

**REGULATORY DISCLOSURE REPORT**  
**FOR THE PERIOD ENDED 31 MARCH 2023**

**BRD - GROUPE SOCIÉTÉ GÉNÉRALE**

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# 1 - Introduction

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## 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 CRR2, 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 31<sup>st</sup> of December 2022.

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 March 31, 2023 is based on the requirements specified in article 433a (CRR2) to be disclosed with a quarterly frequency and takes into account the evolutions stemming from the Commission Implementing Regulation (EU) No 2021/637 of 15 March 2021. CIR (EU) No 2021/637 includes the 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).

Additionally, according to NBR Instruction from 20th of October 2020, credit institutions are required to comply with the disclosures referred in EBA/GL/2020/12 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic.

- According to Regulation (EU) 2017/2395 amending Regulation (EU) 575/2013, as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds, BRD decided not to apply the transitional arrangements set out under Art 473a of Regulation (EU) 575/2013. As such, own funds include the total impact from IFRS 9 adoption since 2018.
- As regards to 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 as amended by Regulation (EU) 873/2020 related to certain adjustments in response to the COVID-19 pandemic (quick-fix adjustment), from 1<sup>st</sup> of January 2023 the quick-fix adjustment applied for the recognition of other comprehensive income reserve in own funds ceased its validity.

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.

Throughout this report, amounts are in RON thousand at March 31, 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 performed 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).

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
	31.03.2023	31.12.2022	31.03.2023
1 <b>Credit risk (excluding CCR)</b>	<b>32,411,615</b>	<b>30,767,529</b>	<b>2,592,929</b>
2 Of which the standardised approach	32,411,615	30,767,529	2,592,929
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 <b>Counterparty credit risk - CCR</b>	<b>445,936</b>	<b>518,074</b>	<b>35,675</b>
7 Of which the standardised approach	238,605	299,904	19,088
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	-	-	-
EU 8b Of which credit valuation adjustment - CVA	207,331	218,169	16,587
9 Of which other CCR	-	-	-
10 Not applicable	-	-	-
11 Not applicable	-	-	-
12 Not applicable	-	-	-
13 Not applicable	-	-	-
14 Not applicable	-	-	-
15 <b>Settlement risk</b>	<b>65</b>	<b>-</b>	<b>5</b>
16 <b>Securitisation exposures in the non-trading book (after the cap)</b>	<b>-</b>	<b>-</b>	<b>-</b>
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 <b>Position, foreign exchange and commodities risks (Market risk)</b>	<b>189,850</b>	<b>77,008</b>	<b>15,188</b>
21 Of which the standardised approach	189,850	77,008	15,188
22 Of which IMA	-	-	-
EU 22a <b>Large exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>
23 <b>Operational risk</b>	<b>2,543,127</b>	<b>2,525,758</b>	<b>203,450</b>
EU 23a Of which basic indicator approach	-	-	-
EU 23b Of which standardised approach	-	-	-
EU 23c Of which advanced measurement approach	2,543,127	2,525,758	203,450
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	1,342,702	1,104,581	107,416
25 Not applicable	-	-	-
26 Not applicable	-	-	-
27 Not applicable	-	-	-
28 Not applicable	-	-	-
29 <b>Total</b>	<b>35,590,594</b>	<b>33,888,369</b>	<b>2,847,247</b>

As at March 31, 2023, RWA (RON 35.6 billion compared to RON 33.9 billion as of December 31, 2022) were distributed as follows:

- ✓ credit and counterparty credit risks accounted for 92.3% of RWA
- ✓ market risk accounted for 0.5% of RWA
- ✓ operational risk accounted for 7.1 of RWA

The own funds requirements as at March 31, 2023 increased by near 5% compared to December 31, 2022, mainly driven by increasing capital requirements for credit risk on higher net exposure value as a result of dynamic lending activity.

### 3 - Liquidity requirements

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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 March 31, 2023 the LCR stands at 275% in terms of monthly averages over the previous twelve months preceding the end of the quarter. The value of LCR as at March 31, 2023 end recorded no major change as compared to December 31, 2022 end, observing a slight decrease of 20 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 first quarter of 2023, respectively the end of the first quarter of 2022, following conclusions are to be noted:

- LCR has decreased from 329% to 275%;
- High Quality Liquid Assets averages have observed a decrease of 1%;
- Net Outflows Averages have observed an increase of 19%, having in view:
  - 9% increase in Outflows averages
  - 7% 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	31.03.2023	31.12.2022	30.09.2022	30.06.2022	31.03.2023	31.12.2022	30.09.2022	30.06.2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)					22,016,723	21,545,415	21,316,202	21,985,408
<b>CASH - OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	37,081,290	36,902,114	36,652,579	36,303,639	2,272,219	2,305,369	2,286,494	2,235,995
3	Stable deposits	24,679,065	25,209,407	25,326,177	25,354,643	1,233,953	1,260,470	1,266,309	1,267,732
4	Less stable deposits	12,402,225	11,692,707	11,326,402	10,948,996	1,038,266	1,044,898	1,020,185	968,263
5	Unsecured wholesale funding	18,812,592	18,016,373	17,607,790	17,552,667	9,346,017	8,910,884	8,728,329	8,769,672
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	18,812,592	18,016,373	17,607,790	17,552,667	9,346,017	8,910,884	8,728,329	8,769,672
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding	-	-	-	-	-	-	-	-
10	Additional requirements	6,287,842	6,172,854	6,035,776	5,774,151	489,437	484,521	481,733	468,379
11	Outflows related to derivative exposures and other collateral requirements	4,180.2	1,162.3	437.5	620.3	4,180.2	1,162.3	437.5	620.3
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	6,283,661	6,171,692	6,035,338	5,773,531	485,257	483,359	481,296	467,758
14	Other contractual funding obligations	83,798	134,275	141,708	271,791	83,798	134,275	141,708	271,791
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					12,191,471	11,835,049	11,638,265	11,745,837
<b>CASH - INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	2,128,527	1,716,226	1,551,218	1,375,210	-	-	-	-
18	Inflows from fully performing exposures	4,150,595	4,518,722	4,755,315	4,762,346	3,936,295	4,343,704	4,569,826	4,547,088
19	Other cash inflows	235,369	185,930	166,754	145,833	235,369	185,930	166,754	145,833
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	6,514,491	6,420,879	6,473,287	6,283,389	4,171,664	4,529,634	4,736,580	4,692,921
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	6,514,491	6,420,879	6,473,287	6,283,389	4,171,664	4,529,634	4,736,580	4,692,921
<b>TOTAL ADJUSTED VALUE</b>									
EU-21	LIQUIDITY BUFFER					22,016,723	21,545,415	21,316,202	21,985,408
22	TOTAL NET CASH OUTFLOWS					8,019,807	7,305,415	6,901,685	7,052,916
23	LIQUIDITY COVERAGE RATIO					275%	295%	309%	312%