BRD - Groupe Société Générale

REPORT ON TRANSPARENCY AND DISCLOSURE REQUIREMENTS

according to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

2017

YOUR BANK. YOUR TEAM

BRD

GROUPE SOCIETE GENERALE

CONTENTS

Introduction

The scope of the report

BRD's Report on Transparency and Disclosure Requirements is prepared according to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, and as per the Guidelines on disclosure requirements in Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11).

BRD applies article 13 (1) of Regulation (EU) No 575/2013, according to which significant subsidiaries of EU parent institutions and those subsidiaries which are of material significance for their local market shall disclose the information specified in articles 437 (own funds), 438 (capital requirements), 440 (capital buffers), 442 (credit risk adjustments), 450 (remuneration policy), 451 (leverage) and 453 (credit risk mitigation techniques) on an individual or sub-consolidated basis. Additionally, as per the Guidelines on disclosure requirements in Part Eight of Regulation (EU) No 575/2013, BRD also discloses information as per article 435 pt. 2 (governance arrangements) and article 443 (unencumbered assets).

Consolidation perimeter

As BRD is parent credit institution in Romania and, at the same time, subsidiary of Société Générale, the prudential consolidation perimeter is applied for the purpose of this report.

For the scope of prudential consolidation, the BRD Group includes the following entities:

- BRD - Groupe Société Générale SA;
- BRD Sogelease IFN SA;
- BRD Finance IFN SA.

Amounts are in RON thousand at December 31, 2017, unless otherwise stated.

Location of Pillar 3 disclosures

This report complements and / or details information provided in BRD's Annual Board of Directors Report for the year 2017 and the Consolidated and Separate Financial Statements as at December 31, 2017. The documents are available electronically at www.brd.ro.

The disclosure index below provides information on where information required in Part Eight of Regulation (EU) No 575/2013 can be found.

Table 1: Disclosure index

CRR article number	CRR article description	Reference to the chapter in the present document	Reference to external documents
435 (2)	Governance arrangements	Chapter 1: Governance arrangements ✓ the number of directorships held by members of the management body; ✓ the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise; ✓ the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved; ✓ whether or not the institution has set up a separate risk committee and the number of times the risk committee has met; ✓ the description of the information flow on risk to the management body.	Annual Board of Directors Report for 2017: ✓ Chapter 2: Corporate Governance ✓ Chapter 6: Risk Management
437	Own Funds	Chapter 2: Own Funds ✓ Accounting and Regulatory Balance Sheet reconciliation with cross reference to Transitional Own Funds template ✓ Capital instruments' main features template ✓ Transitional own funds disclosure template	Annual Board of Directors Report for 2017 - Chapter 7: Capital Management and Adequacy Consolidated and separate financial statements, as at Dec 31, 2017 – Note 43 - Capital management
438	Capital requirements	Chapter 3: Capital requirements ✓ Capital requirements – regulatory and SREP ✓ **EU OV1** – Overview of RWA	Annual Board of Directors Report for 2017 - Chapter 7: Capital Management and Adequacy Consolidated and separate financial statements, as at Dec 31, 2017 – Note 43 - Capital management
440	Capital buffers	Chapter 4: Capital buffers	Annual Board of Directors Report for 2017 - Chapter 7: Capital Management and Adequacy
442	Credit risk adjustments	Chapter 5: Credit risk adjustments ✓ **EU CRB-A** – Additional disclosure related to the credit quality of assets ✓ **EU CRB-B** – Total and average net amount of exposures ✓ **EU CRB-C** – Geographical breakdown of exposures ✓ **EU CRB-D** – Concentration of exposures by industry or counterparty types ✓ **EU CR1-A** – Credit quality of exposures by exposure class and instrument ✓ **EU CR1-C** – Credit quality of exposures by geography ✓ **EU CR1-E** – Non-performing and forborne exposures ✓ **EU CR2-A** – Changes in the stock of general and specific credit risk adjustments ✓ **EU CR2-B** – Changes in the stock of defaulted and impaired loans and debt securities	✓ Consolidated and separate financial statements, as at Dec 31, 2017 – Note 42 – Risk management and Note 10 – Loans and advances to customers
443	Unencumbered assets	Chapter 6: Unencumbered assets	

450	Remuneration policy	Chapter 7: Remuneration policy ✓ Information on the decision-making process used for determining the remuneration policy, in cluding the number of meetings held by the Remuneration Committee ✓ Link between pay and performance ✓ Most important design characteristics of the remuneration system ✓ Ratios between fixed and variable remuneration ✓ Performance criteria on which the entitlement to shares, options or variable remuneration is based ✓ Main parameters and rationale for the variable component scheme ✓ Aggregate quantitative data on remuneration by business areas ✓ Aggregate quantitative information on remuneration for identified staff	Annual Board of Directors Report for 2017 – Chapter 3: Human Resources
451	Leverage ratio	Chapter 8: Leverage ratio ✓ **LRQua** - Description of the processes used to manage the risk of excessive leverage and of the factors that had an impact on the leverage ratio ✓ **LRSum** - Summary reconciliation of accounting assets and leverage ratio exposures ✓ **LRCom** - Leverage ratio common disclosure	Annual Board of Directors Report for 2017 - Chapter 7: Capital Management and Adequacy
453	Use of credit risk mitigation techniques	Chapter 9: Credit risk mitigation techniques ✓ **EU CRC** – Qualitative disclosure requirements related to CRM techniques ✓ **EU CR3** – CRM techniques – Overview ✓ **EU CR4** – Standardised approach – Credit risk exposure and CRM effects	

1 Governance arrangements

STRUCTURE AND ORGANIZATION OF THE MANAGEMENT BODY

BRD- Groupe Société Générale adopted a unitary management system that is fully consistent with the principles of good corporate governance, transparency of relevant corporate information, protection of shareholders and of other categories of concerned persons (stakeholders), as well as of an efficient operation on the banking market.

The internal governance of BRD-Groupe Société Générale S.A. is aligned with that of the parent company, Société Générale. BRD has adopted, and applies, on a voluntary basis, the provisions of Corporate Governance Code of the Bucharest Stock Exchange (BSE) and reports annually the compliance with its provisions.

The structure, the size and the skills of the management body (in its supervisory function - Board of Directors and the senior management - Management Committee) are well suited for the dimension and the complexity of the Bank's activity.

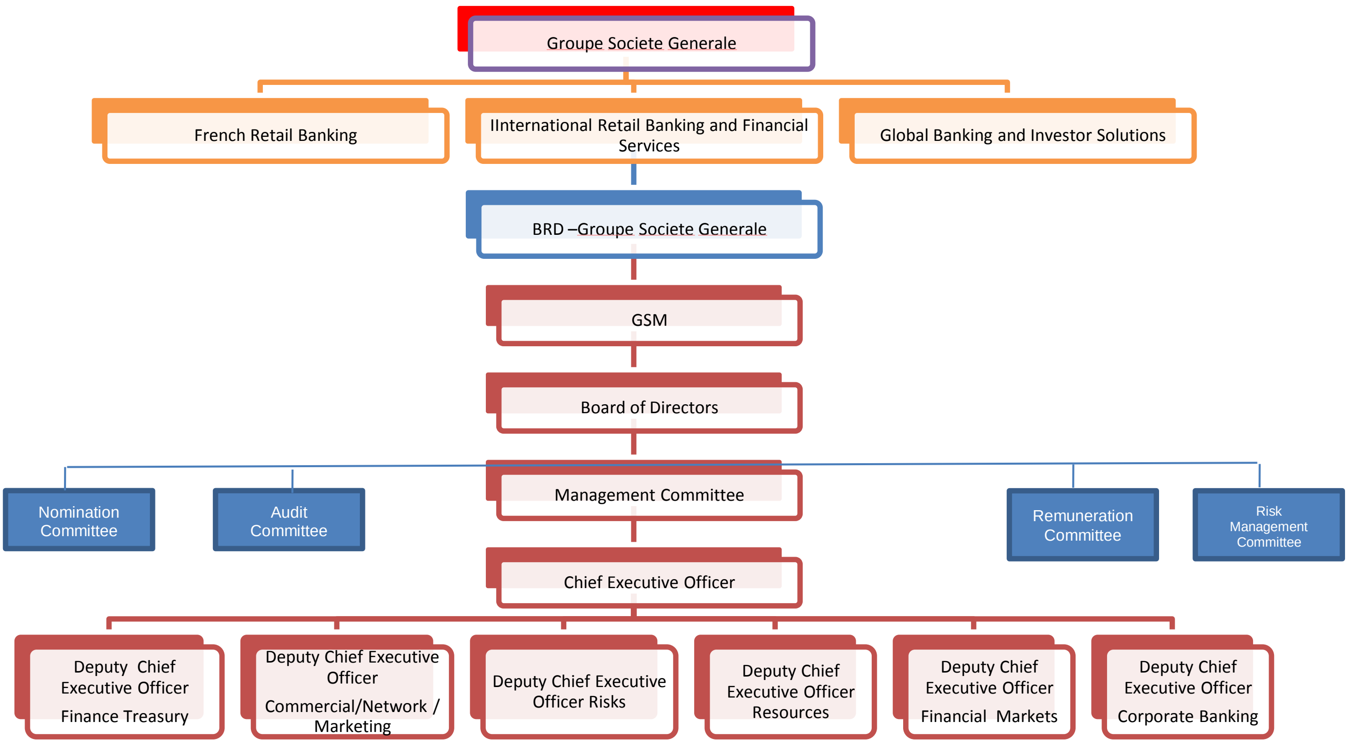
The members of the management body commit sufficient time to their responsibilities as stipulated by the law and the statutory bodies.

The members of the management body have the necessary expertise to carry out their responsibilities and take decisions independently.

The management body promotes both high ethical and professional standards, as well as a strong culture of internal control.

An overview of the organizational chart of the Bank is presented in the chart below.

Table 2: BRD-Groupe Societe Generale Organizational Chart



The structure and organization of the management body are presented in the Chapter 2 - Corporate governance of BRD's Annual Board of Directors 'Report and also, in BRD's Corporate Governance Code in Chapter 2 "Corporate governance structures", available to the interested parties on the institutional site in the section: Investors and shareholders

At the same time, information on the professional experience of members of the bank's management body can be found on the institutional site and section: https://www.brd.ro/en/about-brd/about-us/about-brd/management.

All the members of the management body comply with the legal provisions on the cumulative mandate established by the applicable law in force. Information on the number of directorships held by each member of the management body are presented in BRD's Annual Board of Directors' Report 2017 (Chapter 2 - Corporate Governance) and can be consulted on the institutional site at: https://www.brd.ro/_files/pdf/2.2%20BoD%20report%202017%20EN.pdf

BRD's Annual Board of Directors Report 2017 (Chapter 2 - Corporate Governance) contains information on the main changes in the management body on 2017 and the year of expiry of the current mandates of BRD's members of Board of Directors.

In order to support the Board of Directors and the Management Committee activity, several Committees are set up and operate within the Bank.

The mission, the structure, the rules regarding the organization and functioning of the committees set up in order to support the Board of Directors and the Management Committee are presented in BRD's Corporate Governance Code, Chapter 2 "Corporate governance structures" and also in BRD's Annual Board of Directors' Report, Chapter 2 - "Corporate Governance ", available to the interested parties on institutional site on section: Investors and shareholders

THE ATTENDANCE OF THE MEMBERS OF THE MANAGEMENT BODY TO THE MEETINGS IN 2017

BRD's Annual Board of Directors' Report 2017, Chapter 2 - Corporate Governance, that can be consulted on the institutional site at: https://www.brd.ro/_files/pdf/2.2%20BoD%20report%202017%20EN.pdf, contains details regarding the meetings, their frequency and the subjects discussed.

As at December 31, 2017, the members of the Board of Directors had a 99% attendance rate to the Board meetings, while members of the Management Committee had a 89% attendance rate.

THE RECRUITMENT POLICY FOR THE SELECTION OF MEMBERS OF THE MANAGEMENT BODY

The Bank has a policy setting out the criteria, processes and measures applied by the Bank for the selection, assessment of adequacy (monitoring) and succession planning of members of the Board of Directors and the Management Committee. The responsibility for the process of selection, monitoring and planning of the succession of the members of the management body rests to the Nomination Committee. The Nomination Committee actively contributes to those processes.

The criteria for nominating candidates are at least the following:

- to have a good reputation;
- to have the professional experience adequate to the nature, extent and complexity of the banking business and of the entrusted responsibilities;
- to ensure the conditions of the collective competence of the management body by co-optation of the new member, as well as the balance of knowledge, skills, diversity and experience of the Management Body for an efficient and performant management of the Bank's activity;
- to ensure the diversity within the Management Body in terms of skills and competences, to ensure that the Management Body's decision-making process is not dominated by any person or small group of persons in a way that is in detrimental to the Bank's interests, the diversity in terms of age, experience, etc .;

- to achieve the gender target.

The main objective of the selection process is to ensure the suitable candidates for the vacant positions in the Management Body or to ensure the succession of the existing members.

The selection of the candidates excludes any discrimination on gender, age, ethnicity or any other kind of discrimination, stipulated by the law.

Criteria such as reputation, theoretical knowledge and practical professional experience in specific areas of BRD– Groupe Société Générale's activities, diversity, ensures a stable and suitable structure of the management body.

The selection of independent directors is subject to compliance with the criteria stipulated by the Companies' Law no. 31/1990, the NBR Regulation no. 5/2013 on prudential requirements for credit institutions (article 7 paragraph 4) and by the Bucharest Stock Exchange Code of Corporate Governance.

The exercise of the responsibilities by members of the Management Body is subject to obtaining the NBR approval.

THE DIVERSITY POLICY

According to the Nomination Committee Report on assessing the adequacy of the Management body and its members, the size, structure and balance of knowledge, skills and experience are adequate to the responsibilities of the management body:

- the number of directors (9) and executive officers (7) is appropriate to the size, complexity and nature of the Bank's activity;
- the structure of the Board of Directors ensures a proper balance between executive and non-executive members (7 non-executive members and 2 executive members);
- the Board of Directors have 2 independent directors (as stipulated the legal provisions in force);
- the structure of the management body ensures age and geographical diversity;
- the professional experience of the members of the management body in areas such as: financial-banking, capital markets, risk, audit / control, retail, access to international information and also the academic experience of some members, offers professional diversity.

THE INFORMATION FLOW ON RISK TO THE MANAGEMENT BODY

The information flow on risk to the management body is detailed in ''BRD's Annual Board of Directors'Report 2017'' on Chapter 6 - Risk management , subchapter Risk management governance, document that can be consulted on the institutional site at: https://www.brd.ro/_files/pdf/2.2%20BoD%20report%202017%20EN.pdf.

2 Own funds

CONSOLIDATION PERIMETER

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

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 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.

Based on the above, the prudential consolidation perimeter of BRD Group includes the parent company BRD - Groupe Société Générale S.A and two of its subsidiaries:

- BRD Sogelease IFN S.A.
- BRD Finance IFN S.A.

Table 3: EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation		Description of the entity
		Full consolidation	Recognised under the equity method	
BRD Sogelease IFN SA	Full consolidation	X		Financial lease company
BRD Finance IFN SA	Full consolidation	X		Financial institution
BRD Asset Management SAI SA	Full consolidation		X	Fund administration company

OWN FUNDS

BRD Group regulatory own funds as at December 31, 2017 amounted to RON 5,673 million (RON 5,576 million as at December 31, 2016) and consist of common equity capital (CET1).

The basis for calculating own funds is the prudential consolidation perimeter as presented above. The reconciliation of consolidated balance sheet according to IFRS financial statements and the balance sheet prepared for prudential consolidation purposes is presented in Table 4. The structure of own funds is presented in Table 5.

Common Equity Capital (CET1) includes:

- Eligible Capital includes the nominal share capital and the hyperinflation adjustment of share capital accounted until December 31, 2003. As at December 31, 2017, 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 adjustments from IFRS implementation as accounting basis, from January 1, 2012;

  - Other reserves: legal reserves, reserves for general banking risks or other reserves established by the law and share based payment reserves.

- Other comprehensive income (OCI) includes unrealized gains and losses from changes in the fair value of available for sale instruments and from re-measurement of defined benefit liability arising from the post-employment benefit plan.

Regulatory deductions from CET 1 applicable as at December 31, 2017 essentially involved the following elements:

- Dividend payments. For financial year 2017, the dividends approved by the General Shareholders' Meeting amounted to RON 1,143 million, corresponding to a pay-out ratio of 83% from the 2017 net profit of the bank of RON 1,380 million.

- Goodwill and intangible assets net of associated tax – deducted 100% from CET 1.

- Contingent or any foreseeable tax charges related to CET 1 reserves taxable upon utilization to cover losses or risks

Other regulatory deductions/adjustments have been applied to CET 1 elements during the transitional period ended 31 December 2017:

- Minority interests related to consolidation of a not eligible or not regulated entity are excluded from the calculation of consolidated regulatory capital. In accordance with the CRR transitional arrangements, 20% of not eligible minority interests (i.e. related to consolidation of BRD Finance) were phased-out yearly from CET 1 yearly until 31 December 2017.

- According to CRR, no filters are applied to the inclusion of OCI unrealized gains or losses in CET 1 capital. Based on the national transitory approach, 80% of unrealized gains (net of the related tax) recorded in OCI were included in CET 1 as at 31 December 2017.

Further details on transitional own funds are presented in Table 5 - Regulatory own funds and solvency ratios.

As at December 31, 2017 and December 31, 2016, the Bank had no Additional Tier 1 or Tier 2 capital instruments issued and outstanding.

A description of the main features of regulatory capital instruments is provided in Table 6 - Transitional own funds.

Table 4: Reconciliation of consolidated balance sheet as per IFRS financial statements and consolidated balance sheet within prudential scope

	Consolidated balance sheet	Prudential restatements (1)	Accounting balance sheet within the prudential scope	*Cross ref. Table 5*
ASSETS				
Cash in hand	1,924,214	-	1,924,214	
Due from Central Bank	5,757,953	-	5,757,953	
Due from banks	2,549,512	-	2,549,512	
Derivatives and other financial instruments held for trading	637,686	-	637,686	
Loans, gross	32,088,555	-	32,088,555	
Impairment allowance for loans	(2,480,133)	-	(2,480,133)	
Loans and advances to customers	29,608,422	-	29,608,422	
Finance lease receivables	727,768	-	727,768	
Financial assets available for sale	12,135,373	(21,681)	12,113,692	
Investments in associates and subsidiares	151,860	24,023	175,883	
Property, plant and equipment and investment property	845,462	(127)	845,335	
Investment property	12,544	-	12,544	
Goodwill	50,130	-	50,130	*1*
Intangible assets	106,408	(238)	106,170	2
Deferred tax asset	112,536	(55)	112,481	
Other assets	320,067	(1,502)	318,565	
Total assets	54,927,391	420	54,927,811	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to banks	885,970	(0)	885,970	
Due to customers	44,219,686	1,683	44,221,369	
Borrowed funds	1,252,455	-	1,252,455	
Derivative financial instruments	138,044	-	138,044	
Current tax liability	103,581	(182)	103,399	
Deferred tax liability	955	-	955	
Other liabilities	957,949	(1,074)	956,875	
Total liabilities	47,558,640	426	47,559,066	
Share capital	2,515,622	-	2,515,622	*3*
Other comprehensive income	66,302	-	66,302	*4*
of which reserves from revaluation of available for sale assets net of tax	*66,302*	-	*66,302*	
of which reserves from defined pension plan net of tax	-	-	-	
Retained earnings and other reserves	4,733,415	(6)	4,733,409	*5*
Non-controlling interest	53,412	-	53,412	*6*
Total equity	7,368,751	(6)	7,368,745	
Total liabilities and equity	54,927,391	420	54,927,811	

(1) Prudential restatements refers to treatment differences of subsidiaries excluded from prudential consolidation scope.

Table 5: Regulatory own funds and solvency ratios

REGULATORY OWN FUNDS	Fully Loaded	Phased-In	*Cross ref. Table 4*	*Cross ref. Table 6*
Common Equity Tier 1 (CET1)instruments and reserves				
Eligible capital	2,515,622	2,515,622	*3*	*1*
Reserves and accumulated profits	3,156,287	3,156,287	*5*	*2*
Other comprehensive income	66,303	66,303	*4*	*3*
Funds for general banking risk	170,762	170,762	*5*	*3a*
Accounting minority interest	53,412	53,412	*6*	*5*
Current year result (net of any foreseeable charge or dividend)	263,420	263,420	*5*	*5a*
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**6,225,806**	**6,225,806**		
Additional value adjustments (negative amount)	(40,959)	(40,959)		
Intangible assets (net of related tax liability)	(152,222)	(152,222)	*1,2*	*8*
Foreseeable tax charges relating to CET1 items	(275,078)	(275,078)		*25b*
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	(53,412)	(84,239)		
- of which related to OCI gains	-	(41,509)	*4*	*26*
- of which related to minority interest eligibility	(53,412)	(42,730)	*6*	*5*
Total regulatory adjustments to Common equity Tier 1 (CET1)	**(521,671)**	**(552,498)**		
Common Equity Tier 1 (CET1) capital	**5,704,135**	**5,673,308**		
Tier 1 capital (T1 = CET1 + AT1)	**5,704,135**	**5,673,308**		
Total capital (TC = T1 + T2)	**5,704,135**	**5,673,308**		
Total risk weighted aseets	**28,219,221**	**28,219,221**		
Common Equity Tier 1 Ratio	**20.21**	**20.10**		
Tier 1 Ratio	**20.21**	**20.10**		
Total capital ratio	**20.21**	**20.10**		

Table 6: Transitional own funds

Part 1/3

	TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
Common Equity Tier 1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	2,515,622	-
	of which: Instrument type 1	2,515,622	-
	of which: Instrument type 2	-	-
	of which: Instrument type 3	-	-
2	Retained earnings and other reserves	3,156,287	-
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicab	66,303	-
3a	Funds for general banking risk	170,762	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
5	Minority Interests (amount allowed in consolidated CET1)	-	10,682
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	263,420	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6,172,394**	**10,682**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-40,959	-
8	Intangible assets (net of related tax liability) (negative amount)	-152,222	-
9	Empty Set in the EU	-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax lia	-	-
11	Fair value reserves related to gains or losses on cash flow hedges	-	-
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 and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the i	-	-
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the insti	-	-
20	Empty Set in the EU	-	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deductior	-	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-
20c	of which: securitisation positions (negative amount)	-	-
20d	of which: free deliveries (negative amount)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability whe	-	-
22	Amount exceeding the 15% threshold (negative amount)	-	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where th	-	-
24	Empty Set in the EU	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
25a	Losses for the current financial year (negative amount)	-	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-275,078	-
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-	-41,509
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	-41,509
	Of which: … filter for unrealised loss 1	-	-
	Of which: … filter for unrealised loss 2	-	-
	Of which: … filter for unrealised gain - reserves from reevaluation of avaible for sale asset	-	-41,509
	Of which: … filter for unrealised gain - reserves from defined pension plan	-	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductio	-	-
	Of which: …	-	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	-468,259	-41,509
29	**Common Equity Tier 1 (CET1) capital**	**5,704,135**	**(30,827)**

Table 6: Transitional own funds

Part 2/3

	TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
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) and the related share premium accounts subject to phase out from AT1	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
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 and indirect holdings by an institution of own AT1 Instruments (negative amount)	-	-
38	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 and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short posi- lions) (negative amount)	-	-
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the insti- tution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	-	-
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	-
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	-	-
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	-
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	-	-
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	-	-
	Of which: ... possible filter for unrealised losses	-	-
	Of which: ... possible filter for unrealised gains	-	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**
44	**Additional Tier 1 (AT1) capital**	**-**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**5,704,135 -**	**30,827**
Tier 2 (T2) capital: Instruments and provisions			
46	Capital instruments and the related share premium accounts	-	-
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
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 and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
53	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 and indirect 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	Of which new holdings not subject to transitional arrangements	-	-
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-	-
55	Direct and indirect 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	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regu- lation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	-
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	-	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regu- lation (EU) No 575/2013	-	-
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non significant investments in the capital of other financial sector entities , etc	-	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	-
	Of which: ... possible filter for unrealised losses	-	-
	Of which: filter for unrealised gain - reserves from reevaluation of avaible for sale asset	-	-
	Of which: filter for unrealised gain - reserves from defined pension plan	-	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**-**
58	**Tier 2 (T2) capital**	**-**	**-**
59	**Total capital (TC = T1 + T2)**	**5,704,135**	**(30,827)**

Table 6: Transitional own funds

Part 3/3

	TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/ 2013(i.e. CRR residual amounts)		
	Of which: ... items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability , indirect holdings of own CET1, etc)		
	Of which: ... items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		
	Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		
60	**Total risk weighted assets**	**28,219,221**	
Capital ratios and buffers			
61	**Common Equity Tier 1 (as a percentage of risk exposure amount)**	**20.21**	
62	Tier 1 (as a percentage of risk exposure amount)	20.21	
63	Total capital (as a percentage of risk exposure amount)	20.21	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conser- vation and countercyclical buffer requirements , plus systemic risk buffer, plus the systemically important institution buffer (G-SII or 0-SII buffer), expressed as a percentage of risk exposure amount)	2.25	
65	of which: capital conservation buffer requirement	1.25	
66	of which: countercyclical buffer requirement	-	
67	of which: systemic risk buffer requirement	-	
67a	of which: Global Systemically Important Institution (G-811) or Other Systemically Important Institution (0-811) buffer	1.00	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8.27	
69	[non relevant in EU regulation]	-	
70	[non relevant in EU regulation]	-	
71	[non relevant in EU regulation]	-	
72	Direct and indirect holdings of the capital 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)	47,222	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the insti- tution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	158,801	
74	Empty Set in the EU	-	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	116,560	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized 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 2013 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 7: Capital instruments main features template

Ref	Heading	
1	Issuer	BRD-Groupe Societe Generale
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ROBRDBACNOR2
3	Governing law(s) of the instrument	Romanian law
	Governing law(s) of the instrument	Romanian law
4	Transitional CRR rules	CET1
5	Post-transitional CRR rules	CET1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (RON million, as of most recent reporting date)	2,516
9	Nominal amount of instrument	10
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	Capital
11	Original date of issuance	NA
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full discretion
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Ful discretion
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The most subordinated claim in case of liquidation
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

3 Capital requirements

MINIMUM CAPITAL REQUIREMENTS

From a regulatory perspective, capital requirements cover:

- credit risk, in respect of all business activities, but excluding the trading book business
- operational risk, foreign exchange risk and settlement risk in respect of all business activities
- position risk in trading book and
- credit valuation adjustment risk of OTC derivative instruments.

The calculation of credit risk capital requirement takes into account the transaction risk profile and is computed according to the standardized approach (CRR Part 3, Title 2, Chapter 2) using the Financial Collateral Comprehensive Method and information regarding credit assessments performed by external credit assessment institutions (ECAI).

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

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

An overview of RWA and minimum capital requirements is presented below.

Table 8: EU OV1 – Overview of RWAs

	RWAs	Minimum capital requirements
Credit risk (excluding CCR)	25,906,762	2,072,541
Of which the standardised approach	25,906,762	2,072,541
CCR	282,503	22,600
Of which mark to market	216,441	17,315
Of which the standardised approach	216,441	17,315
Of which CVA	66,062	5,285
Market risk	163,530	13,082
Of which the standardised approach	163,530	13,082
Operational risk	1,866,427	149,314
Of which advanced measurement approach	1,866,427	149,314
Amounts below the thresholds for deduction (subject to 250% risk weight)	198,706	15,896
Total	**28,219,221**	**2,257,538**

SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP) REQUIREMENTS

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 3.94% of RWA during 2017 (2.7% during 2016). Thus, the TSCR ratio (total SREP capital requirements) requirement for BRD Group was 11.94% for 2017.

Overall capital requirements (OCR) represent the total of SREP requirements and capital buffers, namely:

- A Conservation Buffer in CET 1 capital intended to absorb losses during periods of stress, phased in by 0.625% of total RWA yearly starting 1 January 2016. This buffer will be mandatory and fully effective from 1 January 2019 and amounting to 2.5% of total RWA. As at 31 December 2017 the buffer requirement was 1.25%.

- A Countercyclical Buffer that may be imposed during periods of excessive credit growth when system-wide risk is building up and capped at 2.5% of total RWA. Starting with 1 January 2016, according to NBR Order 12/2015 the level of countercyclical buffer was established at 0% for credit exposures in Romania.

- Other systemically important institutions (O-SIIs) identified by NBR which have been authorized in Romania, may be subject to a O-SII Capital Buffer of up to 2% of the total RWA. BRD was identified as O-SII by NBR and O-SII Capital Buffer is 1% starting with 1 January 2016.

- In order to prevent and mitigate long-term non-cyclical systemic or macro prudential risks where there is a risk of disruption in the financial system with the potential to have serious negative consequences for the financial system and the real economy, a Systemic Risk Buffer may be applied by NBR to all institutions, or to one or more subsets of those institutions with similar risk profiles in their business activities. The local regulator has not set a systemic risk buffer, so far.

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.

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 internally evaluated capital requirement is determined using „Pillar 1 plus” approach, where the capital requirements for the following risks are added to the regulatory capital requirements:

- Credit risk concentration, residual risk from usage of credit risk mitigation techniques, risk related to foreign currency lending to unhedged borrowers and risks arisen from applying less sophisticated approaches
- Interest rate risk in banking book
- Funding risk
- Strategic risk
- Other significant risks: reputational risk, compliance risk, model risk, risks external to credit institutions, risk of excessive leverage.

For the purposes of the internal capital adequacy assessment, the available own funds are considered equal to the regulatory own funds, excluding prudential filters.

Based on the Business and Risk Management Strategy and on the risk appetite, the Bank makes projections of the own funds and capital requirements on a three years horizon in order to ensure their adequacy, both in normal course of business and under stress situations.

4 Capital buffers

In accordance with NBR requirements, the countercyclical buffer for credit exposure in Romania as at 31 December 2017 is 0%. Cumulated relevant exposure to countries which have countercyclical buffer requirements totalled RON 2.9m (1.7 m RON risk weighted assets) at 2017 end.

5 Credit risk adjustments

According to Article 442 of Regulation (EU) No 575/2013, credit institutions should disclose information regarding credit quality of assets. Qualitative comments as per Table EU CRB-A – 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 the principal, interest, fees and other obligations related to loans and commitments), by type of client: Retail and Non-Retail.

- **Impaired assets**

Impaired assets represent the financial assets or the group of financial assets for which the situation cannot be considered normal meaning they are depreciated (individually or as at the portfolio level for the assets having similar characteristics) or present signs of impairment.

The concepts of *impairment* for accounting purposes and *default* for regulatory purposes are convergent, comprising:

- ➢ past due criterion (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 fulfill 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 approaches adopted by the Bank for determining credit risk adjustments are described below. **Specific credit risk adjustments** for the purpose of calculation of exposures values as per Art 111 from CRR include specific and collective IFRS provisions.

Specific provisions are determined using the following two methods:

- *Individual assessment*

Decisions to book individual impairments on certain counterparties are taken where there is objective evidence of default. The amount of provision depends on the estimation of the future cash flows, by considering the financial position of the counterparty, its economic prospects and the collaterals/ guarantees enforcement. Any new element regarding the client’s situation (such as changes of the projected cash-flows, new recoverable amounts estimated for collaterals, change of the recovery strategy, recent evolution in the course of legal proceedings, etc.), that could affect the provision value, must be considered so that the provision would represent the best estimate of the potential loss.

- *Computation at the level of homogeneous pools of receivables*

The Bank groups financial assets on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due, according to the contractual terms. The future cash flows for each group of financial assets are 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 group level, by incorporating the effect of time value of money, considering the cash flows for the remaining life of an asset.

Collective provisions are booked for homogenous receivables that have no objective evidence of default.

These credit risk adjustments are calculated taking into account the depreciation that is likely to affect the portfolios, on the basis of assumptions on default rates and loss rates after default. These assumptions are calibrated by homogeneous groups based on their specific characteristics, sensitivity to economic environment and historical data.

The table below shows the year-end and average net exposures to credit risk (excluding CCR) by exposure class (on-balance-sheet and off-balance-sheet exposures). The end-of-period exposure is further broken down by geographical areas and by sectors of activity on the following pages, and moreover, an overview on credit quality for these exposures is presented, by exposure class and geographical areas.

Table 9: EU CRB-B – Total and average net amount of exposures

	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	18,348,470	16,604,910
Regional governments or local authorities	1,085,915	1,135,629
Institutions	2,671,370	3,064,071
Corporates	21,305,478	21,059,141
Of which: SMEs	4,904,797	4,875,867
Retail	18,680,600	17,785,440
Of which: SMEs	895,671	807,845
Secured by mortgages on immovable property	3,511,930	3,624,850
Of which: SMEs	83,878	86,107
Exposures in default	794,122	904,857
Collective investments undertakings	41,661	43,488
Equity exposures	211,344	201,365
Other exposures	3,247,428	3,155,571
Total standardised approach	***69,898,319***	***67,579,321***

The table below presents the breakdown of on-balance-sheet and off-balance-sheet net exposures to credit risk (excluding CCR) by geographical areas and exposure classes. BRD Group's exposure is focused on Romania (93%).

Table 10: EU CRB-C – Geographical breakdown of exposures

	Net value									
	Significant area 1 European countries	Romania	Germany	Switzerland	Austria	Netherlands	France	Other European countries	Other geographical areas	Total
Central governments or central banks	18,348,469	18,348,468	-	-	-	-	-	2	0.3	18,348,470
Regional governments or local authorities	1,085,915	1,085,915	-	-	-	-	-	-	-	1,085,915
Institutions	2,616,890	132,603	1,324,245	24,070	681,438	1,266	250,031	203,237	54,480	2,671,370
Corporates	21,302,734	19,178,990	9,700	1,274,925	-	601,750	123,457	113,911	2,744	21,305,478
Retail	18,677,533	18,657,499	1,790	3,911	228	182	3,019	10,904	3,068	18,680,600
Secured by mortgages on immovable property	3,511,848	3,506,257	376	-	45	398	589	4,182	82	3,511,930
Exposures in default	794,019	792,315	390	2	2	1,042	128	141	104	794,122
Collective investments undertakings	41,661	41,661	-	-	-	-	-	-	-	41,661
Equity exposures	211,344	211,344	-	-	-	-	-	-	-	211,344
Other exposures	3,247,428	3,247,428	-	-	-	-	-	-	-	3,247,428
Total standardised approach	***69,837,841***	***65,202,480***	***1,336,502***	***1,302,908***	***681,713***	***604,638***	***377,224***	***332,377***	***60,478***	***69,898,319***

Exposures to non-financial entities by industry and exposure classes are shown below. The most representative sectors are manufacturing (18%), wholesale and trade (18%), insurance and financial non-banking entities (15%), and construction (11%).

Table 11: EU CRB-D – Concentration of exposures by industry or counterparty types

	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Financial and insurance activities	Total
Corporates	540,526	963,221	3,979,552	3,338,493	184,610	2,222,033	3,680,987	441,316	291,633	808,283	395,353	612,202	234,453	6	6,595	96,184	17,057	82,036	3,384,187	21,278,727
Retail	199,154	4,045	98,824	1,387	3,504	63,337	193,057	81,283	28,725	13,067	7,515	98,467	23,722	1,386	2,902	52,098	2,903	15,794	2,908	891,173
Secured by mortgages on immovable property	5,385	455	9,103	6,068	35	10,645	34,725	3,307	1,645	1,062	373	7,169	2,846	142	0	6,081	389	325	193	89,754
Exposures in default	27,608	974	71,131	3,497	1,337	130,743	103,771	15,434	56,595	7,978	22,137	16,013	5,497	12,756	875	1,855	553	1,221	158	479,976
Total standardised approach	***772,673***	***968,695***	***4,158,610***	***3,349,445***	***189,485***	***2,426,759***	***4,012,540***	***541,340***	***378,599***	***830,389***	***425,377***	***733,851***	***266,518***	***14,290***	***10,373***	***156,218***	***20,902***	***99,376***	***3,387,447***	***22,739,628***

The table below presents the credit quality of exposures by material exposure classes and instrument (on-balance-sheet and off-balance-sheet exposures) at December 31, 2017. Credit risk charges refer to IFRS provision charges booked during 2017.

Table 12: EU CR1-A – Credit quality of exposures by exposure class and instrument

	a		c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
Central governments or central banks	-	18,348,647	177	-	-	-184	18,348,470
Regional governments or local authorities	-	1,109,220	23,305	-	-	-798	1,085,915
Institutions	-	2,671,515	145	-	-	-592	2,671,370
Corporates	-	21,837,291	531,814	-	-	-1,979	21,305,478
Retail	-	18,945,556	264,955	-	-	22,956	18,680,600
Secured by mortgages on immovable property	-	3,524,119	12,189	-	-	-828	3,511,930
Exposures in default	2,967,447	-	2,173,324	-	3,831,426	21,944	794,122
Collective investments undertakings	-	41,661	-	-	-	-	41,661
Equity exposures	-	211,344	-	-	-	-	211,344
Other exposures	83,340	3,267,995	103,907	-	-	-	3,247,428
Total standardised approach	***3,050,787***	***69,957,348***	***3,109,816***	***-***	***3,831,426***	***40,519***	***69,898,319***

The table below shows the credit quality of on-balance-sheet and off-balance sheet credit risk exposures (excluding CCR) by geographical areas.

Table 13: EU CR1-C – Credit quality of exposures by geography

	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					(a +b-c-d)
Significant area 1							
European countries	3,050,385	69,896,809	3,109,353	-	3,829,921	43,003	69,837,841
Romania	3,041,234	65,245,951	3,084,706	-	3,822,943	34,345	65,202,480
Germany	709	1,336,124	332	-	3	-140	1,336,502
Switzerland	4	1,303,548	645	-	1	617	1,302,908
Austria	6	681,712	5	-	7	1	681,713
Netherlands	1,954	617,113	14,429	-	-	8,759	604,638
France	842	378,440	2,059	-	8	-1,016	377,224
Other European countries	5,635	333,920	7,178	-	6,959	438	332,377
Other geographical areas	402	60,539	463	-	1,505	-2,485	60,478
Total	***3,050,787***	***69,957,348***	***3,109,816***	***-***	***3,831,426***	***40,519***	***69,898,319***

The templates below provide an overview of non-performing and forborne exposures. The evolution of the stock of credit risk adjustments is also presented, together with changes in the stock of defaulted and impaired exposures. Specific credit risk adjustments for the purpose of calculation of exposures values as per Art 111 from CRR include specific and collective IFRS provisions. There are no general credit risk adjustments.

The stock of specific credit risk adjustments for loans and advances amounted to RON 2.7bn of which 34% were forborne exposures. It declined from RON 3.7bn, by 28% compared to 2016 end mostly due to write-off operations.

Table 14: EU CR1-E – Non-performing and forborne exposures

	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing		On non-performing		On non-performing exposures	Of which forborne exposures
					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Debt securities	12,036,572	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	41,587,553	501,315	65,346	2,847,163	2,846,207	2,846,207	1,255,767	558,788	1,095	2,127,857	921,991	686,775	289,729
Off-balance-sheet exposures	16,879,689	-	-	210,811	210,811	210,811	1,607	284,326	-	162,828	1,323	37,025	-

Table 15: EU CR2-A – Changes in the stock of general and specific credit risk adjustments

		a Accumulated specific credit risk adjustment	b Accumulated general credit risk adjustment
1	**Opening balance**	**3,753,550**	**-**
2	Increases due to amounts set aside for estimated loan losses during the period	735,171	-
3	Decreases due to amounts reversed for estimated loan losses during the period	-680,876	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	-1,151,296	-
6	Impact of exchange rate differences	30,097	-
9	**Closing balance**	**2,686,645**	**-**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-262,945	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

Table 16: EU CR2-B – Changes in the stock of defaulted and impaired loans* and debt securities

	Gross carrying value defaulted exposures
Opening balance	**4,481,278**
Loans and advances and debt securities that have defaulted or impaired since the last reporting period	532,288
Returned to non-defaulted status	-406,846
Amounts written off	-1,155,807
Other changes	-393,895
Closing balance	**3,057,018**

**on-balance-sheet and off-balance-sheet gross exposures*

6 Unencumbered assets

The level of asset encumbrance is not significant for BRD's activity and refers mainly to repo and reverse repo agreements with governmental securities.

7 Remuneration policy

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

In 2017, the Committee consisted of 3 non-executive directors, of which one is independent: Mr. Bernardo SANCHEZ INCERA (Chairman), Mr. Jean-Luc André Joseph PARER (Member) and Mr. Aurelian DOCHIA (Independent member). The Remuneration Committee meets annually, or whenever necessary. In 2017, 3 meetings of the Remuneration Committee took place.

The members attended to the Remuneration Committee’s meetings as follows: Mr. Bernardo Sanchez Incera and Mr. Aurelian Dochia, took part to all the Committee’s meetings; Mr. Jean-Luc André Joseph Parer attended 2 meetings of the Committee;

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 2017, the Remuneration Committee did not use external consultants, basing their decisions on their expertise and that of the Human Resources Department.

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;
- The guaranteed bonuses are prohibited. 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

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, of the structure in which the activity is carried out and 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 staffs, commercial objectives are set to take into account the rights and interests of the consumers, 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 consumer.

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 three years. For identified staff, at least 50% of any variable remuneration shall consist of shares or 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 3 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, split of domains of activity are presented in the tables below and correspond to the year 2016. During 2016 BRD has not paid any remuneration bigger than 1 million EUR per year.

Table 17: Variable remuneration

	Total
Total number of employees, in FTE equivalent*	8,177
Total Remuneration (in euro)	126,451,961
out of which variabile remuneration (in euro)	14,876,407

*BRD, BRD Sogelease, BRD Finance

Table 18: Identified staff remuneration

Identified Staff	Total	Members of the Management Body in its executive function	Investment Banking	Retail Banking	Corporate functions	Independent Control functions
Identified Staff Number, FTE equivalent	**23**	-	2	5	10	6
Identified Staff Number who are members of the Executive Committee	**7**	7	-	-	-	-
Fix Remuneration (in euro), out of which:	**3,747,529**	1,406,085	158,923	462,572	1,151,777	568,172
- cash	**3,747,529**	1,406,085	158,923	462,572	1,151,777	568,172
- shares and related instruments	**-**	-	-	-	-	-
- other instruments	**-**	-	-	-	-	-
Variable remuneration (in euro), out of which:	**1,363,879**	726,848	59,423	129,477	309,576	138,555
- cash	**983,744**	360,935	58,001	125,210	303,887	135,711
- shares and related instruments	**380,135**	365,913	1,422	4,267	5,689	2,844
- other instruments	**-**	-	-	-	-	-
Variable remuneration granted in year N and deferred (in euro), out of which:	**288,748**	288,748	-	-	-	-
- cash	**144,374**	144,374	-	-	-	-
- shares and related instruments	**144,374**	144,374	-	-	-	-
- other instruments	**-**	-	-	-	-	-
Other information on variable remuneration						
Art. 450 (1) lit.h) pct.(iii) from Regulation (UE) no. 575/2013 - Total amount of outstanding deferred variable remuneration granted in previous years (in euro)	**-**	-	-	-	-	-
Ex-ante performance-based adjustments applied in year N to remuneration granted in previous years (in euro)	**-**	-	-	-	-	-
Number of beneficiary of guaranteed variabile remuneration	**-**	-	-	-	-	-
Total guaranteed variabile remuneration (in euro)	**-**	-	-	-	-	-
Number of beneficiary of severance payments	**1**	-	-	1	-	-
Total severance payments grante din year N (in euro)	**12,309**	-	-	12,309	-	-
Art. 450 alin.(1) lit. h) pct.(vi) of Regulation (UE) no. 575/2013 - biggest severance payment granted to one employee (in euro)	**12,309**	-	-	12,309	-	-
Number of beneficiaries for discretionary retirement benefits for year N	**-**	-	-	-	-	-
Total amount of discretionary retirement benefits for year N	**-**	-	-	-	-	-
Variable remuneration granted for multianual periods that are not revised on an yearly basis (in euro)	**-**	-	-	-	-	-

8 Leverage ratio

Following CRD IV implementation, BRD computes and reports leverage ratio which is designed specifically to limit the risk of excessive leverage in credit institutions and was introduced as a complementary tool to the regulatory capital adequacy ratio.

The leverage ratio reached 9.22% as at 31 December 2017, a level which is well above the 3% minimum requirement tested by the Basel Committee during the parallel run period. The leverage ratio declined from 9.53% at 2016 end as the result of higher exposure compared to 2016 end (6% rise in total assets vs 2016 end) and only slight increase (+1.7% vs 2016 end) in Tier 1 capital.

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

Table 19: LRSum - Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amount 31-Dec-2017
1	Total assets as per published financial statements	54,927,392
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	88
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	149,630
5	Adjustment for securities financing transactions (SFTs)	20,110
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	6,666,763
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	-234,690
8	**Leverage ratio total exposure measure**	**61,529,294**

Table 20: LRCom - Leverage ratio common disclosure

		CRR leverage ratio exposures 31-Dec-2017
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	53,590,352
2	(Asset amounts deducted in determining Tier 1 capital)	-234,690
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**53,355,662**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	128,290
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	175,627
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	**303,917**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,182,841
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	20,110
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**1,202,951**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	16,879,689
18	(Adjustments for conversion to credit equivalent amounts)	-10,212,926
19	Other off-balance sheet exposures (sum of lines 17 and 18)	6,666,763
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposure measure		
20	**Tier 1 capital**	**5,673,329**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**61,529,294**
Leverage ratio		
22	**Leverage ratio**	**9.22%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

9 Use of credit risk mitigation techniques

MAIN TYPES OF SECURITIES ACCEPTED

BRD has a cash flow based lending approach, meaning the Bank expects debt to be serviced primarily through the future cash flow (legal entities)/ income (individuals) generated by the debtor. Collateralization, in the form of collateral (funded protection) or guarantee (unfunded protection), is accepted merely to mitigate credit risk and it cannot serve as a substitute for the borrower's ability to meet obligations.

In order to minimize credit risk and favor healthy commercial development, the client's risk profile determines the securities coverage ratio. As a rule, the Bank will ask from riskier borrowers to bring more securities of higher quality, as to offset the higher risk they present.

The collateral structure is differentiated for each type of financing (e.g. for working capital financing, receivables and inventories are customary collateral). The most frequent type of accepted collaterals is represented by mortgages.

The Bank accepts the following main types of securities:

- Financial collateral (cash, certificates of deposit, debt securities, shares, agricultural warehouse receipts, bill of lading)
- Non-financial collateral (real estate, machinery and equipment, inventories, intangibles, receivables, payment instruments)
- Guarantees (surety ship contracts, letters of guarantee, financial guarantees issued by guarantee funds and Eximbank, sovereign guarantees, endorsements, credit risk insurance). Before a personal 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 of BRD towards its 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 the intermediation of Guarantee Funds (FNGCIMM or FGCR) or Eximbank, main exposure of this type being generated by Prima Casa program.

The Bank has implemented a set of risk management principles regarding concentration on credit risk mitigations techniques and also concentration limits defined on single protection provider in order to ensure an appropriate monitoring.

POLICIES AND PROCESSES FOR COLLATERAL VALUATION AND MANAGEMENT

The Bank accepts as risk mitigation real estate assets in accordance with NBR, EU and Romanian requirements and legislation. Risk department is responsible for approving the operational procedures for regular valuation of guarantees and collaterals.

Real estate collaterals are regularly valuated. Their market value is estimated by certified evaluators that can be either external or internal valuators. The valuation is performed in accordance with the International Valuation Standards and ANEVAR Standards and Recommendations. The Bank uses the following valuation methods for real estate: market approach and income approach. Real estate valuations are verified by the competent units, independently from the credit approval process.

Depending on the collateral type, 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.

Other non-financial collaterals (machinery & equipment, inventory, other movables) are appraised based on the value recognized for financial or other related purposes (balance sheet, insurance, etc).

The Bank monitors the market value of the movable assets on a frequent basis but at least yearly. If the market is subject to significant changes in conditions the market value is monitored more frequent.

BRD monitors the risks associated with the valuation activity via implemented internal controls.

RESIDUAL CREDIT RISK ARISING FROM USAGE OF CRM'S

In order to manage the residual risk arising from the use of credit risk mitigation techniques the Bank systematically resorts to:

- A collateral policy structured along the following dimensions:
  - ✓ Setting strict criteria for the validation, acceptance and eligibility of the collateral
  - ✓ Defining the main principles, roles and responsibilities in the process of securities management
- Revaluation 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)
- Computation of the recovery value of a collateral by applying discount coefficients to its market value, when determining the level of provisions on individual assessment basis
- Regular monitoring through specific risk indicators
- Capital requirement for the residual risk, embedded in the methodologies developed as part of ICAAP Policy.

The table below shows the amount of unsecured loans and secured loans, either by collateral (65% of secured loans) or financial guarantees.

Table 21: EU CR3 – CRM techniques – Overview

	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Total loans	4,167,115	-	3,541,545	1,930,875
Total exposures	**4,167,115**	**-**	**3,541,545**	**1,930,875**
Of which defaulted	16,330	-	29,615	11,768

The breakdown of net exposures to credit risk (excluding CCR) by exposure class before and post CCF and CRM is presented below.

Table 22: EU CR4 – Standardised approach – Credit risk exposure and CRM effects

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Central governments or central banks	18,341,766	6,703	22,442,474	3,568	106,321	0.47%
Regional government or local authorities	935,615	150,301	958,557	75,094	419,976	40.63%
Multilateral development banks	-	-	22,451	-	-	0.00%
Institutions	2,349,770	321,600	2,363,583	170,185	556,774	21.97%
Corporates	6,931,705	14,373,773	6,311,714	4,569,186	10,610,373	97.51%
Retail	17,187,523	1,493,077	13,175,016	711,124	10,274,652	73.99%
Secured by mortgages on immovable property	3,488,835	23,095	3,488,835	10,127	1,218,744	34.83%
Exposures in default	702,482	91,640	679,291	51,741	845,644	115.68%
Collective investment undertakings	41,661	-	41,661	-	41,661	100.00%
Equity	211,344	-	211,344	-	334,563	158.30%
Other items	3,247,428	-	3,247,428	-	1,498,054	46.13%
Total	***53,438,130***	***16,460,189***	***52,942,355***	***5,591,025***	***25,906,762***	***44.26%***

List of Tables