REGULATORY DISCLOSURE REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

BRD - Groupe Société Générale

CONTENTS

1 - Introduction

THE SCOPE OF THE REPORT

BRD – Groupe Société Générale Regulatory Disclosure Report aims to fulfil the disclosure requirements according to Part Eight of Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) No 2019/876 of the European Parliament as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements ("CRR2").

According to Article 4, point 146 of CRR 2, BRD is a large institution, being identified as "other systemically important institution" (O-SII) by the National Bank of Romania starting 1st of January 2016 with the latest reconfirmation through NBR Order No 8 from 2nd of December 2022. In addition, BRD is one of the three largest institutions in Romania in terms of total value of assets as at 30th of June 2023, as per Bank's own computation.

Being a large subsidiary of an EU parent institution, according to Article 13 (1) of the CRR2, BRD shall disclose the information on own funds (art 437), capital requirements and risk-weighted exposure amounts (art 438), countercyclical capital buffer (art 440), credit risk (art 442), credit risk mitigation techniques (art 453), leverage ratio (art 451), remuneration policy (art 450) and liquidity requirements (art 451a). In addition, article 433a details the frequency of disclosure (quarterly, semi-annual or annual basis) for each disclosure requirement mentioned above, as applicable for BRD-GSG at sub-consolidated level.

Therefore, the information disclosed throughout this report for the period ended September 30, 2023, is based on the requirements specified in article 433a (CRR 2) and takes into account the evolutions stemming from the Commission Implementing Regulation (EU) No 2021/637 of 15 March 2021, laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

The formats of the tables have thus been adapted to the technical instructions issued by the European Banking Authority (notably EBA/ITS/2020/04).

For the full year end requirements please refer to the *Regulatory Transparency Report for the year ended 31 December 2022.*

CONSOLIDATION 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 application of CRR 2 requirements is at sub-consolidated level and for this purpose 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. and BRD Finance IFN S.A.

Note:

Throughout this report, amounts are in RON thousand at September 30, 2023, unless otherwise stated.

2 - Capital requirements and own funds

MINIMUM 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 for 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 as of 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 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.

An overview of total risk exposure amounts and own fund requirements corresponding to the RWAs for the different risk categories is presented in the table below.

Table 1: EU OV1 - Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		30.09.2023	30.06.2023	30.09.2023
1	**Credit risk (excluding CCR)**	**34,210,937**	**32,733,602**	**2,736,875**
2	Of which the standardised approach	34,210,937	32,733,602	2,736,875
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**408,723**	**416,395**	**32,698**
7	Of which the standardised approach	229,304	218,395	18,344
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	179,419	198,000	14,354
9	Of which other CCR	-	-	-
10	Not applicable	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**-**	**-**	**-**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**226,899**	**165,136**	**18,152**
21	Of which the standardised approach	226,899	165,136	18,152
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**2,650,861**	**2,644,893**	**212,069**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	2,650,861	2,644,893	212,069
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	1,164,462	1,192,733	93,157
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	**Total**	**37,497,419**	**35,960,026**	**2,999,794**

As at September 30, 2023, RWA (RON 37.5 billion compared to RON 36.0 billion as of June 30, 2023) were distributed as follows:

- ✓ credit and counterparty credit risks accounted for 92.3% of RWA
- ✓ market risk accounted for 0.6% of RWA

- ✓ operational risk accounted for 7.1% of RWA

The own funds requirements as at September 30, 2023 increased by 4.3% compared to June 30, 2023, mainly driven by increasing capital requirements for credit risk on higher net exposure value as a result of dynamic lending activity.

3 - Liquidity requirements

BRD complies with the liquidity standards introduced by CRD IV, following the two liquidity ratios defined:

- short term - Liquidity Coverage Ratio (LCR)

  The liquidity coverage ratio (LCR) refers to the proportion of high liquid assets held to ensure the ongoing ability to meet short-term obligations (30 days horizon).

- medium term - Net Stable Funding Ratio (NSFR)

  Net Stable Funding ratio (NSFR) seeks to assess the proportion of Available Stable Funding ("ASF") via the liabilities over Required Stable Funding ("RSF") for the assets.

Their actual level is monitored in Assets and Liabilities Committee (ALCO) on a monthly basis.

LCR indicator remains well above the 100% minimum required. As at September 30, 2023 the LCR stands at 257% in terms of monthly averages over the previous twelve months preceding the end of the quarter. The value of LCR as at September 30, 2023 end recorded no major change as compared to June 30, 2023 end, slightly decreasing by 12 p.p. (the same methodology of previous 12 months average being applied).

BRD's liquidity buffer consists of cash and government bonds. A fundamental line of the liquidity strategy consists in maintaining a significant portfolio of government bonds. These represent the core liquidity buffer and are the high quality liquid assets available on the Romanian market. The portfolio can be used for obtaining liquidity through participation at the regular open market operations of the central bank, through access to the Lombard refinancing facility, through sell/buy-back transactions in the interbank market, or through outright sale.

Having in view the evolution observed for the LCR in terms of monthly averages over the previous twelve months preceding the end of the third quarter of 2023, respectively the end of the third quarter of 2022, following conclusions are to be noted:

- LCR has decreased from 309% as of September 2022 to 257% as of September 2023;
- High Quality Liquid Assets (HQLA) averages have observed an increase of 15% y/y as of September 2023 end;
- Net Outflows Averages have observed an increase of 38%, having in view:
  - 7% increase in Outflows averages
  - 38% decrease in Inflows averages

Table 2: EU LIQ1 - Quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2023	30.06.2023	31.03.2023	31.12.2022	30.09.2023	30.06.2023	31.03.2023	31.12.2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					24,460,985	23,157,771	22,016,723	21,545,415
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	37,879,649	37,417,669	37,081,290	36,902,114	2,137,317	2,211,710	2,272,219	2,305,369
3	*Stable deposits*	23,853,744	24,229,893	24,679,065	25,209,407	1,192,687	1,211,495	1,233,953	1,260,470
4	*Less stable deposits*	14,025,905	13,187,776	12,402,225	11,692,707	944,630	1,000,216	1,038,266	1,044,898
5	Unsecured wholesale funding	19,485,345	18,959,162	18,812,592	18,016,373	9,678,569	9,263,516	9,346,017	8,910,884
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	19,485,345	18,959,162	18,812,592	18,016,373	9,678,569	9,263,516	9,346,017	8,910,884
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	6,660,753	6,525,265	6,287,842	6,172,854	571,207	528,431	489,437	484,521
11	*Outflows related to derivative exposures and other collateral requirements*	4,947.6	4,799.3	4,180.2	1,162.3	4,947.6	4,799.3	4,180.2	1,162.3
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	6,655,805	6,520,466	6,283,661	6,171,692	566,259	523,632	485,257	483,359
14	Other contractual funding obligations	83,366	83,828	83,798	134,275	83,366	83,828	83,798	134,275
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					12,470,459	12,087,485	12,191,471	11,835,049
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	1,822,729	2,028,858	2,128,527	1,716,226	-	-	-	-
18	Inflows from fully performing exposures	2,849,118	3,413,486	4,150,595	4,518,722	2,623,398	3,196,301	3,936,295	4,343,704
19	Other cash inflows	314,259	278,883	235,369	185,930	314,259	278,883	235,369	185,930
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	4,986,106	5,721,226	6,514,491	6,420,879	2,937,656	3,475,184	4,171,664	4,529,634
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	4,986,106	5,721,226	6,514,491	6,420,879	2,937,656	3,475,184	4,171,664	4,529,634
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					24,460,985	23,157,771	22,016,723	21,545,415
22	TOTAL NET CASH OUTFLOWS					9,532,803	8,612,302	8,019,807	7,305,415
23	LIQUIDITY COVERAGE RATIO					257%	269%	275%	295%