

Corporate Governance – FQA

1. Concerning the questions sent by a minority shareholder about details over the liquidity management processes and banking book investments management

The Romanian Commercial Bank SA (“BCR”) has in place strategies, policies, processes and strong IT systems/tools for identifying, measuring, managing and monitoring of both the liquidity position and banking book investments, all previously mentioned documents and processes being approved by the Management Board and updated at least annually, in compliance with regulatory requirements set through NBR’s Regulation No. 5 / 2013 regarding the prudential requirements for credit institutions. Moreover, the Management Board of the bank is continuously monitoring the developments of the liquidity position of the credit institution and is reporting periodically the information to the Supervisory Board.

The information regarding risk management and details regarding the financial transactions of the credit institution (including fixed income securities investments) is published periodically through the financial statements and the Transparency and public disclosure report for 2014 (“Transparency and public disclosure report for 2014” – published on the credit institution website: <https://www.bcr.ro/en/investors/transparency-and-public-disclosure/2014>) computed based on Basel 3/CRD IV requirements, being in compliance with all legal requirements regarding the public publishing of the information and with all prudential rules, individually and at consolidated level.

In the financial statements we publish half-yearly the total volumes of the financial assets beside the trading portfolio, in absolute value and as a percentage ratio the development from one period to the other (more details can be found in the section D of the financial statements “Patrimony of Romanian Commercial Bank” – balance sheet structure). For performing the liquidity management, the tools used for managing this risk can be found in section F “The bank risk profile” of the annually financial statements published on the website in the Investors section. For the proper management of the banking book investments, the Romanian Commercial Bank is complying with the market risk profile as presented in the risk appetite statement of the bank, based on the following actions:

- a. BCR has in place market risk limits for the trading portfolio and for the portfolio outside the trading activity
- b. For ICAAP, BCR has in place annual stress tests regarding the interest rate risk in the banking book.

All significant risks on which the credit institution is exposed are monitored and controlled through:

- Setting a system of competences and limits for approval of those exposures
- Setting a system for monitoring of the exposures coming from financial assets through a set of limits on geographical regions, counterparty types and sectors of the economy.
- Measures to control all risks implemented in the internal regulations

All accounting policies regarding the financial investments booked as HTM and as AFS are described in the individual and consolidated financial statements computed according to IFRS and published on the Romanian Commercial Bank website.

Net interest rate income obtained from the financial investments, as well as the net trading result and the fair value valuation, can be found in tables 3, 6 and 16 – “ Other assets held for trading, including securities issued by public administrations”; 17 – “Financial assets booked at fair value through profit and loss, including securities issued by public administrations”; 19 - “Financial assets booked as Held-To-Maturity, including securities issued by public administrations” from the financial reports previously mentioned, at individual and at consolidated levels.

Also in the individual and consolidated financial statements of Romanian Commercial Bank, in Chapter 41 are described the valuation method of financial assets and liabilities booked as fair value.

In the transparency and public disclosure report for 2014, Romanian Commercial bank identified a significant market risk in the trading book, FX risk in banking book and interest rate risk in banking book. Chapter 6 contains the split of exposures on residual maturity and the liquidity and funding management of the bank. Therefore the Romanian Commercial Bank developed a system of limits for the market risk exposure, for the banking book and the trading book as well (more details can be found in chapter 7 – Market risk from the Transparency and Public disclosure report for 2014)

2. Did BCR invested in the bonds issued by Bucharest Municipality and if yes, what is the process of managing/mitigating the risk generated by this type of investments, especially taking into account the prosecution of the mayor of Bucharest.

BCR is investing in securities issued by local authorities taking into account the efficiency of the investment, the prudential management of the risks and the mission of the bank to be dedicated to the local and regional developments of Romania. The business relationship between the bank and the issuer is regulated through Government Emergency Ordinance OUG 34/2006, regarding the public auction and contracts with public authorities and by complying with all requirements mentioned in the issuance prospectus received by all qualified and professional investors, as they are defined by Law no. 297/2004, regarding Capital markets with all subsequent updates and add-ons, having as counterparty the local authority and not private individuals, the investors behavior being regulated and sanctioned under the specific legislation. Information regarding the risk management and details regarding the financial transactions of the bank (including fixed income securities investments) are published periodically through the financial statements, as well as in the Transparency Report, according to legal requirements in place.

Bucharest Municipality bonds received an official rating from an international rating agency (Fitch ratings), who confirmed in 2015 the rating for long term debt in local currency as BBB and for short term debt in foreign currency F3.

The issuance was structured on 4 tenors: 3, 5,7 and 10 years. According to the information sent by the Bucharest Municipality all tenors were oversubscribed.