REGULATORY DISCLOSURE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

BRD - GROUPE SOCIÉTÉ GÉNÉRALE

CONTENTS

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.

The information disclosed throughout this report for the period ended 31st of December 2021 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.

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 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, 2021, 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 in hand	1,894,448	-	1,894,448	
Due from Central Bank	4,311,908	-	4,311,908	
Due from banks	4,537,941	-	4,537,941	
Derivatives and other financial instruments held for trading	2,274,924	-	2,274,924	
Loans, gross	34,668,675	-	34,668,675	
Impairment allowance for loans	(1,754,800)	-	(1,754,800)	
Loans and advances to customers	32,913,875	-	32,913,875	
Finance lease receivables	1,222,595	-	1,222,595	
Financial assets available for sale	-	-	-	
Financial assets at fair value through profit and loss	6,947	-	6,947	
Financial assets at fair value through other comprehensive income	19,863,825	-	19,863,825	
Investments in subsidiaries, associates and joint ventures	107,205	29,161	136,366	
Property, plant and equipment	1,072,099	(712)	1,071,387	
Investment property	16,312	-	16,312	
Goodwill	50,130	-	50,130	1
Intangible assets	321,063	(440)	320,623	2
Current tax assets	7,484	-	7,484	
Deferred tax asset	180,089	(196)	179,893	
Other assets	271,256	(1,303)	269,953	
Non-current assets held for sale	11,196	-	11,196	
TOTAL ASSETS	**69,063,297**	**26,510**	**69,089,807**	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to banks	156,810	-	156,810	
Due to customers	52,683,581	30,064	52,713,645	
Borrowed funds	4,056,470	-	4,056,470	
Subordinated debt	495,022	-	495,022	
Derivatives and other financial instruments held for trading	498,651	-	498,651	
Current tax liability	83,963	(108)	83,855	
Deferred tax liability	-	-	-	
Provisions	383,185	-	383,185	
Other liabilities	826,710	(3,433)	823,277	
TOTAL LIABILITIES	**59,184,392**	**26,523**	**59,210,915**	
Share capital	2,515,622	-	2,515,622	3
Other reserves	- 385,380	-	- 385,380	4
Retained earnings and capital reserves	7,690,955	- 13	7,690,942	5
Non-controlling interest	57,708	-	57,708	6
TOTAL EQUITY	**9,878,905**	**- 13**	**9,878,892**	
TOTAL LIABILITIES AND EQUITY	**69,063,297**	**26,510**	**69,089,807**	

(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, 2021 amounted to RON 7,421 million (including 2021 year profit net of approved dividends and after the exceptional dividend payment from 2019 and 2020 retained earnings, amounting RON 1.68bn, as approved by the GSM on 24th of February 2022) compared to RON 9,056 million as at December 31, 2020 (own funds at December 31, 2020 include the full 2019 net year result and 94.5% of 2020 net result, as dividend distribution restrictions were imposed in 2020 by European regulators, among which NBR, as an answer to the uncertainties generated by the Covid-19 unfolding). The decrease in own funds as compared to 2020 year end is mainly explained by the exceptional dividend distribution and lower reserves from revaluation of debt instruments accounted at fair value through other comprehensive income (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, 2021, 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, 2021 essentially involved the following elements:

- Starting 31 December 2020, goodwill and intangible assets that are not prudently valuated 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 valuated 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 2021 end, BRD's regulatory own funds consist of common equity capital (CET1) and Tier 2 instruments. Tier 2 instruments consist of EUR 100 million (RON equivalent 495m) subordinated loan concluded with the parent.

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) amounting to 4.59% of RWA during 2021 (4.61% during 2020). Thus, the TSCR ratio (total SREP capital requirements) for BRD Group is 12.59% for 2021 (12.61% for 2020).

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 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. 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%, applicable starting October 17th, 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 was 1% starting 1st of January 2016 until December 2021 end. Based on a new calibration methodology, starting 1st of 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 30th of 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%. As the capital requirement for structural buffers is determined as the max of O-SII buffer and systemic risk buffer and an O-SII buffer of 1% was already applied, the systemic risk buffer had no effect on the capital requirements for BRD in 2021.

  Following the publishment of NBR Regulation 2/2022 from 1st of February 2022, amending Regulation 5/2013, the requirement for structural buffers will be the sum of O-SII buffer and Systemic Risk Buffer, while Systemic Risk Buffer shall be computed based on a new methodology.

The tables below present a breakdown of the constituting elements of regulatory own funds as of December 31, 2021 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	4,557,330	see EU CC3 (5) minus dividends for years 2019, 2020 and 2021 (2579mRON) other reserves presented in lines 3 and EU-3a below (554m RON)
3	Accumulated other comprehensive income (and other reserves)	(1,992)	-385 MRON Accumulated other comprehensive income; +383 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	-	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**7,241,722**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(192,187)	
8	Intangible assets (net of related tax liability) (negative amount)	(240,250)	deduction of intagibles that are not prudently valuated 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	392,578	+393 MRON accumulated other comprehensive income adjustment as per Article no 468, Regulation EU 873/2020 -0.3 MRON insufficient coverage for non-performing exposures;
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(314,937)**	
29	**Common Equity Tier 1 (CET1) capital**	**6,926,784**	
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)**	**6,926,784**	
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**	494,810.00	
59	**Total capital (TC = T1 + T2)**	**7,421,594**	
60	**Total Risk exposure amount**	**31,362,483**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	22.09%	
62	Tier 1 capital	22.09%	
63	Total capital	23.66%	
64	Institution CET1 overall capital requirements	10.59%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.00%	
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	1.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2.58%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	17.59%	

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)	6,948
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)	91,371
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)	119,257
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)	-
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 liabilites instruments		
		CET 1 instruments	Tier 2 instruments	MREL eligible liabilities
1	Issuer	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale	BRD- Groupe Societe Generale
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ROBRDACNOR2	ROBRDACNOR2	ROBRDACNOR2
2a	Public or private placement	Public, 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)
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	Yes	Yes
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	CET 1 instrument	Tier 2 instrument	MREL eligible liabilities
5	Post-transitional CRR rules	CET 1 instrument	Tier 2 instrument	MREL eligible liabilities
6	Eligible at solo/(sub-)consolidated/ solo&(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	MREL eligible liabilities
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	2,516,000	495,000	2,228,000
9	Nominal amount of instrument	1	495,000	2,228,000
EU-9a	Issue price	N/A	N/A	N/A
EU-9b	Redemption price	N/A	N/A	N/A
10	Accounting classification	Shareholder's equity	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance		21-Dec-21	21-Dec-21
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	N/A	21-Dec-31	21-Dec-24
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	21-Dec-26	21-Dec-23
16	Subsequent call dates, if applicable	N/A	No	No
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	Euribor 3M + 1.98%	Euribor 3M + 0.86%
19	Existence of a dividend stopper	No	N/A	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary	N/A	N/A
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	N/A	N/A
21	Existence of step up or other incentive to redeem	No	N/A	N/A
22	Noncumulative or cumulative	Non-cummulative	N/A	N/A
23	Convertible or non-convertible	N/A	Yes	Yes
24	If convertible, conversion trigger(s)	N/A	exercise of Bail -In Power by resolution autority	exercise of Bail -In Power by resolution autority
25	If convertible, fully or partially	N/A	Fully or partially	Fully or partially
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	optional	optional
28	If convertible, specify instrument type convertible into	N/A	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
30	Write-down features	N/A	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	exercise of Bail -In Power by resolution autority	exercise of Bail -In Power by resolution autority
32	If write-down, full or partial	N/A	Fully or partially	Fully or partially
33	If write-down, permanent or temporary	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	Statutory
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank1	Rank 2	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 prefered borrowings and senior preferred obligations of the borrower	junior to all senior preferred obligation of the borower
36	Non-compliant transitioned features	N/A	NO	NO
37	If yes, specify non-compliant features	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

		31.12.2021
Available capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	6,926,784
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	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	6,533,929
3	Tier 1 capital	6,926,784
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	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	6,533,929
5	Total capital	7,421,594
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	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	7,028,739
Risk-weighted assets (amounts)		
7	Total risk-weighted assets	31,362,483
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	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	31,549,733
Capital ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	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	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	20.71%
11	Tier 1 (as a percentage of risk exposure amount)	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	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	20.71%
13	Total capital (as a percentage of risk exposure amount)	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	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	22.28%
Leverage ratio		
15	Leverage ratio total exposure measure	76,500,052
16	Leverage ratio	9.05%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	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	8.54%

SUMMARY OF KEY PRUDENTIAL METRICS

Table 5: EU KM1 – Key metrics

		31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	6,926,784	8,234,036	8,717,580	8,890,855	9,056,309
2	Tier 1 capital	6,926,784	8,234,036	8,717,580	8,890,855	9,056,309
3	Total capital	7,421,594	8,234,036	8,717,580	8,890,855	9,056,309
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	31,362,483	31,463,304	30,327,472	29,026,392	27,787,253
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	22.09%	26.17%	28.74%	30.63%	32.59%
6	Tier 1 ratio (%)	22.09%	26.17%	28.74%	30.63%	32.59%
7	Total capital ratio (%)	23.66%	26.17%	28.74%	30.63%	32.59%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	4.5900%	4.5900%	4.5900%	4.5900%	4.6100%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2.5819%	2.5819%	2.5819%	2.5819%	2.5931%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	3.4425%	3.4425%	3.4425%	3.4425%	3.4575%
EU 7d	Total SREP own funds requirements (%)	12.5900%	12.5900%	12.5900%	12.5900%	12.6100%
	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 (%)	0.00%	0.00%	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	1.00%	1.00%	1.00%	1.00%	1.00%
11	Combined buffer requirement (%)	3.50%	3.50%	3.50%	3.50%	3.50%
EU 11a	Overall capital requirements (%)	16.09%	16.09%	16.09%	16.09%	16.11%
12	CET1 available after meeting the total SREP own funds requirements (%)	15.00%	19.09%	21.66%	23.55%	25.50%
	Leverage ratio					
13	Leverage ratio total exposure measure	76,500,052	75,652,783	73,549,726	71,394,836	69,752,374
14	Leverage ratio	9.05%	10.88%	11.85%	12.45%	12.98%
	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)	21,677,385	21,339,414	20,534,953	19,763,965	18,738,428
EU 16a	Cash outflows - Total weighted value	10,932,470	10,586,437	10,209,331	10,114,810	10,073,945
EU 16b	Cash inflows - Total weighted value	4,735,923	5,025,824	5,045,695	5,134,347	4,830,721
16	Total net cash outflows (adjusted value)	6,196,547	5,560,613	5,163,636	4,980,462	5,243,225
17	Liquidity coverage ratio (%)	349.83%	383.76%	397.68%	396.83%	357.38%
	Net Stable Funding Ratio					
18	Total available stable funding	55,530,214	52,374,702	51,857,907	51,094,575	50,563,312
19	Total required stable funding	29,079,802	28,679,084	28,015,698	26,342,006	25,298,524
20	NSFR ratio (%)	190.96%	182.62%	185.10%	193.97%	199.87%

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
		31.12.2021	31.12.2020	31.12.2021
1	**Credit risk (excluding CCR)**	**28,463,833**	**24,473,767**	**2,277,107**
2	Of which the standardised approach	28,463,833	24,473,767	2,277,107
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**	**555,525**	**333,131**	**44,442**
7	Of which the standardised approach	289,456	172,823	23,157
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	266,069	160,308	21,286
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)**	**132,159**	**228,830**	**10,573**
21	Of which the standardised approach	132,159	228,830	10,573
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**2,210,966**	**2,751,525**	**176,877**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	2,210,966	2,751,525	176,877
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	526,569	246,689	42,126
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	**Total**	**31,362,483**	**27,787,253**	**2,508,999**

The minimum own funds requirements as at December 31, 2021 increased by 13% compared to December 31, 2020, mainly driven by increasing capital requirements for credit risk on higher net exposure value as a result of dynamic lending activity and regulatory changes following the entry into force of the Regulation 2019/876 (amending Regulation 575/2013) related to counterparty credit risk and credit valuation adjustment risk capital requirements.

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 2021 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

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 to 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, 2021 was 3.80% (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	4,754,731	4,754,731	-	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	38,311,496	29,677,269	8,634,227	1,514,299	-	1,514,299	(888,910)	(310,185)	(578,725)	(1,117,636)	-	(1,117,636)	-	20,153,732	272,192
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	562,874	486,393	76,480	176	-	176	(15,236)	(7,581)	(7,655)	(162)	-	(162)	-	108,398	-
040	*Credit institutions*	3,954,832	3,954,744	88	24	-	24	(184)	(184)	-	(23)	-	(23)	-	-	-
050	*Other financial corporations*	410,731	123,695	287,036	200	-	200	(11,078)	(1,518)	(9,560)	(146)	-	(146)	-	11,307	44
060	*Non-financial corporations*	11,149,425	9,632,127	1,517,298	620,073	-	620,073	(278,500)	(170,627)	(107,873)	(459,347)	-	(459,347)	-	6,093,306	132,599
070	*Of which SMEs*	5,829,020	4,809,354	1,019,666	509,589	-	509,589	(178,366)	(95,260)	(83,105)	(403,201)	-	(403,201)	-	4,439,952	81,076
080	*Households*	22,233,634	15,480,309	6,753,325	893,826	-	893,826	(583,912)	(130,276)	(453,636)	(657,958)	-	(657,958)	-	13,940,721	139,549
090	Debt securities	20,450,001	20,450,001	-	-	-	-	(6,140)	(6,140)	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	20,282,124	20,282,124	-	-	-	-	(5,759)	(5,759)	-	-	-	-	-	-	-
120	*Credit institutions*	151,048	151,048	-	-	-	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	16,829	16,829	-	-	-	-	(381)	(381)	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	20,395,281	19,159,724	1,235,557	307,960	-	307,960	104,403	75,990	28,413	204,146	-	204,146		2,965,101	52,844
160	*Central banks*	5,230	5,230	-	-	-	-	-	-	-	-	-	-		-	-
170	*General governments*	250,814	250,542	272	-	-	-	2,366	2,345	21	-	-	-		9,557	-
180	*Credit institutions*	450,734	450,734	-	-	-	-	227	227	-	-	-	-		430,934	-
190	*Other financial corporations*	1,622,560	1,557,920	64,640	-	-	-	677	512	166	-	-	-		10,991	-
200	*Non-financial corporations*	16,166,844	15,083,373	1,083,471	288,757	-	288,757	94,949	69,772	25,177	201,230	-	201,230		2,508,394	52,672
210	*Households*	1,899,099	1,811,925	87,174	19,202	-	19,202	6,184	3,135	3,049	2,915	-	2,915		5,224	172
220	***Total***	**83,911,509**	**74,041,725**	**9,869,784**	**1,822,259**	**-**	**1,822,259**	**(790,647)**	**(240,335)**	**(550,312)**	**(913,490)**	**-**	**(913,490)**	**-**	**23,118,833**	**325,036**

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	-	12,447,409	13,358,929	12,012,911	-	37,819,249
2	Debt securities	-	4,124,777	6,372,750	9,946,335	-	20,443,861
3	***Total***	**-**	**16,572,186**	**19,731,678**	**21,959,246**	**-**	**58,263,110**

Table 9: EU CQ1 - Credit quality of forborne 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 forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne 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	54,150	329,424	329,424	329,424	(5,978)	(237,095)	85,506	57,801
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	4,033	201,128	201,128	201,128	(544)	(163,518)	27,195	24,264
070	*Households*	50,117	128,297	128,297	128,297	(5,434)	(73,577)	58,312	33,537
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	1,858	849	849	849	23	688	-	-
100	***Total***	**56,009**	**330,274**	**330,274**	**330,274**	**(5,956)**	**(236,408)**	**85,506**	**57,801**

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	4,754,731	4,754,731	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	38,311,496	38,107,301	204,195	1,514,299	820,916	127,184	199,312	146,420	114,208	38,931	67,329	1,514,299
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	562,874	562,872	2	176	175	-	1	1	-	-	-	176
040	*Credit institutions*	3,954,832	3,954,832	-	24	24	-	-	-	-	-	-	24
050	*Other financial corporations*	410,731	410,731	0	200	193	-	-	1	7	0	-	200
060	*Non-financial corporations*	11,149,425	11,133,560	15,864	620,073	457,113	11,650	69,514	8,341	16,638	9,864	46,954	620,073
070	*Of which SMEs*	5,829,020	5,817,019	12,000	509,589	362,516	11,645	58,689	8,329	14,329	9,726	44,355	509,589
080	*Households*	22,233,634	22,045,306	188,328	893,826	363,412	115,535	129,798	138,078	97,563	29,067	20,374	893,826
090	Debt securities	20,450,001	20,450,001	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	20,282,124	20,282,124	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	151,048	151,048	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	16,829	16,829	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	20,395,281			307,960								307,960
160	*Central banks*	5,230			-								-
170	*General governments*	250,814			-								-
180	*Credit institutions*	450,734			-								-
190	*Other financial corporations*	1,622,560			-								-
200	*Non-financial corporations*	16,166,844			288,757								288,757
210	*Households*	1,899,099			19,202								19,202
220	***Total***	**83,911,509**	**63,312,033**	**204,195**	**1,822,259**	**820,916**	**127,184**	**199,312**	**146,420**	**114,208**	**38,931**	**67,329**	**1,822,259**

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***	***60,275,796***	***1,514,299***	***1,514,299***	***60,275,796***	***(2,012,686)***		-
020	*Romania*	*54,104,046*	*1,509,270*	*1,509,270*	*54,104,074*	*(2,002,947)*		-
030	*Germany*	*1,464,287*	*104*	*104*	*1,464,259*	*(303)*		-
040	*Austria*	*918,423*	*31*	*31*	*918,423*	*(37)*		-
050	*France*	*1,224,348*	*767*	*767*	*1,224,348*	*(784)*		-
060	*Belgium*	*875,926*	*80*	*80*	*875,926*	*(143)*		-
070	*Czech Republic*	*325,224*	*1,922*	*1,922*	*325,224*	*(108)*		-
	Other countries	*1,363,541*	*2,125*	*2,125*	*1,363,541*	*(8,363)*		-
080	***Off-balance-sheet exposures***	***20,703,241***	***307,960***	***307,960***	-	-	***308,548***	
090	*Romania*	*18,230,866*	*307,955*	*307,955*	-	-	*305,655*	
100	*Germany*	*25,249*	*2*	*2*	-	-	*21*	
110	*Austria*	*742*	-	-	-	-	*8*	
120	*France*	*218,800*	*2*	*2*	-	-	*465*	
130	*Belgium*	*18,600*	-	-	-	-	*60*	
140	*Czech Republic*	*1,351,163*	-	-	-	-	*0*	
	Other countries	*857,822*	*1*	*1*	-	-	*2,340*	
150	***Total***	***80,979,037***	***1,822,259***	***1,822,259***	***60,275,796***	***(2,012,686)***	***308,548***	**-**

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	1,022,950	78,632	78,632	1,022,950	(92,888)	-
020	Mining and quarrying	65,347	3,400	3,400	65,347	(3,124)	-
030	Manufacturing	2,239,508	63,584	63,584	2,239,508	(94,637)	-
040	Electricity, gas, steam and air conditioning supply	1,254,464	65,265	65,265	1,254,464	(29,605)	-
050	Water supply	177,058	3,180	3,180	177,058	(7,610)	-
060	Construction	725,828	116,956	116,956	725,828	(110,622)	-
070	Wholesale and retail trade	2,638,773	81,874	81,874	2,638,773	(127,654)	-
080	Transport and storage	984,267	35,538	35,538	984,267	(47,541)	-
090	Accommodation and food service activities	293,183	50,187	50,187	293,183	(53,298)	-
100	Information and communication	633,032	3,896	3,896	633,032	(8,343)	-
110	Financial and insurance actvities	347,960	1,674	1,674	347,960	(5,820)	-
120	Real estate activities	524,238	25,856	25,856	524,238	(36,295)	-
130	Professional, scientific and technical activities	214,058	57,131	57,131	214,058	(54,576)	-
140	Administrative and support service activities	128,637	10,937	10,937	128,637	(8,599)	-
150	Public administration and defense, compulsory social security	1,613	13	13	1,613	(77)	-
160	Education	33,089	504	504	33,089	(4,182)	-
170	Human health services and social work activities	340,693	4,495	4,495	340,693	(14,267)	-
180	Arts, entertainment and recreation	51,022	1,599	1,599	51,022	(4,973)	-
190	Other services	93,778	15,353	15,353	93,778	(33,737)	-
200	**Total**	**11,769,497**	**620,073**	**620,073**	**11,769,497**	**(737,847)**	**-**

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	4,941	(1,378)
030	*Residential immovable property*	1,245	-
040	*Commercial Immovable property*	-	-
050	*Movable property (auto, shipping, etc.)*	3,696	(1,378)
060	*Equity and debt instruments*	-	-
070	*Other collateral*	-	-
080	***Total***	***4,941***	***(1,378)***

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	22,148,055	20,425,925	16,757,849	3,668,075	-
2	Debt securities	20,443,861	-	-	-	
3	Total	42,591,917	20,425,925	16,757,849	3,668,075	-
4	*Of which non-performing exposures*	124,471	272,192	219,878	52,314	-
EU-5	*Of which defaulted*	124,471	272,192			

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 (FNGCIMM or FGCR) or Eximbank, mainly "Prima 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, 2021, 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	25,006,199	5,300	30,057,331	223,167	152,579	0.50%
2	Regional government or local authorities	909,249	228,813	922,108	114,293	328,671	31.71%
3	Public sector entities	5,533	24,834	5,533	2,381	7,914	0.00%
4	Multilateral development banks	151,048	-	218,088	4,076	-	0.00%
5	International organisations	-	-	-	-	-	0.00%
6	Institutions	4,282,561	463,323	4,282,561	270,179	1,032,302	22.67%
7	Corporates	9,516,919	17,203,922	8,645,784	4,722,485	12,298,796	92.00%
8	Retail	16,002,092	2,107,718	11,676,775	979,933	9,322,620	73.66%
9	Secured by mortgages on immovable property	7,282,001	132,447	7,282,001	62,926	2,801,423	38.14%
10	Exposures in default	385,328	104,738	308,376	43,912	355,948	101.04%
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	143,315	-	143,315	-	280,371	195.63%
16	Other items	3,598,772	-	3,598,772	-	1,883,209	52.33%
17	**TOTAL**	**67,283,016**	**20,271,094**	**67,140,644**	**6,423,351**	**28,463,833**	**38.69%**

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 below tables, are prepared according to EBA/GL/2020/07, with the reference date, December 31, 2021. As of December 31, 2021 loans and advances subject to legislative and non-legislative moratoria 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	46,455	3,104,623							
2	Loans and advances subject to moratorium (granted)	42,529	2,962,526	1,734,880	2,962,526	-	-	-	-	-
3	of which: Households		2,374,738	1,485,633	2,374,738	-	-	-	-	-
4	*of which: Collateralised by residential immovable property*		1,822,587	1,086,921	1,822,587	-	-	-	-	-
5	of which: Non-financial corporations		587,789	249,246	587,789	-	-	-	-	-
6	*of which: Small and Medium-sized Enterprises*		486,424	213,737	486,424	-	-	-	-	-
7	*of which: Collateralised by commercial immovable property*		171,114	115,928	171,114	-	-	-	-	-

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 (total value of granted guarantees in 2021 was over 17.2 bn RON).

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	1,201,646	-	991,541	1,753
2	of which: Households	-			-
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	1,201,646	-	991,541	1,753
5	of which: Small and Medium-sized Enterprises	1,194,976			1,753
6	of which: Collateralised by commercial immovable property	28,720			-

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.

BRD Group maintained an overall countercyclical buffer rate of 0.004030% of total risk weighted assets (1.26 million RON) at December 31, 2021, driven by relevant credit risk exposures on non-Romanian entities (mainly from Czech Republic).

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				Own fund requirements						
	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	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
010 **Breakdown by country:**													
Romania	36,759,884	-	-	-	-	36,759,884	2,106,693	-	-	2,106,693	26,333,660	97.36%	0.00%
Czech Republic	239,501	-	-	-	-	239,501	19,154	-	-	19,154	239,420	0.89%	0.50%
Luxembourg	12,172	-	-	-	-	12,172	800	-	-	800	9,998	0.04%	0.50%
Bulgaria	4,265	-	-	-	-	4,265	253	-	-	253	3,158	0.01%	0.50%
Norway	235	-	-	-	-	235	9	-	-	9	107	0.00%	1.00%
Slovakia	1	-	-	-	-	1	0	-	-	0	1	0.00%	1.00%
Other countries	555,234	-	-	-	-	555,234	36,866	-	-	36,866	460,828	1.70%	0.00%
020 **Total**	**37,571,292**	**-**	**-**	**-**	**-**	**37,571,292**	**2,163,774**	**-**	**-**	**2,163,774**	**27,047,172**	**100.00%**	

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

		31.12.2021	31.12.2020
1	Total risk exposure amount	31,362,483	27,787,253
2	Institution specific countercyclical capital buffer rate	0.0040301%	0.0048558%
3	Institution specific countercyclical capital buffer requirement	1,264	1,349

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 2021, the Committee consisted of 3 members: Mr. Giovanni Luca Soma (Chairman), Mr. Benoît Ottenwaelter (Member) and Mr. Jean Pierre Vigroux (Independent member).

In December the Committee's composition was changed as follows: Mrs. Liliana Ionescu-Feleaga (Chairman), Mr. Jean Pierre Vigroux (Independent member) and Mr. Giovanni Luca Soma (Member).

The Remuneration Committee meets annually, or whenever necessary. In 2021, 3 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 2021, 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.

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 of 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 2021 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	Fixed remuneration	Number of identified staff	18	13	-	32
2		**Total fixed remuneration**	**241,324**	**3,064,122**	**-**	**3,762,023**
3		Of which: cash-based	241,324	3,064,122	-	3,762,023
4		(Not applicable in the EU)	-	-	-	-
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
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	Variable remuneration	Number of identified staff	18	13	-	32
10		**Total variable remuneration**	**-**	**1,425,821**	**-**	**1,102,943**
11		Of which: cash-based	-	685,371	-	918,771
12		Of which: deferred	-	314,020	-	29,869
EU-13a		Of which: shares or equivalent ownership interests	-	5,000	-	109,500
EU-14a		Of which: deferred	-	5,000	-	109,500
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	735,450	-	74,672
EU-14b		Of which: deferred	-	462,818	-	29,868
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)**		**241,324**	**4,489,943**	**-**	**4,864,966**

Table 21: EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year	-	-	-	-
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	2
7	Severance payments awarded during the financial year - Total amount	-	-	-	138,145
8	Of which paid during the financial year	-	-	-	138,145
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	138,145
11	Of which highest payment that has been awarded to a single person	-	-	-	116,271

Table 22: EU REM3 - Deferred remuneration

	Deferred 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 of 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	2,304,504	465,955	1,838,549	-	-	-	450,179	39,782
8	Cash-based	794,085	321,843	472,242	-	-	-	350,643	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	1,510,419	144,112	1,366,307	-	-	-	99,536	39,782
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	-	-	-	-	-	-	-	-
14	Cash-based	-	-	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	204,457	58,552	145,905	-	-	-	41,564	15,160
20	Cash-based	54,179	34,027	20,152	-	-	-	34,027	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	150,278	24,525	125,753	-	-	-	7,537	15,160
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	2,508,961	524,507	1,984,454	-	-	-	491,743	54,942

Table 23: 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 24: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		Management body remuneration			Business areas					
		MB Supervisory function	MB Management function	Total MB	Investment banking & Asset management	Retail banking	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff	18	13	-	3	8	11	10	-	-
2	Of which: members of the MB	-	-	-	-	-	-	-	-	-
3	Of which: other senior management	-	-	-	-	-	-	-	-	-
4	Of which: other identified staff	-	-	-	-	-	-	-	-	-
5	Total remuneration of identified staff	241,324	4,489,943	-	385,870	1,257,359	1,844,756	1,376,981	-	-
6	Of which: variable remuneration	-	1,425,821	-	96,934	264,146	375,533	366,330	-	-
7	Of which: fixed remuneration	241,324	3,064,122	-	288,936	993,213	1,469,223	1,010,651	-	-

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 9.05% as at December 31, 2021, considering a Tier 1 capital amount of RON 6,926 million and a leverage exposure of RON 76,500 million (versus 11.85% as of June 30, 2021 considering a Tier 1 capital amount of RON 8,717 million and a leverage exposure of RON 73,549 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 25: EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable amount
1	Total assets as per published financial statements	69,063,297
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	26,510
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	490,817
9	Adjustment for securities financing transactions (SFTs)	42,188
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	7,368,842
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	(491,602)
13	**Total exposure measure**	**76,500,052**

Table 26: EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		31.12.2021	30.06.2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	67,523,266	65,038,790
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)	(432,714)	(422,906)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	67,090,552	64,615,884
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	120,043	114,542
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	456,519	516,108
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	576,562	630,650
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,421,908	1,696,938
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	42,188	20,083
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	1,464,096	1,717,021
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	20,579,083	18,333,829
20	(Adjustments for conversion to credit equivalent amounts)	(13,210,241)	(11,747,658)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	7,368,842	6,586,171
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 (j) 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**	**6,926,784**	**8,717,580**
24	**Total exposure measure**	**76,500,052**	**73,549,726**
Leverage ratio			
25	Leverage ratio (%)	9.05%	11.85%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	9.05%	11.85%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	9.05%	11.85%
26	Regulatory minimum leverage ratio requirement (%)	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%
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	1,647,699	1,906,439
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	1,421,908	1,696,938
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)	76,725,843	73,759,227
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)	76,725,843	73,759,227
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)	9.03%	0
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)	9.03%	0

Table 27: 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:**	67,523,266
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	67,523,266
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	25,006,199
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	1,065,830
EU-7	Institutions	4,282,561
EU-8	Secured by mortgages of immovable properties	7,282,001
EU-9	Retail exposures	16,002,092
EU-10	Corporates	9,516,919
EU-11	Exposures in default	385,328
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,982,337

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, 2021 the LCR stands at 350% in terms of monthly averages over the previous twelve months preceding the end of the quarter. The value of LCR as at December 31, 2021 end recorded no major change as compared to September 30, 2021 end, observing a decrease of 34 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 2021, respectively the end of the last quarter of 2020, the following conclusions are to be noted:

- LCR has slightly decreased from 357% to 350%;
- High Quality Liquid Assets averages have observed an increase of 16%;
- Net Outflows Averages have observed an increase of 18%, having in view:
    - 9% increase in Outflows averages
    - 2% decrease in Inflows averages

Table 28: EU LIQ1 - Quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2021	9/30/2021	6/30/2021	3/31/2021
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)					21,677,385	21,339,414	20,534,953	19,763,965
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	35,589,860	35,191,256	34,626,686	33,677,595	2,142,978	2,111,013	2,067,484	2,043,191
3	*Stable deposits*	24,976,877	24,701,532	24,224,346	23,339,644	1,248,844	1,235,077	1,211,217	1,166,982
4	*Less stable deposits*	10,612,983	10,489,724	10,402,339	10,337,950	894,134	875,936	856,267	876,209
5	Unsecured wholesale funding	16,583,955	15,957,193	15,196,502	14,774,394	8,194,424	7,908,732	7,594,589	7,464,095
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	16,583,955	15,957,193	15,196,502	14,774,394	8,194,424	7,908,732	7,594,589	7,464,095
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	4,887,834	4,522,677	4,171,431	3,882,066	389,935	357,288	332,229	307,281
11	*Outflows related to derivative exposures and other collateral requirements*	707.2	269.7	6,016.6	5,969.8	707.2	269.7	6,016.6	5,969.8
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	4,887,127	4,522,407	4,165,415	3,876,096	389,228	357,019	326,213	301,311
14	Other contractual funding obligations	205,134	209,403	215,028	300,242	205,134	209,403	215,028	300,242
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					10,932,470	10,586,437	10,209,331	10,114,810
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	1,543,063	1,461,964	1,511,629	1,460,258	-	-	-	3,928.8
18	Inflows from fully performing exposures	4,804,791	5,059,570	5,061,481	5,180,204	4,586,163	4,846,375	4,865,971	4,943,556
19	Other cash inflows	149,761	179,449	179,723	186,862	149,761	179,449	179,723	186,862
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	6,497,614	6,700,984	6,752,834	6,827,324	4,735,923	5,025,824	5,045,695	5,134,347
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	6,497,614	6,700,984	6,752,834	6,827,324	4,735,923	5,025,824	5,045,695	5,134,347
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					21,677,385	21,339,414	20,534,953	19,763,965
22	TOTAL NET CASH OUTFLOWS					6,196,547	5,560,613	5,163,636	4,980,462
23	LIQUIDITY COVERAGE RATIO					350%	384%	398%	397%

Table 29: 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		-	-	9,795,773	9,795,773
2	*Own funds*		-	-	9,795,773	9,795,773
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		35,056,234	1,388,005	342,803	34,577,667
5	*Stable deposits*		27,542,120	1,158,861	266,077	27,532,009
6	*Less stable deposits*		7,514,115	229,143	76,726	7,045,658
7	Wholesale funding:		13,441,561	391,130	256,731	7,173,077
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		13,441,561	391,130	256,731	7,173,077
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:		4,261,747	349,509	3,808,943	3,983,697
12	*NSFR derivative liabilities*					
13	*All other liabilities and capital instruments not included in the above categories*		4,261,747	349,509	3,808,943	3,983,697
14	**Total available stable funding (ASF)**					**55,530,214**
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:		9,999,732	4,030,168	25,494,643	26,284,867
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		1,421,846	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		4,295,908	297,657	191,715	770,134
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		4,267,680	3,720,993	18,422,549	19,653,503
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
22	*Performing residential mortgages, of which:*		14,297	11,517	6,880,380	5,861,230
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
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:		891,679	61,346	1,786,098	2,346,367
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*				3,680.1	184.0
31	*All other assets not included in the above categories*		887,999	61,346	1,786,098	2,346,183
32	Off-balance sheet items		3,541,405	933,860	3,360,762	448,567
33	**Total RSF**					**29,079,802**
34	**Net Stable Funding Ratio (%)**					**191%**

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	Disclosureof 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 CRB: Additional disclosure related to the credit quality of assets
		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
		EU CQ7: Collateral obtained by taking possession and execution processes
EBA/GL/2020/07; NBR Instruction 03/08/2020	Exposures subject to measures applied in response to the COVID-19 crisis	Template 1 COVID 19: Information on loans and advances subject to legislative and non-legislative moratoria
		Template 2 COVID 19: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria
		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
Regulation (EU) 2019/876, Art 450	Discolsure of remuneration policy	EU REM1 - Remuneration awarded for the financial year
		EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
		EU REM3 - Deferred remuneration
		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 leverage ratio	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 451a	Disclosure of liquidity requirements	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 techiniques	EU CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
		EU CR4: Standardised approach – Credit risk exposure and CRM effects

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