

BRD - GROUPE SOCIÉTÉ GÉNÉRALE

QUARTERLY REPORT ON TRANSPARENCY AND 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

SEPTEMBER 2021

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1 - Introduction

THE SCOPE OF THE REPORT

BRD's Report on Transparency and Disclosure Requirements 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 through NBR Order No 5 from 4th of December 2020. In addition, BRD is one of the three largest institutions in Romania in terms of total value of assets as at 30th of September 2021.

For the disclosure requirements, BRD applies Article 13 (1) of CRR 2, according to which large subsidiaries of EU parent institutions shall disclose the information specified in Articles 437 (disclosure of own funds), 438 (disclosure of own funds requirements and risk-weighted exposure amounts), 440 (disclosure of countercyclical buffers), 442 (disclosure of credit risk and dilution risk), 450 (disclosure of remuneration policy), 451 (disclosure of the leverage ratio), 451a (disclosure of liquidity requirements) and 453 (disclosure of the use of credit risk mitigation techniques) on an individual basis or, where applicable, in accordance with this Regulation and Directive 2013/36/EU, on a sub-consolidated basis.

The information disclosed through this report for the period ended September 30, 2021, takes into account the requirements as per Article 433a,1 (c) of CRR2 and 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).

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, 2021, unless otherwise stated.

2 - Capital requirements

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 as of September 2021 end 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
	30.09.2021	30.06.2021	30.09.2021
1 Credit risk (excluding CCR)	27,804,114	26,640,003	2,224,329
2 Of which the standardised approach	27,804,114	26,640,003	2,224,329
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	628,837	632,694	50,307
7 Of which the standardised approach	285,875	290,403	22,870
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	-	-	-
EU 8b Of which credit valuation adjustment - CVA	342,963	342,292	27,437
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)	208,972	245,028	16,718
21 Of which the standardised approach	208,972	245,028	16,718
22 Of which IMA	-	-	-
EU 22a Large exposures	-	-	-
23 Operational risk	2,821,381	2,809,746	225,710
EU 23a Of which basic indicator approach	-	-	-
EU 23b Of which standardised approach	-	-	-
EU 23c Of which advanced measurement approach	2,821,381	2,809,746	225,710
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	334,001	213,079	26,720
25 Not applicable	-	-	-
26 Not applicable	-	-	-
27 Not applicable	-	-	-
28 Not applicable	-	-	-
29 Total	31,463,304	30,327,472	2,517,064

As at September 30 2021, RWA (RON 31.5 billion compared to RON 30.3 billion as of June 30, 2021) were distributed as follows:

- ✓ credit and counterparty credit risks accounted for 90% of RWA
- ✓ market risk accounted for 1% of RWA
- ✓ operational risk accounted for 9% of RWA

The own funds requirements as at September 30, 2021 increased by near 4% compared to June 30, 2021, 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, 2021 the LCR stands at 384% in terms of monthly averages over the previous twelve months preceding the end of the quarter. The value of LCR as at September 30, 2021 end recorded no major change as compared to June 30, 2021 end, observing a slight decrease of 14 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 2021, respectively the end of the last quarter of 2020, following conclusions are to be noted:

- LCR has increased from 357% to 384%;
- High Quality Liquid Assets averages have observed an increase of 14%;
- Net Outflows Averages have observed an increase of 6%, having in view:
 - 5% increase in Outflows averages
 - 4% increase in Inflows averages

Table 2: EU LIQ1 - Quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2021	30.06.2021	31.03.2021	31.12.2020
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)					21,339,414	20,534,953	19,763,965	18,738,428
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	35,191,256	34,626,686	33,677,595	31,792,015	2,111,013	2,067,484	2,043,191	2,022,507
3	Stable deposits	24,701,532	24,224,346	23,339,644	21,825,860	1,235,077	1,211,217	1,166,982	1,091,293
4	Less stable deposits	10,489,724	10,402,339	10,337,950	9,966,155	875,936	856,267	876,209	931,214
5	Unsecured wholesale funding	15,957,193	15,196,502	14,774,394	14,333,377	7,908,732	7,594,589	7,464,095	7,390,952
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	4,451	-	-	-	1,113
7	Non-operational deposits (all counterparties)	15,957,193	15,196,502	14,774,394	14,328,927	7,908,732	7,594,589	7,464,095	7,389,840
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding	-	-	-	-	-	-	-	-
10	Additional requirements	4,522,677	4,171,431	3,882,066	3,785,203	357,288	332,229	307,281	302,851
11	Outflows related to derivative exposures and other collateral requirements	269.7	6,016.6	5,969.8	6,079.5	269.7	6,016.6	5,969.8	6,079.5
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	4,522,407	4,165,415	3,876,096	3,779,124	357,019	326,213	301,311	296,772
14	Other contractual funding obligations	209,403	215,028	300,242	357,635	209,403	215,028	300,242	357,635
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					10,586,437	10,209,331	10,114,810	10,073,945
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	1,461,964	1,511,629	1,460,258	1,331,636	-	-	3,928.8	4,198.7
18	Inflows from fully performing exposures	5,059,570	5,061,481	5,180,204	4,879,077	4,846,375	4,865,971	4,943,556	4,628,420
19	Other cash inflows	179,449	179,723	186,862	198,102	179,449	179,723	186,862	198,102
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	6,700,984	6,752,834	6,827,324	6,408,815	5,025,824	5,045,695	5,134,347	4,830,721
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	6,700,984	6,752,834	6,827,324	6,408,815	5,025,824	5,045,695	5,134,347	4,830,721
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					21,339,414	20,534,953	19,763,965	18,738,428
22	TOTAL NET CASH OUTFLOWS					5,560,613	5,163,636	4,980,462	5,243,225
23	LIQUIDITY COVERAGE RATIO					384%	398%	397%	357%