546,491)	(3,219)	(1,169,070)
Net Carying amount	**15,416,754**	**7,155,628**	**183,118**	**24,546**	**22,780,047**

	Non-Retail lending				
	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Good grade	8,095,605	864,840	-	-	8,960,445
Standard grade	3,541,813	202,648	-	-	3,744,461
Sub-standard grade	-	283,507	-	814	284,320
Non- performing	-	-	280,031	24,025	304,056
(out of which) Individual assessment	-	-	254,369	24,025	278,394
Total	11,637,418	1,350,995	280,031	24,838	13,293,282
Provision allowance					
Internal rating grade					
Good grade	(136,238)	(34,187)	-	-	(170,425)
Standard grade	(95,438)	(14,384)	-	-	(109,822)
Sub-standard grade	-	(34,220)	-	(64)	(34,284)
Non- performing	-	-	(194,896)	(21,623)	(216,519)
(out of which) Individual assessment	-	-	(178,010)	(21,625)	(199,634)
Total	(231,676)	(82,792)	(194,896)	(21,687)	(531,051)
Net Carying amount	**11,405,742**	**1,268,203**	**85,135**	**3,151**	**12,762,232**

	Total				
	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	8,682,463	6,044	-	-	8,688,507
Good grade	13,866,922	6,070,722	-	-	19,937,644
Standard grade	4,628,065	1,850,499	-	-	6,478,563
Sub-standard grade	-	1,074,884	-	19,698	1,094,583
Non- performing	-	-	1,009,640	32,905	1,042,545
(out of which) Individual assessment	-	-	274,067	24,137	298,205
Not rated internally	556	-	-	-	556
Total	27,178,006	9,002,150	1,009,640	52,603	37,242,399
Provision allowance					
Internal rating grade					
Very good grade	(46,987)	(90)	-	-	(47,077)
Good grade	(183,477)	(151,548)	-	-	(335,025)
Standard grade	(125,045)	(189,020)	-	-	(314,065)
Sub-standard grade	-	(237,660)	-	(156)	(237,817)
Non- performing	-	-	(741,386)	(24,750)	(766,136)
(out of which) Individual assessment	-	-	(197,003)	(21,711)	(218,714)
Total	(355,510)	(578,318)	(741,386)	(24,906)	(1,700,120)
Net Carying amount	**26,822,496**	**8,423,832**	**268,253**	**27,697**	**35,542,278**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Rating analysis of loans (continued)

Group

	Retail lending December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	9,582,650	5,962	-	-	9,588,612
Good grade	5,070,420	4,713,135	-	-	9,783,555
Standard grade	970,014	1,407,731	-	-	2,377,746
Sub-standard grade	-	652,675	-	15,793	668,468
Non- performing	-	-	756,316	13,903	770,220
(out of which) Individual assessment	-	-	32,639	454	33,092
Not rated internally	615,749	17,196	72,168	-	705,113
Total	16,238,832	6,796,699	828,484	29,697	23,893,712
Provision allowance					
Internal rating grade					
Very good grade	(51,114)	(114)	-	-	(51,228)
Good grade	(40,869)	(110,791)	-	-	(151,660)
Standard grade	(26,933)	(165,354)	-	-	(192,287)
Sub-standard grade	-	(175,514)	-	(138)	(175,652)
Non- performing	-	-	(544,071)	(3,736)	(547,807)
(out of which) Individual assessment	-	-	(26,317)	(80)	(26,397)
Not rated internally	(14,885)	(6,182)	(58,919)	-	(79,986)
Total	(133,801)	(457,955)	(602,990)	(3,874)	(1,198,620)
Net Carying amount	**16,105,031**	**6,338,744**	**225,495**	**25,822**	**22,695,092**

	Non-Retail lending December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	422,745	-	-	-	422,745
Good grade	5,669,791	746,615	-	-	6,416,406
Standard grade	2,829,625	314,204	-	-	3,143,829
Sub-standard grade	38,449	378,575	-	1,337	418,361
Non- performing	-	-	345,992	27,495	373,487
(out of which) Individual assessment	-	-	305,958	26,915	332,873
Not rated internally	133	-	-	-	133
Total	8,960,744	1,439,393	345,992	28,832	10,774,962
Provision allowance					
Internal rating grade					
Very good grade	(2,143)	-	-	-	(2,143)
Good grade	(84,653)	(36,629)	-	-	(121,282)
Standard grade	(88,113)	(17,189)	-	-	(105,302)
Sub-standard grade	(139)	(43,940)	-	(201)	(44,280)
Non- performing	(4)	-	(252,985)	(24,541)	(277,529)
(out of which) Individual assessment	-	-	(228,202)	(24,369)	(252,571)
Not rated internally	(408)	(2,814)	(2,422)	-	(5,644)
Total	(175,459)	(100,572)	(255,406)	(24,742)	(556,180)
Net Carying amount	**8,785,285**	**1,338,820**	**90,586**	**4,090**	**10,218,782**

	Total December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	10,005,395	5,962	-	-	10,011,357
Good grade	10,740,211	5,459,750	-	-	16,199,961
Standard grade	3,799,639	1,721,935	-	-	5,521,574
Sub-standard grade	38,449	1,031,249	-	17,131	1,086,829
Non- performing	-	-	1,102,309	41,398	1,143,707
(out of which) Individual assessment	-	-	338,596	27,369	365,965
Not rated internally	615,882	17,196	72,168	-	705,246
Total	25,199,576	8,236,092	1,174,477	58,529	34,668,674
Provision allowance					
Internal rating grade					
Very good grade	(53,257)	(114)	-	-	(53,371)
Good grade	(125,522)	(147,420)	-	-	(272,942)
Standard grade	(115,046)	(182,543)	-	-	(297,589)
Sub-standard grade	(139)	(219,454)	-	(340)	(219,932)
Non- performing	(4)	-	(797,056)	(28,277)	(825,336)
(out of which) Individual assessment	-	-	(254,520)	(24,449)	(278,969)
Not rated internally	(15,293)	(8,996)	(61,341)	-	(85,630)
Total	(309,260)	(558,527)	(858,396)	(28,617)	(1,754,800)
Net Carying amount	**24,890,317**	**7,677,565**	**316,081**	**29,912**	**32,913,874**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Rating analysis of loans (continued)

Bank

	Retail lending December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	9,582,650	5,962	-	-	9,588,612
Good grade	5,070,420	4,713,135	-	-	9,783,555
Standard grade	970,014	1,407,731	-	-	2,377,746
Sub-standard grade	-	652,675	-	15,793	668,468
Non- performing	-	-	756,316	13,903	770,220
(out of which) Individual assessment	-	-	32,639	454	33,092
Not rated internally	345	-	-	-	345
Total	15,623,428	6,779,503	756,316	29,697	23,188,944
Provision allowance					
Internal rating grade					
Very good grade	(51,114)	(114)	-	-	(51,228)
Good grade	(40,869)	(110,791)	-	-	(151,660)
Standard grade	(26,933)	(165,354)	-	-	(192,287)
Sub-standard grade	-	(175,514)	-	(138)	(175,652)
Non- performing	-	-	(544,071)	(3,736)	(547,807)
(out of which) Individual assessment	-	-	(26,317)	(80)	(26,397)
Not rated internally	-	-	-	-	-
Total	(118,916)	(451,772)	(544,071)	(3,875)	(1,118,634)
Net Carying amount	**15,504,512**	**6,327,731**	**212,245**	**25,821**	**22,070,310**

	Non-Retail lending December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	422,745	-	-	-	422,745
Good grade	5,708,101	743,744	-	-	6,451,844
Standard grade	2,738,943	303,762	-	-	3,042,705
Sub-standard grade	38,449	337,317	-	1,337	377,104
Non- performing	-	-	342,062	27,495	369,557
(out of which) Individual assessment	-	-	305,958	26,915	332,873
Not rated internally	133	-	-	-	133
Total	8,908,371	1,384,823	342,062	28,832	10,664,088
Provision allowance					
Internal rating grade					
Very good grade	(2,143)	-	-	-	(2,143)
Good grade	(84,653)	(36,629)	-	-	(121,282)
Standard grade	(88,113)	(17,189)	-	-	(105,302)
Sub-standard grade	(139)	(43,940)	-	(201)	(44,280)
Non- performing	(4)	-	(252,985)	(24,541)	(277,529)
(out of which) Individual assessment	-	-	(228,202)	(24,369)	(252,571)
Not rated internally	(6)	-	-	-	(6)
Total	(175,057)	(97,758)	(252,985)	(24,742)	(550,542)
Net Carying amount	**8,733,314**	**1,287,065**	**89,077**	**4,090**	**10,113,546**

	Total December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	10,005,395	5,962	-	-	10,011,357
Good grade	10,778,520	5,456,879	-	-	16,235,399
Standard grade	3,708,957	1,711,493	-	-	5,420,450
Sub-standard grade	38,449	989,992	-	17,131	1,045,572
Non- performing	-	-	1,098,378	41,398	1,139,776
(out of which) Individual assessment	-	-	338,596	27,369	365,965
Not rated internally	478	-	-	-	478
Total	24,531,799	8,164,326	1,098,378	58,529	33,853,032
Provision allowance					
Internal rating grade					
Very good grade	(53,257)	(114)	-	-	(53,371)
Good grade	(125,522)	(147,420)	-	-	(272,942)
Standard grade	(115,046)	(182,543)	-	-	(297,589)
Sub-standard grade	(139)	(219,454)	-	(340)	(219,932)
Non- performing	(4)	-	(797,056)	(28,277)	(825,336)
(out of which) Individual assessment	-	-	(254,520)	(24,449)	(278,969)
Not rated internally	(6)	-	-	-	(6)
Total	(293,973)	(549,531)	(797,056)	(28,617)	(1,669,176)
Net Carying amount	**24,237,826**	**7,614,795**	**301,322**	**29,912**	**32,183,855**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Rating analysis of Finance Lease receivables

	Retail December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Not rated internally	383,487	120,540	51,190	555,217
Total	383,487	120,540	51,190	555,217
Provision allowance	(1,867)	(7,119)	(22,724)	(31,710)
Net Carying amount	**381,620**	**113,421**	**28,466**	**523,507**

	Non-Retail December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	191,115	38,103	-	229,218
Standard grade	446,936	149,435	-	596,370
Sub-standard grade	-	48,243	-	48,243
Non- performing	-	-	68,782	68,782
Not rated internally	(663)	4,094	118	3,549
Total	637,387	239,875	68,901	946,162
Provision allowance	(2,623)	(12,158)	(47,495)	(62,275)
Net Carying amount	**634,764**	**227,716**	**21,406**	**883,887**

	Total December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	191,115	38,103	-	229,218
Standard grade	446,936	149,435	-	596,370
Sub-standard grade	-	48,243	-	48,243
Non- performing	-	-	68,782	68,782
Not rated internally	382,824	124,634	51,308	558,766
Total	1,020,874	360,415	120,091	1,501,380
Provision allowance	(4,490)	(19,277)	(70,219)	(93,986)
Net Carying amount	**1,016,384**	**341,137**	**49,872**	**1,407,394**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Rating analysis of Finance Lease receivables:

	Retail December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Not rated internally	365,749	67,385	45,230	478,364
Total	365,749	67,385	45,230	478,364
Provision allowance	(1,450)	(3,544)	(19,701)	(24,695)
Net Carying amount	**364,299**	**63,841**	**25,530**	**453,669**

	Non-Retail December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	68,746	27,838	-	96,584
Standard grade	379,133	114,379	-	493,513
Sub-standard grade	-	157,599	-	157,599
Non- performing	-	-	74,382	74,382
Not rated internally	(10)	11,134	237	11,361
Total	447,869	310,950	74,619	833,438
Provision allowance	(1,865)	(16,211)	(46,436)	(64,512)
Net Carying amount	**446,004**	**294,739**	**28,183**	**768,926**

	Total December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	68,746	27,838	-	96,584
Standard grade	379,133	114,379	-	493,513
Sub-standard grade	-	157,599	-	157,599
Non- performing	-	-	74,382	74,382
Not rated internally	365,739	78,518	45,468	489,724
Total	813,618	378,335	119,850	1,311,802
Provision allowance	(3,315)	(19,755)	(66,137)	(89,207)
Net Carying amount	**810,302**	**358,580**	**53,713**	**1,222,595**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

Guarantees and other credit commitments

Guarantees and letters of credit

The Group and Bank issues guarantees and letters of credit for its customers. The primary purpose of letters of credit is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group and Bank will make payments in the event that a customer cannot meet its obligations (delivery of goods, documents submitting, etc.) to third parties with which it entered previously into a contractual relationship, carry a similar credit risk as loans once they are executed.

The market and credit risks on these financial instruments, as well as the operational risk are similar to those arising from granting of loans. In the event of a claim on the Group and Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Group and Bank.

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities.

The Group and Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments does not necessarily represent future cash requirements, since many of these commitments will expire or be terminated without being funded.

	Group		Bank	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Letters of guarantee granted	6,449,588	5,427,857	6,451,531	5,441,448
Financing commitments granted	6,183,371	5,834,265	5,740,595	5,344,315
Total commitments granted	**12,632,959**	**11,262,122**	**12,192,126**	**10,785,763**
Uncommitted facilities granted	**9,454,516**	**9,317,203**	**9,509,016**	**9,382,644**
Letters of guarantee received	23,730,601	20,033,701	23,730,601	20,033,701
Total commitments received	**23,730,601**	**20,033,701**	**23,730,601**	**20,033,701**

43.2 Market risk

Market risk is defined as the risk of registering losses related to the on and off-balance sheet positions, arising from unfavorable movements of market parameters (FX rates, interest rates, share prices, etc.) and that might be incurred both by the trading book portfolio and by certain banking book positions (structural portfolio).

The management of market risks is a continuous process, whose primary aim is to identify and measure the market risks induced by the business activities undergone by the entity.

Trading Book related market risks

The trading activity's business model is mainly driven by the clients' requests, the trading portfolio comprising mostly foreign exchange spot transactions, transactions with bonds issued by the Romanian Government (outright or reversible transactions), forward and swap deals on foreign exchange or interest rate, as well as options on different underlying (foreign exchange, interest rates and equities).

Although the trading book portfolio generates a small portion of the Bank's entire exposure to market risks (mainly interest rate risk and foreign exchange risk), it is monitored separately from the banking book portfolio. The identified risks are further reported to the bank's management and to the Group, ensuring timely distribution of accurate information for the decision-making processes.

The risk awareness related to the trading book activity is embraced by all actors pertaining to the Financial Markets perimeter, several sets of controls, some of them with daily frequency, being undertaken within each involved department. The functional independence conferred to the risk line from the business line, translated in an independent follow-up of risks conducted at the Market Risk Department level, guarantees a fair, unbiased picture of BRD's exposure to assumed market risks.

The foundation of an efficient management framework addressing market risks relies on the main principles listed below:

- frequent update of the risk management policy and framework, to comply with regulatory requisites, permanently adapted to market evolutions and internal changes;
- ongoing improvement of the market risk practice, aligned with the best market practices;
- validation of valuation techniques used to calculate risks metrics and results;
- defining risk measurement models and provisions for the market risks assumed (reserves);
- authorization of various market risk limits, consistent with the stated market risk appetite;
- approval of the instruments allowed for trading (new products or significant changes of existing products);
- involvement in designing the functionalities of the IT systems, data flows and operational procedures;
- monitoring and analyzing exposures and compliance with the limits, periodical dissemination of essential data mirroring the bank's exposure to market risks to the management bodies.

On an annual basis, the market risk appetite is approved by the Board of Directors, being aligned with the Bank's business strategy. The top-down approach transposes this high level indicator into limits, notified to middle management and executive functions, calibrated on different measurement types (nominal, sensitivity, stress test results, VaR and SVaR levels).

To properly support the trading activities, a daily report, presenting all the market risk indicators, is delivered to the personnel acting within the Financial Markets perimeter, to the management of Risk Department and to the Group.

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

The process of monitoring the compliance with the limits includes the daily metrics report, the monthly analysis of the trading book activity, and the quarterly summaries submitted to the General Management.

The assesment process of trading book related market risks is designed according with the Group's methodology, combining three main risk approaches:

- Trading VaR, accompanied by SVaR;
- Stress test scenarios, based on shocks derived from historical and hypothetical scenarios;
- Complementary indicators (sensitivities, nominal, etc.) which decompose the global indicators into specific ones, enabling the identification of risk areas, concentration on products and/or maturities that might generate important risks unrevealed by the global risk metrics.

Value at Risk (VaR)

The purpose of VaR is to determine a maximum potential loss the bank might incur from the trading activity, over a given period of time, with a certain level of confidence. BRD computes daily the VaR level for 1-day holding period, based on historical approach, with a confidence level of 99%.

The relevance of the VaR model is assessed through back testing, by comparing the daily trading result with the loss estimated by the model, and is performed with daily frequency, in order to forewarn of the need to recalibrate the computational model or to reconsider the observation period of the market parameters. The model's accuracy is tested by comparing the number of days with negative P&L exceeding the VaR figure with the number of expected overshoots (induced by the model's assumptions).

Should a breach occur, an investigation is conducted to identify its root cause and the event is escaladed to the management of the Financial Markets' perimeter.

The VaR model developed in BRD is used for trading position management purposes only and it is not transposed into capital requirements.

99% VAR (1 DAY) - KEY FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2020	0.21	0.60	0.13	0.43	0.71
2021	0.59	0.18	0.18	0.47	0.71
2022	0.18	0.42	0.12	0.35	0.97

Stressed VAR (SVaR)

SVaR estimates a maximum potential loss from trading activity, for 1-day horizon and with 99% confidence level, as a consequence of adverse market movements associated with a financial crisis. SVaR is computed using the same approach as VaR, the only difference being that, in the case of SVaR, the observation period for the risk factors is fixed to a window of 12 consecutive months marked by extreme market events.

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

The appropriateness of the one-year chosen window is assessed by comparing the SVaR level with the VaR level. If the VaR/SVaR ratio exceeds the 90% threshold at least three times during a quarter, the suitability of the window must be reassessed. The range of daily VaR/SVaR values is analyzed periodically for signals on the need to review the SVaR period.

99% SVAR (1 DAY) - KEY FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2020	1.43	1.80	0.70	1.75	3.37
2021	1.77	0.97	0.92	2.25	3.82
2022	0.98	0.73	0.26	0.86	2.30

Stress test assessment

Methodology

The stress test assessment is one of the main pillars of the market risk management framework, being complementary to VaR and compensating the limitation of the historical VaR methodology. While the VaR model considers historical movements of the risk factors occurred in the past, the stress testing environment embeds theoretical hypothesis or market event-specific scenarios describing large, abrupt changes of the underlying risk factors. On a daily basis, a range of hypothetical models picturing extreme shocks are mixed with various historical scenarios and are applied for the entire trading book portfolio of the bank.

A global stress test metric is computed and compared against the approved limit, derived from the market risk appetite stated in Bank's strategy.

The various stress test scenarios are subject to review and improvement, the accuracy of the assumptions used under the active patterns being regularly monitored. The hypothesis validation aims to certify that the shocks applied are still severe enough and that they model an unlikely event, otherwise timely detecting the necessity to recalibrate them.

The table below presents the result of applying the stress test methodology on the trading book portfolio.

STRESS TEST ASSESSMENT - KEY NEGATIVE FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2020	5.70	11.01	2.25	9.53	14.49
2021	10.85	2.43	0.01	8.68	14.32
2022	2.91	2.78	0.00	2.36	5.70

Foreign exchange risk

The foreign exchange risk is the risk of loss resulting from changes in exchange rates, monitored for all books. The Group and Bank manages the foreign currency risk by using limits for the open foreign currency positions both by currency and at the level of global foreign currency position.

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

The table below indicates the currencies to which the Group and Bank had an exposure as at December 31st on its assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against RON, with all other variables held constant, on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against RON would have resulted in an equivalent but opposite impact.

The estimated impact below does not include the impact recorded in income statement of the period:

2022	Group			Bank		
Currency	Change in currency rate %	Effect on profit before tax	Effect on equity	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	(225,724)	(41,868)	+5	(225,580)	(41,868)
Other	+5	(9,021)	(1,705)	+5	(9,018)	(1,705)

2021	Group			Bank		
Currency	Change in currency rate %	Effect on profit before tax	Effect on equity	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	1,337	1,040	+5	1,799	1,040
Other	+5	(57)	404	+5	(36)	404

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

The Group and the Bank statement of financial position structure by currency is presented below:

	Group December 31, 2022				Bank December 31, 2022			
ASSETS	**Total**	**RON**	**EUR**	**Other**	**Total**	**RON**	**EUR**	**Other**
Cash and due from Central Bank	7,625,002	5,941,426	1,579,300	104,276	7,624,933	5,941,359	1,579,300	104,275
Due from banks	7,220,963	893,305	5,527,611	800,047	7,204,987	877,328	5,527,611	800,047
Derivatives and other financial instruments held for trading	2,343,377	1,968,547	325,071	49,759	2,337,311	1,962,481	325,071	49,759
Financial assets at fair value through profit and loss	14,262	13,434	829	-	8,132	7,304	828	-
Financial assets at fair value through other comprehensive income	13,439,596	8,739,723	4,517,714	182,159	13,439,596	8,739,723	4,517,714	182,159
Financial assets at amortised cost	39,019,048	26,649,538	11,793,899	575,612	38,272,985	26,260,352	11,437,021	575,612
Loans and advances to customers	36,288,342	26,349,858	9,794,586	143,897	35,542,278	25,960,672	9,437,708	143,897
Treasury bills at amortised cost	2,730,706	299,679	1,999,312	431,715	2,730,706	299,679	1,999,312	431,715
Financial lease receivables	1,407,394	61,915	1,345,479	-	-	-	-	-
Investments in associates and subsidiares	113,670	113,670	-	-	129,964	129,964	-	-
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Current tax assets	23,563	23,563	-	-	23,563	23,563	-	-
Deferred tax asset	496,034	496,034	-	-	478,893	478,893	-	-
Non current assets and other assets	2,088,728	1,844,213	243,690	826	1,952,483	1,713,113	238,869	501
Total assets	**73,841,767**	**46,795,497**	**25,333,593**	**1,712,679**	**71,522,977**	**46,184,210**	**23,626,413**	**1,712,354**
LIABILITIES								
Due to banks	636,888	494,592	104,226	38,070	636,888	494,592	104,226	38,070
Derivatives and other financial instruments held for trading	1,443,546	1,050,292	385,831	7,423	1,443,546	1,050,292	385,831	7,423
Due to customers	56,660,841	36,523,728	16,335,841	3,801,272	56,915,740	36,719,140	16,395,326	3,801,274
Debt issued and borrowed funds	5,625,488	279,661	5,345,827	-	3,567,262	2,266	3,564,997	-
Subordinated debts	1,238,651	-	1,238,651	-	1,238,651	-	1,238,651	-
Current tax liability	5,595	5,595	-	-	-	-	-	-
Other liabilities	1,270,992	808,115	434,113	28,764	1,143,854	670,069	445,413	28,372
Shareholders' equity	6,959,766	6,959,766	-	-	6,577,036	6,577,036	-	-
Total liabilities and shareholders' equity	**73,841,767**	**46,121,750**	**23,844,489**	**3,875,528**	**71,522,977**	**45,513,395**	**22,134,444**	**3,875,139**
Position		673,748	1,489,102	(2,162,851)		670,816	1,491,969	(2,162,785)
Position off BS		(678,725)	(1,485,863)	2,164,588		(678,725)	(1,485,863)	2,164,588
Position total		**(4,977)**	**3,239**	**1,737**		**(7,909)**	**6,106**	**1,803**

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

	Group December 31, 2021				Bank December 31, 2021			
ASSETS	**Total**	**RON**	**EUR**	**Other**	**Total**	**RON**	**EUR**	**Other**
Cash and due from Central Bank	6,206,356	5,007,707	1,152,945	45,705	6,206,323	5,007,674	1,152,945	45,705
Due from banks	4,537,941	344,039	2,099,967	2,093,936	4,521,357	327,454	2,099,967	2,093,936
Derivatives and other financial instruments held for trading	2,274,924	1,158,528	1,026,348	90,047	2,274,924	1,158,528	1,026,348	90,047
Financial assets at fair value through profit and loss	6,947	6,258	689	-	6,947	6,258	689	-
Financial assets at fair value through other comprehensive income	19,863,825	13,125,421	6,507,270	231,134	19,863,825	13,125,421	6,507,270	231,134
Financial assets at amortised cost	32,913,875	23,835,074	8,829,246	249,555	32,183,856	23,348,736	8,585,564	249,556
Loans and advances to customers	32,913,875	23,835,074	8,829,246	249,555	32,183,856	23,348,736	8,585,564	249,556
Financial lease receivables	1,222,595	76,305	1,146,290	-	-	-	-	-
Investments in associates and subsidiares	107,205	107,205	-	-	158,916	158,916	-	-
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Current tax assets	7,484	7,484	-	-	7,484	7,484	-	-
Deferred tax asset	180,089	180,089	-	-	166,173	166,173	-	-
Non current assets and other assets	1,691,926	1,669,053	15,555	7,318	1,575,328	1,560,509	8,041	6,778
Total assets	**69,063,297**	**45,567,293**	**20,778,311**	**2,717,695**	**67,015,263**	**44,917,282**	**19,380,824**	**2,717,156**
LIABILITIES								
Due to banks	156,810	107,629	27,633	21,548	156,810	107,629	27,633	21,548
Derivatives and other financial instruments held for trading	498,651	440,295	58,356	-	498,651	440,295	58,356	-
Due to customers	52,683,581	32,876,873	16,968,766	2,837,942	52,917,887	33,087,454	16,992,489	2,837,943
Debt issued and borrowed funds	4,056,470	409,779	3,646,691	-	2,230,572	3,737	2,226,835	-
Subordinated debts	495,022	-	495,022	-	495,022	-	495,022	-
Current tax liability	83,963	83,963	-	-	79,979	79,979	-	-
Other liabilities	1,209,895	662,090	509,515	38,290	1,097,005	560,068	499,605	37,332
Shareholders' equity	9,878,905	9,878,905	-	-	9,539,338	9,539,338	-	-
Total liabilities and shareholders' equity	**69,063,297**	**44,459,533**	**21,705,983**	**2,897,779**	**67,015,263**	**43,818,500**	**20,299,940**	**2,896,823**
Position		1,107,760	(927,673)	(180,085)		1,098,783	(919,116)	(179,668)
Position off BS		(1,134,046)	955,100	178,946		(1,134,046)	955,100	178,946
Position total		**(26,286)**	**27,428**	**(1,139)**		**(35,263)**	**35,985**	**(722)**

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. BRD - Groupe Société Générale manages interest rate risk mainly through the sensitivity of the net present value (NPV), measured as the sensitivity to a set of interest rate shocks of the present value of the future principal and interest cash flows of all items in the banking book, balance sheet and off-balance sheet. This measure is calculated for all currencies to which the Bank is exposed.

Assets and liabilities are analyzed without a prior allocation of resources to uses. Maturities of outstanding amounts are determined by taking into account the contractual characteristics of the transactions, adjusted for the results of customer behavior modelling (in particular for demand deposits, savings and early loan repayments).

In accordance with the Group's policy, positions are monitored on a regular basis and appropriate strategies are used to ensure that they are maintained within the established limits.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's and Bank's banking book.

Group December 31, 2022		Bank December 31, 2022	
Change in interest rate (b.p)	**Sensitivity (MRON)**	**Change in interest rate (b.p)**	**Sensitivity (MRON)**
10	19	10	18
(10)	(19)	(10)	(19)

December 31, 2021		December 31, 2021	
Change in interest rate (b.p)	**Sensitivity (MRON)**	**Change in interest rate (b.p)**	**Sensitivity (MRON)**
10	12	10	17
(10)	(18)	(10)	(17)

The tables below analyse the Group's and the Bank's banking book interest rate risk exposure. The Group's assets and liabilities are included at carrying amount and 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.

The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

Group December 31, 2022	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash and due from Central Bank	2,241,508	1,062,798	1,255,614	2,569,376	495,706	7,625,002
Due from banks	2,166,395	4,552,744	473,718	28,106	-	7,220,963
Derivatives and other financial instruments held for trading	1,903,485	69,600	189,148	35,052	146,092	2,343,377
Financial assets at fair value through profit and loss	119	238	1,070	5,705	7,131	14,262
Financial assets at fair value through other comprehensive income	(2,516,879)	-	1,048,581	6,203,637	8,704,257	13,439,596
Financial assets at amortised cost	12,553,669	12,427,983	2,785,355	8,400,235	2,851,807	39,019,048
Loans and advances to customers	12,530,503	12,427,983	2,785,355	7,051,904	1,492,597	36,288,342
Treasury bills at amortised cost	23,166	-	-	1,348,331	1,359,210	2,730,706
Financial lease receivables	211,326	543,478	255,890	395,722	979	1,407,394
Investments in associates and subsidiares	698	2,166	8,593	45,829	56,385	113,670
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	23,563	-	-	-	23,563
Deferred tax asset	4,230	8,457	38,058	202,978	242,312	496,034
Non current assets and other assets	49,180	5,779	237,254	1,237,958	558,556	2,088,728
Total assets	**16,614,149**	**18,697,640**	**6,297,041**	**19,144,648**	**13,088,290**	**73,841,767**
Liabilities						
Due to banks	636,888	-	-	-	-	636,888
Derivatives and other financial instruments held for trading	1,433,546	10,000	-	-	-	1,443,546
Due to customers	11,384,251	4,003,597	9,875,954	20,200,227	11,196,812	56,660,841
Debt issued and borrowed funds	78,743	4,006,937	346,837	1,192,971	-	5,625,488
Subordinated debts	1,800	1,236,850	-	-	-	1,238,651
Current tax liability	-	5,595	-	-	-	5,595
Other liabilities	698,849	37,980	64,875	332,412	136,877	1,270,992
Total liabilities	**14,234,078**	**9,300,959**	**10,287,665**	**21,725,609**	**11,333,690**	**66,882,001**
Total shareholders' equity	**(2,051,618)**	**-**	**901,138**	**3,604,554**	**4,505,692**	**6,959,766**
Net position	**2,380,071**	**9,396,681**	**(4,891,762)**	**(6,185,515)**	**(2,751,092)**	

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

Group **December 31, 2021**	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
ASSETS						
Cash and due from Central Bank	924,903	1,442,490	1,045,325	2,208,777	584,861	6,206,356
Due from banks	2,473,482	1,897,258	151,048	12,553	3,600	4,537,941
Derivatives and other financial instruments held for trading	1,506,590	63,920	300,146	317,986	86,282	2,274,924
Financial assets at fair value through profit and loss	1	-	-	6,946	-	6,947
Financial assets at fair value through other comprehensive	(368,864)	489,747	3,761,335	6,227,630	9,753,977	19,863,825
Financial assets at amortised cost	10,616,886	12,362,673	3,247,430	5,940,665	746,221	32,913,875
Loans and advances to customers	10,616,886	12,362,673	3,247,430	5,940,665	746,221	32,913,875
Financial lease receivables	47,478	317,891	372,746	481,957	2,523	1,222,595
Investments in associates and subsidiares	76	-	10,892	43,569	52,668	107,205
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	-	-	7,484	-	7,484
Deferred tax asset	3,001	6,003	27,013	144,071	-	180,089
Non current assets and other assets	21,998	37,205	201,100	969,418	462,204	1,691,926
Total assets	**15,225,969**	**16,618,022**	**9,120,796**	**16,381,109**	**11,717,402**	**69,063,297**
Liabilities						
Due to banks	156,810	-	-	-	-	156,810
Derivatives and other financial instruments held for trading	498,651	-	-	-	-	498,651
Due to customers	12,140,823	3,297,766	8,163,886	18,021,889	11,059,217	52,683,581
Debt issued and borrowed funds	60,862	2,936,834	391,609	667,164	-	4,056,470
Subordinated debts	212	494,810	-	-	-	495,022
Current tax liability	-	83,963	-	-	-	83,963
Other liabilities	488,182	15,449	76,772	467,538	161,953	1,209,895
Total liabilities	**13,345,539**	**6,828,822**	**8,632,268**	**19,156,592**	**11,221,170**	**59,184,392**
Total shareholders' equity	**(377,821)**	**-**	**3,253,939**	**3,112,351**	**3,890,439**	**9,878,905**
Net position	**2,258,251**	**9,789,200**	**(2,765,410)**	**(5,887,834)**	**(3,394,208)**	

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

Bank **December 31, 2022**	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
ASSETS						
Cash and due from Central Bank	2,241,440	1,062,798	1,255,614	2,569,376	495,706	7,624,933
Due from banks	2,165,972	4,552,744	473,718	12,553	-	7,204,987
Derivatives and other financial instruments held for trading	1,903,485	69,600	189,148	28,986	146,092	2,337,311
Financial assets at fair value through profit and loss	68	136	610	3,253	4,066	8,132
Financial assets at fair value through other comprehensive	(2,516,879)	-	1,048,581	6,203,637	8,704,257	13,439,596
Financial assets at amortised cost	12,520,589	12,190,060	2,673,232	8,042,591	2,846,513	38,272,984
Loans and advances to customers	12,497,424	12,190,060	2,673,232	6,694,260	1,487,303	35,542,278
Treasury bills at amortised cost	23,165	-	-	1,348,331	1,359,210	2,730,706
Investments in associates and subsidiares	1,083	2,166	9,747	51,986	64,982	129,964
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	23,563	-	-	-	23,563
Deferred tax asset	4,846	9,693	43,617	232,624	188,115	478,893
Non current assets and other assets	23,937	24,780	216,727	1,128,481	558,556	1,952,483
Total assets	**16,344,960**	**17,936,374**	**5,914,755**	**18,293,538**	**13,033,352**	**71,522,977**
Liabilities						
Due to banks	636,888	-	-	-	-	636,888
Derivatives and other financial instruments held for trading	1,433,546	10,000	-	-	-	1,443,546
Due to customers	11,546,420	4,027,817	9,925,936	20,218,584	11,196,983	56,915,740
Debt issued and borrowed funds	4,337	2,968,440	-	594,485	-	3,567,262
Subordinated debts	1,801	1,236,850	-	-	-	1,238,651
Other liabilities	691,676	33,913	46,575	234,813	136,877	1,143,854
Total liabilities	**14,314,668**	**8,277,020**	**9,972,511**	**21,047,882**	**11,333,860**	**64,945,941**
Total shareholders' equity	**(2,084,244)**	**-**	**1,676,269**	**3,104,449**	**3,880,562**	**6,577,036**
Net position	**4,114,536**	**9,659,354**	**(5,734,025)**	**(5,858,793)**	**(2,181,070)**	

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

Bank **December 31, 2021**	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
ASSETS						
Cash and due from Central Bank	924,870	1,442,490	1,045,325	2,208,777	584,861	6,206,323
Due from banks	2,473,051	1,897,258	151,048	-	-	4,521,357
Derivatives and other financial instruments held for trading	1,506,590	63,920	300,146	317,986	86,282	2,274,924
Financial assets at fair value through profit and loss	0	-	-	6,947	-	6,947
Financial assets at fair value through other comprehensive	(368,864)	489,747	3,761,335	6,227,630	9,753,977	19,863,825
Financial assets at amortised cost	10,604,353	12,212,066	3,116,306	5,509,957	741,174	32,183,856
Loans and advances to customers	10,604,353	12,212,066	3,116,306	5,509,957	741,174	32,183,856
Investments in associates and subsidiares	0	-	15,892	63,566	79,458	158,916
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	-	-	7,484	-	7,484
Deferred tax asset	2,770	5,539	24,926	132,938	-	166,173
Non current assets and other assets	14,726	40,780	183,509	874,109	462,204	1,575,328
Total assets	**15,157,914**	**16,152,636**	**8,602,246**	**15,369,446**	**11,733,022**	**67,015,263**
Liabilities						
Due to banks	156,810	-	-	-	-	156,810
Derivatives and other financial instruments held for trading	498,651	-	-	-	-	498,651
Due to customers	12,236,715	3,364,012	8,212,721	18,040,051	11,064,388	52,917,887
Debt issued and borrowed funds	412	2,226,665	728	2,766	-	2,230,572
Subordinated debts	212	494,810	-	-	-	495,022
Current tax liability	-	79,979	-	-	-	79,979
Other liabilities	472,075	14,451	72,279	376,246	161,953	1,097,005
Total liabilities	**13,364,874**	**6,179,917**	**8,285,728**	**18,419,064**	**11,226,341**	**57,475,925**
Total shareholders' equity	**(401,601)**	**-**	**3,222,360**	**2,986,036**	**3,732,545**	**9,539,338**
Net position	**2,194,641**	**9,972,719**	**(2,905,842)**	**(6,035,653)**	**(3,225,863)**	

43. Risk management (continued)

43.3 Liquidity risk

The liquidity risk is associated either with the difficulty of an enterprise to raise necessary funds in order to meet commitments or with its inability to monetize a financial asset quickly and for an amount close to its fair value.

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.

The liquidity risk position, under normal conditions, is measured at consolidated level using the static liquidity gaps indicator and the two liquidity ratios defined by CRD IV: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Static liquidity gap is defined as the difference between the expected future inflows and outflows related to the current transactions (no new business included), determined for each time bucket and currency based on the contractual maturity of the transactions, considering also embedded options (e.g. prepayment for loans, term deposits) or, for non-maturing products (the main ones being: current accounts, fixed assets, other assets, equity, other liabilities), based on a maturity modelled using historical client behaviour or a conventional maturity. For each budgeting and planning exercise, the future funding needs are assessed starting from the actual liquidity position and budgeted evolution of assets and liabilities. When a deficit is expected, funding solutions are assessed and appropriate actions are planned.

As regards LCR and NSFR, the limits imposed by the regulation in force was respected throughout the entire year.

The Group performs liquidity risk stress tests on a quarterly basis in order to identify and quantify its exposures to possible liquidity stresses, analysing potential impacts on the cash flows and liquidity position. The Group is considering 3 liquidity crisis scenarios: specific to the Group (idiosyncratic), systemic and a combination of both. The Group maintains a liquidity buffer of unencumbered, high quality liquid assets as an insurance against a range of liquidity stress scenarios. A contingency funding plan is designed to protect the stakeholders' interests and to ensure positive outcome in the event of a liquidity crisis.

The maturity structure of the Group's and the Bank's assets and liabilities as of December 31, 2022 and 2021 is as follows:

(Amounts in thousands RON)

43. Risk management (continued)

43.3 Liquidity risk (continued)

Group

December 31, 2022	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash and due from Central Bank	7,625,002	1,707,235	327,939	1,604,875	3,196,633	788,320
Due from banks	7,220,963	2,166,395	4,552,744	473,718	28,106	-
Derivatives and other financial instruments held for trading	2,343,377	1,903,485	69,600	189,148	35,052	146,092
Financial assets at fair value through profit and loss	14,262	119	238	1,070	5,705	7,131
Financial assets at fair value through other comprehensive income	13,439,596	(2,516,879)	-	1,048,581	6,203,637	8,704,257
Financial assets at amortised cost	39,019,048	1,963,208	1,958,576	6,865,686	15,646,570	12,585,008
Loans and advances to customers	36,288,342	1,940,042	1,958,576	6,865,686	14,298,239	11,225,798
Treasury bills at amortised cost	2,730,706	23,166	-	-	1,348,331	1,359,209
Financial lease receivables	1,407,394	42,098	175,139	415,567	772,676	1,914
Investments in associates and subsidiares	113,670	698	2,166	8,593	45,829	56,385
Goodwill	50,130	418	836	3,760	20,052	25,064
Current tax assets	23,563	-	23,563	-	-	-
Deferred tax asset	496,034	4,230	8,457	38,058	202,978	242,311
Non current assets and other assets	2,088,728	49,180	5,779	237,254	1,237,958	558,557
Total assets	**73,841,767**	**5,320,187**	**7,125,036**	**10,886,310**	**27,395,195**	**23,115,039**
LIABILITIES						
Due to banks	636,888	636,888	-	-	-	-
Derivatives and other financial instruments held for trading	1,443,546	1,433,546	10,000	-	-	-
Due to customers	56,660,841	11,384,251	4,003,597	9,875,954	20,200,227	11,196,812
Debt issued and borrowed funds	5,625,488	78,340	154,681	2,825,797	2,566,670	-
Subordinated debts	1,238,651	1,801	-	-	1,236,850	-
Current tax liability	5,595	-	5,595	-	-	-
Other liabilities	1,270,992	357,614	49,547	116,928	610,027	136,877
Total liabilities	**66,882,001**	**13,892,440**	**4,223,420**	**12,818,678**	**24,613,773**	**11,333,690**
Total shareholders equity	**6,959,766**	**(2,051,618)**	**-**	**901,138**	**3,604,554**	**4,505,692**
Gap		**(6,520,636)**	**2,901,617**	**(2,833,507)**	**(823,131)**	**7,275,657**
Cumulative gap		**(6,520,636)**	**(3,619,020)**	**(6,452,526)**	**(7,275,658)**	**(0)**

(Amounts in thousands RON)

43. Risk management (continued)

43.3 Liquidity risk (continued)

Group

December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash and due from Central Bank	6,206,356	1,285,982	262,591	1,170,956	2,649,013	837,814
Due from banks	4,537,941	2,473,482	1,897,258	151,048	12,553	3,600
Derivatives and other financial instruments held for trading	2,274,924	2,274,924	-	-	-	-
Financial assets at fair value through profit and loss	6,947	-	-	-	6,947	-
Financial assets at fair value through other comprehensive income	19,863,825	18,364,192	40,675	302,411	494,474	662,073
Financial assets at amortised cost	32,913,875	1,254,092	1,097,803	5,360,714	14,789,786	10,411,480
Loans and advances to customers	32,913,875	1,254,092	1,097,803	5,360,714	14,789,786	10,411,480
Financial lease receivables	1,222,595	38,279	85,661	372,463	722,490	3,702
Investments in associates and subsidiares	107,205	-	-	10,155	40,619	56,431
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	7,484	-	-	-	7,484	-
Deferred tax asset	180,089	3,001	6,003	27,013	144,072	-
Non current assets and other assets	1,691,926	21,998	37,205	201,100	969,418	462,204
Total assets	**69,063,297**	**25,716,367**	**3,428,032**	**7,599,620**	**19,856,908**	**12,462,369**
LIABILITIES						
Due to banks	156,810	156,810	-	-	-	-
Derivatives and other financial instruments held for trading	498,651	498,651	-	-	-	-
Due to customers	52,683,581	6,529,139	3,472,156	8,972,287	21,223,231	12,486,769
Debt issued and borrowed funds	4,056,470	59,359	158,761	582,177	3,256,174	-
Subordinated debts	495,022	212	-	-	-	494,810
Current tax liability	83,963	-	83,963	-	-	-
Other liabilities	1,209,895	165,220	35,184	124,648	722,890	161,953
Total liabilities	**59,184,391**	**7,409,389**	**3,750,063**	**9,679,113**	**25,202,294**	**13,143,532**
Total shareholders equity	**9,878,905**	**(377,824)**	**-**	**3,253,939**	**3,112,351**	**3,890,439**
Gap		**18,684,800**	**(322,031)**	**(5,333,431)**	**(8,457,736)**	**(4,571,602)**
Cumulative gap		**18,684,800**	**18,362,769**	**13,029,338**	**4,571,602**	**0**

(Amounts in thousands RON)

43. Risk management (continued)

43.3 Liquidity risk (continued)

Bank

December 31, 2022	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash and due from Central Bank	7,624,933	1,707,166	327,939	1,604,875	3,196,633	788,320
Due from banks	7,204,987	2,165,972	4,552,744	473,718	12,553	-
Derivatives and other financial instruments held for trading	2,337,311	1,903,485	69,600	189,148	28,986	146,092
Financial assets at fair value through profit and loss	8,132	68	136	610	3,253	4,066
Financial assets at fair value through other comprehensive income	13,439,596	(2,516,879)	-	1,048,581	6,203,637	8,704,257
Financial assets at amortised cost	38,272,984	1,940,992	1,901,072	6,711,969	15,140,332	12,578,619
Loans and advances to customers	35,542,278	1,917,827	1,901,072	6,711,969	13,792,001	11,219,408
Treasury bills at amortised cost	2,730,706	23,165	-	-	1,348,331	1,359,210
Investments in associates and subsidiares	129,964	1,083	2,166	9,747	51,986	64,982
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	23,563	-	23,563	-	-	-
Deferred tax asset	478,893	4,846	9,693	43,617	232,624	188,114
Non current assets and other assets	1,952,483	23,937	24,780	216,727	1,128,481	558,556
Total assets	**71,522,977**	**5,231,089**	**6,912,527**	**10,302,752**	**26,018,537**	**23,058,071**
LIABILITIES						
Due to banks	636,888	636,888	-	-	-	-
Derivatives and other financial instruments held for trading	1,443,546	1,433,546	10,000	-	-	-
Due to customers	56,915,740	7,532,931	3,624,484	10,551,292	22,797,035	12,409,998
Debt issued and borrowed funds	3,567,262	4,337	-	2,226,330	1,336,595	-
Subordinated debts	1,238,651	1,801	-	-	1,236,850	-
Other liabilities	1,143,854	350,441	45,481	98,628	512,428	136,877
Total liabilities	**64,945,941**	**9,959,943**	**3,679,965**	**12,876,250**	**25,882,908**	**12,546,875**
Total shareholders equity	**6,577,035**	**(2,084,244)**	**-**	**1,676,269**	**3,104,449**	**3,880,562**
Gap		**(2,644,610)**	**3,232,562**	**(4,249,767)**	**(2,968,821)**	**6,630,636**
Cumulative gap		**(2,644,610)**	**587,953**	**(3,661,814)**	**(6,630,635)**	**(0)**

(Amounts in thousands RON)

43. Risk management (continued)

43.3 Liquidity risk (continued)

Bank

December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash and due from Central Bank	6,206,324	1,285,948	262,592	1,170,956	2,649,013	837,815
Due from banks	4,521,357	2,473,051	1,897,258	151,048	-	-
Derivatives and other financial instruments held for trading	2,274,924	2,274,924	-	-	-	-
Financial assets at fair value through profit and loss	6,947	-	-	-	6,947	-
Financial assets at fair value through other comprehensive income	19,863,825	18,364,192	40,675	302,411	494,474	662,073
Financial assets at amortised cost	32,183,856	1,243,477	1,066,351	5,220,479	14,248,575	10,404,974
Loans and advances to customers	32,183,856	1,243,477	1,066,351	5,220,479	14,248,575	10,404,974
Investments in associates and subsidiares	158,916	-	-	15,892	63,566	79,458
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	7,484	-	-	-	7,484	-
Deferred tax asset	166,173	2,770	5,539	24,926	132,938	-
Non current assets and other assets	1,575,328	20,390	40,780	183,509	868,445	462,204
Total assets	**67,015,262**	**25,665,169**	**3,314,030**	**7,072,981**	**18,491,494**	**12,471,589**
LIABILITIES						
Due to banks	156,810	156,810	-	-	-	-
Derivatives and other financial instruments held for trading	498,651	498,651	-	-	-	-
Due to customers	52,917,887	6,626,489	3,537,427	9,021,191	21,240,830	12,491,951
Debt issued and borrowed funds	2,230,572	412	20	728	2,229,411	-
Subordinated debts	495,022	212	-	-	-	494,810
Current tax liability	79,979	-	79,979	-	-	-
Other liabilities	1,097,005	149,113	34,186	120,155	631,598	161,953
Total liabilities	**57,475,925**	**7,431,686**	**3,651,612**	**9,142,074**	**24,101,838**	**13,148,714**
Total shareholders equity	**9,539,338**	**(375,999)**	**(868)**	**3,218,454**	**2,965,206**	**3,732,545**
Gap		**18,609,483**	**(336,714)**	**(5,287,548)**	**(8,575,551)**	**(4,409,670)**
Cumulative gap		**18,609,483**	**18,272,769**	**12,985,221**	**4,409,670**	**0**

(Amounts in thousands RON)

43. Risk management (continued)

43.3 Liquidity risk (continued)

Future undiscounted cash flows

The tables below summarize the maturity profile of the financial liabilities based on contractual undiscounted repayment obligations.

Group

December 31, 2022	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	636,525	636,525	-	-	-	-
Derivatives and other financial instruments held for trading	668,889	911,676	(15,860)	(37,841)	(158,519)	(30,567)
Due to customers	57,036,178	11,508,294	4,037,384	9,992,135	20,230,198	11,268,167
Debt issued and borrowed funds	5,862,760	84,900	165,839	2,874,005	2,687,634	50,382
Subordinated debt	1,240,452	3,602	-	-	1,236,850	-
Current tax liability	5,595	-	5,595	-	-	-
Other liabilities except for fair values of derivatives	1,209,895	165,220	35,184	124,648	722,890	161,953
Letters of guarantee granted	6,449,588	6,449,588	-	-	-	-
Financing commitments granted	6,183,371	6,183,371	-	-	-	-
Total liabilities	**79,293,253**	**25,943,176**	**4,228,142**	**12,952,948**	**24,719,052**	**11,449,936**

Group

December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	156,919	156,919	-	-	-	-
Derivatives and other financial instruments held for trading	478,743	404,600	5,296	25,531	37,758	5,559
Due to customers	52,955,145	6,558,316	3,505,892	9,085,502	21,248,979	12,556,458
Debt issued and borrowed funds	4,231,071	60,822	165,087	612,418	3,343,048	49,696
Subordinated debt	495,233	423	-	-	-	494,810
Current tax liability	83,963	-	83,963	0	0	0
Other liabilities except for fair values of derivatives	1,115,560	70,885	35,184	124,648	722,890	161,953
Letters of guarantee granted	5,427,857	5,427,857	-	-	-	-
Financing commitments granted	5,834,265	5,834,265	-	-	-	-
Total liabilities	**70,778,757**	**18,514,087**	**3,795,422**	**9,848,099**	**25,352,674**	**13,268,476**

(Amounts in thousands RON)

43. Risk management (continued)

43.3 Liquidity risk (continued)

Future undiscounted cash flows (continued)

Bank

December 31, 2022	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	643,830	637,386	-	6,444	-	-
Derivatives and other financial instruments held for trading	669,702	911,676	(15,785)	(37,674)	(157,990)	(30,525)
Due to customers	58,154,885	7,695,107	3,650,485	11,029,214	23,211,063	12,569,016
Debt issued and borrowed funds	3,644,028	8,053	-	2,263,431	1,372,545	-
Subordinated debt	1,246,896	3,602	-	6,444	1,236,850	-
Other liabilities except for fair values of derivatives	1,143,854	350,441	45,481	98,628	512,428	136,877
Letters of guarantee granted	6,451,531	6,451,531	-	-	-	-
Financing commitments granted	5,740,595	5,740,595	-	-	-	-
Total liabilities	**77,695,321**	**21,798,390**	**3,680,181**	**13,366,487**	**26,174,895**	**12,675,368**

Bank

December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	156,920	156,920	-	-	-	-
Derivatives and other financial instruments held for trading	447,834	404,461	5,040	8,008	16,869	13,456
Due to customers	53,195,328	6,655,856	3,571,214	9,135,817	21,269,135	12,563,304
Debt issued and borrowed funds	2,384,501	602	3,311	22,840	2,308,055	49,694
Subordinated debt	495,233	423	-	-	-	494,810
Current tax liability	79,979	-	79,979	-	-	-
Other liabilities except for fair values of derivatives	1,002,670	54,779	34,186	120,155	631,598	161,953
Letters of guarantee granted	5,441,448	5,441,448	-	-	-	-
Financing commitments granted	5,344,315	5,344,315	-	-	-	-
Total liabilities	**68,548,229**	**18,058,804**	**3,693,730**	**9,286,821**	**24,225,657**	**13,283,217**

43. Risk management (continued)

43.4 Operational risk

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

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

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

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

Operational risk management tools put in place at BRD are:

- ➢ Historical operational risk losses database
- ➢ Key risk indicators (KRI)
- ➢ Risk and control self-assessment process (RCSA)
- ➢ Scenario analysis
- ➢ Managerial Supervision of processes (MS)
- ➢ Fraud prevention and detection system
- ➢ Committee for New Products, which ensures the assessment of operational risks associated with new products for Banks' clients, outsourcing of activities and significant modifications of the existing products offered to the Bank's clients
- ➢ Crisis management and business continuity plan
- ➢ Management of Information Security and IT Risk

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

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

(Amounts in thousands RON)

44. Capital management

BRD Group calculates the capital requirements in accordance with Basel 3 principles, implemented in the European Union law by the capital Directive (CRD IV - 36/2013) , Regulation (CRR – 575/2013), technical regulatory standards and technical implementation standards issued by the European Banking Authority, with all subsequent amendments as of date. Locally, the European requirements are also adopted through National Bank of Romania (NBR) prudential regulations for credit institutions and investment firms: OUG 99/2006 on credit institutions and capital adequacy and NBR Regulation no. 5/2013 regarding prudential requirements.

All CRR 2 requirements (represented by new provisions of Regulations EU 876/2019) have been implemented starting 30.06.2021.

Group's and Bank's own funds comprises Tier 1 and Tier 2 capital. Two subordinated loans in total amount of 250 million EUR (received in December 2021 and June 2022) are included as Tier 2 capital.

Tier 1 capital includes CET 1 capital, namely eligible capital, eligible reserves and other comprehensive income less regulatory deductions.

A summary of the capital requirements indicators is presented below, in million RON:

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Total Tier 1 capital	6,995	6,927	6,714	6,646
Total Tier 2 capital	1,237	495	1,237	495
TOTAL OWN FUNDS	**8,231**	**7,422**	**7,951**	**7,141**
Total capital requirement	**2,711**	**2,509**	**2,551**	**2,368**
Credit risk (including counterparty risk)	31,067	28,753	29,150	27,067
Market risk	77	132	76	138
Operational risk	2,526	2,211	2,448	2,125
CVA risk	218	266	218	266
Total risk exposure amount	**33,888**	**31,362**	**31,892**	**29,596**
Regulatory CAR	24.29%	23.66%	24.93%	24.13%
Tier 1 ratio	20.64%	22.09%	21.05%	22.46%

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

Note: The Regulatory CAR indicator without the impact of OCI quick fix adjustment is 21.37% (Group) and 21.83% (Bank) as of December 31, 2022.

The Group and Bank was compliant with the capital adequacy ratios throughout the year.

Annual Board of Directors’ Report

2022

Prepared in accordance with the National Bank of Romania Order no. 27/2010, the Financial Supervisory Authority Regulation no.5/2018, the National Bank of Romania Regulation no. 5/2013

Contains both Annual Board of Directors’ Report and Consolidated Annual Board of Directors’ Report

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

1. THE COMPANY AND ITS SHAREHOLDERS

BRD – GROUPE SOCIÉTÉ GÉNÉRALE PROFILE

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

In March 1999, Société Générale ("SG") bought a stake representing 51% of the share capital, increasing its holding to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State. As at December 31, 2022, SG was holding 60.17% of the share capital.

Starting 2001, BRD-Groupe Société Générale operates as an open joint-stock company, admitted to trading on a regulated market, according to the companies' legislation, banking legislation, capital market regulations, provisions of the Articles of Incorporation and other internal regulations.

BRD identification data are the following:

- **Head Office:** 1-7 Blvd. Ion Mihalache, sect. 1, Bucharest
- **Phone/Fax:** 021.3016100 / 021.3016800
- **Sole registration number with the Trade Registry:** 361579/10.12.1992
- **Fiscal Code:** RO 361579/10.12.1992
- **Order number with the Trade Registry:** J40-608-1991
- **Number and date of registration in the Credit Institutions Register:** RB - PJR - 40 – 007/18.02.1999
- **Share capital subscribed and paid:** 696,901,518 RON
- **Regulated market on which the issued securities are traded:** Bucharest Stock Exchange Premium Tier
- **The main characteristics of securities issued by the company:** ordinary shares with a nominal value of 1 RON

EXTERNAL RATING

As at December 31, 2022, the Bank had the following ratings:

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

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

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

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

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

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

SOCIÉTÉ GÉNÉRALE PROFILE

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

Société Générale is one of the largest European financial services groups. Based on a diversified integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, and aims to be the trusted partner for its clients, committed to the positive transformations of the world.

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

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

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

BRD POSITION WITHIN SOCIÉTÉ GÉNÉRALE

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

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

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

BRD is part of the international network of Société Générale, managed by the International Retail Banking and Financial Services division (IBFS) that aims to offer a broad range of products and services to individuals, professionals and corporates. International Retail Banking operations, Insurance and Financial Services are building their networks in Africa, Central and Eastern Europe. The specialized equipment finance and vehicle leasing and fleet management businesses are leaders in Europe and worldwide in their markets.

KEY FIGURES

	The Group	2021	2022	Change
Financial results	Net banking income (RONm)	3,097	3,459	+11.7%
	Operating expenses (RONm)	(1,597)	(1,745)	+9.2%
	Cost of risk (RONm)	146	(95)	n.a.
	Net profit (RONm)	1,319	1,337	+1.4%
	Cost / income ratio	51.6%	50.4%	-1.1 pt
	ROE	13.4%	15.9%	+2.5 pt

	RON bn	2021	2022	Change
Loans and deposits	Total net loans (incl. leasing)	34.1	37.7	+10.4%
	Total deposits	52.7	56.7	+7.5%

	The Bank	2021	2022	Change
Financial results	Net banking income (RONm)	2,930	3,289	+12.3%
	Operating expenses (RONm)	(1,494)	(1,641)	+9.8%
	Cost of risk (RONm)	159	(93)	n.a.
	Net profit (RONm)	1,279	1,286	+0.5%
	Cost / income ratio	51.0%	49.9%	-1.1 pt
	ROE	13.5%	16.0%	+2.5 pt

	RON bn	2021	2022	Change
Loans and deposits	Total net loans	32.2	35.5	+10.4%
	Total deposits	52.9	56.9	+7.6%

	RON m	2021	2022	Change
Capital adequacy	Own funds (RONm)	7,141	7,951	+11.3%
	RWA (RON bn)	29,596	31,892	+7.8%
	CAR*	24.1%	24.9%	+0.8 pt
Franchise	No of branches	499	460	(39)

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

BRD SHARE

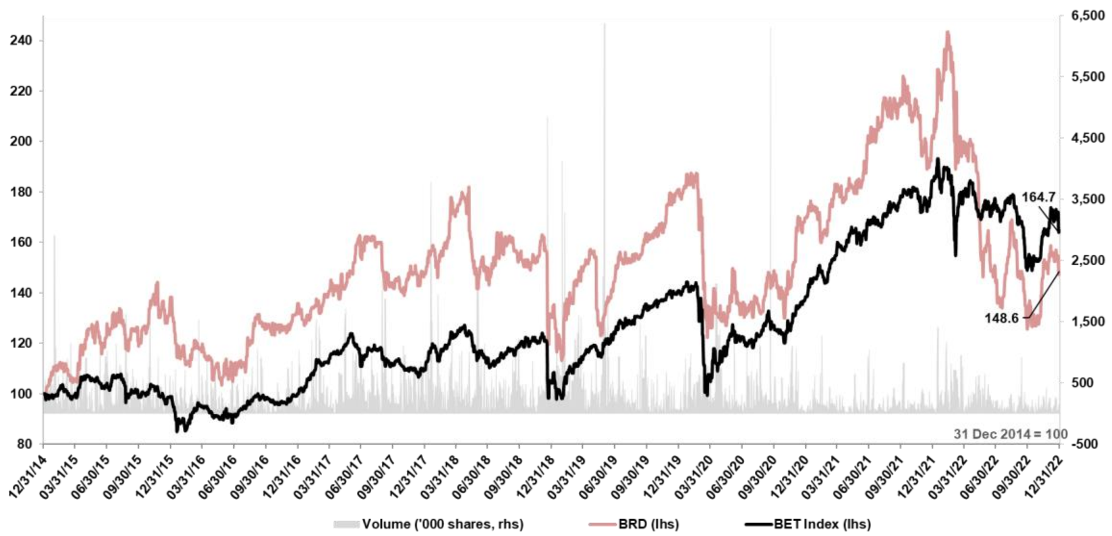
Starting with January 15th, 2001, the Bank's shares are listed in the Premium category of the Bucharest Stock Exchange. The shares are included in the BET, BET Plus, BET-XT, BET-XT-TR , BET-BK , BET-TR and ROTX indexes. The Bank's shares are ordinary, nominative, dematerialized and indivisible. According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

The closing price for BRD share as at December 31, 2022, was of RON 13.00 /share (RON 17.70 /share at December 31, 2021). On the same date, the market capitalization was RON 9,059.72 million (RON 12,335.16 million at December 31, 2021).

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

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

Evolution of BRD's share price versus the BET Index and BRD's volume of shares for the period December 31, 2014 – December 31, 2022



Source: Bloomberg

DIVIDENDS

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

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

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

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

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

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

For the financial year 2021, the OGSM on April 28, 2022 approved a payment of a dividend of 1.2850 RON per share, corresponding to a payout ratio of 70% of the 2021 net profit of the Bank.

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

DIVIDEND PAYMENT

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

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

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

RESEARCH AND DEVELOPMENT ACTIVITIES

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

2. CORPORATE GOVERNANCE

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

The Corporate Governance Model adopted by BRD ensures:

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

Constantly concerned by the principles of corporate governance, BRD - Groupe Société Générale has adopted and applied the provisions of Corporate Governance Code of the Bucharest Stock Exchange (BSE) since 2012. "The statement of compliance with the provisions of Corporate Governance Code of the BSE as of December 31, 2022" is presented in Appendix 1.

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

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

As at December 31, 2022, Société Générale is the only significant shareholder of the Bank, holding 60.1683% of the share capital.

THE GENERAL SHAREHOLDERS MEETING

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

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

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

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

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

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

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

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

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

In 2022, there were three General Shareholders Meetings (two Ordinary General Shareholders Meetings on February 24, 2022 and April 28, 2022 and one Extraordinary General Shareholders Meeting on April 28, 2022).

ADMINISTRATION AND MANAGEMENT OF THE BANK

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

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

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

The Board of Directors annually assesses the adequacy of the Management Body and its members based on the reports of the Nomination Committee, prepared in accordance with "The policy of suitability of the members of the Management Body and persons holding key functions and the policy of induction and training of the members of the Management Body".

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

The members of the Management Body meet the eligibility conditions and criteria established in the "The policy of suitability of the members of the Management Body and persons holding key functions and the policy of induction and training of the members of the Management Body", required for an efficient administration/management of BRD-Groupe Société Générale:

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

The selection of candidates for positions within the Management Body is made through a rigorous process as defined in "The policy of suitability of the members of the Management Body and persons holding key functions and the policy of induction and training of the members of the Management Body".

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

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

Criteria such as reputation, theoretical knowledge and practical professional experience in specific areas of BRD's activities, diversity, ensure a suitable structure of the Management Body.

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

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

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

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

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

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

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

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

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

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

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

BOARD OF DIRECTORS

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

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

As at December 31, 2022, the Board of Directors includes 3 independent members.

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

- ✓ The Ordinary General Shareholders' Meeting held on April 28, 2022 approved the renewal of the mandates of Mr. Francois BLOCH as director, for a 4-years period, starting with June 29, 2022 and Mr. Giovanni Luca SOMA mandate as director, for a 4-years period, starting with October 24, 2022;
- ✓ Mrs. Maria Koytcheva ROUSSEVA decided to renounce to his mandate as member of the Bank's Board of Directors, starting with June 9, 2022;
- ✓ The Board of Directors, held on August 2, 2022 approved:

    - the nomination of Mrs. Veronique SCHREIBER LOCTIN, as Interim Member of the Board Directors of BRD - Groupe Societe Generale S.A. until the first Ordinary General Shareholders Meeting is held, on the vacant position existent in the Board, following Mrs. Maria Koytcheva ROUSSEVA's renunciation to her mandate. At the end of 2022, NBR approved Mrs. Veronique SCHREIBER LOCTIN nomination as Interim Members of the Board of Directors and her mandate entered in force starting with January 5, 2023.

    - the re-election of Giovanni Luca SOMA as Chairman of the Board of Directors, starting with October 24, 2022, for 4 years.

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

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

Giovanni Luca SOMA

Chairman of the Board of Directors
Member of the Remuneration Committee, Member of the Audit Committee

Date of birth: August 21, 1960;
Year of the appointment in BRD-Groupe Société Générale's Board of Directors: 2014;
Since May 26, 2015, he is Chairman of the Board of Directors of BRD-Groupe Société Générale;
Latest renewal of the mandate: 2022;
Term of mandate expires in: 2026;
He has no shares in BRD-Groupe Société Générale's capital.

Information on mandates held

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

Biography

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

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

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

Jean – Pierre Georges VIGROUX

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

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

Information on mandates held

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

He is also member of the Management Board of ''Fundatia 9''.

Biography

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

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

Supervisory Board of Pricewaterhouse Coopers Central and Eastern Europe (2001-2004 and 2004-2006), founder and CEO of the Pricewaterhouse Coopers – Romania, member of the Pricewaterhouse Coopers's Executive Committee and Board of Directors – Central and Oriental Europe (1996-2001), Chairman of FIC (2003-2004).

Benoît Jean Marie OTTENWAELTER

Member of the Board of Directors
Chairman of Risk Management Committee

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

Information on mandates held

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

Biography

He graduated the "French Ecole Polytechnique" and the "French Ecole Nationale de la Statistique et de l'Administration Economique (ENSAE)". He has a vast experience acquired within Groupe Société Générale, over 34 years, in areas such as risk management, capital markets and treasury and in interaction with the international banking regulators.

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

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

François BLOCH

Executive Member of the Board of Directors

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

Information on mandates held

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

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

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

Biography

He is bachelor of the Ecole Nationale de la Statistique et de l'Administration Economique, Paris, in 1990. Mr. François Bloch made his entire career within Société Générale and he held the following positions: Broker, then Head of the brokerage department on derivatives markets of Société Générale Elsässische Bank, Frankfurt (1990-1993); Deputy Head, then Head of the SG's subsidiary, FIMAT Banque, Zweigniederlassung Frankfurt (1993 -1997); Deputy Head of Risks, then Head of Risks, FIMAT International Banque Paris (1997-2000); General Manager, FIMAT USA Inc. (2000-2002); Deputy Chief Executive Officer - Member of the Board of Directors, FIMAT International Banque (2002-2007); Head of Strategy and Integration, Newedge (2008-2009) and Non-executive Member of the Board of Directors, Newedge Group (brokerage subsidiary of Société Générale) (2010-2012); Head of Credit Risk on Financial Institutions and Country Risks department, Société Générale (2009-2012).

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

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

Since December 21, 2016, he holds the position of CEO of BRD - Groupe Société Générale SA.

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

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

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

Information on mandates held

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

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

Biography

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

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

Bogdan-Alexandru DRĂGOI

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

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

Information on mandates held

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

Biography

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

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

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

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

Valerie Marcelle Paule VILLAFRANCA

Member of the Board of Directors
Member of Nomination Committee

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

Information on mandates held

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

Biography

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

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

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

Aurore Brigitte Micheline GASPAR

Member of the Board of Directors
Member of the Risk Management Committee[1]

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

Information on mandates held

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

Biography

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

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

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

[1] Since December 7, 2022

ATTRIBUTIONS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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

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

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

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

MEETINGS OF THE BOARD OF DIRECTORS

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

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

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

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

ACTIVITY OF THE BOARD OF DIRECTORS IN 2022

In 2022, 31 meetings of the Board of Directors took place, and the decisions of the Board were generally made with unanimity of votes.

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

- Mr. Giovani Luca Soma (Chairman of the Board of Directors), Mr. François Bloch (Member), Mr. Benoît Jean Marie Ottenwaelter (Member), Mr. Jean-Pierre Georges Vigroux (Independent Member), Mrs. Liliana Feleaga (Independent Member), Mrs. Valerie Marcelle Paule Villafranca (Member) and Mrs. Aurore Brigitte Micheline GASPAR (Membru) attended to all the Board's meetings (31);
- Mr. Bogdan-Alexandru Drăgoi (Independent Member) attended to 30 Board's meetings;
- Mrs. Maria Koytcheva ROUSSEVA attended to all the Board's meetings organised until her renunciation to the mandate (15 Board's meetings).

On the Board of Directors' agenda, the following subjects were included: the financial statements, 2021 Sustainability Report, Audit Plan for 2022, Financial Markets Compliance Report for 2021 and the control plan for 2022, the report regarding the internal control for 2021, approval of the Liquidity Risk Management Framework, Remuneration Policy, 2025 BRD Strategy (Horizons 2025), Risks' assessment for 2022, Risk Appetite Framework, Risk Appetite Statement, Business and Risks Management Strategy for 2022-2024, Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP), Report on Transparency and Disclosure Requirements, Annual Report of Compliance Function for 2021 and Strategy for 2022-2023, BRD Contribution to Société Générale Group Recovery Plan 2022, the main axes for the Bank's transformation, changes in the Bank's management body, annual reports on adequacy of the members of the management body and the key functions, changes in the structure of the committees set up to support the activity of the Board of Directors, modifications in internal regulations in its specific power, changes in the organizational structure, calls of the shareholders' meetings organized in 2022 and all the notes related to the items on the agenda, changes of the secondary object of activity, quarterly compliance reports, Interest Rate Risk Management Policy outside the trading book, the action plan related to the review of the Non-Retail Early Warning System (EWS), the action plan related to the review of the Credit Conversion Factor (CCF) used in for IFRS 9, 2021 Safeguarding Annual Activity Report- MiFID 2.

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

COMMITTEES SET UP IN SUPPORT OF THE BOARD OF DIRECTORS

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

AUDIT COMMITTEE

As at December 31, 2022, the Audit Committee consisted of 3 non-executive directors, of which 2 are independent. The members of the Audit Committee were: Mr. Jean-Pierre Georges Vigroux (Independent Chairman), Giovanni Luca Soma (Member) and Liliana Ionescu - Feleaga (Independent Member).

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

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

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

In 2022, 9 meetings of the Audit Committee took place, in which there were analysed the activity and reports of internal control and conformity, internal audit and external audit. The attendance was of 100%.

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

REMUNERATION COMMITTEE

As at December 31, 2022, the Committee consisted of 3 non-executive directors, of which 2 are independent directors. The members were: Liliana Ionescu – Feleaga (Independent Chairman), Giovani Luca Soma (Member) and Mr. Jean-Pierre Georges Vigroux (Independent member). The Remuneration Committee meets annually, or whenever necessary. In 2022, 5 meetings of the Remuneration Committee took place. The attendance was of 100%.

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

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

RISKS MANAGEMENT COMMITTEE

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

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

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

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

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

The attendance was as follows:

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

At the meetings of the Risks' Management Committee may participate, as permanent guests, the members of the Executive Committee, Chief Financial Officer, Risk Piloting Pole Executive Officer/Risk Deal Flow Pole Executive Officer, Retail Distribution Executive Officer, Top Corporates Executive Officer/Sales Manager Top Corporates, DPF Executive Officer, BIS Director and Corporate Secretary.

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

Its objective is the management of significant risks, risks with high impact on the assets and/or image of the Bank (credit risk, market risk, liquidity risk, operational risk and reputational risk), as well as the risks associated to the outsourced activities.

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

NOMINATION COMMITTEE

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

The Nomination Committee meets half-yearly or whenever necessary.

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

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

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

[2] Since December 7,2022

EXECUTIVE MANAGEMENT

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

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

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

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

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

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

MEMBERS OF THE EXECUTIVE COMMITTEE AS OF DECEMBER 31, 2022

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

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

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

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

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

Alexandru-Claudiu CERCEL-DUCA

Deputy CEO - Financial Markets

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

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

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

Information on mandates held

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

Biography

Graduated the Economic Studies Academy - Cybernetics Faculty, in 1992, as well as various management and leadership training courses organized both by Société Générale and other banking institutions: Nomura Bank (London), Bank of America (San Francisco), or the Montreal University and London Business School. He graduated the Executive Master of Business Administration (EMBA) - ASEBUSS Bucharest / University of Washington, USA. Between 1992 and 1993, he was a sales manager in the field of communications products. He has worked within BRD-Groupe Société Générale since 1993, and occupied the positions of Treasury Officer, FX technical analyst, FX trader, Treasury Deputy Manager, Market Operations Manager and Executive Officer of Financial Markets.

Mihai Tiberiu SELEGEAN
Deputy CEO Legal & Administrative

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

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

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

Information on mandates held

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

Biography

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

He is also author of different publications in legal field.

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

Philippe Yves Henri Pierre Marie THIBAUD **Deputy CEO Risks**	Date of birth: February 5, 1968 Year of the appointment as Deputy CEO: 2020 Term of mandate expires in: 2024; He has no shares in BRD-Groupe Société Générale's capital.

Structures coordinated: Risk Piloting Pole, Risk Deal Flow Pole and the Special Credit Management Department.

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

Information on mandates held

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

Biography

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

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

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

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

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

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

Mirela Virginia MEDELEAN
Deputy CEO Projects and Operations

Date of birth: September 14, 1971
Year of the appointment as Deputy CEO: 2021
Term of mandate expires in: 2025;
She has 20,000 shares in BRD-Groupe Société Générale's capital.

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

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

Information on mandates held

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

Biography

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

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

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

Maria Koytcheva ROUSSEVA[3]
Deputy CEO Global Corporates

Date of birth: April 24, 1972
Year of the appointment as Deputy CEO: 2022
Term of mandate expires in: 2026;

[3] Starting with October 4, 2022

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

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

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

Information on mandates held

According to the information provided through the statement of affiliation, she has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law - one executive and one non-executive mandate within BRD Group.

Biography

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

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

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

ETIENNE JEAN LOULERGUE[4]
Deputy CEO Finance/Treasury

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

[4] Starting with October 4, 2022

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

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

Information on mandates held

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates established by the law- one executive mandate and two non-executive mandates as follows: one non-executive mandate within BRD Group and one non-executive mandate outside Société Générale Group.

Biography

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

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

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

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

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

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

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

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

ATTRIBUTIONS AND RESPONSIBILITIES

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

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

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

MEETINGS OF THE EXECUTIVE COMMITTEE

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

In 2022, 127 meetings of the Executive Committee took place.

The decisions of the Executive Committee are made with votes “FOR” of at least half of the members of the Executive Committee. The CEO shall have the casting vote in case of tie of votes.

Voting cannot be delegated within the meetings of the Executive Committee.

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

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

COMMITTEES SET UP IN SUPPORT OF THE EXECUTIVE COMMITTEE

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

The most important committees are:

INTERNAL CONTROL COMMITTEE

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

ASSETS AND LIABILITIES COMMITTEE

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

COMMITTEE FOR NEW PRODUCTS

It is a permanent consultative committee that ensures the identification, the analysis and the reliable measurement of risks associated to new products, offered to the Bank's clients, including material changes of the existing products.

PRICING COMMITTEE

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

RISK RETAIL COMMITTEE

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

CUSTOMER BOARD

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

COMPLIANCE COMMITTEE

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

CLIMATE, ENVIRONMENTAL AND SOCIAL CHANGE COMMITTEE

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

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

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

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

RIGHTS OF SHAREHOLDERS

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

VOTING RIGHT

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

General Assemblies are called by the Board of Directors.

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

The shareholders can attend the General Assemblies personally, through a representative or they can vote by correspondence. Forms of power of attorney and vote by correspondence are made available to the shareholders in the special section on the Bank's own Internet page.

The procedures regarding the works of the General Assembly of the Shareholders are available to shareholders and other interested parties on the institutional site.

RIGHT TO DIVIDENDS

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

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

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

RIGHT TO INFORMATION

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

- Equal access to information for all shareholders and immediate availability of relevant information;
- Meeting deadlines for the publication of the results;
- Transparency and coherence of the provided information.

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

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

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

In order to communicate on its financial results, BRD-Groupe Société Générale organizes meetings/ live audio webcasts with financial analysts, investment consultants, brokers and investors. These meetings during which the results of the Bank are presented, are an opportunity for Bank’s management and the financial market analysts to exchange opinions. The same policy of transparency has been adopted regarding the communication with the rating agencies and with capital markets institutions. In 2022, BRD Group organised 4 live audio webcasts for presenting its financial results.

2023 financial calendar

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

3. HUMAN RESOURCES

KEY FIGURES 2022

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

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

In 2022, the Human Resources Department (HR) continued to deliver projects and actions in line with the strategic HR axes: career management, managerial development, employee engagement, efficiency and communication.

BUSINESS SUPPORT AND CONTINUOUS IMPROVEMENT

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

CAREER MANAGEMENT

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

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

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

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

TRAINING & RISK AWARENESS

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

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

In order to adapt to the rapid changes in the business environment, strategic workforce planning projects have been implemented in retail and corporate areas. Employee skills are a major asset of the Bank's success. Our aim is to promote the permanent adaptation of employees' skills to the rapid changes in our environment and to allow them to access motivating career paths. At the same time, the e-learning project developed together with CPBR (Romanian Board of Banking Employers), with the representatives of the Trade Unions (through Federation of Insurance and Banking Trade Unions) and the 4 member banks (BCR, Raiffeisen, ING and Unicredit) was continued. Its main objective is to develop the skills of employees so that we can adapt more easily to the labour market changes and the digital future. The course catalogue in the new platform focuses on 3 major topics that address digital technology:

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

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

The main axes of development were:

- Developing a risk culture awareness in BRD through mandatory e-learning programs prepared in cooperation with Société Générale Group ("Code of Conduct", "Information security", "Market abuse", "Fatca", "Anti bribery and corruption", "Environmental risk management", "Anti-money laundering", etc.) and local e-learning (SSM – health and safety at work, "Physical security events", "GDPR"), increasing the number of case studies presented during virtual/ face-to-face trainings;

- Developing of specific competences of social and corporate responsibility (CSR) with a focus on the area of ESG (Environment, Social Impact, Governance) through e-learning training using training platforms as well as through courses organized in physical format, Climate Fresk workshops (over 200 participants in 2022);

- Integrated training programs for the new employees:

  - "Welcome to BRD week" program, in which the new employees have access to general information about the Bank, BRD values, basic knowledge regarding compliance, credit risks, as well as HR issues regarding training, career management;

  - The "Induction" program - for front office sales teams - focuses on knowledge of specific products and applications, related risks, behavioral skills, and the development of specific business skills, through an experiential approach to learning Business

- Academies adapted to the Bank's client segments: retail - individuals, retail - small companies, as well as for the corporate segment.

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

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

- Behavioral training programs (topics such as: customer relationship management, communication, sales and negotiation techniques, stress management, conflict management, teamwork, feedback - a tool for development and performance, how to make a team meeting more attractive, hybrid management, etc.) which were delivered in 2022 by the development of the webinars & coaching sessions program dedicated to employees, starting from the need to stay connected to each other: "We Connect", and for managerial roles through the "Rise-up" program.

- Other training programs, based on business requirements and regulations:

  - ✓ certification-trainings in the field of insurance and private pensions for front-office employees;

  - ✓ initial and continuous training courses in e-learning format for MiFID II.

EMPLOYEE ENGAGEMENT AND IMPACT ON THE EDUCATIONAL ENVIRONMENT

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

WORK/LIFE BALANCE

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

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

REMUNERATION POLICY AND PRACTICES

The BRD Remuneration Policy and Practices respects:

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

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

BRD REMUNERATION POLICY

- Is constantly adapted to the culture, growth and profitability objectives and to the long-term strategy of the Bank, as well as its control framework;
- Promotes a sound and efficient risks' management; for the employees involved in the activity of Financial Markets and investment advice, sound and prudent management of the risks related to sustainability is also considered starting with March 2021;
- Helps limit and control of possible operational risks without encouraging any risks that exceed the Bank's risk tolerance level. The Bank encourages a prudent behavior (avoiding excessive risks);
- Recognises the individual and collective performance, while encouraging teamwork, ensuring a fair and competitive remuneration subject to strictly complying with the powers and performance; performance is assessed in a multiannual framework;
- In evaluation of individual performance, financial and non-financial criteria are considered, as: accumulated knowledge, personal development, contribution to the team's performance etc.
- Based on the principle of equal treatment, i.e. equal remuneration for male staff members and female staff members, for performing the same work or work of equal value.

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

- fixed component
- variable component

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

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

Variable remuneration:

- It is not guaranteed or carried forward automatically from one year to another. The variable component distribution mechanisms do not guarantee the granting of sums over several years. Thus, the variable remuneration is subject to a fair annual review process;
- Guaranteed bonuses are granted only in exceptional circumstances related to the time of employment and can only be granted in the first year of employment and when the Bank has a sound and solid capital base. BRD personnel is not overly dependent on bonuses;
- It does not limit the Bank's ability to strengthen its capital base;
- It is not paid through means or methods that facilitate the circumvention of the regulations in force;
- It does not encourage taking risks which influence the Bank's risk profile;
- It also takes into consideration all current or future risks;
- Payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct.

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

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

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

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

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

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

- The variable remuneration may decrease or even not be paid at all.
- The personnel members are paid, or receive the rights related to the variable remuneration, including the deferred part thereof only if the variable remuneration can be supported in accordance with the Bank's overall financial situation and if it can be justified in accordance with the performance of the Bank, the structure in which the activity is carried out and the individual concerned.
- The personnel members receive the rights of the deferred part of the variable remuneration, subject to the fulfillment of the minimum performance requirements.
- A major part, which, in all cases, accounts for at least 40% of the variable remuneration component, is deferred for a period of at least 4 years. For identified staff, at least 50% of any variable remuneration shall consist of shares equivalent, which are subject to an appropriate retention policy, designed to harmonise the incentives with the Bank's long-term interests.
- The personal strategies for risk hedging or insurance policies related to remuneration and liability to counteract the risk alignment effects stipulated in the personnel remuneration agreements are prohibited. One may insure the currency risk hedging using derivative instruments.

Financial data for 2022, according to the disclosure requirements covered by Art. 450 (h), EU Regulation 575/2013, will be published at a later date, on the Bank's website.

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

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

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

b) Remuneration of the members of the Board of Directors

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

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

4. GROUP ACTIVITY AND RESULTS

ECONOMIC AND BANKING ENVIRONMENT IN 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

COMMERCIAL ACTIVITY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the evolution of the main components of the net banking income please refer to “Financial results” section.

SUBSIDIARIES’ ACTIVITY

BRD SOGELEASE IFN SA

As of December 31, 2022, net outstanding of leasing financing granted by BRD Sogelease increased by +15.1% year-on-year to RON 1,407 million. New leasing production increased to RON 1,014 million in 2022, +24% YoY. BRD Sogelease delivered a dynamic lending activity throughout full year 2022, with demand driven by SME’s and large corporates active in sectors as construction, logistics and transportation, agriculture, manufacturing and healthcare. BRD Sogelease results reconfirmed the importance of financial leasing as an efficient and accessible financing solution offered by BRD Group for SME companies in Romania.

BRD FINANCE IFN SA

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

BRD ASSET MANAGEMENT SA

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

** market share computation based on total open-end funds assets under management*

FINANCIAL POSITION ANALYSIS

The below financial position analysis is made based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended December 31, 2022 and the comparative periods.

FINANCIAL POSITION – ASSETS

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

The asset structure is presented below:

THE GROUP

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

THE BANK

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

LOANS AND ADVANCES TO CUSTOMERS

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

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

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

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

OTHER FINANCIAL INSTRUMENTS

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

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

TANGIBLE AND INTANGIBLE ASSETS

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

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

FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities is as follows:

THE GROUP

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

THE BANK

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

AMOUNTS OWED TO CUSTOMERS

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

AMOUNTS OWED TO CREDIT INSTITUTIONS

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

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

SHAREHOLDERS' EQUITY

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

The structure of the shareholders' equity evolved as follows:

THE GROUP

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

THE BANK

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

LIQUIDITY POSITION

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

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

2022 FINANCIAL RESULTS

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

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

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

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

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

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

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

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

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

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

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

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

Neither Bank's, nor the Group's revenues depend on a single or group of connected customers; hence there is no risk that the loss of a customer might significantly affect the income level.

Subsequent events identified after the reporting date:

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

AWARDS RECEIVED IN 2022

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

[5] NPL ratio at Bank level (computed according to EBA risk indicator AQT_3.2)

[6] NPL coverage ratio at Bank level (computed according to EBA risk indicator AQT_41.2)

5. RISK MANAGEMENT

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

RISK MANAGEMENT OBJECTIVES AND RISK APPETITE SETTING

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

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

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

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

- Credit risk and associated risks
- Liquidity and funding risks
- Structural risks
- Market risk in trading book
- Operational risk
- Compliance risk
- Reputational risk
- Strategic risk
- Excessive usage of leverage effect risk

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

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

The risk appetite represents the aggregate level and types of risk that BRD is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives. The risk appetite statement sets the Bank's approach towards taking on and managing risks and is structured along two dimensions: quantitative and respectively qualitative. At aggregate level, the risk appetite is defined by reference to the main strategic dimensions - *Profitability, Capital Adequacy, Creditworthiness, Liquidity and Leverage* - on the basis of the annual strategic planning, in order to ensure alignment of risk, capital and performance targets, which allows the Bank to:

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

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

Key risk indicators and corresponding quantitative measures are defined by considering the risk profile, size and complexity of activities performed by the Bank. Their evolution is regularly monitored over the year in order to detect any events that may result in unfavorable developments on the risk profile.

RISK MANAGEMENT GOVERNANCE

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

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

Risk governance relies on the three lines of defense model, which ensures the identification of the functions within the Bank responsible to address and manage the risks, while reinforcing segregation of duties between various control functions.

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

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

- Risk Management Structures are responsible for direct management of credit risk, risks associated with credit risk, market risk and operational risk and oversee the evolution of all significant risks within BRD
- Finance Department, which manages liquidity and funding risks, structural risks (interest rate risk and FX risk in banking book), strategic risk and excessive usage of leverage effect risk. As coordinator of the budgeting and capital planning processes, it ensures that the liquidity, capital and business strategy are consistent with the risk appetite statement
- Legal Department, which is accountable for the legal risk management, while Business Solution Center Pole and Information Security Division manage IT risks (as components of operational risk)
- Compliance Department, which manages the compliance and reputational risks

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

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

Risk management within BRD is governed by the management body, which is and assisted by specialized committees in accomplishing its risk management and control responsibilities.

Board of Directors

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

Audit Committee

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

Risk Management Committee

The Risk Management Committee advises the Board of Directors on risk management in order to develop, implement and update a solid internal governance framework, in accordance with local regulations and policies of the Societe Generale Group.

Nomination Committee

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

Remuneration Committee

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

Executive Committee

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

Main specialized committees assisting the Executive Committee

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

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

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

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

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

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

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

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

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

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

MAIN RISK FACTORS

Challenging macroeconomic context

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

Climate related and environmental risks

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

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

Unpredictability and uncertainty of legal framework

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

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

Highly competitive environment, undergoing digital transformation

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

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

CREDIT RISK MANAGEMENT

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

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

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

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

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

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

CREDIT RISK MITIGATION TECHNIQUES

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

The Bank accepts the following main types of securities:

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

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

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

Real estate collaterals

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

The Bank uses the following valuation methods for real estate: market approach and income approach.

Revaluation is performed yearly in case of commercial/ industrial/ agricultural real-estate and plots of land and at least once every 3 years, for residential real estate. Higher frequency reevaluation is performed when the real estate market displays a significant negative evolution. BRD monitors the risks associated with the valuation activity via implemented internal controls.

Guarantees

The credit risk mitigation effect of guarantees is closely linked to the guarantor's creditworthiness and the secured amount must be reasonably proportionate to the economic performance capabilities of the protection provider.

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

Residual risk management

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

Detailed information on credit risk is found in Note 43.1 to the consolidated and separate financial statements as of the year ended December 31, 2022.

LIQUIDITY RISK AND FUNDING RISK

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

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

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

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

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

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

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

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

BRD performs liquidity risk stress tests on a quarterly basis in order to identify and quantify its exposures to possible liquidity stresses, analyzing potential impacts on the cash flows and liquidity position. BRD employs two stress test methodologies, one for a 30 days horizon with focus on the short term survival of the Bank in a time of liquidity crisis and the other for a 6 month horizon, assessing the Bank's resilience and ability to continue to function in times of prolonged stressed liquidity conditions. The Bank also implemented a reverse stress test scenario which assesses what assumptions could be considered in order to challenge the viability of the institution, starting from a pre-defined outcome such as a breach of the minimum required level for the Liquidity Coverage Ratio as it is considered within the Recovery Activation Dashboard.

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

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

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

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

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

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

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

MARKET RISK IN TRADING BOOK

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

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

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

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

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

OPERATIONAL RISK

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

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

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

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

Operational risk management tools put in place at BRD are:

- Historical operational risk losses database
- Key risk indicators (KRI)
- Risk and control self-assessment process (RCSA)
- Scenario analysis
- Managerial Supervision of processes (MS)
- Fraud prevention, detection and investigation system
- Committee for New Products, which ensures the assessment of operational risks associated with new products for Banks' clients, outsourcing of activities and significant modifications of the existing products offered to the Bank's clients
- Crisis management and business continuity plan
- Management of Information Security and IT Risk

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

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

6. CAPITAL MANAGEMENT AND ADEQUACY

CONSOLIDATION PERIMETER

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

As BRD is parent credit institution in Romania and, at the same time, subsidiary of Société Générale, BRD Group consolidation perimeter for prudential purposes is defined in accordance with Regulation (EU) No 575/2013 (CRR), Part One, Title II, Chapter 2, Section 3.

The consolidated entities for prudential scope are identified based on the criteria as per Articles 4 (1) (3), (16) to (27), 18 and 19 of CRR. According to Article 4 of CRR, entities consolidated in the prudential reporting must have one of the following types of activity: credit institution, investment firm, ancillary services undertaking and/or other financial institution.

In contrast, in accordance with BRD Group's IFRS financial statements, all entities controlled directly or indirectly (including non-financial entities, insurance companies, etc.) are fully consolidated. Additional exclusion of subsidiaries from prudential consolidation perimeter is based on criteria from Article 19 of CRR. Non-consolidated subsidiaries are included in the prudential consolidated statements based on equity method.

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

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

OWN FUNDS

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

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

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

Common Equity Capital (CET1) is formed of:

- Eligible Capital includes the nominal share capital and the hyperinflation adjustment of share capital accounted until December 31, 2003. As at December 31, 2022, the share capital amounted to RON 696.9 million, unchanged versus previous periods. The hyperinflation adjustment amounted to RON 1,819 million.

- Eligible Reserves include:

    - Retained earnings, which represent the undistributed profits of previous periods and retained earnings arising from IFRS implementation adjustments.

    - Other reserves: legal reserves, general reserves for credit risk, fund for general banking risk, representing reserves established by the law and share based payment reserves.

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

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

- Starting 31 December 2020, intangible assets that are not prudently valuated as per Regulation 876/2019 are deducted 100% from CET 1 (as compared to previous periods when intangible assets accounting value was fully deducted from CET 1). Under this current approach, the positive difference between the prudential and the accounting amortisation becomes fully deducted from the CET 1 capital, while the residual portion of the carrying value of the software prudently valuated is risk weighted at 100%. Goodwill is fully deducted from CET 1 capital.

- Contingent or any foreseeable tax charges related to CET 1 reserves taxable upon utilization to cover losses or risks.

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

CAPITAL REQUIREMENTS

From a regulatory perspective, capital requirements cover:

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

The calculation of credit risk capital requirement takes into account the transactions' risk profile and is computed according to the standardized approach (CRR Part 3, Title 2, Chapter 2) using the Financial Collateral Comprehensive Method and information regarding credit assessments performed by external credit assessment institutions (ECAI). All CRR2 requirements have been implemented starting from June 2021.

The capital requirement for general position risk is calculated using the Maturity-based method.

Capital requirement for credit valuation adjustment is determined using the standardized method.

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

On top of the total regulatory ratio of 8% set by Art 92 from CRR, starting 2016, based on NBR requirements, BRD Group maintains additional own funds to cover risks resulting from internal assessment and SREP (supervisory review and evaluation process). In 2022 this requirement represented 5.87% of RWA (4.59% during 2021). Thus, the TSCR (total SREP capital requirements) for BRD Group is 13.87% for 2022 (12.59% for 2021).

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

- A Conservation Buffer in CET 1 capital intended to absorb losses during periods of stress. This buffer is mandatory and fully effective from 1 January 2019 and amounts to 2.5% of total RWA.

- A Countercyclical Buffer that may be imposed during periods of excessive credit growth when system-wide risk is building up, capped at 2.5% of total RWA. According to NBR Order 6/2021 amending the NBR Order 12/2015, the level of countercyclical buffer for credit exposures in Romania is 0.5% (from 0% previously), starting October 17, 2022.

- Other systemically important institutions (O-SIIs) identified by NBR which have been authorized in Romania, may be subject to an O-SII Capital Buffer of up to 2% of the total RWA. BRD was identified as O-SII by NBR and O-SII Capital Buffer is 1% starting with 1 January 2016 until

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

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

MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

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

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

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

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

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

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

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

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

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

LEVERAGE RATIO

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

The sustainable level of leverage ratio results from the strong capital base, namely high level Common Equity Tier 1 capital and Tier 2 capital, and a balance-sheet structure specific to the universal bank business model with core focus on retail activities.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

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

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

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

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

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

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

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

7. INTERNAL CONTROL FRAMEWORK

Internal Control System relies on the three lines of defense model, which reinforces segregation of duties between various control functions.

The *first line* of defense is represented by all staff for the operations in their area of activity, comprising all of the Bank's structures (located both in the Network and Headquarters) which are primarily responsible for the ongoing management of the risks arisen in conducting their daily activities, taking into account the Bank's risk appetite and its policies, procedures and controls.

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

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

Business Integrity Support (BIS) coordinates and harmonizes the managerial supervision by providing support to operational management in its implementation. BIS centralizes the results of managerial supervision controls and submits them to the Executive Committee, Risk Management Committee and Internal Control Committee, if the case.
In a manner similar to BIS, General Accounting Division through the dedicated team, coordinates and assists the Bank's structures in the managerial supervision of accounts.

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

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

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

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

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

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

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

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

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

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

8. CONCLUSIONS AND PERSPECTIVES FOR 2023

2022 was a very particular year, with the unfolding of dramatic geopolitical evolutions since the beginning of the war in Ukraine. In conjunction with already elevated inflationary pressures, these evolutions have made their mark on the global economic environment. The business environment in Romania has been fairly well protected thanks to the actions of European and national authorities and the resilience of companies, which indicates that the economic system has reached a rather advanced degree of maturity.
Overall, Romanian economy expanded by 4.8% compared to 2021, counting among the best performing EU member states.

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

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

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

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

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

9. Board of directors' proposals

1) Considering the present report, we submit for the approval of the General Assembly of the Shareholders of BRD the separate and consolidated financial statements prepared according to the International Financial Reporting Standards as adopted by the European Union, for the period ended December 31, 2022, made of:

    - Consolidated and separate statement of financial position;
    - Consolidated and separate profit or loss;
    - Consolidated and separate statement of comprehensive income;
    - Consolidated and separate statement of changes in equity;
    - Consolidated and separate statement of cash flows;
    - Notes to the consolidated and separate financial statements.

2) No dividend from 2022 profit shall be proposed for approval by General Shareholders Meeting. This proposal is in consistency with the strong recommendations of prudence from National Committee for Macroprudential Oversight and National Bank of Romania. Considering that the high risk of volatility persists and the temporary treatment of unrealized gains and losses of financial instruments measured at fair value through other comprehensive income ("quick fix relief") is no longer applicable starting 1st of January 2023, this decision was taken in order to ensure enough lending capacity while respecting on a permanent basis, including in severely adverse conditions the regulated ratios.

3) Discharge of the Board of Directors.

Giovanni LUCA SOMA	**François BLOCH**
Chairman of the Board of Directors	**Chief Executive Officer**

Etienne LOULERGUE

Deputy Chief Executive Officer

APPENDIX 1: STATEMENT OF COMPLIANCE WITH THE PROVISIONS OF CORPORATE GOVERNANCE CODE OF BUCHAREST STOCK EXCHANGE (BSE)

PROVISION	COMPLY WITH	PARTIAL COMPLY WITH	DO NOT COMPLY WITH	REASON FOR FAILURE TO COMPLY WITH
Section A – Responsibilities				
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	X			
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	X			
A.3. The Board of Directors or the Supervisory Board should have at least five members.	X			
A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice and according to the following criteria: A.4.1. Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous five years. A.4.2. Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years. A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director. A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it. A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled	X			

by it, either directly or as a customer, partner, shareholder, member of the Board/Director, CEO/executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity. A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it. A.4.7. Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director. A.4.8. Not to have been a non-executive director of the company for more than twelve years. A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.				
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	X			
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	X			
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	X			
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	X			
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	X			
A.10 The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	X			
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	X			

Section B - Risk management and internal control system				
B.1 The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	X			
B.2. The audit committee should be chaired by an independent non-executive member.	X			
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	X			
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	X			
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	X			
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	X			
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	X			
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	X			
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	X			
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	X			
B.11. The internal audits should be carried out by a separate structural	X			

division (internal audit department) within the company or by retaining an independent third-party entity.				
B.12. To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	X			
Section C - Fair rewards and motivation				
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	X			
Section D - Building value through investors' relations				
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including: D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures. D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	X			

D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code; D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken; D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.				
D.2. A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	X			
D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	X			
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	X			
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	X			
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues	X			

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

APPENDIX 2: NON-FINANCIAL STATEMENT

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

I. DESCRIPTION OF THE ACTIVITY

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

II. CORPORATE SOCIAL RESPONSIBILITY

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

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

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

The 7 BRD Values and Principles are:

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

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

As a consequence, SG Group become a stronger supporter and a direct contributor to the main international initiatives that fight against climate change and encourage climate change mitigation measures. Thus, in 2017, SG adopted the Principles for Positive Impact Finance (UNEP-FI) and became a supporter of the recommendations of TCFD. In 2019, SG Group adhered to the Katowice commitment to align financing portfolios with global climate objectives and joined, as the first French bank, the Climate Bonds Partner Programme, an international network of financial actors working with Climate Bonds to shift investment towards a low-carbon and climate resilient economy. In the same year, SG Group signed the Poseidon Principles that promote low carbon emissions for the global shipping industry, by integrating climate objectives into portfolio management and bank lending decisions. Starting 2020, the Group is aligned with the Paris Agreement and helped found the Net Zero Banking Alliance in April 2020. As part of the SG Group, BRD Group supports and acknowledges all these international initiatives, striving to contribute to the achievement of these ambitious objectives. In addition to the fight against climate change, BRD Group also supports other environmental issues, such as biodiversity. SG Group has implemented a special cross-sector policy on biodiversity conservation, which applies to all Group banking and financial operations and involves procedures for reviewing dedicated transactions (for which the underlying asset is known and fit in the perimeter of evaluations) and customers. As a direct consequence, Environmental and Social (E&S) standards apply to all activities carried out by the Bank. The principles of sustainable financing with a positive impact are based on BRD's vision and commitments in the field of CSR. Beyond the E&S risk assessment activities, the Bank is committed to promoting sustainable investments and financing with a positive impact.

Implementation of the CSR policy

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

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

The General Secretariat (SEGL) - Corporate Affairs Division

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

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

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

Human Resources Department (DRU)

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

Environmental Social and Positive Impact Financing Division (ESPIF)

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

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

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

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

Group Commitments and CSR topics

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

- ✓ the Universal Declaration of Human Rights and its additional commitments;
- ✓ the fundamental conventions of the International Labour Organization (ILO);
- ✓ the UNESCO World Heritage Convention;
- ✓ the Guidelines for Multinational Enterprises of the OECD (Organization for Economic Cooperation and Development);
- ✓ the United Nations Guiding Principles on Business and Human Rights
- ✓ In addition, Société Générale has shown its proactive commitment since 2000 to the following public or private initiatives:
- ✓ 2000: founding member of the Wolfsberg Group;
- ✓ 2001: joined the United Nations Environment Programme Finance Initiative (UNEP-FI);
- ✓ 2003: joined the United Nations Global Compact, which encourages companies to integrate principles relating to human rights, working conditions and the fight against corruption;
- ✓ 2007: adopted the Equator Principles;
- ✓ 2014: support for the Green Bond Principles;
- ✓ 2014: Lyxor signed the Principles for Responsible Investment
- ✓ 2015: signed a Global Agreement on Fundamental Rights with UNI Global Union (renewed in February 2019);
- ✓ 2015: launched the "Positive Impact Manifesto" of the UNEPFI;
- ✓ 2015: joined the "Soft Commodities Compact" of the Banking Environment Initiative (with the Consumer Goods Forum) to fight tropical deforestation;

- ✓ 2015: subscribed to the "Principles for Mainstreaming Climate Actions within Financial Institutions", launched during COP21;
- ✓ 2016: signed the Women's Empowerment Principles – WEP, Professional Equality Charter of United Nations, and the International Labour Organization's Global Business Charter on
- ✓ Disability
- ✓ 2017: Adoption of the Principles for Positive Impact Finance (UNEP-FI);
- ✓ 2017: Supporting the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD);
- ✓ 2018: Katowice commitment to align financing portfolios with global climate objectives;
- ✓ 2018: Société Générale is the first French bank to join the Climate Bonds Partner Programme, an international network of financial actors working with Climate Bonds to shift investment towards a low-carbon and climate resilient economy.
- ✓ 2019: Signs Poseidon principles that promote low carbon emissions for the global shipping industry, by integrating climate objectives into portfolio management and bank lending decisions.
- ✓ 2020: PACTA for Banks, Hydrogen Council
- ✓ 2021: UNEP-FI Net-Zero Banking Alliance & NZAO, Steel Climate Aligned Finance Working Group
- ✓ 2022: Aviation Climate-Aligned Finance Working Group, Aluminium Climate-Aligned Finance Working Group, Sustainable STEEL Principles

III. CUSTOMER SATISFACTION

Throughout its activities, the Bank aims to build customer relationships based on trust, responsibility and ethics. As a bank, BRD contributes to the sustainable economic, social and environmental development of the economy in which it operates. Being responsible and ethical means responding quickly to customers' needs while protecting the long-term interests of all stakeholders, through strict compliance with the applicable rules.

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

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

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

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

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

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

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

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

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

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

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

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

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

IV. ETHICS AND GOVERNANCE

RESPECT FOR HUMAN RIGHTS

Société Générale is guided by the following conventions, standards and initiatives:

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

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

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

BRD is committed to maintain and improve the systems and processes that enable it to ensure that human rights are respected in its operations and its human resources management, in its supply chain, and in its products and services.

CULTURE AND PROFESSIONAL CONDUCT

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

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

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

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

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

FIGHT AGAINST CORRUPTION

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

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

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

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

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

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

OTHER CORPORATE GOVERNANCE ELEMENTS

CONFLICTS OF INTEREST

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

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

REGIME APPLIED TO RELATED PARTIES

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

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

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

TRANSACTIONS OF PERSONS WITH ACCESS TO PRIVILEGED INFORMATION

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

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

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

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

TRANSACTIONS CARRIED OUT BY THE MANAGEMENT STAFF

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

General Secretary /Corporate Governance ensures that the transactions notified by the persons discharging managerial responsibilities are promptly published, no later than 3 working days from the trade date, in a way which allows for a quick and non-discriminatory access to this information, in accordance with the legal provisions.

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

CYBER SECURITY

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

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

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

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

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

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

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

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

PREVENTING FINANCIAL CRIME AND PERSONAL DATA PROTECTION

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

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

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

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

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

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

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

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

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

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

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

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

Some of these tasks are linked to performance assessment.

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

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

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

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

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

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

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

V. RESPONSIBLE EMPLOYER

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

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

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

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

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

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

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

Employees have the following main rights:

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

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

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

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

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

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

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

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

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

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

BRD tools and special programs:

- Recruitment (job description, selection criteria)
- Promotion (criteria, specific programs)
- Remuneration (criteria, compensation packages and benefits)
- Career management (specific programs)
- Assessment (skills, rating system)
- Dismissal (criteria, compensatory packages)

These tools take into account: the needs of the Bank; qualification, professional experience; professional performance; technical, commercial, managerial skills; professionalism, team spirit, innovation.

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

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

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

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

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

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

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

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

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

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

Creating a culture of responsibility

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

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

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

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

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

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

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

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

Acknowledging individual contribution to the Banks' performance

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

Performance management is based on three major pillars:

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

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

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

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

Encouraging an environment that promotes employees' commitment

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

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

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

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

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

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

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

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

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

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

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

Indicator	2018	2018	2019	2019	2020	2020	2021	2021	2022	2022
		% from total employees /FTE		% from total employees /FTE		% from total employees /FTE		% from total employees /FTE		% from total employees /FTE
Total number of female employees on permanent contracts	5,062	67	5,061	68	4,804	69	4,570	68	4.649	72
Total number of female employees on fixed-term contracts	628	8	580	8	469	7	468	7	257	4
Total number of male employees on permanent contracts	1,688	22	1,641	22	1,552	22	1.530	23	1.468	23
Total number of male employees on fixed-term contracts	143	2	114	2	113	2	110	2	70	1
Total number of employees	7,521	100	7,396	100	6,938	100	6,678	100	6.444	100
Number of female employees present on permanent contracts (FTE)	4,463	65	4,455	66	4,244	67	4.036	66	4.214	65
Number of female employees present on fixed-	623	9	561	8	464	7	463	8	254	4

term contracts (FTE)										
Number of male employees present on permanent contracts (FTE)	1,673	24	1,622	24	1,537	24	1.509	25	1.458	23
Number of male employees present on fixed-term contracts (FTE)	142	2	112	2	113	2	110	2	70	1
FTE	6,901	100	6,751	100	6,357	100	6.118	100	5.996	100
Number of work-study participants present during the year	656	10	1,168	16	108	2	30	0.5	110	2
Number of work accidents (as defined by local regulation)	4	0	2	0	8	0	2	0	5	0
Number of employees who had an annual performance evaluation (eligible employees with more than 6 months in the Bank)	5,921	99	6,200	100	6,249	99.96%	6,277	100	5,936	99

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

* part-time employees are marked as FTE=1

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

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

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

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

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

Specific procedures involve:

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

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

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

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

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

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

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

[7] The Global risk report 2023 https://www3.weforum.org/docs/WEF_Global_Risks_Report_2023.pdf

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

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

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

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

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

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

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

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

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

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

Sustainable financing

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

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

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

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

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

Environmental impact of own activities

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

To measure environmental indicators (on an annual periodicity) BRD uses Planethic – an internal online tool managed by Société Générale (which includes at least all consolidated entities of Société Générale Group and also all companies that are more than 50% owned by SG Group).

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

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

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

[8] Raportul CNSM privind finantarea verde link https://www.cnsmro.ro/mwg-internal/de5fs23hu73ds/progress?id=yO2T7TZqDyNv6jD5KzstclnhDVTKsWZJ41MncJIA1mc,

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

Indicator	Measurement unit	2019	2020	2021	2022
Total number of employees	employees	7 396	6 938	6 678.	6 444
Total number of occupants	occupants	7 488	5 807	5 106	4 959
Occupied area m²	m²	223 086	218 764	184 111	194 467
Waste	tonnes	448	402	212	139
Distances travelled for business purpose	Mil km	11	9	8,23	7,47
Distance travelled by plane	Mil km	1,7	0,5	0,03	0,26
Distance travelled by train	Mil km	0,03	0,05	0,001	0,01
Distance travelled by car	Mil km	9,3	8,3	8,2	7,2
Water consumption	Mil m^3	0,07	0,05	0,05	0,04

VIII. RESPONSIBILITY FOR THE DEVELOPMENT OF THE ROMANIAN SOCIETY

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

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

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

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

Culture & ideas: Humanities are tremendous important in a more& more technologized word. We invest in the new generation of creators, in art & music, hundreds of events and programs every year; we are the only bank having a cultural foundation, Fundatia9, our own cultural centre and cultural magazine, one of the most relevant pieces of journalism in today's Romania. Our editorial platform Scena9 charts the cultural scene in Romania. We bookmark cultural news, write about what is relevant, new, and yet to be discovered. We watch the new generation of makers from the widest possible range of fields, follow their projects and map their evolution. We seek to etch out the portrait of this new generation that makes our world go round.

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

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

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

IX. APPLICABLE LEGAL FRAMEWORK

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

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

BRD

GROUPE SOCIETE GENERALE

TRANSLATION

DECLARATION

Acting as directors of BRD - Groupe Société Générale SA, in accordance with *Article 30 of the Accounting Law no. 82/1991 republished and with art 223, letter A, paragraph 1 (c) of the ASF Regulation no. 5/2018 on issuers of financial instruments and market operations,* we assume responsibility for preparing the separate and consolidated financial statements for the year ended December 31, 2022 and confirm, to the best of our knowledge, the following:

a) The accounting policies used in preparing the separate and consolidated financial statements for the year ended December 31, 2022 are in accordance with accounting regulations applicable to credit institutions, as per Order no. 27/2010 for approving the Accounting Regulations in accordance with International Financial Reporting Standards, applicable to credit institutions, issued by the National Bank of Romania, with subsequent amendments;

b) The financial statements present a true and fair view of the financial position, financial performance and other information related to the activity of BRD and its subsidiaries included in the financial statements consolidation process;

c) BRD - Groupe Société Générale SA operates on a going concern basis;

d) The Board of Director's Report on the financial statements mentioned above includes a fair review of the development and performance of the Bank and Group, as well as a description of the main specific risks and uncertainties.

Giovanni Luca SOMA
Chairman of the Board of Directors

Francois BLOCH
Member of the Board of Directors
and Chief Executive Officer

Turn BRD
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Fax:+4021.301.66.36
http://www.brd.ro

BRD-Groupe Société Générale S.A.
CAPITAL SOCIAL ÎN RON: 696.901.518 lei;
R.C. J40/608/19.02.1991; RB - PJR - 40 - 007 /18.02.1999;
C.U.I./C.I.F. RO361579
Prelucrare înscrisă în registrul de evidenţa a prelucrărilor de date cu caracter personal sub. nr. 1788.
Atestat CNVM nr. 255/06.08.2008, înregistrată în Registrul Public al CNVM cu nr. PJR01INCR/400008

List of subsidiaries and of controlled entities of BRD - Groupe Societe Generale as of December 31, 2022 (*)

(*) according to Regulation no. 5/2018 on issuers of financial instruments and market operations, issued by ASF

No	Name	Field of activity	Type of entity
1	BRD Sogelease IFN SA	Financial leasing	Subsidiary
2	BRD Finance IFN SA	Other credit activities	Subsidiary
3	BRD Asset Management SAI SA	Funds management	Subsidiary

Name of BRD - Groupe Societe Generale SA related parties, as of December 31, 2022

1	ALBINA CATALIN
2	Abraham Ana Maria
3	ABRAHAM Luiza
4	Academia de Studii Economice
5	ALD AUTOMOTIVE SRL
6	ALD AUTOMOTIVE SRL
7	ALD France
8	ANASTASIU Doina
9	ANDRIES Emilia
10	ANDRIES Mihail
11	BANCO Frédéric Nicolas
12	BĂRBULESCU Gabriela - Henrieta
13	BEREA Aurelian-Alexandru-Paul
14	Biofarm SA
15	Biroul de Credit
16	BLOCH YAEL
17	BLOCH FRANCOIS
18	BRD ASIGURARI DE VIATA
19	BRD ASIGURARI DE VIATA
20	BRD ASSET MANAGEMENT S.A.I. S.A.
21	BRD ASSET MANAGEMENT S.A.I. S.A.
22	BRD FINANCE IFN S.A.
23	BRD FINANCE IFN SA
24	BRD FINANCE IFN SA
25	BRD FINANCE IFN SA
26	BRD Societatea de administrare a fondurilor de pensii private (fost BRD Fond de Pensii)
27	BRD Societatea de administrare a fondurilor de pensii private (fost BRD Fond de Pensii)
28	BRD Societatea de administrare a fondurilor de pensii private (fost BRD Fond de Pensii)
29	BRD Sogelease Asset Rental
30	BRD SOGELEASE IFN S.A.
31	BRD SOGELEASE IFN S.A.
32	BRD SOGELEASE IFN SA
33	BRD-ASIGURARI DE VIATA
34	BUZEA Cristina
35	CALL POINT NEW EUROPE SRL (TELUS INTERNATIONAL ROMANIA)
36	CALOMFIRESCU Rodin Vasile
37	Camera Auditorilor Financiari din România
38	CARACAS Cosmin
39	CERCEL- DUCA ALEXANDRU- CLAUDIU
40	CERCEL -DUCA LAURENTIU ANDREI
41	CERCEL- DUCA MIRUNA ALEXANDRA
42	CERCEL Justin
43	CHIRAC Radu Adolf
44	CIOCOIU Daniel-Mihaita
45	CIT ONE SA
46	COMBEI ALEXANDRU
47	COMSA TOMA
48	COMVEX SA
49	COSTEA Geta-Cristina
50	COSTICA IONELA
51	Dan Aneta
52	DAN Iuliana Simona
53	DANILIUC Felix Silviu
54	DAVIDESCU Daniela
55	DINOCI Adriana-Lavinia
56	Dinoci Mihai
57	DOCHIA AURELIAN
58	DOWLING Shane Patrick
59	DRĂGOI Anca Mihaela
60	DRĂGOI Bogdan-Alexandru
61	DRAGOMIR Lucian
62	Dragos Bogdan
63	ENACHE Valentina - Adriana
64	FACTORING KB, A.S
65	FARCASANU Flori

66 *FARINI Marian*
67 *FELEAGĂ CRISTIAN FLORIN ALEXANDRU*
68 *FELEAGĂ MARIA ALESSIA*
69 *FLOREA Elena*
70 *FLOROIU Laurentie-George*
71 *Fondul de Garantare a Creditului Rural IFN SA*
72 *Fundatia 9*
73 *GAITAN Georgiana Andreea*
74 *GIURGIU Ioan*
75 *GIURGIU Verginia*
76 *Grigore Rares Gabriel*
77 *GUDA IANCU*
78 *HANTILA Floria*
79 *IONESCU - FELEAGĂ Liliana*
80 *IONESCU Claudia Gabriela*
81 *Ionescu Mircea Eugen*
82 *IONESCU Thea Alexandra*
83 *IOVITU Oana Madalina*
84 *JANTEA ADRIAN - CĂTĂLIN*
85 *KOMERCNI BANKA A.S.*
86 *KOMERCNI POJISTOVNA*
87 *LEBON Claire*
88 *LISANDRU Adrian*
89 *LITCANU Ilinca-Ecaterina*
90 *LITCANU Maricela*
91 *LIURCA Mariana*
92 *LOULERGUE Etienne Jean*
93 *MARCU Mihail*
94 *Marcu Olivia Georgiana*
95 *MARIAN Marius Mihai*
96 *MEDELEAN Alexandru Gheorghe*
97 *MEDELEAN Maria*
98 *MEDELEAN Mirela Virginia*
99 *MERZLICHIN Florentina*
100 *Mihaela Ghirca-Bogdan*
101 *MIHAI Gabriel*
102 *MIHAILESCU GABRIELA*
103 *MINJINA Dragos Ioan*
104 *MOISE Oana Monica*
105 *MORAR Raluca*
106 *NANES Maria - Alexandra*
107 *NITOI Loredana*
108 *NORVILLE BARNS INVESTMENTS SRL*
109 *NUFERILOR 22A IMO SRL*
110 *OLARIU Roxana Nicoleta*
111 *OPREA Gabriela*
112 *PACIOIANU Alina Nicoleta*
113 *PETRESCU Petrina*
114 *POPA MARIANA FLAVIA*
115 *POPESCU Alexandru Iulian*
116 *PRODAN Simona*
117 *PRUTEANU Elena Mihaela*
118 *PURCĂREA MIHAI*
119 *RADU CĂTĂLIN RĂSVAN*
120 *RADU GRAŢIAN GHEŢEA*
121 *RADU Viorel-Florin*
122 *RATIU Andreea Monica*
123 *RESCEANU Ionut*
124 *Resceanu Oana*
125 *RESCEANU Stefan*
126 *REY Marc Claude Christophe*
127 *ROGARIU IMOBILIARE SRL*
128 *ROSCA Silvia - Maria*
129 *ROUSSEVA Maria Koytcheva*
130 *S G FACTORING S.P.A.*
131 *SC M3 CAD SRL*

132 SC Wise way Advisors SRL
133 SELEGEAN Dimitrie-Vintila
134 SELEGEAN Dimitrie-Vintila
135 SELEGEAN Elena
136 SELEGEAN Tiberiu-Mihai
137 SERBAN Madalina-Andreea
138 ŞERBAN MARIAN EPURE
139 ŞERBAN MARIAN EPURE
140 SG China
141 SG Factoring SA
142 SG Issuer
143 SG London Branch
144 SG MAROCAINE DE BANQUES
145 SG PARIS
146 SGi2M
147 SIF Banat Crișana
148 SOCIETE GENERALE
149 SOCIETE GENERALE GLOBAL SOLUTION CENTRE
150 SOCIETE GENERALE GLOBAL SOLUTION CENTRE
151 SOCIETE GENERALE - PARIS AGENCY
152 SOCIETE GENERALE ALGERIE
153 SOCIETE GENERALE AMSTERDAM BRANCH
154 SOCIETE GENERALE BANK AND TRUST S.A. LUXEMBOURG
155 SOCIETE GENERALE BRUXELLES BRANCH
156 SOCIETE GENERALE CORPORATE INVESTMENT BANKING
157 SOCIETE GENERALE FACTORING
158 SOCIETE GENERALE GLOBAL SOLUTION CENTRE PVT LTD
159 SOCIETE GENERALE MADRID
160 SOCIETE GENERALE NANTES - TITRES
161 SOCIETE GENERALE NEW YORK
162 SOCIETE GENERALE PARIS
163 SOCIETE GENERALE PARIS
164 Societe Generale Private Banking Suisse
165 SOCIETE GENERALE S.A. FRANKFURT AM MAIN
166 SOCIETE GENERALE SECURITIES SERVICES SPA MILANO
167 SOCIETE GENERALE SEOUL BRANCH
168 SOCIETE GENERALE VIENNA
169 SOCIETE GENERALE WARSHOVIE
170 SOCIETE GENERALE ZURICH
171 Sogessur S.A Paris Sucursala Bucuresti
172 SOTIR Eugenia
173 STAN Anca - Mirela
174 STOICA Cornelia Mihaela
175 STOICA MARIUS
176 STOICA si ASOCIATII
177 THIBAUD Philippe Yves Henri Pierre Marie
178 TOMA Dumitru Eugen
179 TUDORACHE Dan
180 TUDOSIE Bogdan - Constantin
181 UNGUREANU MIHAELA
182 UNION INTERNATIONALE DE BANQUES SA TUNIS, entitate Grup SG
183 VALET-COTIGA Olguta- Diana
184 VANT Alexandra Ioana
185 VANT Marsel Petrica
186 VANT Sorina Nicoleta
187 VIGROUX Gregoire Emmanuel Renaud
188 VIGROUX Gregoire Emmanuel Renaud
189 VIGROUX JEAN – PIERRE GEORGES
190 VILCU Cristina Florina
191 VILCU Florin Liviu
192 Vrancart S.A

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BRD – Groupe Societe Generale S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated and separate financial statements of BRD – Groupe Societe Generale SA (the Bank) with official head office in 1-7 Ion Mihalache Bld., 1 District, Bucharest, Romania, identified by sole fiscal registration number RO361579 , which comprise the consolidated and separate statement of financial position as at December 31, 2022, and the consolidated and separate income statement, the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank as at December 31, 2022, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union by applying the National Bank of Romania Order no 27/2010, approving the accounting regulations in accordance International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

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

Key audit matter

Impairment of loans and advances to customers

The net carrying values of loans and advances to customers of 35,542,279 thousand RON at the level of the Bank and of 36,288,342 thousand RON at the level of the Group represents a significant part (49.69%) of the total assets of the Bank as at 31 December 2022, and (49.14%) respectively, of the total assets of the Group as at 31 December 2022.

Management's assessment of impairment indications and determination of Expected Credit Loss (ECL) for loans and advances to customers is a complex process and involves significant judgement. Such an assessment is inherently uncertain, involving forecasting of future macroeconomic conditions in a number of scenarios, assessing the likelihood of such scenarios and their impact on ECL. It also involves assessment of Risk of Default, Loss Given Default and Exposure at Default by employing models based on series of historical data and quantitative techniques.

The uncertainties in the environment in the context of economic conditions and geopolitical tensions (war in Ukraine) and related governments actions, including elevated inflation, energy crisis and other disturbances have affected certain industries, increasing the uncertainty around macro-economic scenarios and weights. These have resulted also in certain limitations on the relevance of historical data in forecasting defaults and recovery rates and limits the ability of the statistical techniques to differentiate the impact between sectors. Such uncertainties and limitations, led to an increased complexity of the expected loss estimation and requires post model adjustment/ overlays.

The potential effect of the above items is a high degree of estimation uncertainty, with a potential range of reasonable outcomes, significantly different than estimated impairment allowance. Notes 2e, 3f and 10 to the consolidated and separate financial statements present more information on the estimation of impairment allowance for loans and advances to customers.

Due to the significance of loans and advances to customers, the uncertainties involved and related complexity of estimation techniques we consider the Impairment of loans and advances to customers a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included, among others, the assessment of the Bank's methodology regarding the identification of impairment and determination of expected credit losses, including determination of macroeconomic scenarios and their weight, staging criteria and the credit risk parameters models like Probability of Default, Loss Given Default and Exposure at Default.

We assessed the design and evaluated the operating effectiveness of internal controls over the monitoring the quality of loans and advances to customers, parameters' models, macroeconomic scenarios and related weights, post model adjustments/ overlays, expected credit loss calculation as well as controls over the quality of underlying data and relevant systems.

We also assessed the macroeconomic scenarios and related weights and examined the approach used in determination of the post-model adjustments/ overlays.

For the loss allowance of impaired loans assessed on an individual basis (stage 3), our evaluation was focused on the loans with the most significant potential impact on the consolidated and separate financial statements and considered the key assumptions underlying the impairment identification and quantification such as estimated future cash flows, including the realizable value of collaterals and estimates of recovery on default. Our internal valuation experts were involved, as appropriate, in performing our audit procedures.

For expected credit losses for loans assessed in stage 1 or stage 2 we tested key risk parameters' models by involving our credit risk specialists to reperform the modeling for a sample of models respectively re-perform the staging and re-calculate expected credit losses.

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

Key audit matter

Information Technology (IT) systems relevant for financial reporting

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

The IT environment of the Bank is complex with a significant number of interconnected systems and databases. Besides, the new way of working adopted in all areas of the Bank brings changes and further complexity.

Given the level of automation of the processes relevant for financial reporting and given the complexity of the IT environment of the Bank, a high proportion of the overall audit procedures was concentrated in this area. We therefore consider that this area represents a key audit matter.

How our audit addressed the key audit matter

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

Our audit included, among others, the following procedures:

- Understanding and assessing the overall IT control environment and the controls in place, including the ones over access to systems and data, and considering the context of work from home, as well as IT system changes. We tailored our audit approach based on the importance of the system for the financial reporting;
- We tested the operating effectiveness of controls over granting access rights to determine if only appropriate users had the ability to create, modify or delete user accounts for the relevant applications;
- We tested the operating effectiveness of controls around the development and changes of applications to determine whether these are appropriately authorized, tested and implemented;
- We assessed and tested the design and operating effectiveness of the application and IT-dependent controls in the processes relevant to our audit.

Other information

The other information comprises the Annual Board of Directors' Report (which includes the Non Financial declaration) and Remuneration Report, but does not include the consolidated and separate financial statements and our auditors' report thereon. Management is responsible for the other information.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

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

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

a) in the Annual Board of Directors' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated and separate financial statements as at December 31, 2022;
b) the Annual Board of Directors' Report identified above includes, in all material respects, the required information according to the provisions of the National Bank of Romania Order no 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications, Annex 1 points 12-17 and 32-34 respectively;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated and separate financial statements as at December 31, 2022, we have not identified information included in the Administrators' Report that contains a material misstatement of fact;
d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Bank by the General Meeting of Shareholders on 28th April 2022 to audit the consolidated and separate financial statements for the financial year end December 31, 2022. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 8 years, covering the financial periods end December 31, 2015 till December 31, 2022.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Bank, which we issued on the same date as the issue date of this report.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Bank and we remain independent from the Bank in conducting the audit.
In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Bank, and its controlled undertakings.

Report on the compliance of the electronic format of the separate and consolidated financial statements, included in the annual report with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the electronic format of the separate and consolidated financial statements of BRD – Groupe Societe Generale SA (the Bank) for the year ended 31 December 2022, included in the attached electronic file „BRDSocieteGeneraleG-2022-12-31.EN.zip"(identified with the key 1b41b9547bcb65c23478cdda42cac6431b1a32648de000d2037b171289e4d525) with the requirements of the Commission Delegated Regulation (EU) 2018 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation). Our opinion is expressed only in relation to the electronic format of the separate and consolidated financial statements and does not extend to the other information included in the annual report.

Description of the subject matter and the applicable criteria

The Management has prepared electronic format of separate and consolidated financial statements of the Bank for the year ended 31 December 2022 in accordance and to comply with ESEF Regulation requirements.

The requirements for the preparation of the separate and consolidated financial statements in ESEF format are specified in the ESEF Regulation and represent, in our opinion, applicable criteria for us to express an opinion providing reasonable assurance.

Responsibilities of the Management and Those Charged with Governance

The Management of the Bank is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the separate and consolidated financial statements in XHTML format. Such responsibility includes the selection and application of appropriate iXBRL tags using the taxonomy specified in the ESEF Regulation, ensuring consistency between the human-readable layer of electronic format of the consolidated financial statements and the audited consolidated financial statements. The responsibility of Bank's Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the separate and consolidated financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of separate and consolidated financial statements of the Bank, including the application of the ESEF Regulation.

Auditor's Responsibility

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the separate and consolidated financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the separate and consolidated financial statements of the Bank is prepared, in all material respects, in accordance with the applicable criteria, specified above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.
Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, designs, implements and operates a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the separate and consolidated financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic (XHTML) reporting format of the separate and consolidated financial statements of the Bank, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the separate and consolidated financial statements of the Bank, including the preparation of the separate and consolidated financial statements of the Bank in XHTML format and for the consolidated financial statement its tagging in machine readable language (iXBR);
- tested the validity of the applied XHTML format;
- checked whether the human-readable layer of electronic format of the separate and consolidated financial statements (XHTML) corresponds to the audited separate and consolidated financial statements;
- assessed the completeness of the tagging of information in the consolidated financial statements while using the machine-readable language (iXBRL) under the requirements of the ESEF Regulation;
- assessed the appropriateness of the applied iXBRL tags selected from the core taxonomy and the creation of extensions to the elements in the extended taxonomy specified in the ESEF Regulation when there were no suitable elements in the core taxonomy for the consolidated financial statements;
- evaluated the anchoring of the taxonomy extensions to the elements in the extended taxonomy specified by the ESEF Regulation for the consolidated financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

Legal Uncertainty about the Compliance of the Interpretation of Applicable European Requirements

Due to the conversion process chosen by the Bank in relation to the information in the notes to the financial statements in iXBRL format ("block tagging"), the rendering of the consolidated financial statements into ESEF-Format is not completely machine readable in a meaningful way. The legal compliance of the interpretation by management, that meaningful machine readability of structured information in the notes is not explicitly required by the Delegated Regulation (EU) 2018/815 for the block tagging of the notes, is subject to legal uncertainty, which therefore also represents an inherent uncertainty in our audit."

Opinion on the compliance of the electronic format of the separate and consolidated financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, in our opinion, the electronic format of the separate and consolidated financial statements of the Bank for the year ended 31 December 2022 is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania
Registered in the electronic Public Register under No.FA77

Ernst & Young Assurance Services S.R.L.
17. MAR. 2023
Signed for identification
Semnat pentru identificare

Name of the Auditor/ Partner: Alina Dimitriu
Registered in the electronic Public Register under No. AF1272

Bucharest, Romania
17 March 2023