

# REPORT ON TRANSPARENCY AND DISCLOSURE REQUIREMENTS

2012

according to NBR-RNSC Regulation no. 25/30/2006 regarding the disclosure  
requirements for credit institutions and investment companies  
as subsequently amended

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GRUPE SOCIETE GENERALE



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## 1. INTRODUCTION

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The current report is prepared according to the NBR-RNSC Regulation no. 25/30/2006 *regarding the disclosure requirements for credit institutions and investment companies*, amended by the NBR-RNSC Regulation no. 21/26/2010 and the NBR-RNSC Regulation no. 23/15/2011.

According to art. 8 para (1) of the NBR-RNSC Regulation no. 17/22/2006 *on the supervision on consolidated basis of the credit institutions and investment companies*, BRD as parent credit institution in Romania and, at the same time, subsidiary of Société Générale, must publish at consolidated level, the information according to art. 8 and art. 9 of the NBR-RNSC Regulation no. 25/30/2006.

Information presented in this report refers to BRD – Groupe Societe Generale S.A (individual level) and to BRD Group (consolidated level).

For the scope of prudential consolidation, the BRD Group includes the following entities, consolidated using the “global consolidation” method:

- BRD – Groupe Societe Generale SA;
- BRD Sogelease IFN SA;
- BRD Finance IFN SA.

This report complements and / or details information provided in the BRD – Groupe Société Générale Board of Directors Report for the year 2012. Both, Board of Directors Report and the current report, are available electronically at [www.brd.ro](http://www.brd.ro).

## 2. OWN FUNDS

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BRD own funds components at consolidated level, determined in accordance with NBR Regulation no. 18/2006, *on the own funds of credit institutions and investment companies*, as subsequently amended, are the following:

### ORIGINAL OWN FUNDS / TIER 1 CAPITAL

- **Eligible Capital** representing nominal share capital, registered with the National Trade Register Office is in amount of 696.901 RON thousands. Share capital as at December 31, 2012 represents authorised common shares issued and outstanding.
- **Eligible Reserves** which include:
  - *Reserves net of potential fiscal obligations:*
    - Legal reserves, reserves for general banking risks and other reserves established by the law.
    - The amount of 1.818.721 RON thousands, representing hyperinflation adjustment of share capital, accounted according to IAS 29 "Reporting in Hyperinflationary Economies", until December 31, 2003.
    - Retained earnings which represent the undistributed profits of previous periods and which also include retained earnings arising from adjustments from IFRS implementation as accounting basis, from January 1, 2012.
    - Share based payment reserve represents the value of the Société Générale shares allocated on November 2, 2010 under the program of share based payment according to which shares are granted to each employee of the Group.
  - *Minority interest* represents the value of 51% uncontrolled part in the subsidiary BRD Finance IFN SA;
- **Other deductions from Tier 1 Capital:** represents the net book value of goodwill and other intangible fixed assets.

### ADDITIONAL OWN FUNDS / TIER 2 CAPITAL

- **Core Additional Own Funds:** represents 45% of the gains from equity financial assets classified as financial assets available for sale (AFS).
- **Supplementary Additional Own Funds:** represents subordinated liabilities in total amount of 200 EUR millions maturing in 2013 and 2015. In accordance with NBR Regulation no. 18/2006 *on own funds of credit institutions and investment companies*, the total amount of subordinated loans considered as additional Tier 2 has to be reduced gradually since at least 5 years before maturity by applying an equal percentage, so that for the last reporting semester before final maturity the loan will not be considered at all. Thus on December 31, 2012 the value considered in determining own funds is 60 EUR millions.

Own funds at consolidated level as at December 31, 2012 were as follows:

	- ths RON-
<b>ORIGINAL OWN FUNDS / TIER 1</b>	<b>5,402,261</b>
<i>Eligible Capital</i>	696,902
Paid in capital	696,902
<i>Eligible Reserves</i>	4,841,415
Reserves net of potential fiscal obligations	5,095,626
Minority interest	51,762
Losses of the current financial year	(299,508)
Valuation differences in AFS equities	13,852
Adjustment to Valuation differences in AFS equities	(20,317)
<i>Other deductions from Original Own Funds</i>	(136,056)
Intangible assets	(136,056)
<b>ADDITIONAL OWN FUNDS / TIER 2</b>	<b>274,865</b>
<i>Core Additional Own Funds</i>	9,143
45% of adjustments made to valuation differences in original own funds transferred to core additional own funds	9,143
<i>Supplementary Additional Own Funds</i>	265,722
Subordinated loan capital	265,722
<b>DEDUCTIONS FROM TIER 1 &amp; TIER 2</b>	<b>(123,163)</b>
Holdings in other credit and financial institutions amounting to more than 10% of their capital	(82,332)
Participations hold in insurance undertakings, reinsurance undertakings and insurance holding companies	(16,620)
Qualified participating interest in non financial institutions	(24,210)
<b>TOTAL ORIGINAL OWN FUNDS AFTER DEDUCTIONS</b>	<b>5,340,679</b>
<b>TOTAL ADDITIONAL OWN FUNDS AFTER DEDUCTIONS</b>	<b>213,283</b>
<b>TOTAL OWN FUNDS</b>	<b>5,553,963</b>

Own funds at individual level as at December 31, 2012 were as follows:

	- ths RON-
<b>ORIGINAL OWN FUNDS / TIER 1</b>	<b>5,261,423</b>
<i>Eligible Capital</i>	696,902
Paid in capital	696,902
<i>Eligible Reserves</i>	4,602,643
Reserves net of potential fiscal obligations	4,941,038
Losses of the current financial year	(331,930)
Valuation differences in AFS equities	13,852
Adjustment to Valuation differences in AFS equities	(20,317)
<i>Other Tier 1 capital including elements specific to Romania</i>	88,271
Other elements	88,271
<i>Other deductions from Original Own Funds</i>	(126,392)
Intangible assets	(126,392)
<b>ADDITIONAL OWN FUNDS / TIER 2</b>	<b>363,136</b>
<i>Core Additional Own Funds</i>	97,414
45% of adjustments made to valuation differences in original own funds transferred to core additional own funds	9,143
Other elements	88,271
<i>Supplementary Additional Own Funds</i>	265,722
Subordinated loan capital	265,722
<b>DEDUCTIONS FROM TIER 1 &amp; TIER 2</b>	<b>(1,260,963)</b>
Holdings in other credit and financial institutions amounting to more than 10% of their capital	(127,605)
Participations hold in insurance undertakings, reinsurance undertakings and insurance holding companies	(17,697)
Qualified participating interest in non financial institutions	(12,275)
Other country specific deductions from Original and Additional Own Funds	(1,103,386)
<b>TOTAL ORIGINAL OWN FUNDS AFTER DEDUCTIONS</b>	<b>4,363,596</b>
<b>TOTAL ADDITIONAL OWN FUNDS AFTER DEDUCTIONS</b>	<b>-</b>
<b>TOTAL OWN FUNDS FOR SOLVENCY PURPOSES</b>	<b>4,363,596</b>

The reconciliation between the own funds at consolidated level and the own funds at individual level is presented below:

	- ths RON-
<b>TOTAL OWN FUNDS CONSOLIDATED</b>	<b>5,553,963</b>
Prudential filter and related deferred tax	(926,845)
Consolidation differences:	(263,522)
- <i>Retained earnings</i>	(187,010)
- <i>Minority interest</i>	(51,762)
- <i>Intangible assets deduction</i>	9,663
- <i>Equity investments deduction</i>	(34,414)
<b>TOTAL OWN FUNDS INDIVIDUAL</b>	<b>4,363,596</b>

At the individual level, the tier 1 and tier 2 capital are subject to a deduction of the **prudential filter** resulted from the positive difference between **prudential adjustments** and **impairment adjustments calculated under IFRS** related to the loans to customer's portfolio. The deferred tax liability on the prudential filter is allocated 50% to tier 1 and 50% tier 2 capital and is presented under the "Other elements". The tier 2 capital is fully absorbed by the prudential filter.

The deduction of the **Equity investments** at individual level is made entirely from tier 1 capital.

### 3. CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY

From a regulatory perspective, the capital requirements refer to credit risk, market risk and operational risk.

Capital requirement for **credit risk** is calculated in accordance with NBR-RNSC Regulation no. 14/19/2006 *on credit risk for credit institutions and investment companies*, based on standardized approach, by applying 8% of the risk weighted exposure amounts for each class of exposure according to art. 4 in the regulation above.

Capital requirements for **market risk** are calculated according to Article 2, letter b) and letter. c) from NBR-RNSC Regulation no. 22/27/2006 on capital adequacy of *credit institutions and investment companies*. The requirement for both interest rate risk in trading book and foreign exchange risk is calculated based on the standardized approach.

Capital requirement for **operational risk** is calculated according to advanced measurement approach (AMA) under the NBR-RNSC Regulation no 24/29/2006 *on determining the minimum capital requirements for credit institutions and investment companies for operational risk* as subsequently amended. BRD, as a member of the Société Générale Group, uses since 2008 this approach to measure operational risk, capital requirements being allocated by the group.

Regulatory capital requirement as at December 31, 2012 at individual and consolidated level is presented in the table below:

ths RON	2012	
	Consolidated	Individual
<b>Capital requirement for credit risk</b>	<b>2,522,413</b>	<b>2,361,555</b>
Regional governments or local authorities	28,886	27,735
Institutions	40,018	39,568
Corporates	1,351,738	1,375,824
Retail	605,229	543,871
Secured by real estate property	173,360	173,239
Past due items	205,646	85,509
Collective investments undertakings	5,416	5,416
Other elements	112,121	110,394
<b>Capital requirement for market risk</b>	<b>33,075</b>	<b>30,598</b>
General and specific position risk in traded debt instruments	27,398	27,398
Foreign exchange risk	5,677	3,200
<b>Capital requirement for operational risk</b>	<b>108,060</b>	<b>106,630</b>
<b>TOTAL CAPITAL REQUIREMENT</b>	<b>2,663,549</b>	<b>2,498,783</b>
<b>CAPITAL ADEQUACY RATIO</b>	<b>16.68%</b>	<b>13.97%</b>

Capital adequacy ratio computed on a consolidated and individual level as at December 31, 2012 is comfortably above the minimum 8% level set by to the NBR-RNSC Regulation 13/18/2006 *on determining the minimum capital requirements for credit institutions and investment companies*.



#### 4. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

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In accordance with Article 148 of the Emergency Ordinance no. 99/2006 *on credit institutions and capital adequacy, as subsequently amended* and Regulation no. 18/2009 *on governance arrangements of the credit institutions, internal capital adequacy assessment process and the conditions for outsourcing their activities*, BRD Groupe Société Générale established an internal process for capital adequacy assessment 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 monthly basis by reporting to the management.

A risk assessment is made annually, and involves the identification and the evaluation of all risks to which the Bank may be exposed.

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:

- Concentration risk, country risk, residual risk and risk related to foreign currency lending
- Interest rate risk in banking book
- Liquidity Risk
- Other risks: strategic risk, reputational risk and compliance risk, regulatory and business environment 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 Risk and Business General 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.