

BRD - GROUPE SOCIÉTÉ GÉNÉRALE

**REPORT ON TRANSPARENCY AND
DISCLOSURE REQUIREMENTS**

JUNE 2020

**THE FUTURE
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GROUPE SOCIÉTÉ GÉNÉRALE

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THE SCOPE OF THE REPORT

The disclosed information is prepared in accordance with EBA/GL/2018/10 – Guideline on disclosure of non-performing and forborne exposures and EBA/GL/2020/07 – Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis.

CONSOLIDATION PERIMETER

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

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

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

Amounts are in RON thousand at June 30, 2020, unless otherwise stated.

LOCATION OF PILLAR 3 DISCLOSURES

This report complements and / or details information provided in BRD's Half-Year Board of Directors Report and Interim Financial Statements at June 30, 2020.

The documents are available electronically at <https://www.brd.ro/en/about-brd/investors-and-shareholders/financial-information/financial-results>

Table 1: Disclosure index

Legal basis	Covered area	Template name
EBA/GL/2018/10 NBR Instruction 27.12.2019	Non-performing and forborne exposures	<p>Template 1 - Credit quality of forborne exposure</p> <p>Template 3 - Credit quality of performing and non-performing exposures by past due days</p> <p>Template 4 - Performing and non-performing exposures and related provisions</p> <p>Template 9 - Collateral obtained by taking possessions and execution processes</p>
EBA/GL/2020/07 NBR Instruction 03.08.2020	Exposures subject to measures applied in response to the COVID-19 crisis	<p>Template 1 – Information on loans and advances subject to legislative and non-legislative moratoria</p> <p>Template 2 - Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria</p> <p>Template 3 – Information of newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis</p>

1 Disclosure of non-performing exposures and forbore exposures

Starting December 31, 2019 the Guidelines on disclosure of non-performing and forbore exposures (EBA/GL/2018/10) is in force. According to this guideline, all credit institutions are required to disclose a set of templates on non-performing and forbore exposures and foreclosed assets. The Gross NPL ratio, computed according to article 13 of the guideline, reached 4.2% (at BRD Group level), as of June 2020 end (4% as of December 2019 end), therefore Templates 1, 3, 4 and 9 are prepared in compliance with the above mentioned guideline.

The table below presents the gross carrying amount of forbore exposures and the related accumulated impairment, provisions, accumulated negative change in the fair value due to credit risk, and collateral and financial guarantees received on forbore exposures.

Table 2: Credit quality of forbore exposures (Template 1)

	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					
Loans and advances	64,201	356,034	356,034	356,034	(7,764)	(277,428)	206,580	75,381
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	1	1	1	-	(1)	-	-
Non-financial corporations	1,726	215,424	215,424	215,424	(150)	(190,152)	46,884	22,739
Households	62,475	140,609	140,609	140,609	(7,614)	(87,275)	159,696	52,641
Debt Securities	-	-	-	-	-	-	-	-
Loan commitments given	-	217	217	217	-	46	-	-
Total	64,201	356,250	356,250	356,250	(7,764)	(277,382)	206,580	75,381

Table 3: Credit quality of performing and non-performing exposures by past due days (Template 3)

	Gross carrying amount/nominal amount												
	Performing exposures			Non-performing exposures									Of which defaulted
	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			
Loans and advances	35,481,621	35,113,968	367,653	1,570,982	511,913	290,432	226,886	238,167	168,951	64,353	70,280	1,570,982	
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
General governments	479,824	479,823	1	75,393	11,092	64,230	61	2	8	-	-	75,393	
Credit institutions	4,422,496	4,422,496	-	22	22	-	-	-	-	-	-	22	
Other financial corporations	958,240	957,757	483	1,334	1,220	70	3	7	19	-	15	1,334	
Non-financial corporations	8,290,315	8,249,903	40,412	568,238	270,695	24,267	55,250	70,359	50,072	38,086	59,509	568,238	
Of which SMEs	4,530,617	4,491,945	38,672	515,021	251,646	24,252	27,931	70,353	45,602	36,632	58,605	515,021	
Households	21,330,746	21,003,989	326,757	925,995	228,884	201,865	171,572	167,799	118,852	26,267	10,756	925,995	
Debt securities	14,265,534	14,265,534	-	-	-	-	-	-	-	-	-	-	
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
General governments	14,265,534	14,265,534	-	-	-	-	-	-	-	-	-	-	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	
Off-balance-sheet exposures	16,156,947	-	-	457,878	-	-	-	-	-	-	-	457,878	
Central banks	7,042	-	-	-	-	-	-	-	-	-	-	-	
General governments	13,018	-	-	-	-	-	-	-	-	-	-	-	
Credit institutions	363,097	-	-	-	-	-	-	-	-	-	-	-	
Other financial corporations	1,640,911	-	-	14	-	-	-	-	-	-	-	14	
Non-financial corporations	12,347,984	-	-	441,010	-	-	-	-	-	-	-	441,010	
Households	1,784,895	-	-	16,854	-	-	-	-	-	-	-	16,854	
Total	65,904,102	49,379,502	367,653	2,028,860	511,913	290,432	226,886	238,167	168,951	64,353	70,280	2,028,860	

Table 4: Performing and non-performing exposures and related provisions (Template 4)

	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				
Loans and advances	35,481,621	29,797,696	5,683,925	1,570,982	-	1,570,982	(719,160)	(206,720)	(512,440)	(1,186,846)	-	(1,186,846)	-	27,400,347	348,632
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	479,824	419,562	60,262	75,393	-	75,393	(10,201)	(5,212)	(4,989)	(37,756)	-	(37,756)	-	417,419	37,616
<i>Credit institutions</i>	4,422,496	4,422,496	-	22	-	22	(159)	(159)	(22)	(22)	-	(22)	-	194	-
<i>Other financial corporations</i>	958,240	670,808	287,432	1,334	-	1,334	(12,425)	(4,389)	(8,036)	(1,240)	-	(1,240)	-	416,895	52
<i>Non-financial corporations</i>	8,290,315	6,789,476	1,520,839	568,238	-	568,238	(186,485)	(68,244)	(118,241)	(482,840)	-	(482,840)	-	6,908,838	75,478
<i>Of which SMEs</i>	4,530,617	3,594,993	935,624	515,021	-	515,021	(102,198)	(36,278)	(65,920)	(438,003)	-	(438,003)	-	4,110,893	70,059
<i>Households</i>	21,330,746	17,515,354	3,815,392	925,995	-	925,995	(509,890)	(128,716)	(381,174)	(664,988)	-	(664,988)	-	19,657,001	235,486
Debt securities	14,265,534	14,265,534	-	-	-	-	(5,476)	(5,476)	-	-	-	-	-	-	-
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	14,265,534	14,265,534	-	-	-	-	(5,476)	(5,476)	-	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	16,156,947	14,383,749	1,773,198	457,878	-	457,878	(65,675)	(28,262)	(37,413)	(338,567)	-	(338,567)	-	3,592,452	56,591
<i>Central banks</i>	7,042	7,042	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	13,016	11,743	1,275	-	-	-	(138)	(62)	(78)	-	-	-	-	12,880	-
<i>Credit institutions</i>	363,097	363,097	-	-	-	-	(61)	(61)	-	-	-	-	-	358,946	-
<i>Other financial corporations</i>	1,640,911	1,581,946	58,965	14	-	14	(1,437)	(1,427)	(10)	-	-	-	-	41,680	7
<i>Non-financial corporations</i>	12,347,984	10,674,011	1,673,973	441,010	-	441,010	(60,412)	(24,592)	(35,820)	(336,199)	-	(336,199)	-	3,168,244	56,359
<i>Households</i>	1,784,895	1,745,910	38,985	16,854	-	16,854	(3,627)	(2,120)	(1,507)	(2,368)	-	(2,368)	-	10,702	226
Total	65,904,102	58,446,979	7,457,123	2,028,860	-	2,028,860	(790,311)	(240,458)	(549,853)	(1,525,413)	-	(1,525,413)	-	30,992,799	405,223

Table 5: Collateral obtained by taking possession and execution processes (Template 9)

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	-	-
Other than PP&E	17,679	(1,965)
<i>Residential immovable property</i>	14,196	(881)
<i>Commercial immovable property</i>	-	-
<i>Movable property (auto, shipping, etc.)</i>	3,483	(1,084)
<i>Equity and debt instruments</i>	-	-
<i>Other</i>	-	-
Total	17,679	(1,965)

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

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

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

The below templates, 1, 2 and 3, are prepared according to EBA/GL/2020/07, with the reference date, June 30, 2020.

Table 6: Information on loans and advances subject to legislative and non-legislative moratoria (Template 1)

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount	
	Performing				Non performing			Performing				Non performing				Inflows to non-performing exposures
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days				
Loans and advances subject to moratorium	2,785,916	2,667,123	-	913,465	118,793	11,363	102,968	(147,580)	(99,075)	-	(85,399)	(48,505)	(10,588)	(41,008)	18,790	
of which: Households	1,869,862	1,823,807	-	593,900	46,055	624	40,476	(87,632)	(68,273)	-	(60,433)	(19,359)	(160)	(16,230)	13,426	
of which: Collateralised by residential immovable	1,233,661	1,202,844	-	432,369	30,817	295	28,292	(53,670)	(42,199)	-	(36,010)	(11,471)	(54)	(10,285)	6,960	
of which: Non-financial corporations	916,055	843,316	-	319,565	72,739	10,738	62,492	(59,947)	(30,802)	-	(24,966)	(29,145)	(10,428)	(24,778)	5,365	
of which: Small and Medium-sized Enterprises	687,470	634,840	-	239,244	52,630	10,738	42,384	(50,329)	(26,473)	-	(22,782)	(23,855)	(10,428)	(19,488)	5,365	
of which: Collateralised by commercial immovable	209,942	161,418	-	106,935	48,524	10,701	48,524	(27,733)	(8,919)	-	(7,714)	(18,814)	(10,405)	(18,814)	-	

The moratorium reflects a combination of statewide legislation (GEO 37/2020) doubled by various initiatives of the banking system. The state moratorium introduced through GEO 37 has the following main features: 1) validity period from 31st of March to 15th of May and further prolonged to 15th of June; 2) grace period up to 9 months (not beyond 2020 end); 3) interest is accrued (capitalized for consumer loans, repaid in 60 equal installments for housing loans); 4) available to debtors without day past due (at request date) and affected by the crisis (based on declaration for individuals, loss of 25% of revenues for companies) 5) no reclassification triggered as non-performing, consistent with EU regulators' position.

In addition to legislative moratorium provisions as adopted through the GEO 37/2020 and its implementation norms, BRD has also designed internal deferral programs in order to support its debtors under the temporary distress. These measures fall into the non-legislative category. For the eligible debtors the moratorium-related changes to the contract are not automatically considered forbearance measures, hence no automatically default trigger.

Table 7: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (Template 2)

	Number of obligors	Gross carrying amount	Gross carrying amount						
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	57,173	4,174,692							
Loans and advances subject to moratorium (granted)	54,491	4,073,933	2,121,012	1,288,017	1,354,632	1,204,923	226,361	-	-
of which: Households		3,072,551	1,840,314	1,202,689	725,204	997,828	146,830	-	-
of which: Collateralised by residential immovable property		2,039,697	1,164,013	806,036	452,129	677,695	103,837	-	-
of which: Non-financial corporations		1,001,382	280,698	85,328	629,428	207,095	79,531	-	-
of which: Small and Medium-sized Enterprises		769,498	255,546	82,028	425,996	205,651	55,823	-	-
of which: Collateralised by commercial immovable property		222,874	114,411	12,932	95,531	74,137	40,274	-	-

Table 8: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (Template 3)

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	28,242	-	22,593	-
of which: Households	-	-	-	-
of which: Collateralised by residential immovable property	-	-	-	-
of which: Non-financial corporations	28,242	-	22,593	-
of which: Small and Medium-sized Enterprises	28,242	-	-	-
of which: Collateralised by commercial immovable property	-	-	-	-

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