

REGULATORY DISCLOSURE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

BRD - GROUPE SOCIÉTÉ GÉNÉRALE

CONTENTS

1 - INTRODUCTION	3
2 - OWN FUNDS	5
3 - CAPITAL REQUIREMENTS	12
4 - CREDIT RISK ADJUSTMENTS AND CREDIT RISK QUALITY	15
5 - ADDITIONAL QUANTITATIVE INFORMATION ON CREDIT RISK	20
6 - EXPOSURES SUBJECT TO MEASURES APPLIED IN RESPONSE TO THE COVID-19 CRISIS	22
7 - COUNTERCYCLICAL CAPITAL BUFFERS	24
8 - REMUNERATION POLICY	26
9 - LEVERAGE RATIO	30
10 - LIQUIDITY REQUIREMENTS	33
11 - INDEX OF TABLES.....	37

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 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 31st of December 2022.

For the disclosure requirements, BRD applies Article 13 (1) of CRR2, 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 throughout this report for the period ended 31st of December 2022 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).

As per NBR Instruction from August 2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (which sets out the reporting and disclosure requirements referred in EBA/GL/2020/07), BRD also discloses with a semi-annual frequency information on exposures subject to payment moratoria and public guarantees. Starting January 2023, this instruction ceases to apply, as EBA Guidelines on Covid-19 reporting and disclosure (EBA/GL/2020/07) have been repealed in response to the decreasing relevance of the related public support measures.

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.
- Starting 2021 end, BRD applies the 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 as regards certain adjustments in response to the COVID-19 pandemic (quick-fix adjustment). From 1st of January 2023 the quick-fix adjustment applied for the recognition of other comprehensive income reserve in own funds ceased its validity.

Thus, BRD discloses the comparison of institutions’ own funds and capital and leverage ratios with and without the application of the temporary treatment of unrealised gains and losses from debt instruments measured at fair value through other comprehensive income for the 2022 year end (Table 5).

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 December 31, 2022, unless otherwise stated.

2 - Own funds

The basis for calculation of own funds is the consolidated prudential perimeter.

The table below provides the full reconciliation of regulatory own funds with the equity elements in the audited IFRS financial statements. The table enables the identification of the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and shows the link between the balance sheet as published in the financial statements and the composition of regulatory own funds as disclosed in the Table 2 - EU CC1: Composition of regulatory own funds.

Table 1: EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

	Balance sheet as in published financial statements	Prudential restatements ⁽¹⁾	Under regulatory scope of consolidation	Reference to table 2 (EU CC1)
ASSETS				
Cash and due from Central Bank	7,625,002	-	7,625,002	-
Due from banks	7,220,963	-	7,220,963	-
Derivatives and other financial instruments held for trading	2,343,377	(6,066)	2,337,311	-
Financial assets at fair value through profit and loss	14,262	(6,130)	8,132	-
Financial assets at fair value through other comprehensive income	13,439,596	-	13,439,596	-
Financial assets at amortised cost	39,019,048	-	39,019,048	-
Loans, gross	38,053,311	-	38,053,311	-
Impairment allowance for loans	(1,764,969)	-	(1,764,969)	-
Loans and advances to customers, net	36,288,342	-	36,288,342	-
Treasury bills at amortised cost	2,730,706	-	2,730,706	-
Finance lease receivables	1,407,394	-	1,407,394	-
Investments in subsidiaries, associates and joint ventures	113,670	26,826	140,496	-
Property, plant and equipment	1,063,863	(273)	1,063,590	-
Investment property	15,503	-	15,503	-
Goodwill	50,130	-	50,130	1
Intangible assets	407,487	(336)	407,151	2
Current tax assets	23,563	-	23,563	-
Deferred tax asset	496,034	(281)	495,753	-
Other assets	601,875	(1,685)	600,190	-
TOTAL ASSETS	73,841,767	12,055	73,853,822	-
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to banks	636,888	-	636,888	-
Derivatives and other financial instruments held for trading	1,443,546	-	1,443,546	-
Due to customers	56,660,841	15,721	56,676,562	-
Borrowed funds	5,625,488	-	5,625,488	-
Subordinated debt	1,238,651	-	1,238,651	-
Current tax liability	5,595	(173)	5,422	-
Deferred tax liability	-	-	-	-
Provisions	393,452	-	393,452	-
Other liabilities	877,540	(3,493)	874,047	-
TOTAL LIABILITIES	66,882,001	12,055	66,894,056	-
Share capital	2,515,622	-	2,515,622	3
Other reserves	(2,054,109)	-	(2,054,109)	4
Retained earnings and capital reserves	6,439,441	-	6,439,441	5
Non-controlling interest	58,812	-	58,812	6
TOTAL EQUITY	6,959,766	-	6,959,766	-
TOTAL LIABILITIES AND EQUITY	73,841,767	-	73,853,822	-

⁽¹⁾ Prudential restatements refer to treatment differences of subsidiaries excluded from prudential consolidation scope, i.e. BRD Asset Management is included in prudential consolidation with equity method.

OWN FUNDS

BRD Group regulatory own funds as at December 31, 2022 amounted to RON 8,273 million (including 2022 year net result and the impact of OCI quick fix adjustment) compared to 7,422 million as at December 31, 2021 (including the 2021 profit net of dividends paid in amount of RON 896 million). The increase in own funds as compared to 2021 year end is mainly explained by the increase of Tier 2 capital, including the new subordinated loan concluded with the parent, in amount of EUR 150 million in June 2022. The positive contribution of the incorporation of full year 2022 net result was almost offset by the lower revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of rising yields (banking book government bonds).

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 reserve, general reserve for credit risk, fund for general banking risk, representing reserves established by the law and the 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. 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 as amended by Regulation (EU) 873/2020 as regards certain adjustments in response to the COVID19 pandemic.

Regulatory deductions from CET 1 applicable as at December 31, 2022 essentially involved the following elements:

- Starting 31 December 2020, goodwill and intangible assets that are not prudently valued 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 valued 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 2022 end, BRD's regulatory own funds consist of common equity capital (CET1) and Tier 2 instruments. Tier 2 instruments include two subordinated loans concluded with the parent, EUR 250 million in total (RON equivalent 1,237 million).

CAPITAL RATIOS AND REQUIREMENTS INCLUDING BUFFERS

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 CET1 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.

The tables below present a breakdown of the constituting elements of regulatory own funds as of December 31, 2022 and the main features of regulatory own funds instruments and eligible liabilities instruments.

Table 2: EU CC1 - Composition of regulatory own funds

	Amounts	Source based on references to the balance sheet under the regulatory scope of consolidation	
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	2,515,622	see EU CC2 (3)
	of which: Instrument type 1	-	-
	of which: Instrument type 2	-	-
	of which: Instrument type 3	-	-
2	Retained earnings	4,556,695	see EU CC3 (5), excluding the consolidated profit for 2022 (1328 MRON) which is shown below other reserves presented in lines 3 and EU-3a below (554 MRON)
3	Accumulated other comprehensive income (and other reserves)	(1,670,136)	-2054 MRON Accumulated other comprehensive income; +384 MRON other reserves see EU CC2 (4)
EU-3a	Funds for general banking risk	170,762	+171 MRON Funds for general banking risk
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-
5	Minority interests (amount allowed in consolidated CET1)	-	accounting minority interest not eligible for inclusion in CET 1 see EU CC2 (6)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,328,008	-
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	6,900,951	-
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(138,169)	-
8	Intangible assets (net of related tax liability) (negative amount)	(337,497)	deduction of intangibles that are not prudently valued as per CRR 2 part of EU CC2 (1,2)
9	Not applicable	-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-
12	Negative amounts resulting from the calculation of expected loss amounts	-	-
13	Any increase in equity that results from securitised assets (negative amount)	-	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-
15	Defined-benefit pension fund assets (negative amount)	-	-
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	-
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
20	Not applicable	-	-
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-
EU-20c	of which: securitisation positions (negative amount)	-	-
EU-20d	of which: free deliveries (negative amount)	-	-

21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17.65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Not applicable	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	(275,078)	Potential fiscal liabilities
26	Not applicable	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	886,428	+896 MRON accumulated other comprehensive income adjustment as per Article no 468, Regulation EU 873/2020 -10 MRON insufficient coverage for non-performing exposures;
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	135,685	
29	Common Equity Tier 1 (CET1) capital	7,036,636	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	7,036,636	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	Tier 2 (T2) capital before regulatory adjustments	-	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	1,236,850	
59	Total capital (TC = T1 + T2)	8,273,486	
60	Total Risk exposure amount	33,888,369	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	20.76%	
62	Tier 1 capital	20.76%	
63	Total capital	24.41%	
64	Institution CET1 overall capital requirements	12.24%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.44%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.50%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	3.30%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	16.26%	

National minima (if different from Basel III)		
69	Not applicable	-
70	Not applicable	-
71	Not applicable	-
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	8,133
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	90,533
74	Not applicable	-
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	351,299
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	9
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Table 3: EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments

	Own funds and eligible liabilities instruments					
	CET 1 instruments	Tier 2 instruments		MREL eligible liabilities		
		Instrument 1	Instrument 2	Instrument 1	Instrument 2	Instrument 3
1 Issuer	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale
2 Unique identifier (eg CLUSIP, ISIN or Bloomberg identifier for private placement)	ROBRDACNOR2	10861636	11183782	10861353	11261876	11492716
2a Public or private placement	Public, Private	Private	Private	Private	Private	Private
3 Governing law(s) of the instrument	Romanian Law	French Law (Ranking clauses are governed by Romanian Law)	French Law (Ranking clauses are governed by Romanian Law)	French Law (Ranking clauses are governed by Romanian Law)	French Law (Ranking clauses are governed by Romanian Law)	French Law (Ranking clauses are governed by Romanian Law)
3a Contractual recognition of write down and conversion powers of resolution authorities	N/A	Yes	Yes	Yes	Yes	Yes
Regulatory treatment						
4 Current treatment taking into account, where applicable, transitional CRR rules	CET 1 instrument	Tier 2 instrument	Tier 2 instrument	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities
5 Post-transitional CRR rules	CET 1 instrument	Tier 2 instrument	Tier 2 instrument	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities
6 Eligible at solo/(sub-)consolidated/ solo/(sub-)consolidated	solo and (sub-) consolidated	solo and (sub-) consolidated	solo and (sub-) consolidated	solo and (sub-) consolidated	solo and (sub-) consolidated	solo and (sub-) consolidated
7 Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Tier 2 instruments	Tier 2 instruments	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities
8 Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	2,516,000	494,740	742,110	2,226,330	742,110	593,688
9 Nominal amount of instrument	1	494,740	742,110	2,226,330	742,110	593,688
EU-9a Issue price	N/A	N/A	N/A	N/A	N/A	N/A
EU-9b Redemption price	N/A	N/A	N/A	N/A	N/A	N/A
10 Accounting classification	Shareholder's equity	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11 Original date of issuance		21-Dec-21	21-Jun-22	21-Dec-21	30-Jun-22	23-Dec-22
12 Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated	Dated
13 Original maturity date	N/A	21-Dec-31	21-Jun-32	21-Dec-24	30-Jun-25	12-Dec-25
14 Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15 Optional call date, contingent call dates and redemption amount	N/A	21-Dec-26	21-Jun-27	21-Dec-23	30-Jun-24	12-Dec-24
16 Subsequent call dates, if applicable	N/A	No	No	No	No	No
Coupons / dividends						
17 Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Fixed
18 Coupon rate and any related index	N/A	Euribor 3M + 1.98%	Euribor 3M + 4.31%	Euribor 3M + 0.86%	Euribor 3M + 1.98%	4.77%
19 Existence of a dividend stopper	No	N/A	N/A	N/A	N/A	N/A
EU-20a Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary	N/A	N/A	N/A	N/A	N/A
EU-20b Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	N/A	N/A	N/A	N/A	N/A
21 Existence of step up or other incentive to redeem	No	N/A	N/A	N/A	N/A	N/A
22 Noncumulative or cumulative	Non-cumulative	N/A	N/A	N/A	N/A	N/A
23 Convertible or non-convertible	N/A	Yes	Yes	Yes	Yes	Yes
24 If convertible, conversion trigger(s)	N/A	exercise of WDCCEL Power by resolution authority	exercise of WDCCEL Power by resolution authority	exercise of WDCCEL Power by resolution authority	exercise of WDCCEL Power by resolution authority	exercise of WDCCEL Power by resolution authority
25 If convertible, fully or partially	N/A	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially
26 If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27 If convertible, mandatory or optional conversion	N/A	Optional	Optional	Optional	Optional	Optional
28 If convertible, specify instrument type convertible into	N/A	shares, other securities or other obligations	shares, other securities or other obligations	shares, other securities or other obligations	shares, other securities or other obligations	shares, other securities or other obligations
29 If convertible, specify issuer of instrument it converts into	N/A	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale
30 Write-down features	N/A	Yes	Yes	Yes	Yes	Yes
31 If write-down, write-down trigger(s)	N/A	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority
32 If write-down, full or partial	N/A	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially
33 If write-down, permanent or temporary	N/A	Permanent	Permanent	Permanent	Permanent	Permanent
34 If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
34a Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	Statutory	Statutory	Statutory
EU-34b Ranking of the instrument in normal insolvency proceedings	Rank 1	Rank 2	Rank 2	Rank 3	Rank 3	Rank 3
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	the most subordinated claim in case of liquidation	junior to senior non preferred borrowings and senior preferred obligations of the borrower	junior to senior non preferred borrowings and senior preferred obligations of the borrower	junior to all senior preferred obligation of the borrower	junior to all senior preferred obligation of the borrower	junior to all senior preferred obligation of the borrower
36 Non-compliant transitional features	N/A	NO	NO	NO	NO	NO
37 If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

(1) Insert 'N/A' if the question is not applicable

ADDITIONAL QUANTITATIVE INFORMATION ON OWN FUNDS AND CAPITAL ADEQUACY

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 as at January 1, 2018.

In accordance with Article 468(3) of Regulation (EU) No 575/2013 as amended by Regulation (EU) 873/2020 as regards certain adjustments in response to the pandemic COVID-19 pandemic, BRD -

Groupe Société Générale has decided to apply the treatment of unrealised gains and losses resulting from fair value measurement through other comprehensive income provided for in Article 468(1) and (2) in the calculation of own funds.

As such, the table below discloses the comparison of BRD's own funds, capital and leverage ratios with and without the application of the temporary treatment in accordance with Article 468 of the CRR.

Table 4: IFRS 9/ Article 468 impact : Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR

		31.12.2022
Available capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	7,036,636
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,036,636
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	6,140,097
3	Tier 1 capital	7,036,636
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,036,636
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	6,140,097
5	Total capital	8,273,486
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,273,486
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	7,376,947
Risk-weighted assets (amounts)		
7	Total risk-weighted assets	33,888,369
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	33,888,369
8a	Total risk-weighted assets as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	34,315,780
Capital ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.76%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.76%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17.89%
11	Tier 1 (as a percentage of risk exposure amount)	20.76%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.76%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17.89%
13	Total capital (as a percentage of risk exposure amount)	24.41%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24.41%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	21.50%
Leverage ratio		
15	Leverage ratio total exposure measure	82,858,489
16	Leverage ratio	8.49%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.49%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article	7.49%

SUMMARY OF KEY PRUDENTIAL METRICS

Table 5: EU KM1 – Key metrics

		31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	7,036,636	6,183,677	6,242,612	6,376,890	6,926,784
2	Tier 1 capital	7,036,636	6,183,677	6,242,612	6,376,890	6,926,784
3	Total capital	8,273,486	7,420,927	7,478,962	6,871,550	7,421,594
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	33,888,369	34,425,325	33,831,763	32,501,603	31,362,483
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	20.76%	17.96%	18.45%	19.62%	22.09%
6	Tier 1 ratio (%)	20.76%	17.96%	18.45%	19.62%	22.09%
7	Total capital ratio (%)	24.41%	21.56%	22.11%	21.14%	23.66%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional CET1 SREP requirements (%)	5.8700%	5.8700%	5.8700%	5.8700%	4.5900%
EU 7b	Additional AT1 SREP requirements (%)	3.3019%	3.3019%	3.3019%	3.3019%	2.5819%
EU 7c	Additional T2 SREP requirements (%)	4.4025%	4.4025%	4.4025%	4.4025%	3.4425%
EU 7d	Total SREP own funds requirements (%)	13.8700%	13.8700%	13.8700%	13.8700%	12.5900%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.44%	0.01%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	1.50%	1.50%	1.50%	1.50%	1.00%
11	Combined buffer requirement (%)	4.44%	4.01%	4.00%	4.00%	3.50%
EU 11a	Overall capital requirements (%)	18.31%	17.88%	17.87%	17.87%	16.09%
12	CET1 available after meeting the total SREP own funds requirements (%)	12.96%	10.16%	10.65%	11.82%	15.00%
Leverage ratio						
13	Leverage ratio total exposure measure	82,858,489	80,216,587	79,558,740	81,038,089	76,500,052
14	Leverage ratio	8.49%	7.71%	7.85%	7.87%	9.05%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)						
EU 14a	Additional CET1 leverage ratio requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	Additional AT1 leverage ratio requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Additional T2 leverage ratio requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14d	Total SREP leverage ratio requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Applicable leverage buffer	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14f	Overall leverage ratio requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	21,545,415	21,316,202	21,985,408	22,163,338	21,677,385
EU 16a	Cash outflows - Total weighted value	11,835,049	11,638,265	11,745,837	11,233,301	10,932,470
EU 16b	Cash inflows - Total weighted value	4,529,634	4,736,580	4,692,921	4,499,125	4,735,923
16	Total net cash outflows (adjusted value)	7,305,415	6,901,685	7,052,916	6,734,177	6,196,547
17	Liquidity coverage ratio (%)	294.92%	308.86%	311.72%	329.12%	349.83%
Net Stable Funding Ratio						
18	Total available stable funding	55,985,040	54,507,290	53,305,280	52,849,427	55,530,214
19	Total required stable funding	30,657,595	29,759,776	29,215,201	27,930,574	29,079,802
20	NSFR ratio (%)	182.61%	183.16%	182.46%	189.22%	190.96%

3 - 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 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). 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 6: EU OV1 - Overview of total risk exposure amounts

	Total risk exposure amounts (TREA)		Total own funds requirements
	31.12.2022	31.12.2021	31.12.2022
1 Credit risk (excluding CCR)	30,767,529	28,463,833	2,461,402
2 Of which the standardised approach	30,767,529	28,463,833	2,461,402
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	518,074	555,525	41,446
7 Of which the standardised approach	299,904	289,456	23,992
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	-	-	-
EU 8b Of which credit valuation adjustment - CVA	218,169	266,069	17,454
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)	77,008	132,159	6,161
21 Of which the standardised approach	77,008	132,159	6,161
22 Of which IMA	-	-	-
EU 22a Large exposures	-	-	-
23 Operational risk	2,525,758	2,210,966	202,061
EU 23a Of which basic indicator approach	-	-	-
EU 23b Of which standardised approach	-	-	-
EU 23c Of which advanced measurement approach	2,525,758	2,210,966	202,061
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	1,104,581	526,569	-
25 Not applicable	-	-	-
26 Not applicable	-	-	-
27 Not applicable	-	-	-
28 Not applicable	-	-	-
29 Total	33,888,369	31,362,483	2,711,070

The minimum own funds requirements as at December 31, 2022 increased by 8% compared to December 31, 2021, mainly driven by increasing capital requirements for credit risk for corporates on higher net exposure value as a result of dynamic lending activity on this segment throughout 2022.

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.

BRD designed its ICAAP in line with the “Pillar 1+” approach and calculates its required internal capital by adding newly quantified risks to the minimum capital requirements resulting from Pillar 1.

Non-quantifiable risks are included if they are material, even if they can only be estimated. For these risks the Bank has implemented an appropriate qualitative approach such as a policy for mitigating/managing them. The Bank takes a conservative approach towards risks that are difficult to quantify, and allocates a general internal capital buffer to cover them in the ICAAP. In order to ensure scalability, the general capital buffer is computed as a given percentage applied to Pillar 1 capital requirements.

For some ICAAP risk categories, in line with local and regional practices, and also Basel recommendations, the Bank is not allocating internal capital based on specific methods/ capital models but is treating them based on a qualitative approach. As such, the Bank ensures that the risk is appropriately mitigated and managed through adequate risk policies, which include risk limits or control processes and sound risk monitoring processes.

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 outcome of the identification process is an inventory of material risks, called risk cartography of the risk appetite, updated annually, validated by the Executive Committee and approved by the Board of Directors.

The cartography below summarizes the risks identified as material following the 2022 exercise:

- Credit risk
- Liquidity and funding risks
- Market risk in trading book
- Structural risks (interest rate risk and FX risk in banking book)
- Operational risk
- Compliance risk
- Reputational risk
- Strategic risk
- Excessive leverage risk

Climate-related and environmental risks have been identified as factors that could aggravate the existing risk categories.

The scope of the risks included in the Risk Appetite Statement and in the ICAAP is derived from the results of this exercise. All the risks identified as significant are captured within ICAAP, with more detailed view, at the level of risk sub-category, as follows:

- Credit risk
- Other risks associated to credit risk, out of which: risks arising from FX lending to unhedged borrowers, residual risk from usage of CRMs, risks arising from applying less sophisticated approaches under Pillar 1, credit risk associated with the exposures falling under the PIK law
- Credit risk concentration: individual concentration and sectorial concentration
- Market risk: foreign exchange risk and interest rate risk in the trading book (position risk)

- CVA risk
- Settlement/delivery risk
- Operational risk
- Liquidity and funding risk
- Interest rate risk in banking book
- Strategic risk
- Risk of excessive leverage
- Other risks: reputational risk, compliance risk and model risk

Inter-risk concentration is also considered. BRD has developed a corresponding methodology for its identification and measurement, based on which the need for additional capital requirement in Pillar 2 is determined.

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 Management Strategy and on the Risk Appetite Statement, BRD 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.

4 - Credit risk adjustments and credit risk quality

According to Article 442 of Regulation (EU) No 2019/876, credit institutions should disclose information regarding credit quality of assets. Qualitative comments as per *Table EU CRB – Additional disclosure related to the credit quality of assets*, are presented below.

The definitions of 'past due' and 'impaired' used by the Bank for accounting purposes are presented below:

- **Past due**

Past due exposures include all receivables (outstanding principal, interest and past due amounts) that are not individually impaired but are at least one day past due. The past due status is measured in number of days passed since the due date. For the purpose of default classification (further explained), the reference to number of days past due envisages clearly defined materiality thresholds (considering principal, interest, fees and other obligations related to loans and commitments), by type of client: Retail and Non-Retail.

- **Impaired assets**

According to IFRS 9, a financial asset is considered “credit-impaired financial asset” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The concepts of *impairment* for accounting purposes and *default* for regulatory purposes are convergent, comprising of the following events:

- past due event (more than 90 days past due on any material credit obligation)
- indications of unlikeliness to pay (such as: severe alteration in the counterparty's financial standing leading to a high probability of it being unable to fulfil its overall commitments, recovery actions initiated by the Bank, ongoing legal procedures that may lead to avoiding or deferring the payment of a credit obligation, restructuring under the circumstances of financial hardship experienced by the debtor)

The Bank assesses on an 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 through other comprehensive income, loan commitments and financial guarantee contracts, contract assets and trade receivables.

Financial assets subject to loss allowances are 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 12 months ECL
- **Stage 2** - when a financial asset showed significant increase in credit risk since initial recognition, though not impaired; Loss allowance shall be equal to lifetime expected credit losses (“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 Bank established criteria to perform the assessment of significant increase in credit risk since initial recognition considering both relative and absolute thresholds.

The approaches adopted by the Bank for determining credit risk adjustments are described below:

Stages 1 and 2

ECL for non-defaulted financial assets (Stages 1 and 2) are computed collectively, based on homogenous groups. The Bank groups financial assets on the basis of similar credit risk characteristics (type of client, client rating, type of product, type of collateral) that are indicative of the debtors' ability to pay all amounts due, according to the contractual terms.

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;

Two different PDs are needed:

- 12-month PD (exposures in Stage 1): estimated probability of default for the next 12 months horizon (or over the remaining life of the financial instrument, if less than 12 months);
- Lifetime PD (LT PD - exposures in Stage 2): estimated probability of default over the remaining life of the financial instrument.
- 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 Factors (“CCF”);
- Point in time and forward looking transformation for ECL parameters.

Stage 3 ECL

ECL for impaired financial assets is measured either individually or collectively (based on homogenous groups). The **individual assessment** entails the assessment of the counterparty risk (translated into a rating / classification based on debtor’s financial position and its economic perspectives) and the estimation of the possible recoveries: the analysis shall identify and quantify the future cash flows, which will be used for a total or partial reimbursement of the obligations towards the Bank. The cash flow estimation relies on the capacity of the client/business to generate revenues, the proceeds resulting from sale of collaterals, or other clearly identified sources of repayment. An impaired financial asset is classified as individually significant if the total exposure exceeds a predefined materiality limit.

For impaired financial assets that are not individually significant, the ECL is computed for **homogeneous pools of receivables** and estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Statistical methods are used to determine impairment losses at homogeneous group level, considering the cash flows for the remaining life of an asset.

Overlays

The inputs and models used for calculating ECL may not always capture all characteristics of the market at reporting date. 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).

According to Article 442 of Regulation (EU) No 2019/876, credit institutions should disclose information regarding credit quality of assets.

The following tables present the information on the amounts and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet, including their related accumulated impairment, provision and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received. The credit quality of forborne exposures and of performing and non-performing exposures is presented by geographical area and industry sector, with provisions and associated collateral.

The non-performing loan (NPL) ratio at BRD Group level at December 31, 2022 was 3.11% (lower than the 5% threshold which, according to EBA ITS, triggers additional disclosures on credit risk quality). This ratio is calculated in accordance with the instructions relating to the requirements of prudential disclosures published by the EBA, and represents the ratio of the gross carrying amount of NPLs and advances to the total gross carrying amount of loans and advances subject to the NPE (non performing

exposures) definition. For the purpose of this calculation, loans and advances classified as held for sale, cash balances at central banks and other demand deposits are to be excluded both from the denominator and from the numerator.

Table 7: EU CR1 - Performing and non-performing exposures and related provisions

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures	
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3					
005 Cash balances at central banks and other demand deposits	5,504,754	5,504,754	-	-	-	-	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	44,562,492	34,997,919	9,564,574	1,431,143	-	1,431,143	(979,909)	(368,448)	(611,461)	(1,074,883)	-	(1,074,883)	-	22,812,084	231,132	
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	564,302	534,917	29,385	21,514	-	21,514	(7,657)	(6,235)	(1,422)	(7,007)	-	(7,007)	-	94,914	-	
040 Credit institutions	6,555,445	6,555,380	64	13	-	13	(36)	(36)	-	(13)	-	(13)	-	-	-	
050 Other financial corporations	415,739	149,451	266,287	106	-	106	(12,754)	(491)	(12,263)	(94)	-	(94)	-	8,399	4	
060 Non-financial corporations	14,261,680	12,569,543	1,692,137	540,935	-	540,935	(337,862)	(231,981)	(105,882)	(401,352)	-	(401,352)	-	8,355,293	119,763	
070 Of which SMEs	7,817,134	6,673,587	1,143,547	450,123	-	450,123	(209,073)	(132,109)	(76,964)	(339,447)	-	(339,447)	-	5,980,294	92,531	
080 Households	22,765,327	15,188,627	7,576,700	868,575	-	868,575	(621,601)	(129,707)	(491,894)	(666,417)	-	(666,417)	-	14,353,478	111,366	
090 Debt securities	17,170,733	17,170,733	-	-	-	-	(6,828)	(6,828)	-	-	-	-	-	-	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	16,680,188	16,680,188	-	-	-	-	(6,357)	(6,357)	-	-	-	-	-	-	-	-
120 Credit institutions	200,576	200,576	-	-	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	273,143	273,143	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	16,827	16,827	-	-	-	-	(471)	(471)	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	22,028,030	18,934,833	3,093,197	212,582	-	212,582	187,083	132,833	54,250	150,750	-	150,750	-	4,060,146	35,191	
160 Central banks	5,093	5,093	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170 General governments	140,389	135,332	5,057	-	-	-	595	589	5	-	-	-	-	4,816	-	
180 Credit institutions	1,077,400	1,075,743	1,657	-	-	-	284	284	-	-	-	-	-	995,257	-	
190 Other financial corporations	1,547,216	1,462,298	84,918	-	-	-	834	561	273	-	-	-	-	10,725	-	
200 Non-financial corporations	17,273,549	14,370,658	2,902,891	193,109	-	193,109	178,134	127,588	50,546	147,834	-	147,834	-	3,045,307	35,052	
210 Households	1,984,383	1,885,710	98,673	19,473	-	19,473	7,235	3,810	3,425	2,916	-	2,916	-	4,042	138	
220 Total	89,266,009	76,608,239	12,657,770	1,643,724	-	1,643,724	(799,655)	(242,444)	(557,211)	(924,133)	-	(924,133)	-	26,872,230	266,323	

Table 8: EU CR1 - A: Maturity of exposures

	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1 Loans and advances	-	19,901,166	12,011,878	12,025,798	-	43,938,843
2 Debt securities	-	1,419,135	8,166,600	10,416,439	-	17,163,905
3 Total	-	18,482,032	20,178,479	22,442,237	-	61,102,748

Table 9: EU CQ1 - Credit quality of forbore exposures

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures	
	Performing forbore	Non-performing forbore		On performing forbore exposures	On non-performing forbore exposures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures		
		Of which defaulted	Of which impaired					
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	48,136	331,150	331,150	331,150	(5,005)	(244,459)	69,792	43,737
020 Central banks	-	-	-	-	-	-	-	-
030 General governments	-	21,337	21,337	21,337	-	(6,844)	-	-
040 Credit institutions	-	-	-	-	-	-	-	-
050 Other financial corporations	-	-	-	-	-	-	-	-
060 Non-financial corporations	2,877	213,109	213,109	213,109	(112)	(176,149)	31,006	24,057
070 Households	45,260	96,704	96,704	96,704	(4,893)	(61,466)	38,786	19,681
080 Debt Securities	-	-	-	-	-	-	-	-
090 Loan commitments given	223	499	499	499	2	395	-	-
100 Total	48,359	331,649	331,649	331,649	(5,002)	(244,064)	69,792	43,737

Table 10: EU CQ3: Credit quality of performing and non-performing exposures by past due days

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	5,504,754	5,504,754	-	-	-	-	-	-	-	-	-	
010	Loans and advances	44,562,492	44,317,730	244,762	1,431,143	681,128	180,622	159,339	252,087	72,877	34,866	50,224	1,431,143
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	564,302	564,296	6	21,514	21,351	14	27	121	1	-	-	21,514
040	Credit institutions	6,555,445	6,555,445	0	13	0	1	1	11	-	-	-	13
050	Other financial corporations	415,739	415,735	3	106	12	7	20	66	-	-	-	106
060	Non-financial corporations	14,261,680	14,237,426	24,254	540,935	309,826	55,537	43,765	83,428	8,284	5,989	34,104	540,935
070	Of which SMEs	7,817,134	7,795,071	22,063	450,123	262,177	43,344	29,275	69,760	8,044	5,890	31,633	450,123
080	Households	22,765,327	22,544,828	220,499	868,575	349,938	125,063	115,525	168,461	64,592	28,876	16,120	868,575
090	Debt securities	17,170,733	17,170,733	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	16,680,188	16,680,188	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	200,576	200,576	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	273,143	273,143	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	16,827	16,827	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	22,028,030	-	-	212,582	-	-	-	-	-	-	-	212,582
160	Central banks	5,093	-	-	-	-	-	-	-	-	-	-	-
170	General governments	140,389	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	1,077,400	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	1,547,216	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	17,273,549	-	-	193,109	-	-	-	-	-	-	-	193,109
210	Households	1,984,383	-	-	19,473	-	-	-	-	-	-	-	19,473
220	Total	89,266,009	66,993,217	244,762	1,643,724	681,128	180,622	159,339	252,087	72,877	34,866	50,224	1,643,724

Table 11: EU CQ4 - Quality of non-performing exposures by geography

		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing	Of which subject to impairment					
			Of which defaulted					
010	On-balance-sheet exposures	63,164,368	1,431,143	1,431,143	63,164,368	(2,061,620)	-	
020	Romania	51,314,496	1,428,189	1,428,189	51,314,496	(2,047,311)	-	
030	Germany	1,354,466	124	124	1,354,466	(350)	-	
040	Austria	258,714	12	12	258,714	(29)	-	
050	France	8,175,595	552	552	8,175,595	(819)	-	
060	Belgium	619,733	196	196	619,733	(195)	-	
070	Czech Republic	350,653	23	23	350,653	(50)	-	
	Other countries	1,090,711	2,047	2,047	1,090,711	(12,867)	-	
080	Off-balance-sheet exposures	22,240,612	212,582	212,582	-	337,833	-	
090	Romania	19,413,635	212,552	212,552	-	331,368	-	
100	Germany	284,936	-	-	-	24	-	
110	Austria	3,160	-	-	-	23	-	
120	France	309,593	3	3	-	341	-	
130	Belgium	23,670	-	-	-	336	-	
140	Czech Republic	1,346,867	-	-	-	0	-	
	Other countries	858,751	26	26	-	5,742	-	
150	Total	85,404,979	1,643,724	1,643,724	63,164,368	(2,061,620)	337,833	

Table 12: EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry

		Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures	
			Of which non-performing	Of which loans and advances subject to impairment			
							Of which defaulted
010	Agriculture, forestry and fishing	1,437,162	58,822	58,822	1,437,162	(92,286)	-
020	Mining and quarrying	42,229	1,919	1,919	42,229	(2,300)	-
030	Manufacturing	2,640,036	60,299	60,299	2,640,036	(103,916)	-
040	Electricity, gas, steam and air conditioning supply	1,651,872	27,484	27,484	1,651,872	(27,050)	-
050	Water supply	135,955	1,970	1,970	135,955	(4,330)	-
060	Construction	999,895	119,719	119,719	999,895	(111,960)	-
070	Wholesale and retail trade	3,880,234	61,807	61,807	3,880,234	(120,971)	-
080	Transport and storage	1,008,390	35,241	35,241	1,008,390	(51,334)	-
090	Accommodation and food service activities	328,821	48,624	48,624	328,821	(40,637)	-
100	Information and communication	516,002	3,082	3,082	516,002	(7,409)	-
110	Financial and insurance activities	503,158	1,972	1,972	503,158	(12,819)	-
120	Real estate activities	672,779	69,106	69,106	672,779	(78,127)	-
130	Professional, scientific and technical activities	197,618	26,769	26,769	197,618	(25,606)	-
140	Administrative and support service activities	200,875	6,335	6,335	200,875	(8,664)	-
150	Public administration and defense, compulsory social security	1,815	21	21	1,815	(143)	-
160	Education	36,851	656	656	36,851	(3,935)	-
170	Human health services and social work activities	434,934	4,651	4,651	434,934	(16,603)	-
180	Arts, entertainment and recreation	72,787	1,482	1,482	72,787	(3,083)	-
190	Other services	41,202	10,974	10,974	41,202	(28,041)	-
200	Total	14,802,615	540,935	540,935	14,802,615	(739,215)	-

Table 13: EU CQ7 - Collateral obtained by taking possession and execution processes

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	-	-
020	Other than PP&E	5,080	(87)
030	Residential immovable property	1,381	-
040	Commercial Immovable property	-	-
050	Movable property (auto, shipping, etc.)	3,699	(87)
060	Equity and debt instruments	-	-
070	Other collateral	-	-
080	Total	5,080	(87)

In IFRS financial statements repossessed assets are classified in other assets category or as other assets held for sale based on business intention.

5 - Additional quantitative information on credit risk

To reduce the credit risk associated with its exposures, BRD seeks to use collateral as credit risk mitigation (CRM) technique, where possible.

The table below shows the amount of unsecured loans and secured loans, either by collateral or financial guarantees.

Table 14: EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

	Unsecured carrying amount	Secured carrying amount				
			Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives	
1	Loans and advances	26,400,381	23,043,216	18,637,701	4,405,514	-
2	Debt securities	17,163,905	-	-	-	-
3	Total	43,564,286	23,043,216	18,637,701	4,405,514	-
4	Of which non-performing exposures	125,128	231,132	204,738	26,394	-
EU-5	Of which defaulted	125,128	231,132			

Note: Loans and advances from the table above include also exposure from central banks and sight deposits.

MAIN TYPES OF SECURITIES ACCEPTED AS CREDIT RISK MITIGATION TECHNIQUES

According to Article 453 of Regulation (EU) No 2019/876, credit institutions should disclose information regarding the use of credit risk mitigation techniques. Qualitative comments as per *Table EU CRC – Qualitative disclosure requirements related to CRM techniques*, are presented below.

BRD has a cash flow-based lending approach, as the Bank expects the debt to be serviced primarily through the future cash flow / income generated by the debtor. Thus, credit risk mitigation techniques, in the form of collateral (funded credit protection) or guarantee (unfunded credit protection), are accepted merely to mitigate credit risk and they cannot serve as a substitute for the borrower's ability to meet obligations, which is the main credit decision driver. Their scope is to minimize the loss in case of debtor's default, through lowering the credit losses with the collateral execution proceeds or through transferring the risk to the guarantee's issuer.

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).

Policies and processes for collaterals'/ guarantees' valuation and management

In order to reduce its credit risk-taking, BRD pursued an active management of securities by:

- Following a collateral policy structured along the dimensions presented below:
 - types of security accepted by the Bank
 - strict criteria for validation, acceptance and eligibility of collateral/ guarantee
 - principles governing the management of securities, as well as of the roles and responsibilities involved in the process

- Assessments performed during the credit approval/ monitoring processes, on the guarantees and/ or collateral, from eligibility, validity and legal enforceability perspectives
- Periodical evaluation of the collateral portfolio, in order to reduce the discrepancies between the market value of collaterals and the value used by the Bank in its internal processes (monitoring, provisioning etc.)
- Estimation of the collateral recovery value by applying discount coefficients to its market value, when determining the level of provisions on individual assessment basis
- Regular monitoring through specific risk indicators
- Internal controls performed on valuation activity
- Implementing a set of risk management principles regarding concentration on credit risk mitigations techniques and, in order to ensure an appropriate monitoring, concentration limits defined on single protection provider.

For **Real estate collaterals** the market value is estimated by external or internal certified evaluators. The valuation is performed in accordance with the International Valuation Standards and ANEVAR Standards and Recommendations. Real estate valuations are verified by the competent units, independently from the credit approval process. The Bank uses the market approach and income approach as valuation methods for real estate. 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.

Movable assets collaterals (machinery& equipment, inventories, other movables) are appraised based on the value recognized for financial or other related purposes (balance sheet, insurance etc.). The Bank monitors the movable assets market value on a frequent basis, but at least yearly. If the market is subject to significant changes, market value is monitored more frequently.

Before a **guarantee** is accepted, the protection provider is assessed in order to measure its solvency and risk profile, using the same principles as for direct credit exposures towards BRD's clients/ counterparties. 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 intermediation of guarantee funds (FNGCMM or FGCR) or Eximbank, mainly *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.

The breakdown of net exposures to credit risk (excluding CCR) by exposure class before and post CCF and CRM, as per COREP report as of December 31, 2022, is presented in the table below.

Table 15: EU CR4 - standardised approach – Credit risk exposure and CRM effects

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
1 Central governments or central banks	22,682,509	5,093	28,116,661	459,543	111,739	0.39%
2 Regional government or local authorities	1,020,053	114,007	1,030,240	56,855	299,021	27.51%
3 Public sector entities	11	40,502	11	4,954	4,966	0.00%
4 Multilateral development banks	473,718	-	516,167	4,318	-	0.00%
5 International organisations	-	-	-	-	-	0.00%
6 Institutions	1,287,208	1,026,351	1,287,208	558,438	549,068	29.75%
7 Corporates	12,378,718	18,207,717	10,843,427	4,841,026	14,439,016	92.06%
8 Retail	14,804,302	2,227,007	10,748,721	1,031,520	8,631,146	73.27%
9 Secured by mortgages on immovable property	9,115,549	105,943	9,115,549	53,931	3,405,630	37.14%
10 Exposures in default	330,833	60,000	276,285	25,250	308,392	102.27%
11 Exposures associated with particularly high risk	-	-	-	-	-	0.00%
12 Covered bonds	-	-	-	-	-	0.00%
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
14 Collective investment undertakings	-	-	-	-	-	0.00%
15 Equity	148,627	-	148,627	-	284,427	191.37%
16 Other items	4,738,523	-	4,738,523	-	2,734,124	57.70%
17 TOTAL	66,980,054	21,786,621	66,821,421	7,035,835	30,767,529	41.66%

6 - Exposures subject to measures applied in response to the COVID-19 crisis

The outbreak of the COVID-19 pandemic has prompted rapid social and economic responses worldwide. Within the EU, Member States have implemented a broad range of support measures aimed at minimizing the medium- and long-term economic impacts of the pandemic. The response included some forms of moratorium on payments of credit obligations (with the aim of supporting the operational and liquidity challenges faced by borrowers), introduced either jurisdiction-wide (legislative moratorium) or voluntary industry-wide or through individual initiatives by institutions (non-legislative moratorium). In Romania, the moratorium reflects a combination of statewide legislation (GEO 37/2020, and GEO 227/2021) and various initiatives of the banking system.

In addition to legislative moratorium provisions, BRD has also designed internal deferral programs in order to support its debtors under the temporary distress. These measures fall into the non-legislative category.

In this context, EBA issued guidelines (EBA/GL/2020/08) to clarify the requirements for public and private moratoria, which if fulfilled, will help avoid the classification of exposures under the definition of forbearance or as defaulted under distressed restructuring. In addition, in order to ensure an appropriate understanding of institutions' risk profile and asset quality, and to strengthen transparency, in accordance to EBA/GL/2020/07, credit institutions identified as O-SII are subject to: i) disclosure requirements on exposures subject to legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, and ii) disclosure requirements on newly originated exposures that are subject to public guarantee schemes applied in response to the COVID-19 crisis.

The decreasing relevance of the public support measures, which was the focus of the guidelines, has led the EBA to the decision to repeal the Guidelines on Covid-19 reporting and disclosure (EBA/GL/2020/07) starting from 1 January 2023.

The below tables, are prepared according to EBA/GL/2020/07, with the reference date, December 31, 2022, legislative and non-legislative moratoria for loans and advances as of date are expired.

Table 16: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

	Number of obligors	Gross carrying amount						
		Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1 Loans and advances for which moratorium was offered	36,420	2,201,860						
2 Loans and advances subject to moratorium (granted)	32,292	2,100,336	1,262,235	2,100,336	-	-	-	-
3 of which: Households		1,763,142	1,091,071	1,763,142	-	-	-	-
4 of which: Collateralised by residential immovable property		1,469,058	871,516	1,469,058	-	-	-	-
5 of which: Non-financial corporations		337,195	171,164	337,195	-	-	-	-
6 of which: Small and Medium-sized Enterprises		290,344	146,571	290,344	-	-	-	-
7 of which: Collateralised by commercial immovable property		108,675	75,986	108,675	-	-	-	-

An additional measure within the relief package to support the economy at national level was the approval of an envelope of state guarantees and interest subsidies to support SME sector financing within IMM INVEST loan facility program. Information related to the balance of loans and advances provided under applicable public guarantee schemes introduced in response to COVID-19 crisis is presented in the table below.

Table 17: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
1 Newly originated loans and advances subject to public guarantee schemes	1,755,031	-	1,293,513	3,065
2 of which: Households	-	-	-	-
3 of which: Collateralised by residential immovable property	-	-	-	-
4 of which: Non-financial corporations	1,755,031	-	1,293,513	3,065
5 of which: Small and Medium-sized Enterprises	1,747,518	-	-	3,065
6 of which: Collateralised by commercial immovable property	39,358	-	-	-

7 - Countercyclical capital buffers

The countercyclical capital buffer (CCB) is part of the macro prudential toolkit included in the CRD /CRR legislative framework. The European Systemic Risk Board (ESRB) recommends this instrument to be implemented in order to reduce and prevent excessive credit growth and leverage. The aim of the CCB is to improve the banking sector's resilience to possible shocks. The decision to activate the countercyclical capital buffer is based on the deviation of the credit-to-GDP ratio from its long-term trend (the main indicator, as recommended by the ESRB), as well as the analysis of additional indicators capturing potential vulnerabilities in the development of credit and leverage. The release of the CCB should take place either as a result of the materialization of the risk or as a result of the successful mitigation of said risk.

The countercyclical capital buffer is aimed at monitoring the credit market developments at aggregate level. However, the structure of lending is also analyzed in order to identify any disproportionate build-up of risks (e.g. a concentration of foreign currency lending). Should this be the case, additional macro prudential tools, such as Loan To Value or Debt Service To Income ratios or sectoral limits, could be implemented (as set forth in the ESRB recommendations as well).

A Countercyclical Buffer may be imposed during periods of excessive credit growth when system-wide risk is building up and is capped at 2.5% of total RWA. According to NBR Order 12/2015 the level of countercyclical buffer was established at 0% for credit exposures in Romania. To be mentioned that NBR issued Order 6/ Nov 2021 amending the NBR Order 12/2015, according to which the level of countercyclical buffer for credit exposures in Romania is 0.5% (from 0% previously), applicable starting October 17, 2022. Further, according to NBR Order 7/ 2022 amending the NBR Order 12/2015, the level of countercyclical buffer for credit exposures in Romania will be 1%, applicable starting October 23, 2023.

BRD Group maintained an overall countercyclical buffer rate of 0.4412130% of total risk weighted assets (149.52 million RON) at December 31, 2022, driven by relevant credit risk exposures on Romanian entities.

The geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer is presented in the table below.

Table 18: EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)	
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total				
010 Breakdown by country:														
Romania	41,183,576	-	-	-	-	41,183,576	2,337,037	-	-	2,337,037	29,212,965	97.44%	0.50%	
Czech Republic	223,926	-	-	-	-	223,926	17,906	-	-	17,906	223,827	0.80%	1.50%	
Luxembourg	4,908	-	-	-	-	4,908	322	-	-	322	4,023	0.01%	0.50%	
Bulgaria	4,615	-	-	-	-	4,615	252	-	-	252	3,154	0.01%	1.00%	
Denmark	2,187	-	-	-	-	2,187	159	-	-	159	1,992	0.01%	2.00%	
Sweden	976	-	-	-	-	976	36	-	-	36	447	0.00%	1.00%	
Norway	180	-	-	-	-	180	5	-	-	5	65	0.00%	2.00%	
Islad	55	-	-	-	-	55	2	-	-	2	19	0.00%	2.00%	
Slovakia	1	-	-	-	-	1	0	-	-	0	1	0.00%	1.00%	
Estonia	0	-	-	-	-	0	0	-	-	0	0	0.00%	1.00%	
Other countries	532,457	-	-	-	-	532,457	38,835	-	-	38,835	485,433	1.73%	0.00%	
020 Total	41,952,881	-	-	-	-	41,952,881	2,394,554	-	-	2,394,554	29,931,925	100%		

Table 19: EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		31.12.2022	31.12.2021
1	Total risk exposure amount	33,888,369	31,362,483
2	Institution specific countercyclical capital buffer rate	0.4412130%	0.0040301%
3	Institution specific countercyclical capital buffer requirement	149,520	1,264

8 - Remuneration policy

BRD's remuneration principles provide a strong alignment between the achievement of long-term strategic objectives, values, long-term interests of the Bank and delivery of value to shareholders, align the interest of the Bank and of its clients, employees and shareholders and prevent inadequate risk appetite and imprudent conduct. The Remuneration Policy is an integral part of the Bank's overall business strategy.

BRD's Remuneration Committee is a permanent consultative committee that supports the Board of Directors in performing its responsibilities regarding the elaboration and supervision of the implementation of the Remuneration Policy.

In 2022, the Committee consisted of 3 members: Mrs. Liliana-Ionescu Feleaga (Chairman), Mr. Giovanni Luca Soma (Member) and Mr. Jean Pierre Vigroux (Independent member).

The Remuneration Committee meets annually, or whenever necessary. In 2022, 5 meetings of the Remuneration Committee took place. All the 3 members attended to the Remuneration Committee's meetings.

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 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.

During 2022, the Remuneration Committee did not use external consultants, basing their decisions on their expertise and that of the Human Resources Department.

The Bank ensures a correct and competitive remuneration, by strictly complying with competences and performances, with 2 components correctly proportioned:

- fixed component
- variable component.

The Bank respects 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.

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 sustainable and risk-adjusted performance as well as the performance that exceeds the necessary performance to fulfil 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.

Since it is correlated to performance, variable remuneration is based on a combination of the general results of the Bank and performance of the structure in cause, in which the activity is developed, as well as of evaluation of individual performance.

The remuneration of the control functions personnel shall not be linked to the performance of the activities that the control function monitors and controls, but to achieving the objectives of those functions.

Performance evaluation of employees is accomplished in a multiannual frame, to ensure that the evaluation process is based on the long-term performance and that the effective payment of the remuneration components based on performance is stretched on a period considering the business cycle of the Bank and the risks specific to its activities.

The performance evaluation must integrate in particular the criteria of:

- sound and prudent risk management;
- quality of services provided to clients;
- respect for clients' interests and their fair treatment;
- sustainability risks.

The Bank may decide to reduce partially or completely the granting of variable remuneration if it cannot be supported in accordance with the overall financial situation of the Bank and if it can not be justified by the performance of the structure in which the activity is carried out and by that of 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 clients, so:

- Sales process is in the client's interest;
- Do not promote the provision of a specific product/ service or a category of products/ services over others products/ services such as products/ services which are more profitable for the institution or for an employee, to the detriment of the client.

The special principles applicable to the categories of identified staff are:

- The variable remuneration may decrease or not even 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 of 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 harmonize 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 against the currency risk using derivatives.

For Executive Committee members, 60% of the variable remuneration is deferred for a period of 5 years.

For Identified Staff not members of the Executive Committee, between 40 and 60% of the variable remuneration is deferred for a period of 4 years.

The ratio between fix and variable remuneration in BRD is maximum 1:1, in line with NBR's Regulation no 5/2013.

Aggregate financial information regarding remuneration for 2022 is presented below. Amounts are expressed in EUR.

Table 20: EU REM1 - Remuneration awarded for the financial year

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Number of identified staff	8	7	5	36
2	Total fixed remuneration	226,478	2,639,454	862,364	3,723,531
3	Of which: cash-based	226,478	2,639,454	862,364	3,723,531
4	(Not applicable in the EU)	-	-	-	-
EU-4a	Fixed remuneration	-	-	-	-
5	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x	Of which: other instruments	-	-	-	-
6	(Not applicable in the EU)	-	-	-	-
7	Of which: other forms	-	-	-	-
8	(Not applicable in the EU)	-	-	-	-
9	Number of identified staff	8	7	5	36
10	Total variable remuneration	-	1,209,817	254,795	934,882
11	Of which: cash-based	-	542,973	168,868	677,045
12	Of which: deferred	-	283,256	34,371	94,737
EU-13a	Of which: shares or equivalent ownership interests	-	-	-	21,000
EU-14a	Of which: deferred	-	-	-	21,000
EU-13b	Variable remuneration	-	666,844	85,927	236,837
EU-14b	Of which: deferred	-	407,130	34,371	94,737
EU-14x	Of which: other instruments	-	-	-	-
EU-14y	Of which: deferred	-	-	-	-
15	Of which: other forms	-	-	-	-
16	Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)	226,478	3,849,271	1,117,159	4,658,413

There were no special payments to staff whose professional activities have a material impact on institution's risk profile (identified staff) during 2022 as required to be disclosed in template EU REM2.

Table 21: EU REM3 - Deferred remuneration

	Defered and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	2,186,379	528,610	1,657,769	-	-	-	679,527	197,892
8	Cash-based	707,879	290,938	416,941	-	-	-	290,900	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	1,478,499	237,671	1,240,828	-	-	-	388,626	197,892
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	73,940	17,847	56,293	-	-	-	42,725	42,725
14	Cash-based	25,699	9,272	16,427	-	-	-	9,490	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	48,242	8,375	39,867	-	-	-	33,234	42,725
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	154,746	59,018	95,728	-	-	-	65,702	39,701
20	Cash-based	35,558	14,272	21,286	-	-	-	14,273	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	119,188	44,746	74,442	-	-	-	51,429	39,701
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	2,415,066	605,275	1,809,791	-	-	-	787,954	280,317

Table 22: EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	-
3	2 000 000 to below 2 500 000	-
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-
x	To be extended as appropriate, if further payment bands are needed.	-

Table 23: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institution's risk profile (identified staff)

	Management body remuneration			Business areas					Total
	MB Supervisory function	MB Management function	Total MB	Investment banking & Asset management	Retail banking	Corporate functions	Independent internal control functions	All other	
1 Total number of identified staff	8	7	15	2	11	11	9	7	56
2 Of which: members of the MB	8	7	15	-	-	-	-	-	-
3 Of which: other senior management	-	-	-	-	5	-	-	-	-
4 Of which: other identified staff	-	-	-	2	6	11	9	7	-
5 Total remuneration of identified staff	226,478	3,849,271	4,075,749	309,852	2,015,399	1,767,704	1,505,096	47,563	9,851,321
6 Of which: variable remuneration	-	1,209,817	1,209,817	84,280	441,000	296,997	329,793	-	2,399,494
7 Of which: fixed remuneration	226,478	2,639,454	2,865,932	225,572	1,574,399	1,470,707	1,175,303	47,563	7,451,827

9 - Leverage ratio

BRD computes and reports leverage ratio which is designed specifically to limit the risk of excessive leverage in credit institutions, in accordance with CRR2 provisions applicable since end June 2021.

The leverage ratio of BRD Group is well above the 3% minimum requirement, level enforced based on Regulation 2019/876 amending CRR starting with June 2021. It stands at 8.49% as at December 31, 2022, considering a Tier 1 capital amount of RON 7,037 million and a leverage exposure of RON 82,858 million (versus 9.05% as of December 31, 2021 considering a Tier 1 capital amount of RON 6,926 million and a leverage exposure of RON 76,500 million).

The consistent level of leverage ratio results from the strong capital base, namely high level of Common Equity Tier 1 capital and a balance-sheet structure specific to the universal bank business model with core focus on retail activities.

Table 24: EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

	Applicable amount
1 Total assets as per published financial statements	73,841,767
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	12,567
3 (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4 (Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5 (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6 Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7 Adjustment for eligible cash pooling transactions	-
8 Adjustment for derivative financial instruments	431,251
9 Adjustment for securities financing transactions (SFTs)	164,843
10 Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	7,997,299
11 (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12 Other adjustments	410,763
13 Total exposure measure	82,858,489

Table 25: EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures		
		31.12.2022	30.06.2022	31.12.2021
On-balance sheet exposures (excluding derivatives and SFTs)				
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	67,470,890	67,545,382	67,523,266
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	410,763	627,526	(432,714)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	67,881,653	68,172,908	67,090,552
Derivative exposures				
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	253,855	153,753	120,043
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	358,721	389,665	456,519
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-
13	Total derivatives exposures	612,576	543,418	576,562
Securities financing transaction (SFT) exposures				
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	6,202,119	2,998,626	1,421,908
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-
16	Counterparty credit risk exposure for SFT assets	164,843	28,444	42,188
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-	-
17	Agent transaction exposures	-	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-	-
18	Total securities financing transaction exposures	6,366,962	3,027,070	1,464,096
Other off-balance sheet exposures				
19	Off-balance sheet exposures at gross notional amount	22,124,288	21,028,688	20,579,083
20	(Adjustments for conversion to credit equivalent amounts)	(14,126,990)	(13,213,344)	(13,210,241)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-	-
22	Off-balance sheet exposures	7,997,299	7,815,344	7,368,842
Excluded exposures				
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-	-
EU-22b	(Exposures exempted in accordance with point (i) of Article 429a(1) CRR (on and off balance sheet))	-	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-	-
EU-22k	(Total exempted exposures)	-	-	-
Capital and total exposure measure				
23	Tier 1 capital	7,036,636	6,242,612	6,926,784
24	Total exposure measure	82,858,489	79,558,740	76,500,052
Leverage ratio				
25	Leverage ratio (%)	8.49%	7.85%	9.05%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.49%	7.85%	9.05%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.49%	7.85%	9.05%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
EU-26b	of which: to be made up of CET1 capital	-	-	-
27	Leverage ratio buffer requirement (%)	-	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%
Choice on transitional arrangements and relevant exposures				
EU-27b	Choice on transitional arrangements for the definition of the capital measure	-	-	-
Disclosure of mean values				
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	4,863,193	2,138,760	1,647,699
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	6,202,119	2,998,626	1,421,908
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	81,519,564	78,698,875	76,725,843
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	81,519,564	78,698,875	76,725,843
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.63%	7.93%	9.03%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.63%	7.93%	9.03%

Table 26: EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	
		67,470,890
EU-2	Trading book exposures	984,869
EU-3	Banking book exposures, of which:	66,486,021
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	21,732,097
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	1,493,783
EU-7	Institutions	1,252,751
EU-8	Secured by mortgages of immovable properties	9,115,549
EU-9	Retail exposures	14,804,302
EU-10	Corporates	12,378,718
EU-11	Exposures in default	330,833
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	5,377,986

10 - Liquidity requirements

Liquidity risk is defined as the risk that the Bank cannot meet its financial obligations. It is measured across different time horizons, under various assumptions (normal conditions and stressed scenarios). Funding risk is defined as the risk that the Bank cannot maintain over time the appropriate amount of funding to support its assets and at a reasonable cost.

Objectives and guiding principles

The liquidity and funding management set up at BRD aims at ensuring that the Bank can (i) fulfil its payment obligations at any moment in time, during normal course of business or under lasting financial stress conditions (management of liquidity risks); (ii) raise funding resources in a sustainable manner, at a reasonable cost (management of funding risks). Doing so, the liquidity and funding management set up ensures that both regulatory requirements and the risk appetite set by the Bank are met.

To achieve these objectives, the Bank adopted a comprehensive liquidity risk management framework designed to ensure that BRD is in a position to fuel the assets' growth, meet its payment obligations and withstand a period of liquidity stress.

The liquidity risk management framework defines the liquidity risk governance and the liquidity risk management, measurement and control practices.

The liquidity risk management approach starts at the intraday level managing the daily payment 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 aims at maintaining a liquidity buffer of unencumbered, high quality assets as an insurance against a range of liquidity stress scenarios.

Within the liquidity risk management framework a contingency funding plan (CFP) is designed to protect the stakeholders' interests and to ensure positive outcome in the event of a liquidity crisis, the target being to ensure the survival in case of a severe liquidity crisis without registering major losses.

The purpose of the contingency funding plan is to ensure sufficient liquidity and funding during stressed liquidity conditions, by establishing a comprehensive remediation framework for identifying and governing contingency actions in case BRD encounters a liquidity crisis.

More specifically, the objectives of the CFP are to:

- identify and recognize early warning indicators of a liquidity crisis;
- define appropriate orientations and mitigation actions to be taken in case of liquidity crisis, including business orientations and communication;
- describe the organization to be put in place and the role of each member in case of liquidity crisis;
- ensure that information flows remain timely and uninterrupted to facilitate quick and effective decision-making.

Qualitative view

BRD quantifies its liquidity risk tolerance by assessing regulatory metrics such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), additionally internally defined metrics such as liquidity gaps under business as usual scenarios and concentration of top depositors. Liquidity stress tests and liquidity reverse stress tests are considered for assessing the Bank's resilience to liquidity stress scenarios under idiosyncratic, systemic and combined views.

Quantitative view

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 December 31, 2022 the LCR stands at 295% in terms of monthly averages over the previous twelve months preceding the end of the quarter. The value of LCR as at December 31, 2022 end recorded no major change as compared to September 30, 2022 end, observing a 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 last quarter of 2022, respectively the end of the last quarter of 2021, the following conclusions are to be noted:

- LCR has decreased from 350% to 295%;
- High Quality Liquid Assets averages have observed an increase of 1%;
- Net Outflows Averages have observed an increase of 18%, having in view:
 - 8% increase in Outflows averages
 - 4% decrease in Inflows averages

Table 27: EU LIQ1 - Quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2022	9/30/2022	6/30/2022	3/31/2022
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)					21,545,415	21,316,202	21,985,408	22,163,338
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	36,902,114	36,652,579	36,303,639	36,059,566	2,305,369	2,286,494	2,235,995	2,190,796
3	Stable deposits	25,209,407	25,326,177	25,354,643	25,295,644	1,260,470	1,266,309	1,267,732	1,264,782
4	Less stable deposits	11,692,707	11,326,402	10,948,996	10,763,922	1,044,898	1,020,185	968,263	926,014
5	Unsecured wholesale funding	18,016,373	17,607,790	17,552,667	16,923,889	8,910,884	8,728,329	8,769,672	8,337,072
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	18,016,373	17,607,790	17,552,667	16,923,889	8,910,884	8,728,329	8,769,672	8,337,072
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding	-	-	-	-	-	-	-	-
10	Additional requirements	6,172,854	6,035,776	5,774,151	5,364,306	484,521	481,733	468,379	433,388
11	Outflows related to derivative exposures and other collateral requirements	1,162.3	437.5	620.3	667.1	1,162.3	437.5	620.3	667.1
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	6,171,692	6,035,338	5,773,531	5,363,639	483,359	481,296	467,758	432,721
14	Other contractual funding obligations	134,275	141,708	271,791	272,045	134,275	141,708	271,791	272,045
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					11,835,049	11,638,265	11,745,837	11,233,301
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	1,716,226	1,551,218	1,375,210	1,375,279	-	-	-	-
18	Inflows from fully performing exposures	4,518,722	4,755,315	4,762,346	4,573,143	4,343,704	4,569,826	4,547,088	4,355,417
19	Other cash inflows	185,930	166,754	145,833	143,708	185,930	166,754	145,833	143,708
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	6,420,879	6,473,287	6,283,389	6,092,130	4,529,634	4,736,580	4,692,921	4,499,125
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	6,420,879	6,473,287	6,283,389	6,092,130	4,529,634	4,736,580	4,692,921	4,499,125
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					21,545,415	21,316,202	21,985,408	22,163,338
22	TOTAL NET CASH OUTFLOWS					7,305,415	6,901,685	7,052,916	6,734,177
23	LIQUIDITY COVERAGE RATIO					295%	309%	312%	329%

Table 28: EU LIQ2: Net Stable Funding Ratio

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
1 Capital items and instruments		1,801	-	8,080,194	8,080,194
2 Own funds		1,801	-	8,080,194	8,080,194
3 Other capital instruments		-	-	-	-
4 Retail deposits		35,048,757	2,412,597	405,581	35,542,045
5 Stable deposits		26,538,884	1,886,001	288,887	27,292,527
6 Less stable deposits		8,509,873	526,596	116,695	8,249,517
7 Wholesale funding:		19,912,529	3,150,682	2,761,472	12,301,802
8 Operational deposits		-	-	-	-
9 Other wholesale funding		19,912,529	3,150,682	2,761,472	12,301,802
10 Interdependent liabilities		-	-	-	-
11 Other liabilities:		1,669,068	4,375	58,812	60,999
12 NSFR derivative liabilities		-	-	-	-
13 All other liabilities and capital instruments not included in the above categories		1,669,068	4,375	58,812	60,999
14 Total available stable funding (ASF)					55,985,040
Required stable funding (RSF) Items					
15 Total high-quality liquid assets (HQLA)		-	-	-	-
EU-15a Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16 Deposits held at other financial institutions for operational purposes		-	-	-	-
17 Performing loans and securities:		13,927,838	4,452,661	27,551,714	27,363,007
18 Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		6,192,957	-	-	-
19 Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		1,232,632	17,820	664,845	797,018
20 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		6,487,943	4,423,453	18,104,894	26,565,989
21 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	5,721,131
22 Performing residential mortgages, of which:		14,306	11,389	8,781,975	-
23 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		14,306	11,389	8,781,975	-
24 Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		-	-	-	-
25 Interdependent assets		-	-	-	-
26 Other assets:		1,853,057	64,000	1,787,352	2,728,544
27 Physical traded commodities		-	-	-	-
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29 NSFR derivative assets		-	-	-	-
30 NSFR derivative liabilities before deduction of variation margin posted		-	-	220,552.4	11,027.6
31 All other assets not included in the above categories		1,632,504	64,000	1,787,352	2,717,516
32 Off-balance sheet items		4,067,017	1,037,774	4,337,881	566,044
33 Total RSF					30,657,595
34 Net Stable Funding Ratio (%)					183%

Legal framework	Topic	Title
Regulation (EU) 2019/876, Art 437	Disclosure of own funds	EU CC1 - Composition of regulatory own funds
		EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements
		EU CCA- Main features of regulatory own funds instruments and eligible liabilities instruments
Regulation (EU) 2019/876, Art 438	Disclosure of own funds requirements and risk-weighted exposure amounts	EU OV1 – Overview of total risk exposure amounts
		EU KM1 - Key metrics template
NBR Instruction 20/10/2020 EBA/GL/2020/12	Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR	Template IFRS 9/Article 468 impact
Regulation (EU) 2019/876, Art 440	Disclosure of countercyclical capital buffers	EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer
		EU CCyB2 - Amount of institution-specific countercyclical capital buffer
Regulation (EU) 2019/876, Art 442	Disclosure of credit risk quality	EU CR1: Performing and non-performing exposures and related provisions
		EU CR1-A: Maturity of exposures
		EU CQ1: Credit quality of forborne exposures
		EU CQ3: Credit quality of performing and non-performing exposures by past due days
		EU CQ4: Quality of non-performing exposures by geography
		EU CQ5: Credit quality of loans and advances to non-financial corporations by industry
EBA/GL/2020/07; NBR Instruction 03/08/2020	Exposures subject to measures applied in response to the COVID-19 crisis	EU CQ7: Collateral obtained by taking possession and execution processes
		Template 2 COVID 19: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria
Regulation (EU) 2019/876, Art 450	Disclosure of remuneration policy	Template 3 COVID 19: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis
		EU REM1 - Remuneration awarded for the financial year
		EU REM3 - Deferred remuneration
Regulation (EU) 2019/876, Art 451	Disclosure of leverage ratio	EU REM4 - Remuneration of 1 million EUR or more per year
		EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)
Regulation (EU) 2019/876, Art 451	Disclosure of liquidity requirements	EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures
		EU LR2 - LRCom: Leverage ratio common disclosure
		EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
Regulation (EU) 2019/876, Art 453	Disclosure of the use of credit risk mitigation techniques	EU LIQ1 - Quantitative information of LCR
		EU LIQ2: Net Stable Funding Ratio
Regulation (EU) 2019/876, Art 453	Disclosure of the use of credit risk mitigation techniques	EU CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
		EU CR4: Standardised approach – Credit risk exposure and CRM effects

Article 13, Regulation 2019/876

Large subsidiaries of EU parent institutions shall disclose the information specified in Articles 437, 438, 440, 442, 450, 451, 451a and 453 on an individual basis or, where applicable in accordance with this Regulation and Directive 2013/36/EU, on a sub-consolidated basis.

11 - Index of tables

Table 1: EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements.....	5
Table 2: EU CC1 - Composition of regulatory own funds.....	7
Table 3: EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments.....	9
Table 4: IFRS 9/ Article 468 impact : Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR	10
Table 5: EU KM1 – Key metrics	11
Table 6: EU OV1 - Overview of total risk exposure amounts	12
Table 7: EU CR1 - Performing and non-performing exposures and related provisions.....	17
Table 8: EU CR1 - A: Maturity of exposures.....	17
Table 9: EU CQ1 - Credit quality of forborne exposures	17
Table 10: EU CQ3: Credit quality of performing and non-performing exposures by past due days	18
Table 11: EU CQ4 - Quality of non-performing exposures by geography	18
Table 12: EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry	19
Table 13: EU CQ7 - Collateral obtained by taking possession and execution processes	19
Table 14: EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	20
Table 15: EU CR4 - standardised approach – Credit risk exposure and CRM effects	21
Table 16: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	22
Table 17: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis.....	23
Table 18: EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	24
Table 19: EU CCyB2 - Amount of institution-specific countercyclical capital buffer	25
Table 20: EU REM1 - Remuneration awarded for the financial year	28
Table 21: EU REM3 - Deferred remuneration	28
Table 22: EU REM4 - Remuneration of 1 million EUR or more per year	29
Table 23: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institution's risk profile (identified staff)	29
Table 24: EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	30
Table 25: EU LR2 - LRCom: Leverage ratio common disclosure.....	31
Table 26: EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures).....	32
Table 27: EU LIQ1 - Quantitative information of LCR.....	34
Table 28: EU LIQ2: Net Stable Funding Ratio	35

