

REGULATORY DISCLOSURE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

BRD - GROUPE SOCIÉTÉ GÉNÉRALE

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1 - Introduction

THE SCOPE OF THE REPORT

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

According to Article 4, point 146 of CRR2, BRD is a large institution, being identified as “other systemically important institution” (O-SII) by the National Bank of Romania starting 1st of January 2016.

Being a large subsidiary of an EU parent institution, according to Article 13 (1) of the CRR2, BRD shall disclose the information on own funds (art 437), capital requirements and risk-weighted exposure amounts (art 438), countercyclical capital buffer (art 440), credit risk (art 442), credit risk mitigation techniques (art 453), leverage ratio (art 451), remuneration policy (art 450) and liquidity requirements (art 451a). In addition, article 433a details the frequency of disclosure (quarterly, semi-annual or annual basis) for each disclosure requirement mentioned above, as applicable for BRD-GSG at sub-consolidated level..

Therefore, the information disclosed throughout this report for the period ended 31st of December 2023, is based on the requirements specified in article 433a (CRR 2) and takes into account the evolutions stemming from the Commission Implementing Regulation (EU) No 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

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

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 Soglease IFN S.A. and BRD Finance IFN S.A.

Throughout this report, amounts are in RON thousand at December 31, 2023, unless otherwise stated.

2 - Own funds

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

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

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

	Balance sheet as in published financial statements	Prudential restatements ⁽¹⁾	Under regulatory scope of consolidation	Reference to table 2 (EU CC1)
ASSETS				
Cash and due from Central Bank	11,778,215	-	11,778,215	-
Due from banks	6,129,340	-	6,129,340	-
Derivatives and other financial instruments held for trading	2,135,709	(25,048)	2,110,661	-
Financial assets at fair value through profit and loss	11,376	-	11,376	-
Financial assets at fair value through other comprehensive income	13,429,670	-	13,429,670	-
Financial assets at amortised cost	45,795,821	-	45,795,821	-
Loans and advances to customers	40,613,391	-	40,613,391	-
Treasury bills at amortised cost	5,182,430	-	5,182,430	-
Finance lease receivables	1,691,734	-	1,691,734	-
Investments in subsidiaries, associates and joint ventures	64,883	24,667	89,550	-
Property, plant and equipment	1,073,896	(2,028)	1,071,868	-
Investment property	14,536	-	14,536	1
Goodwill	50,130	-	50,130	2
Intangible assets	505,958	(249)	505,709	-
Deferred tax asset	309,089	(357)	308,732	-
Other assets	641,612	(2,248)	639,364	-
Assets held for sale	216,992	-	216,992	-
TOTAL ASSETS	83,848,961	(5,263)	83,843,698	-
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to banks	1,146,540	-	1,146,540	-
Derivatives and other financial instruments held for trading	1,272,450	-	1,272,450	-
Due to customers	62,405,609	10,280	62,415,889	-
Borrowed funds	7,004,362	-	7,004,362	-
Subordinated debt	1,245,400	-	1,245,400	-
Current tax liability	36,181	(191)	35,990	-
Provisions	348,066	-	348,066	-
Other liabilities	1,528,347	(15,352)	1,512,995	-
TOTAL LIABILITIES	74,986,955	(5,263)	74,981,692	-
Share capital	2,515,622	-	2,515,622	3
Other reserves	(1,157,341)	-	(1,157,341)	4
Retained earnings and capital reserves	7,436,057	-	7,436,057	5
Non-controlling interest	67,668	-	67,668	6
TOTAL EQUITY	8,862,006	-	8,862,006	-
TOTAL LIABILITIES AND EQUITY	83,848,961	(5,263)	83,843,698	-

⁽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, 2023 amounted to RON 8,430 million (with own funds including RON 833m, representing 50% of 2023 net profit) compared to RON 8,273 million (including 2022 year net result and the impact of OCI quick fix adjustments).

BRD Group regulatory own funds as at December 31, 2023 consist of common equity capital (CET1) and Tier 2 instruments.

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, 2023, 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 reserves, general reserves for credit risk, fund for general banking risk, representing 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 debt instruments at fair value through other comprehensive income and from re-measurement of defined benefit liability arising from the post-employment benefit plan. From 1st of January 2023 the quick-fix adjustment applied for the recognition of other comprehensive income reserve in own funds ceased its validity. Previously during 2022, BRD applied the quick fix adjustment (art. 468 of Regulation (EU) 575/2013 as amended by Regulation (EU) 873/2020) for the temporary treatment of unrealized gains and losses and removed from CET1 40% of the amount of unrealized gains and losses accumulated since 31 December 2019 for debt instruments measured at fair value through other comprehensive income.

Regulatory deductions from CET 1 applicable as at December 31, 2023 essentially involved the following elements:

- Intangible assets that are not prudently valued: starting 31 December 2020, intangible assets that are not prudently valued as per Regulation 876/2019 are deducted 100% from CET 1 (as compared to previous periods when intangible assets accounting value was fully deducted from CET 1). Under this current approach, the positive difference between the prudential and the accounting amortisation becomes fully deducted from the CET 1 capital, while the residual portion of the carrying value of the software prudently valued is risk weighted at 100%. Goodwill is fully deducted from CET 1 capital.
- Contingent or any foreseeable tax charges related to CET 1 reserves taxable upon utilization to cover losses or risks.

As at December 31, 2023, Tier 2 instruments consist of two subordinated loans concluded with the parent, EUR 250 million in total (RON equivalent 1,244 million).

CAPITAL RATIOS AND REQUIREMENTS INCLUDING BUFFERS

On top of the total regulatory ratio of 8% set by Art 92 from CRR, starting 2016, based on NBR requirements, BRD Group maintains additional own funds to cover risks resulting from internal assessment and SREP (supervisory review and evaluation process). In 2023 this requirement represented 5.05% of RWA (5.87% during 2022). Thus, the TSCR (total SREP capital requirements) for BRD Group is 13.05% for 2023 (13.87% for 2022).

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. This buffer is mandatory and fully effective from 1 January 2019 and amounts to 2.5% of total RWA.
- A Countercyclical Buffer that may be imposed during periods of excessive credit growth when system-wide risk is building up, capped at 2.5% of total RWA. According to NBR Order 6/2021 amending the NBR Order 12/2015, the level of countercyclical buffer for credit exposures in Romania was 0.5% (from 0% previously), starting October 17, 2022 and 1% starting from October 23, 2023, according to NBR Order no 7, from 25th of November 2022.
- Other systemically important institutions (O-SIIs) identified by NBR which have been authorized in Romania, may be subject to an O-SII Capital Buffer of up to 2% of the total RWA. BRD was identified as O-SII by NBR and O-SII Capital Buffer is 1% starting with 1 January 2016 until

December 2021 end. Based on a new calibration methodology, starting 1 January 2022 the O-SII Capital Buffer for BRD is 1.5% of total RWA.

- A Systemic Risk Buffer was imposed, according to NBR Order 4/2018, starting with 30 June 2018, with the aim of supporting the adequate management of credit risk and enhancing banking sector resilience to unanticipated shocks, amid unfavourable structural circumstances. The buffer is applied to all exposure and is calibrated at 0% - 2%, depending on the level of the non-performing loans ratio and the coverage ratio. The systemic risk buffer applicable for BRD is 0%. Following the release of NBR Regulation 2/2022 amending Regulation 5/2013, transposing CRD V, the requirement for structural buffers will be the sum of O-SII buffer and Systemic Risk Buffer.

The tables below present a breakdown of the constituting elements of regulatory own funds as of December 31, 2023 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	6,062,102	see EU CC3 (5), including 50% of individual 2023 profit (822.5 MRON) other reserves presented in lines 3 and EU-3a below (554 MRON)
3 Accumulated other comprehensive income (and other reserves)	(771,273)	-1157MRON Accumulated other comprehensive income; +386 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	7,977,213	-
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	(156,024)	-
8 Intangible assets (net of related tax liability) (negative amount)	(357,634)	deduction of intangibles that are not prudently valued as per CRR 2 part of EU CC2 (1,2)
9 Not applicable	-	-
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(1,012)	-
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 CET1 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	(1,392)	-1.4 MRON insufficient coverage for non-performing exposures;
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(791,139)	
29	Common Equity Tier 1 (CET1) capital	7,186,074	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	7,186,074	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	Tier 2 (T2) capital before regulatory adjustments	-	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	1,243,650	
59	Total capital (TC = T1 + T2)	8,429,724	
60	Total Risk exposure amount	37,197,682	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	19.32%	
62	Tier 1 capital	19.32%	
63	Total capital	22.66%	
64	Institution CET1 overall capital requirements	12.23%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.89%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.50%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2.84%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	14.82%	

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)	11,376
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)	80,946
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)	329,421

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 liabilities instruments									
	CET 1 instruments	Tier 2 instruments		Tier 2 instruments		Tier 2 instruments		Tier 2 instruments		Tier 2 instruments
	Instrument 1	Instrument 2	Instrument 3	Instrument 4	Instrument 5	Instrument 6	Instrument 7	Instrument 8	Instrument 9	Instrument 10
1 Issuer	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ROBRDACHN02	1081638	1118392	1128185	1140716	1211035	1211035	1211035	1211035	1211035
3a Public or private placement	Public, Private	Private	Private	Private	Private	Private	Private	Private	Private	Private
3b Governing law(s) of the instrument	Romanian Law	French Law (Ranking classes are governed by Romanian Law)	French Law (Ranking classes are governed by Romanian Law)	French Law (Ranking classes are governed by Romanian Law)	French Law (Ranking classes are governed by Romanian Law)	French Law (Ranking classes are governed by Romanian Law)	French Law (Ranking classes are governed by Romanian Law)	French Law (Ranking classes are governed by Romanian Law)	French Law (Ranking classes are governed by Romanian Law)	French Law (Ranking classes are governed by Romanian Law)
3c Contractual recognition of write-down and conversion powers of resolution authorities	Regulatory instrument	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4 Current treatment taking into account, where applicable, transitional CRR rules	CET 1 instrument	Tier 2 instrument	Tier 2 instrument	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities
5 Post-transaction CRR rules	CET 1 instrument	Tier 2 instrument	Tier 2 instrument	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities	MREL eligible liabilities
6 Eligible as an eligible 'non-convertible' subordinated, non-voting instrument type (type to be specified by each jurisdiction)	sub and (sub) consolidated Ordinary shares	sub and (sub) consolidated Tier 2 instruments	sub and (sub) consolidated Tier 2 instruments	sub and (sub) consolidated Tier 2 instruments	sub and (sub) consolidated Tier 2 instruments	sub and (sub) consolidated Tier 2 instruments	sub and (sub) consolidated Tier 2 instruments	sub and (sub) consolidated Tier 2 instruments	sub and (sub) consolidated Tier 2 instruments	sub and (sub) consolidated Tier 2 instruments
7 Amount managed in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	2,516,000	497,480	746,190	746,190	598,962	2,238,570	497,480	746,190	746,190	746,190
8 Nominal amount of instrument	1	497,480	746,190	746,190	598,962	2,238,570	497,480	746,190	746,190	746,190
EU-9a Issue price	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EU-9b Redemption price	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10 Accounting classification	Shareholder's equity	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11 Original date of issuance	21-Dec-21	21-Dec-21	23-Jan-22	26-Jun-22	23-Dec-22	23-Dec-22	21-Dec-23	21-Dec-23	21-Dec-23	21-Dec-23
12 Maturity or dated	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13 Original maturity date	N/A	22-Jan-31	23-Jan-32	30-Jun-25	23-Dec-25	23-Dec-25	21-Dec-26	23-Dec-26	23-Dec-26	23-Dec-26
14 Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15 Optional call dates, contingent call dates and redemption amount	N/A	21-Dec-26	23-Jan-27	30-Jun-24	23-Dec-24	23-Dec-24	21-Dec-25	23-Dec-25	23-Dec-25	23-Dec-25
16 Subsequent call dates, if applicable	N/A	No	No	No	No	No	No	No	No	No
17 Coupon / dividend	None	None	None	None	None	None	None	None	None	None
17a Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating
18 Coupon rate and any related index	N/A	EURBOR 3M + 1.58%	EURBOR 3M + 4.31%	EURBOR 3M + 1.58%	4.77%	4.29%	4.88%	4.78%	4.78%	4.78%
19 Existence of a dividend cap	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EU-20a Fully discretionary, partially discretionary or mandatory (in terms of being)	Partially discretionary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EU-20b Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
21 Existence of step up or other incentive to redeem	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
22 Noncumulative or cumulative	Non-cumulative	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
23 Convertible or non-convertible	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
24 If convertible, conversion trigger(s)	N/A	exercise of WROCEL Power by resolution authority	exercise of WROCEL Power by resolution authority	exercise of WROCEL Power by resolution authority	exercise of WROCEL Power by resolution authority	exercise of WROCEL Power by resolution authority	exercise of WROCEL Power by resolution authority	exercise of WROCEL Power by resolution authority	exercise of WROCEL Power by resolution authority	exercise of WROCEL Power by resolution authority
25 If convertible, fully or partially	N/A	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially
26 If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27 If convertible, mandatory or optional conversion	N/A	Optional	Optional	Optional	Optional	Optional	Optional	Optional	Optional	Optional
28 If convertible, specify instrument type convertible into	N/A	shares, other securities or other obligations	shares, other securities or other obligations	shares, other securities or other obligations	shares, other securities or other obligations	shares, other securities or other obligations	shares, other securities or other obligations	shares, other securities or other obligations	shares, other securities or other obligations	shares, other securities or other obligations
29 If convertible, specify issuer of instrument to convert into	N/A	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale	BRD - Groupe Societe Generale
30 Write-down features	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31 If write-down, write-down trigger(s)	N/A	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority	exercise of Write Down and Conversion of Capital Instruments and Eligible Liabilities Power by resolution authority
32 If write-down, full or partial	N/A	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially	Fully or partially
33 If write-down, permanent or temporary	N/A	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34 If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34a Type of subordination (only for eligible liabilities)	N/A	Rank 1	Rank 2	Rank 2	Rank 2	Rank 2	Rank 2	Rank 2	Rank 2	Rank 2
EU-36a Ranking of the instrument in normal insolvency proceedings	N/A	Rank 1	Rank 2	Rank 2	Rank 2	Rank 2	Rank 2	Rank 2	Rank 2	Rank 2
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	the most subordinated claim in case of liquidation	junior to senior non preferred borrowings and senior preferred obligations of the borrower	junior to senior non preferred borrowings and senior preferred obligations of the borrower	junior to all senior preferred obligations of the borrower	junior to all senior preferred obligations of the borrower	junior to all senior preferred obligations of the borrower	junior to all senior preferred obligations of the borrower	junior to all senior preferred obligations of the borrower	junior to all senior preferred obligations of the borrower	junior to all senior preferred obligations of the borrower
36 Non-compliant transitional features	N/A	NO	NO	NO	NO	NO	NO	NO	NO	NO
37 If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37a Link to the full terms and conditions of the instrument (sigposting)	Provisions of the Articles of Association	-	-	-	-	-	-	-	-	-

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

SUMMARY OF KEY PRUDENTIAL METRICS

Table 4: EU KM1 – Key metrics

	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022	
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	7,186,074	6,294,349	6,681,054	6,431,082	7,036,636
2	Tier 1 capital	7,186,074	6,294,349	6,681,054	6,431,082	7,036,636
3	Total capital	8,429,724	7,537,999	7,921,904	7,668,357	8,273,486
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	37,197,682	37,497,419	35,960,026	35,590,594	33,888,369
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	19.32%	16.79%	18.58%	18.07%	20.76%
6	Tier 1 ratio (%)	19.32%	16.79%	18.58%	18.07%	20.76%
7	Total capital ratio (%)	22.66%	20.10%	22.03%	21.55%	24.41%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional CET1 SREP requirements (%)	5.0500%	5.0500%	5.0500%	5.0500%	5.8700%
EU 7b	Additional AT1 SREP requirements (%)	2.8406%	2.8406%	2.8406%	2.8406%	3.3019%
EU 7c	Additional T2 SREP requirements (%)	3.7875%	3.7875%	3.7875%	3.7875%	4.4025%
EU 7d	Total SREP own funds requirements (%)	13.0500%	13.0500%	13.0500%	13.0500%	13.8700%
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 (%)	0.89%	0.44%	0.44%	0.44%	0.44%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	1.50%	1.50%	1.50%	1.50%	1.50%
11	Combined buffer requirement (%)	4.89%	4.44%	4.44%	4.44%	4.44%
EU 11a	Overall capital requirements (%)	17.94%	17.49%	17.49%	17.49%	18.31%
12	CET1 available after meeting the total SREP own funds requirements (%)	11.98%	9.45%	11.24%	10.73%	12.96%
Leverage ratio						
13	Leverage ratio total exposure measure	92,949,787	87,995,154	85,631,478	81,132,411	82,858,489
14	Leverage ratio	7.73%	7.15%	7.80%	7.93%	8.49%
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 (%)	-	-	-	-	-
EU 14b	Additional AT1 leverage ratio requirements (%)	-	-	-	-	-
EU 14c	Additional T2 leverage ratio requirements (%)	-	-	-	-	-
EU 14d	Total SREP leverage ratio requirements (%)	-	-	-	-	-
EU 14e	Applicable leverage buffer	-	-	-	-	-
EU 14f	Overall leverage ratio requirements (%)	-	-	-	-	-
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	25,401,070	24,460,985	23,157,771	22,016,723	21,545,415
EU 16a	Cash outflows - Total weighted value	12,726,394	12,470,459	12,087,485	12,191,471	11,835,049
EU 16b	Cash inflows - Total weighted value	2,852,316	2,937,656	3,475,184	4,171,664	4,529,634
16	Total net cash outflows (adjusted value)	9,874,077	9,532,803	8,612,302	8,019,807	7,305,415
17	Liquidity coverage ratio (%)	257.25%	256.60%	268.89%	274.53%	294.92%
Net Stable Funding Ratio						
18	Total available stable funding	63,736,785	57,805,322	56,177,631	55,974,177	55,985,040
19	Total required stable funding	33,587,538	33,183,740	31,888,529	31,005,241	30,657,595
20	NSFR ratio (%)	189.76%	174.20%	176.17%	180.53%	182.61%

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 5: EU OV1 - Overview of total risk exposure amounts

	Total risk exposure amounts (TREA)		Total own funds requirements
	31.12.2023	31.12.2022	31.12.2023
1 Credit risk (excluding CCR)	34,407,478	30,767,529	2,752,598
2 Of which the standardised approach	34,407,478	30,767,529	2,752,598
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	335,903	518,074	26,872
7 Of which the standardised approach	190,769	299,904	15,262
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	-	-	-
EU 8b Of which credit valuation adjustment - CVA	145,134	218,169	11,611
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)	145,861	77,008	11,669
21 Of which the standardised approach	145,861	77,008	11,669
22 Of which IMA	-	-	-
EU 22a Large exposures	-	-	-
23 Operational risk	2,308,443	2,525,758	184,675
EU 23a Of which basic indicator approach	-	-	-
EU 23b Of which standardised approach	-	-	-
EU 23c Of which advanced measurement approach	2,308,443	2,525,758	184,675
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	1,025,916	1,104,581	-
25 Not applicable	-	-	-
26 Not applicable	-	-	-
27 Not applicable	-	-	-
28 Not applicable	-	-	-
29 Total	37,197,685	33,888,369	2,975,815

The minimum own funds requirements as at December 31, 2023 increased by almost 10% compared to December 31, 2022, mainly driven by increasing capital requirements for credit risk for corporates on higher net exposure value as a result of dynamic lending activity on this segment throughout 2023.

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.

Following the latest Risk Assessment exercise, the cartography below summarizes the risk categories identified as significant based on Risk Taxonomy (which was aligned to SG Group’s approach):

- Credit risk
- Counterparty risk
- Market risk in trading book
- Non-Financial risk
- Model risk
- Structural risks
- Business & Strategy risk
- Excessive leverage risk

Among the risk factors, the ESG risks have been identified as significant.

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, 2023 was 2.51% (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 6: 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	9,465,974	9,465,974	-	-	-	-	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	48,310,807	40,475,714	7,835,093	1,244,290	-	1,244,290	(955,801)	(426,094)	(529,708)	(919,843)	-	(919,843)	-	26,291,756	219,256	
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	639,134	637,315	1,819	2,794	-	2,794	(8,067)	(7,891)	(176)	(2,780)	-	(2,780)	-	82,061	-	
040 Credit institutions	5,669,683	5,669,633	49	-	-	-	(0)	(0)	-	-	-	-	-	-	-	-
050 Other financial corporations	625,017	621,398	3,619	50	-	50	(8,459)	(8,282)	(177)	(29)	-	(29)	-	4,977	-	
060 Non-financial corporations	17,744,220	16,273,291	1,470,929	451,055	-	451,055	(377,180)	(276,716)	(100,464)	(326,859)	-	(326,859)	-	11,524,202	109,404	
070 Of which SMEs	9,313,329	8,323,889	989,439	341,448	-	341,448	(225,310)	(149,920)	(75,390)	(239,523)	-	(239,523)	-	7,800,784	91,554	
080 Households	23,632,754	17,274,077	6,358,677	790,392	-	790,392	(662,096)	(133,206)	(428,891)	(690,175)	-	(690,175)	-	14,680,517	108,851	
090 Debt securities	19,666,926	19,666,926	-	-	-	-	(7,323)	(7,323)	-	-	-	-	-	-	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	19,168,759	19,168,759	-	-	-	-	(6,593)	(6,593)	-	-	-	-	-	-	-	-
120 Credit institutions	481,248	481,248	-	-	-	-	(341)	(341)	-	-	-	-	-	-	-	-
130 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	16,919	16,919	-	-	-	-	(389)	(389)	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	25,335,798	23,696,674	1,639,125	164,919	-	164,919	176,897	154,395	22,502	123,329	-	123,329	-	4,493,830	32,387	
160 Central banks	5,153	5,153	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170 General governments	286,760	286,727	33	-	-	-	2,403	2,402	1	-	-	-	-	-	-	-
180 Credit institutions	1,197,766	1,197,393	373	-	-	-	233	233	-	-	-	-	-	-	-	-
190 Other financial corporations	1,533,836	1,525,908	8,028	-	-	-	542	542	-	-	-	-	-	-	-	-
200 Non-financial corporations	20,514,986	18,954,704	1,560,282	160,010	-	160,010	166,331	146,656	19,675	119,937	-	119,937	-	3,332,569	32,278	
210 Households	1,797,298	1,726,888	70,409	4,908	-	4,908	7,388	4,563	2,826	3,392	-	3,392	-	13,788	110	
220 Total	102,779,505	93,305,288	9,474,217	1,409,209	-	1,409,209	(786,228)	(279,022)	(507,206)	(796,514)	-	(796,514)	-	30,785,586	251,643	

Table 7: 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	-	22,080,628	14,925,312	10,673,513	-	47,679,453
2 Debt securities	-	397,352	8,256,177	11,006,075	-	19,659,603
3 Total	-	22,477,979	23,181,489	21,679,588	-	67,339,056

Table 8: EU CQ1 - Credit quality of forbore exposures

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures	
	Performing forbore	Non-performing forbore		On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
		Of which defaulted	Of which impaired					
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	63,072	296,302	296,302	296,302	(6,394)	(216,276)	96,520	54,955
020 Central banks	-	-	-	-	-	-	-	-
030 General governments	-	2,746	2,746	2,746	-	(2,746)	-	-
040 Credit institutions	-	-	-	-	-	-	-	-
050 Other financial corporations	-	-	-	-	-	-	-	-
060 Non-financial corporations	19,286	215,097	215,097	215,097	(2,618)	(160,452)	59,616	40,501
070 Households	43,786	78,458	78,458	78,458	(3,775)	(53,078)	36,904	14,455
080 Debt Securities	-	-	-	-	-	-	-	-
090 Loan commitments given	-	324	324	324	-	246	-	-
100 Total	63,072	296,626	296,626	296,626	(6,394)	(216,030)	96,520	54,955

Table 9: 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	9,465,974	9,465,974	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	48,310,807	48,081,552	229,255	1,244,290	630,143	159,586	151,366	189,483	49,288	14,530	49,895	1,244,290
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	639,134	639,131	2	2,794	14	2,760	17	2	-	-	-	2,794
040 Credit institutions	5,669,683	5,669,683	-	-	-	-	-	-	-	-	-	-
050 Other financial corporations	625,017	625,017	0	50	21	10	10	9	0	-	-	50
060 Non-financial corporations	17,744,220	17,702,479	41,741	451,055	244,672	24,702	26,917	77,766	37,141	5,500	34,357	451,055
070 Of which SMEs	9,313,329	9,272,607	40,722	341,448	180,385	24,688	26,838	37,573	35,751	3,210	33,023	341,448
080 Households	23,632,754	23,445,242	187,512	790,382	385,436	132,114	124,422	111,706	12,147	9,029	15,538	790,382
090 Debt securities	19,666,926	19,666,926	-	-	-	-	-	-	-	-	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	19,168,759	19,168,759	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	481,248	481,248	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	-	16,919	-	-	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	25,335,798	-	-	164,919	-	-	-	-	-	-	-	164,919
160 Central banks	5,153	-	-	-	-	-	-	-	-	-	-	-
170 General governments	286,760	-	-	-	-	-	-	-	-	-	-	-
180 Credit institutions	1,197,766	-	-	-	-	-	-	-	-	-	-	-
190 Other financial corporations	1,533,836	-	-	-	-	-	-	-	-	-	-	-
200 Non-financial corporations	20,514,986	-	-	160,010	-	-	-	-	-	-	-	160,010
210 Households	1,797,298	-	-	4,908	-	-	-	-	-	-	-	4,908
220 Total	102,779,505	77,214,452	229,255	1,409,209	630,143	159,586	151,366	189,483	49,288	14,530	49,895	1,409,209

Table 10: EU CQ4 - Quality of non-performing exposures by geography

	Gross carrying/nominal amount	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 defaulted	Of which subject to impairment			
010 On-balance-sheet exposures	69,222,024	1,244,290	1,244,290	69,222,024	(1,882,967)	-	
020 Romania	57,840,550	1,242,045	1,242,045	57,840,550	(1,874,461)	-	
030 France	8,229,215	730	730	8,229,215	(810)	-	
040 Germany	950,103	23	23	950,103	(194)	-	
050 US	907,604	17	17	907,604	(371)	-	
060 Belgium	690,455	38	38	690,455	(99)	-	
061 Czech Republic	215,901	2	2	215,901	(4,855)	-	
062 Switzerland	4,717	6	6	4,717	(55)	-	
070 Other countries	383,479	1,429	1,429	383,479	(2,123)	-	
080 Off-balance-sheet exposures	25,500,717	164,919	164,919	-	300,226	-	
090 Romania	22,282,918	164,919	164,919	-	292,159	-	
100 France	244,820	-	-	-	269	-	
110 Germany	271,400	-	-	-	29	-	
120 US	52,840	-	-	-	-	-	
130 Belgium	23,797	-	-	-	-	281	
131 Czech Republic	14,558	-	-	-	-	0	
132 Switzerland	1,353,338	-	-	-	-	0	
140 Other countries	1,257,047	0	0	-	7,488	-	
150 Total	94,722,740	1,409,209	1,409,209	69,222,024	(1,882,967)	300,226	

Table 11: EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry

	Gross carrying amount	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 defaulted	Of which loans and advances subject to impairment		
010 Agriculture, forestry and fishing	1,891,735	34,743	34,743	1,891,735	(72,243)	-
020 Mining and quarrying	54,971	2,817	2,817	54,971	(2,669)	-
030 Manufacturing	3,221,304	55,885	55,885	3,221,304	(100,708)	-
040 Electricity, gas, steam and air conditioning supply	1,638,324	2,662	2,662	1,638,324	(39,289)	-
050 Water supply	217,609	2,059	2,059	217,609	(5,443)	-
060 Construction	1,564,053	81,430	81,430	1,564,053	(95,600)	-
070 Wholesale and retail trade	5,183,975	45,439	45,439	5,183,975	(124,763)	-
080 Transport and storage	1,383,900	76,519	76,519	1,383,900	(78,105)	-
090 Accommodation and food service activities	411,536	40,987	40,987	411,536	(38,122)	-
100 Information and communication	503,840	5,889	5,889	503,840	(8,504)	-
110 Financial and insurance activities	241,025	2,141	2,141	241,025	(7,026)	-
120 Real estate activities	648,268	67,199	67,199	648,268	(65,877)	-
130 Professional, scientific and technical activities	234,253	17,218	17,218	234,253	(17,403)	-
140 Administrative and support service activities	278,468	5,699	5,699	278,468	(6,898)	-
150 Public administration and defense, compulsory social security	1,741	668	668	1,741	(404)	-
160 Education	42,481	485	485	42,481	(2,641)	-
170 Human health services and social work activities	548,811	2,651	2,651	548,811	(15,438)	-
180 Arts, entertainment and recreation	71,761	648	648	71,761	(2,236)	-
190 Other services	57,219	5,916	5,916	57,219	(20,670)	-
200 Total	18,195,274	451,055	451,055	18,195,274	(704,039)	-

Table 12: 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	4,419	(146)
030	<i>Residential immovable property</i>	1,443	-
040	<i>Commercial immovable property</i>	-	-
050	<i>Movable property (auto, shipping, etc.)</i>	2,976	(146)
060	<i>Equity and debt instruments</i>	-	-
070	<i>Other collateral</i>	-	-
080	Total	4,419	(146)

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 13: 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	30,634,415	26,511,012	20,818,018	5,692,994	-
2 Debt securities	19,659,603	-	-	-	-
3 Total	50,294,018	26,511,012	20,818,018	5,692,994	-
4 Of which non-performing exposures	105,192	219,256	206,699	12,557	-
EU-5 Of which defaulted	105,192	219,256			

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

MAIN TYPES OF SECURITIES ACCEPTED AS CREDIT RISK MITIGATION TECHNIQUES

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

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

The Bank accepts the following **main types of securities**:

- Financial collateral (cash, deposits, Romanian Government bonds, shares);
- Non-financial collateral (real estate, movable assets, receivables, intangibles, payment instruments);
- Guarantees (personal guarantees, letters of guarantee, letters of comfort, financial guarantees issued by guarantee funds and Eximbank, sovereign guarantees, endorsements).

Mortgages are the most frequent type of accepted collaterals. Nevertheless, the collateral structure is further diversified subject to the type of financing (e.g. for working capital financing, receivables and inventories are accepted as customary collateral).

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

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

- Following a collateral policy structured along the dimensions presented below:
 - types of security accepted by the Bank
 - strict criteria for validation, acceptance and eligibility of collateral/ guarantee
 - principles governing the management of securities, as well as of the roles and responsibilities involved in the process
- Assessments performed during the credit approval/ monitoring processes, on the guarantees and/ or collateral, from eligibility, validity and legal enforceability perspectives

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

For **Real estate collaterals** the market value is estimated by external or internal certified evaluators. The valuation is performed in accordance with the International Valuation Standards and ANEVAR Standards and Recommendations. Real estate valuations are verified by the competent units, independently from the credit approval process. The Bank uses the market approach and income approach as valuation methods for real estate. Revaluation is performed yearly for commercial/ industrial/ agricultural real-estate, plots of land, at least once every 3 years for residential real estate or with higher frequency if the real estate market displays a significant negative evolution.

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

Before a **guarantee** is accepted, the protection provider is assessed in order to measure its solvency and risk profile, using the same principles as for direct credit exposures towards BRD's clients/ counterparties. The credit risk mitigation effect of guarantees is closely linked to the guarantor's creditworthiness and the secured amount must be reasonably proportionate to the economic performance capabilities of the protection provider. The main guarantor for BRD's clients is the Romanian State, which intervenes to sustain credit activity by national wide guarantee programs implemented through intermediation of guarantee funds (FNGCMM or FGCR) or Eximbank, mainly *Prima/Noua Casa* program. Another category of guarantors is represented by commercial banks (local or foreign), issuing LGs in favor of BRD clients. BRD's indirect exposures on each guarantor are assessed using the same principles as for direct credit exposures of BRD.

The breakdown of net exposures to credit risk (excluding CCR) by exposure class before and post CCF and CRM, as per COREP report as of December 31, 2023, is presented in the table below.

Table 14: 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	29,159,944	5,629	35,124,588	371,210	572,136	1.61%
2 Regional government or local authorities	1,180,517	275,939	1,188,161	135,845	334,538	25.27%
3 Public sector entities	10	7,942	10	3,486	3,497	0.00%
4 Multilateral development banks	481,248	-	509,501	1,847	-	0.00%
5 International organisations	-	-	-	-	-	0.00%
6 Institutions	758,030	1,201,295	758,030	623,569	469,476	33.98%
7 Corporates	15,221,415	21,329,397	12,835,404	5,770,488	17,217,074	92.54%
8 Retail	14,774,632	2,154,501	11,063,114	976,082	8,739,252	72.59%
9 Secured by mortgages on immovable property	10,950,590	132,603	10,950,590	77,107	4,140,142	37.54%
10 Exposures in default	298,391	45,248	252,794	10,408	269,394	102.35%
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	100,924	-	100,924	-	202,864	201.01%
16 Other items	4,991,604	-	4,991,604	-	2,459,103	49.26%
17 TOTAL	77,917,305	25,152,552	77,774,720	7,970,044	34,407,475	40.13%

6 - Countercyclical capital buffers

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

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

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

BRD Group maintained an overall countercyclical buffer rate of 0.8925929% of total risk weighted assets (332.03 million RON) at December 31, 2023, driven by relevant credit risk exposures on Romanian entities.

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

Table 15: EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	General credit exposures		Relevant credit exposures – Market risk		Securitisations exposures value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)	
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total				
010 Breakdown by country:														
Romania	46,454,879	-	-	-	-	46,454,879	2,602,875	-	-	2,602,875	32,535,933	98.25%	1.00%	
Netherlands	247,156	-	-	-	-	247,156	16,724	-	-	16,724	209,046	0.63%	1.00%	
Czech Republic	210,902	-	-	-	-	210,902	16,864	-	-	16,864	210,797	0.64%	2.00%	
France	43,068	-	-	-	-	43,068	2,768	-	-	2,768	34,601	0.10%	0.50%	
Denmark	11,161	-	-	-	-	11,161	653	-	-	653	8,167	0.02%	0.75%	
Bulgaria	6,173	-	-	-	-	6,173	345	-	-	345	4,317	0.01%	2.00%	
Denmark	1,949	-	-	-	-	1,949	60	-	-	60	751	0.00%	2.50%	
Luxembourg	1,129	-	-	-	-	1,129	68	-	-	68	856	0.00%	0.50%	
Ireland	1,108	-	-	-	-	1,108	36	-	-	36	455	0.00%	1.00%	
Sweden	903	-	-	-	-	903	26	-	-	26	324	0.00%	2.00%	
Other countries	139,108	-	-	-	-	139,108	8,722	-	-	8,722	109,025	0.00%	0.50%	
020 Total	47,117,536	-	-	-	-	47,117,536	2,649,142	-	-	2,649,142	33,114,273	100%		

Table 16: EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		31.12.2023	31.12.2022
1	Total risk exposure amount	37,197,682	33,888,369
2	Institution specific countercyclical capital buffer rate	0.8925929%	0.4412130%
3	Institution specific countercyclical capital buffer requirement	332,024	149,520

7 - 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 2023, the Committee consisted of 3 members: Mrs. Liliana-Ionescu Feleaga (Chairman), Mr. Giovanni Luca Soma (Member) and Mr. Jean Pierre Vigroux (Independent member).

The Remuneration Committee meets annually, or whenever necessary. In 2023, 6 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 2023, the Remuneration Committee did not use external consultants, basing their decisions on their expertise and that of the Human Resources Department.

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

- fixed component
- variable component.

The Bank respects the principle of equal treatment, i.e. equal remuneration for male staff members and female staff members, for performing the same work or work of equal value.

Fixed remuneration - reflects the relevant professional experience and organisational responsibility, according to the employee's job description as part of the employment terms. Fixed remuneration represents a sufficiently high proportion of the total remuneration to allow the application of a fully flexible policy on the components of variable remuneration, including the possibility of not paying any of its components.

Variable remuneration – reflects sustainable and risk-adjusted performance as well as the performance that exceeds the necessary performance to fulfil the duties provided for in the employee's job description as part of the employment terms.

Variable remuneration:

- It is not guaranteed or carried forward automatically from one year to another. The variable component distribution mechanisms do not guarantee the granting of sums over several years. Thus, the variable remuneration is subject to a fair annual review process;
- Guaranteed bonuses are granted only in exceptional circumstances related to the time of employment and can only be granted in the first year of employment and when the Bank has a sound and solid capital base. BRD personnel is not overly dependent on bonuses;
- It does not limit the Bank's ability to strengthen its capital base;
- It is not paid through means or methods that facilitate the circumvention of the regulations in force;
- It does not encourage taking risks which influence the Bank's risk profile;
- It also takes into consideration all current or future risks;
- Payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct.

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

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

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

The performance evaluation must integrate in particular the criteria of:

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

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

The variable remuneration is considerably reduced if the Bank records a poor or negative financial performance, taking into account both the current remuneration as well as the reductions in payments related to the sums due, as previously determined, including malus or clawback agreements signed. Up to 100% of the variable remuneration is subject to malus or clawback signed agreements.

For different types of jobs, it is possible to use different schemes for granting the variable remuneration. There is a maximum limit defined for the variable component, which may not exceed 100% of the fixed component of the total remuneration.

For sales staff, commercial objectives are set to take into account the rights and interests of the clients, so:

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

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

- The variable remuneration may decrease or not even be paid at all.
- The personnel members are paid, or receive the rights related to the variable remuneration, including the deferred part thereof only if the variable remuneration can be supported in accordance with the Bank's overall financial situation and if it can be justified in accordance with the performance of the Bank, the structure in which the activity is carried out and the individual concerned.
- The personnel members receive the rights of the deferred part of the variable remuneration, subject of the fulfillment of the minimum performance requirements.
- A major part, which, in all cases, accounts for at least 40% of the variable remuneration component, is deferred for a period of at least 4 years. For identified staff, at least 50% of any variable remuneration shall consist of shares equivalent, which are subject to an appropriate retention policy, designed to harmonize the incentives with the Bank's long-term interests.
- The personal strategies for risk hedging or insurance policies related to remuneration and liability to counteract the risk alignment effects stipulated in the personnel remuneration agreements are prohibited. One may insure against the currency risk using derivatives.

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

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

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

Aggregate financial information regarding remuneration for 2023 is presented below. Amounts are expressed in EUR.

Table 17: EU REM1 - Remuneration awarded for the financial year

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Number of identified staff	7	6	3	32
2	Total fixed remuneration	250,757	2,207,324	520,281	3,631,756
3	Of which: cash-based	250,757	2,207,324	520,281	3,631,756
4	(Not applicable in the EU)	-	-	-	-
EU-4a	Fixed remuneration				
5	Of which: shares or equivalent ownership interests	-	-	-	-
6	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x	Of which: other instruments	-	-	-	-
7	(Not applicable in the EU)	-	-	-	-
8	Of which: other forms	-	-	-	-
9	(Not applicable in the EU)	-	-	-	-
9	Number of identified staff	7	6	3	32
10	Total variable remuneration	-	1,253,542	98,687	861,310
11	Of which: cash-based	-	548,294	62,487	589,348
12	Of which: deferred	-	287,700	11,499	95,785
EU-13a	Of which: shares or equivalent ownership interests	-	-	6,000	20,500
EU-14a	Of which: deferred	-	-	6,000	20,500
EU-13b	Variable remuneration				
13	Of which: share-linked instruments or equivalent non-cash instruments	-	705,248	30,200	251,462
EU-14b	Of which: deferred	-	453,374	12,080	100,585
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)	250,757	3,460,866	618,968	4,493,066

Table 18: 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	-	1	-
7	Severance payments awarded during the financial year - Total amount	-	55,000	-
8	Of which paid during the financial year	-	55,000	-
9	Of which deferred	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	55,000	-
11	Of which highest payment that has been awarded to a single person	-	55,000	-

Table 19: 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 amount of deferred remuneration awarded for previous performance periods 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	2,509,194	612,229	1,896,965	95,339	-	95,339	889,098	592,001
8	Cash-based	708,620	287,097	421,723	-	-	-	287,097	-
9	Shares or equivalent ownership interests	22,000	10,000	12,000	(2,262)	-	(2,262)	10,000	-
10	Share-linked instruments or equivalent non-cash instruments	1,778,374	315,132	1,463,242	97,601	-	97,601	592,001	592,001
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	32,354	6,000	26,354	(1,357)	-	(1,357)	6,000	-
14	Cash-based	10,677	-	10,677	-	-	-	-	-
15	Shares or equivalent ownership interests	11,000	6,000	5,000	(1,357)	-	(1,357)	6,000	-
16	Share-linked instruments or equivalent non-cash instruments	10,677	-	10,677	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	585,344	133,575	451,769	(3,715)	-	(3,715)	210,391	119,149
20	Cash-based	129,530	29,782	109,748	-	-	-	29,782	-
21	Shares or equivalent ownership interests	273,000	71,000	202,000	(16,060)	-	(16,060)	71,000	-
22	Share-linked instruments or equivalent non-cash instruments	182,814	41,793	141,021	12,345	-	12,345	119,149	119,149
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	3,126,892	751,804	2,375,088	90,267	-	90,267	1,106,029	711,150

There were no cases of remunerations of more than 1 million EUR in 2023 among the identified staff, as required to be disclosed in template **EU REM4**.

Table 20: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institution's risk profile (identified staff)

	Management body remuneration			Business areas						Total
	MB Supervisory function	MB Management function	Total MB	Investment banking & Asset management	Retail banking	Corporate functions	Independent internal control functions	All other		
Total number of identified staff	7	6	13	2	6	14	5	7	48	
Of which: members of the MB	7	6	13	-	-	-	-	4	17	
Of which: other senior management	-	-	-	-	-	-	-	3	3	
Of which: other identified staff	-	-	-	2	6	14	5	-	28	
Total remuneration of identified staff	250,757	3,460,866	3,711,623	325,771	968,182	2,280,713	767,725	632,567	8,823,657	
Of which: variable remuneration	-	1,253,542	1,253,542	88,485	224,375	388,873	117,346	98,687	2,213,539	
Of which: fixed remuneration	250,757	2,207,324	2,458,081	237,286	743,807	1,891,840	650,379	533,880	6,610,118	

8 - 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 7.73% as at December 31, 2023, considering a Tier 1 capital amount of RON 7,186 million and a leverage exposure of RON 92,950 million (versus 8.49% as of December 31, 2022 considering a Tier 1 capital amount of RON 7,037 million and a leverage exposure of RON 82,858 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 21: EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

	Applicable amount
1 Total assets as per published financial statements	83,848,961
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(4,566)
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	378,386
9 Adjustment for securities financing transactions (SFTs)	26,632
10 Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	9,215,424
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	(515,049)
13 Total exposure measure	92,949,787

Table 22: EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures		
		31.12.2023	30.06.2023	31.12.2022
On-balance sheet exposures (excluding derivatives and SFTs)				
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	78,276,623	73,965,072	67,470,890
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)	(515,049)	(503,715)	410,763
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	77,761,573	73,461,357	67,881,653
Derivative exposures				
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	123,230	183,111	253,855
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	343,177	314,370	358,721
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	466,407	497,481	612,576
Securities financing transaction (SFT) exposures				
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	5,479,751	2,871,357	6,202,119
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-
16	Counterparty credit risk exposure for SFT assets	26,632	33,284	164,843
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	5,506,383	2,904,641	6,366,962
Other off-balance sheet exposures				
19	Off-balance sheet exposures at gross notional amount	25,452,711	25,023,943	22,124,288
20	(Adjustments for conversion to credit equivalent amounts)	(16,237,287)	(16,255,945)	(14,126,990)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-	-
22	Off-balance sheet exposures	9,215,424	8,767,999	7,997,299
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	7,186,074	6,681,054	7,036,636
24	Total exposure measure	92,949,787	85,631,478	82,858,489
Leverage ratio				
25	Leverage ratio (%)	7.73%	7.80%	8.49%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.73%	7.80%	8.49%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	7.73%	7.80%	8.49%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
EU-26b	of which: to be made up of CET1 capital	-	-	-
27	Leverage ratio buffer requirement (%)	-	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%
Choice on transitional arrangements and relevant exposures				
EU-27b	Choice on transitional arrangements for the definition of the capital measure	-	-	-
Disclosure of mean values				
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	3,144,887	3,241,942	4,863,193
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	5,479,751	2,871,357	6,202,119
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)	90,614,923	86,002,063	81,519,564
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)	90,614,923	86,002,063	81,519,564
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)	7.93%	7.77%	8.63%
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)	7.93%	7.77%	8.63%

Table 23: 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:	
		78,276,623
EU-2	Trading book exposures	1,194,028
EU-3	Banking book exposures, of which:	77,082,595
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	28,447,164
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	1,180,527
EU-7	Institutions	758,030
EU-8	Secured by mortgages of immovable properties	10,950,590
EU-9	Retail exposures	14,774,632
EU-10	Corporates	15,221,415
EU-11	Exposures in default	298,391
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	5,451,846

9 - 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, 2023 the LCR stands at 257% in terms of monthly averages over the previous twelve months preceding the end of the quarter. The value of LCR as at December 31, 2023 end recorded no significant evolution compared to September 30, 2023 end (+ 0.65 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 2023, respectively the end of the last quarter of 2022, the following conclusions are to be noted:

- LCR has decreased from 295% to 257%;
- High Quality Liquid Assets averages have observed an increase of 18%;
- Net Outflows Averages have observed an increase of 35%, having in view:
 - 7,5% increase in Outflows averages
 - 37% decrease in Inflows averages

Table 24: EU LIQ1 - Quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2023	9/30/2023	6/30/2023	3/31/2023
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)					25,401,070	24,460,985	23,157,771	22,016,723
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	38,574,592	37,879,649	37,417,669	37,081,290	2,073,484	2,137,317	2,211,710	2,272,219
3	Stable deposits	23,470,750	23,853,744	24,229,893	24,679,065	1,173,538	1,192,687	1,211,495	1,233,953
4	Less stable deposits	15,103,842	14,025,905	13,187,776	12,402,225	899,946	944,630	1,000,216	1,038,266
5	Unsecured wholesale funding	20,011,171	19,485,345	18,959,162	18,812,592	10,033,463	9,678,569	9,263,516	9,346,017
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	20,011,171	19,485,345	18,959,162	18,812,592	10,033,463	9,678,569	9,263,516	9,346,017
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding	-	-	-	-	-	-	-	-
10	Additional requirements	6,842,105	6,660,753	6,525,265	6,287,842	601,136	571,207	528,431	489,437
11	Outflows related to derivative exposures and other collateral requirements	4,153.7	4,947.6	4,799.3	4,180.2	4,153.7	4,947.6	4,799.3	4,180.2
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	6,837,951	6,655,805	6,520,466	6,283,661	596,982	566,259	523,632	485,257
14	Other contractual funding obligations	18,311	83,366	83,828	83,798	18,311	83,366	83,828	83,798
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					12,726,394	12,470,459	12,087,485	12,191,471
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	1,595,679	1,822,729	2,028,858	2,128,527	-	-	-	-
18	Inflows from fully performing exposures	2,744,035	2,849,118	3,413,486	4,150,595	2,462,040	2,623,398	3,196,301	3,936,295
19	Other cash inflows	390,276	314,259	278,883	235,369	390,276	314,259	278,883	235,369
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	4,729,989	4,986,106	5,721,226	6,514,491	2,852,316	2,937,656	3,475,184	4,171,664
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	4,729,989	4,986,106	5,721,226	6,514,491	2,852,316	2,937,656	3,475,184	4,171,664
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					25,401,070	24,460,985	23,157,771	22,016,723
22	TOTAL NET CASH OUTFLOWS					9,874,077	9,532,803	8,612,302	8,019,807
23	LIQUIDITY COVERAGE RATIO					257%	257%	269%	275%

Table 25: EU LIQ2: Net Stable Funding Ratio

	Unweighted value by residual maturity				Weighted value	
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		
Available stable funding (ASF) Items						
1	Capital items and instruments		1,750	-	10,005,889	10,005,889
2	Own funds		1,750	-	10,005,889	10,005,889
3	Other capital instruments		-	-	-	-
4	Retail deposits		37,160,993	3,916,976	527,345	39,060,631
5	Stable deposits		28,462,742	2,799,536	337,430	30,036,594
6	Less stable deposits		8,698,251	1,117,441	189,915	9,024,037
7	Wholesale funding:		22,481,305	1,818,592	5,090,757	14,602,241
8	Operational deposits		-	-	-	-
9	Other wholesale funding		22,481,305	1,818,592	5,090,757	14,602,241
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:		2,506,990	708	67,668	68,022
12	NSFR derivative liabilities		-	-	-	-
13	All other liabilities and capital instruments not included in the above categories		2,506,990	708	67,668	68,022
14	Total available stable funding (ASF)					63,736,785
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:		12,134,746	4,995,261	31,186,900	30,151,890
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		5,455,172	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		515,899	49,581	740,153	816,533
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		6,150,104	4,932,566	19,951,468	29,335,357
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	6,835,274
22	Performing residential mortgages, of which:		13,570	13,115	10,495,280	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		13,570	13,115	10,495,280	-
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:		2,109,648	49,303	1,850,499	2,810,003
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		-	-	421,220.5	21,061.0
31	All other assets not included in the above categories		1,688,427	49,303	1,850,499	2,788,942
32	Off-balance sheet items		3,995,050	1,260,602	5,045,420	625,646
33	Total RSF					33,587,538
34	Net Stable Funding Ratio (%)					190%

Legal framework	Topic	Title
Regulation (EU) 2019/876, Art 437	Disclosure of own funds	EU CC1 - Composition of regulatory own funds
		EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements
		EU CCA- Main features of regulatory own funds instruments and eligible liabilities instruments
Regulation (EU) 2019/876, Art 438	Disclosure of own funds requirements and risk-weighted exposure amounts	EU OV1 – Overview of total risk exposure amounts
		EU KM1 - Key metrics template
Regulation (EU) 2019/876, Art 440	Disclosure of countercyclical capital buffers	EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer
		EU CCyB2 - Amount of institution-specific countercyclical capital buffer
Regulation (EU) 2019/876, Art 442	Disclosure of credit risk quality	EU CR1: Performing and non-performing exposures and related provisions
		EU CR1-A: Maturity of exposures
		EU CQ1: Credit quality of forborne exposures
		EU CQ3: Credit quality of performing and non-performing exposures by past due days
		EU CQ4: Quality of non-performing exposures by geography
Regulation (EU) 2019/876, Art 450	Disclosure of remuneration policy	EU CQ5: Credit quality of loans and advances to non-financial corporations by industry
		EU CQ7: Collateral obtained by taking possession and execution processes
		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
Regulation (EU) 2019/876, Art 451	Disclosure of leverage ratio	EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)
		EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures
		EU LR2 - LRCom: Leverage ratio common disclosure
Regulation (EU) 2019/876, Art 451a	Disclosure of liquidity requirements	EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
		EU LIQ1 - Quantitative information of LCR
Regulation (EU) 2019/876, Art 453	Disclosure of the use of credit risk mitigation techniques	EU LIQ2: Net Stable Funding Ratio
		EU CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
		EU CR4: Standardised approach – Credit risk exposure and CRM effects

Article 13, Regulation 2019/876

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

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