REGULATORY DISCLOSURE REPORT

FOR THE PERIOD ENDED 31 MARCH 2022

BRD - GROUPE SOCIÉTÉ GÉNÉRALE

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1 - Introduction

THE SCOPE OF THE REPORT

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

According to Article 4, point 146 of CRR 2, BRD is a large institution, being identified as “other systemically important institution” (O-SII) by the National Bank of Romania starting 1st of January 2016 with a latest reconfirmation through NBR Order No 7 from 26th of November 2021. In addition, BRD is one of the three largest institutions in Romania in terms of total value of assets as at 31st of December 2021.

For the disclosure requirements, BRD applies Article 13 (1) of CRR 2, according to which large subsidiaries of EU parent institutions shall disclose the information specified in Articles 437 (disclosure of own funds), 438 (disclosure of own funds requirements and risk-weighted exposure amounts), 440 (disclosure of countercyclical buffers), 442 (disclosure of credit risk and dilution risk), 450 (disclosure of remuneration policy), 451 (disclosure of the leverage ratio), 451a (disclosure of liquidity requirements) and 453 (disclosure of the use of credit risk mitigation techniques) on an individual basis or, where applicable, in accordance with this Regulation and Directive 2013/36/EU, on a sub-consolidated basis. In addition, article 433a detail different frequencies of disclosure (quarterly, semi-annual or annual basis) for different disclosure requirements, mentioned above, as applicable for BRD-GSG at sub-consolidated level.

Therefore, the information disclosed throughout this report for the period ended 31st of March 2022 is based on the requirements specified in article 433a and takes into account the evolutions stemming from the Commission Implementing Regulation (EU) No 2021/637 of 15 March 2021, laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

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

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.

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 (Table 2).

CONSOLIDATION PERIMETER

As BRD is parent credit institution in Romania and, at the same time, subsidiary of Société Générale, BRD Group consolidation perimeter for prudential purposes is defined in accordance with Regulation (EU) No 575/2013 (CRR), Part One, Title II, Chapter 2, Section 3.

The consolidated entities for prudential scope are identified based on the criteria as per Articles 4 (1) (3), (16) to (27), 18 and 19 of CRR. According to Article 4 of CRR, entities consolidated in the prudential reporting must have one of the following types of activity: credit institution, investment firm, ancillary services undertaking and/or other financial institution.

In contrast, in accordance with BRD Group's IFRS financial statements, all entities controlled directly or indirectly (including non-financial entities, insurance companies, etc.) are fully consolidated. Additional exclusion of subsidiaries from prudential consolidation perimeter is based on criteria from Article 19 of CRR. Non-consolidated subsidiaries are included in the prudential consolidated statements based on equity method.

Based on the above, the application of CRR 2 requirements is at sub-consolidated level and for this purpose the prudential consolidation perimeter of BRD Group includes the parent company BRD - Groupe Société Générale S.A and two fully consolidated subsidiaries: BRD Sogelease IFN S.A. and BRD Finance IFN S.A.

Note:

Throughout this report, amounts are in RON thousand at March 31, 2022, and December 31, 2021, unless otherwise stated.

2 - Capital requirements and own funds

MINIMUM CAPITAL REQUIREMENTS

From a regulatory perspective, capital requirements cover:

- credit risk
- operational risk, foreign exchange risk and settlement risk
- position risk in trading book
- credit valuation adjustment risk for OTC derivative instruments.

The calculation of credit risk capital requirement takes into account the transactions' risk profile and is performed according to the standardized approach (CRR Part 3, Title 2, Chapter 2) using the Financial Collateral Comprehensive Method and information regarding credit assessments performed by external credit assessment institutions (ECAI). All CRR2 requirements have been implemented as of June 2021.

The capital requirement for general position risk is calculated using the Maturity-based method. Capital requirement for credit valuation adjustment is determined using the standardized method.

The capital requirement for operational risk is calculated according the CRR, Part 3, Title 2, Chapter 4, using advanced measurement approaches (AMA). BRD, as a member of the Société Générale Group, uses AMA to measure operational risk since 2008 based on the SG internal methodology and calculation. The allocation of operational risk capital requirements to the sub-consolidated entities is based on net banking income and history of operational risk losses.

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

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

		Total risk exposure amounts (TREA)		Total own funds requirements
		31.03.2022	31.12.2021	31.03.2022
1	**Credit risk (excluding CCR)**	**29,669,856**	**28,463,833**	**2,373,589**
2	Of which the standardised approach	29,669,856	28,463,833	2,373,589
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**	**473,455**	**555,525**	**37,876**
7	Of which the standardised approach	236,397	289,456	18,912
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	237,058	266,069	18,965
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)**	**147,996**	**132,159**	**11,840**
21	Of which the standardised approach	147,996	132,159	11,840
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**2,210,295**	**2,210,966**	**176,824**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	2,210,295	2,210,966	176,824
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	755,486	526,569	60,439
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	**Total**	**32,501,603**	**31,362,483**	**2,600,128**

As at March 31, 2022, RWA (RON 32.5 billion compared to RON 31.4 billion as of December 31, 2021) were distributed as follows:

- ✓ credit and counterparty credit risks accounted for 92.7% of RWA
- ✓ market risk accounted for 0.5% of RWA
- ✓ operational risk accounted for 6.8% of RWA

The own funds requirements as at March 31, 2022 increased by near 4% compared to December 31, 2021, mainly driven by increasing capital requirements for credit risk on higher net exposure value as a result of dynamic lending activity.

TEMPORARY TREATMENT IN OWN FUNDS

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 2: 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

		31.03.2022	31.12.2021
Available capital (amounts)			
1	Common Equity Tier 1 (CET1) capital	6,376,890	6,926,784
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,376,890	6,926,784
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	5,887,595	6,533,929
3	Tier 1 capital	6,376,890	6,926,784
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,376,890	6,926,784
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	5,887,595	6,533,929
5	Total capital	6,871,550	7,421,594
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,871,550	7,421,594
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	6,382,255	7,028,739
Risk-weighted assets (amounts)			
7	Total risk-weighted assets	32,501,603	31,362,483
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	32,501,603	31,362,483
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	32,735,154	31,549,733
Capital ratios			
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	19.62%	22.09%
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	19.62%	22.09%
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	17.99%	20.71%
11	Tier 1 (as a percentage of risk exposure amount)	19.62%	22.09%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.62%	22.09%
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	17.99%	20.71%
13	Total capital (as a percentage of risk exposure amount)	21.14%	23.66%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.14%	23.66%
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	19.50%	22.28%
Leverage ratio			
15	Leverage ratio total exposure measure	81,131,509	76,500,052
16	Leverage ratio	7.87%	9.05%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.87%	9.05%
17a	Leverage ratio 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	7.26%	8.54%

3 - Liquidity requirements

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

- short term - Liquidity Coverage Ratio (LCR)

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

- medium term - Net Stable Funding Ratio (NSFR)

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

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

LCR indicator remains well above the 100% minimum required. As at March 31, 2022 the LCR stands at 329% in terms of monthly averages over the previous twelve months preceding the end of the quarter. The value of LCR as at March 31, 2022 end recorded no major change as compared to December 31, 2021 end, observing a slight decrease of 21 p.p.(the same methodology of previous 12 months average being applied).

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

Having in view the evolution observed for the LCR in terms of monthly averages over the previous twelve months preceding the end of the first quarter of 2022, respectively the end of the first quarter of 2021, following conclusions are to be noted:

- LCR has decreased from 397% to 329%;
- High Quality Liquid Assets averages have observed an increase of 12%;
- Net Outflows Averages have observed an increase of 35%, having in view:
  - 11% increase in Outflows averages
  - 12% decrease in Inflows averages

Table 3: EU LIQ1 - Quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2022	31.12.2021	30.09.2021	30.06.2021
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)					22,163,338	21,677,385	21,339,414	20,534,953
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	36,059,566	35,589,860	35,191,256	34,626,686	2,190,796	2,142,978	2,111,013	2,067,484
3	*Stable deposits*	25,295,644	24,976,877	24,701,532	24,224,346	1,264,782	1,248,844	1,235,077	1,211,217
4	*Less stable deposits*	10,763,922	10,612,983	10,489,724	10,402,339	926,014	894,134	875,936	856,267
5	Unsecured wholesale funding	16,923,889	16,583,955	15,957,193	15,196,502	8,337,072	8,194,424	7,908,732	7,594,589
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	16,923,889	16,583,955	15,957,193	15,196,502	8,337,072	8,194,424	7,908,732	7,594,589
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	5,364,306	4,887,834	4,522,677	4,171,431	433,388	389,935	357,288	332,229
11	*Outflows related to derivative exposures and other collateral requirements*	667.1	707.2	269.7	6,016.6	667.1	707.2	269.7	6,016.6
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	5,363,639	4,887,127	4,522,407	4,165,415	432,721	389,228	357,019	326,213
14	Other contractual funding obligations	272,045	205,134	209,403	215,028	272,045	205,134	209,403	215,028
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					11,233,301	10,932,470	10,586,437	10,209,331
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	1,375,279	1,543,063	1,461,964	1,511,629	-	-	-	-
18	Inflows from fully performing exposures	4,573,143	4,804,791	5,059,570	5,061,481	4,355,417	4,586,163	4,846,375	4,865,971
19	Other cash inflows	143,708	149,761	179,449	179,723	143,708	149,761	179,449	179,723
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	6,092,130	6,497,614	6,700,984	6,752,834	4,499,125	4,735,923	5,025,824	5,045,695
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	6,092,130	6,497,614	6,700,984	6,752,834	4,499,125	4,735,923	5,025,824	5,045,695
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					22,163,338	21,677,385	21,339,414	20,534,953
22	TOTAL NET CASH OUTFLOWS					6,734,177	6,196,547	5,560,613	5,163,636
23	LIQUIDITY COVERAGE RATIO					329%	350%	384%	398%