BCR GROUP

DISCLOSURE REPORT 2015

As per NBR Regulation no. 5/2013 on prudential requirements for credit institutions and Part VIII of Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms

Incorporated in Romania

Trade Register J40/90/1991

Unique Registration Code 361757

Bank Register RB-PJR-40-008/18.02.1999

www.bcr.ro

1 INTRODUCTION

The requirements of the regulation apply to BCR Group.

The report gives readers a comprehensive overview of the current risk profile and risk management in BCR Group and covers the following main areas:

- Organisational structure of risk management;
- Risk management structures and responsibilities;
- Remuneration and recruitment practices;
- Capital structure;
- Capital adequacy;
- Risk management systems;
- Risk management with respect to each risk type;
- Risk assumed (risk management policies and objectives, risk appetite and risk profile).

The Report incorporates information complementary to the Financial Statements (FS) posted on Banca Comerciala Romana's website in the Investors Section, as well as complementary information related to the risk management objectives and policies of the Bank.

Complementary information covers the following areas of interest:

- the Bank governance structures and policies, including its objectives, organizational structure, internal governance arrangements, structure and organization of the management body, including attendances to the meetings thereof, and the incentive and remuneration scheme of the institution;
- how the Bank business and risk management strategy is set (including the involvement of the management body) and foreseeable risk factors;
- the Bank established committees and their mandates and membership;
- the Bank internal control framework and how its control functions are organized, the major tasks they perform, how their performance is monitored by the management body and any planned material changes to these functions;
- the strategies and processes to manage those risks;
- the structure and organization of the relevant risk management function including information on its authority and statute, or other appropriate arrangements;
- the scope and nature of risk reporting and measurement systems;
- the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;
- the Bank's overall risk profile associated with the business strategy, including the key ratios and figures providing external stakeholders with a comprehensive view of the Bank's management of risk, including how the risk profile interacts with the risk tolerance set by the management body.

This Report is prepared on a stand-alone and consolidated basis (IFRS) according to NBR's Regulations. All information herein is presented as of December 31, 2015 unless otherwise stated.

There are no differences between financial and prudential consolidation. The Bank uses the full consolidation method for subsidiaries and the equity method for the associate.

1.1 Legislation

The purpose of this Report is to ensure compliance with the regulatory requirements[1] regarding an adequate level of transparency through the public disclosure of capital and risk assessment processes in order to strengthen market discipline and stimulate credit institutions to improve their market strategy, risk control and internal management organization.

The current Disclosure Report of BCR Group meets the disclosure requirements of Part Eight of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, hereinafter referred to as the CRR.

The data and information provided are in compliance with the provisions foreseen in the Emergency Ordinance no.99/03.12.2006 on credit institutions and capital adequacy modified by the Law 29/2015 for the Government Emergency Ordinance approval no. 113/2013 related to budget measure and for the completion and amendment of the Government Emergency Ordinance related to credit institutions and capital adequacy.

1.2. Disclosure policy and report structure

In compliance with article 431(3) Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, the Disclosure Report is based on the stipulations of the BCR Group Disclosure Policy.

The Disclosure Report provides comprehensive disclosure on risks, risk management and capital management. The document is published annually in Romanian and English versions[2].

BCR Group has chosen for the Internet as the medium for publication of the Disclosure Report. The Disclosure Report is available on the website of BCR Group (https://www.bcr.ro/en/investors/transparency-and-public-disclosure).

The preparation of the Disclosure Report and the formal audit for completeness and compliance with the applicable requirements is carried out by Strategic Risk Management / Risk Controlling Division. The Disclosure Report may be subject to audit by the external auditors and by Internal Audit Division.

The Disclosure Report of BCR Group consists of 19 chapters and two Annexes.

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[1]NBR Regulation no. 5 / 2013 regarding the prudential requirements for credit institutions and EU Regulation No 575/2013 on prudential requirements for credit institutions and investment firms

2 The Bank publishes interim disclosures bi-annually in a summarized version (information on own funds, capital requirements, risk exposures, and other items prone to rapid change)

2 RISK MANAGEMENT OF BCR GROUP

DISCLOSURE REQUIREMENTS COVERED: ART. 435(1) (a) (b) (c) (d) (e) (f) CRR

DISCLOSURE REQUIREMENTS COVERED: ART. 67 (a) (c) NBR Regulation no. 5/2013

RISK POLICIES, RISK STRATEGY & BUSINESS STRATEGY

Risk Policies

The risk management policies implemented by the Bank forms part of the internal control and corporate governance arrangements. The risk policies underline the approach to risk management, and documents the roles and responsibilities of the management board and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.
The Bank developed a risk management policy framework that is consistent with its risk management strategy. Also the risk policy framework defines risk management accountability and methodologies that meet the strategy requirements.

Risk Strategy

BCR Group's core function is to take risks in a conscious and selective manner and to manage such risks professionally. BCR Group commits to delivering its shareholders an adequate return for the undertaken risks (profitability principle), and to maintain a stable financing structure and sufficient liquidity to meet its financial obligations, ensuring "going concern" even under stress scenarios (liquidation principle).

Regarding non-financial goals, BCR Group also considers strategically important to maintain a sustainable activity, in line with its image, reputation and social contribution. With this purpose, it works towards adequate strategic definition, communication and implementation (sustainability principle).

BCR Group's proactive risk policy and strategy aim at achieving balanced risk and return in order to generate a sustainable and adequate return on equity. Hence, it is the scope of this strategy to ensure that risks are assumed in the context of its business, recognized at an early stage and properly managed. This is achieved by fully integrating risk management into daily business activities, strategic planning and developing the business consistently with the defined risk appetite.

BCR Group uses a risk management and control system that is proactive and tailored to its business and risk profile. It is based on a clear risk strategy that it is consistent with BCR Group business strategy and focused on early identification of risks and trends.

In addition to achieving the internal goal of effective and efficient risk management, BCR Group's risk management and control system has been developed to fulfil external and, in particular, regulatory requirements.

The key risks for BCR Group are credit risk, market risk, liquidity risk, reputational and operational risk. BCR Group also focuses on managing macroeconomic and concentration risk within and across risks types and in addition, its risk management and control framework takes into account a range of other significant risks as they are identified. BCR Group always seeks to enhance and complement existing methods and processes in all risk management areas.

The purpose of BCR Group risk measurement and reporting systems is to ensure that risks are comprehensively captured, with all the attributes necessary to support well-founded decisions, that those attributes are accurately assessed and that information is delivered in a timely way to the right points in the organization for those risks to be successfully managed and mitigated.

Risk measurement and reporting systems are therefore themselves subject to a robust governance framework, to ensure that their design is fit for their purpose and that they are functioning properly.

Business strategy

The business strategy sets a clear strategic direction of the Bank’s business and its objectives and plans for a 5 year time horizon, in line with shareholder expectations and business environment. It defines the appropriate business model and targeted segments which enhance the Bank’s capacity to deliver on strategic targets.

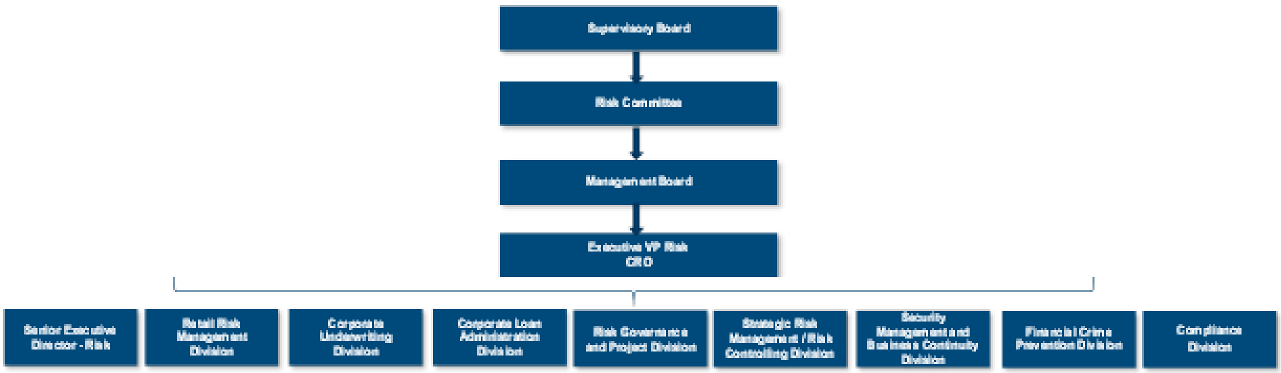
Business lines define actions to reach strategic targets and all these are incorporated in the financial plan for the bank and the group. Performance KPIs are developed for the board and management to ensure their full commitment towards strategy implementation. Information reports for management enable proper monitoring of the progress made in achieving the planned objectives while periodical financial forecasts allow the updating of the macro and business assumptions and the targets amendment if necessary.

RISK MANAGEMENT ORGANISATION

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities, and risk limits.

The management of retail and corporate credit risk, market risk, operational risk, liquidity as well as reputational risk and strategic risk, the assessment of collaterals and other risk related activities are consolidated under the Risk functional line.

The following chart presents the organisation structure of risk functional line:



BCR develops and maintains a sound and comprehensive internal control framework, including specific independent control functions with appropriate authority to their mission.

RISK AND CAPITAL MANAGEMENT

The Bank’s risk management framework, as well as the Enterprise-wide Risk Management (ERM) framework has been continuously strengthened in the last years. This also includes ICAAP framework, as required under Pillar II of the Basel Accord.

Enterprise-wide Risk Management (ERM)

The ERM framework is designed to support the Bank's management in managing risk portfolios and its risk bearing capacity by ensuring that the Bank has at all times and adequate capital level reflecting the nature and magnitude of the bank risk profile. ERM is tailored to the BCR Group's business and risk profile, and it reflects the strategic goal of protecting shareholders while ensuring the sustainability of the organization.

ERM is a modular and comprehensive management and steering system within BCR Group and is an essential part of the overall steering and management instruments. The ERM components necessary to provide internal value added can be clustered as follows:

- Risk Appetite Statement
- Portfolio & Risk Analytics
  - Risk Materiality Assessment
  - Concentration Risk Management
  - Stress Testing
  - Risk-bearing Capacity Calculation
- Risk Planning & Forecasting including
  - Risk-weighted Asset Management
  - Capital Allocation
- Recovery Plan.

ERM components aim to support the Bank's management in pursuing its strategy in addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times.

Risk Appetite

The Risk Appetite Statement (RAS) is a high-level strategic statement and forms an integral part of BCR Group's business and risk strategy. The Risk Appetite Statement serves to define, based on the going concern perspective, the maximum level of risk the bank is willing to take from a strategic point of view by setting boundaries and defining limits which are relevant for the bank's daily operations. The objective of RAS is to contain earnings volatility, avoid net losses, and protect external and internal stakeholders.

The RAS is intended to make maximum tolerated risks explicit and express them as qualitative statements and quantitative metrics taking into consideration strategy, business, liquidity, market, operational and credit risks and capital plans.

The Management Board reviews and approves the risk appetite on an annual basis to ensure that it is consistent with the risk strategy, business environment and stakeholder requirements.

The risk governance framework is defined to ensure that BCR Group adheres to its Risk Appetite Framework and that this framework remains updated and reflects the Bank's risk strategy.

Portfolio & risk analytics

BCR Group uses dedicated infrastructure, systems and processes in order to actively identify, control and manage risks within the scope of the portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.

Risk Materiality Assessment

The first step in the process of managing risk is the identification of potential risks through the Risk Materiality Assessment. This is an annual process through which all the risks that the Bank is exposed to are evaluated based on a series of quantitative and qualitative risk drivers and considers both the current risk profile and its potential future development and is based on a set of well-defined assessment criteria.

The Bank has implemented and continuously develops its risk materiality framework. This process is not limited to the risk function and therefore the various bank entities are involved in order to ensure the comprehensiveness. Such broad involvement of the Bank has improved understanding of the sources of risk, clarify how risks relate to specific business activities, and provide the best chances of identifying newly emerging risks.

Material risks for BCR Group

Within BCR Group, the Risk Materiality Assessment is performed for all risk types to which the institution may be exposed.

The risk management function ensures that all material risks are identified, measured and properly reported and plays a key role within the Bank, being involved in the elaboration and review of strategies and decision-making process, as well as in all material risk management decisions regarding material risks which the Bank faces in its commercial operations and activities. Also the Bank ensures that all material risks managed and reported in coordinated manner via risk management processes.

The assessment of the Bank's material risks represent an essential prerequisite for analyzing the risk-bearing capacity with the final goal to aggregate them into the overall risk position (risk profile).

The risks identified by the Bank for 2015 as being material were as follows:

Risk type	Material risks
Credit risk	Default risk
	Migration risk
	Concentration risk
	Residual risk
	Un-hedged borrower
Market risk	Interest rate in banking book
	Exchange rate risk
Operational risk	IT risk
	Legal risk
	Fraud risk
	Model risk
	Employment risk
	Execution risk
Liquidity & Funding risk	Liquidity risk
	Funding risk
Other risks	Strategic risk
	Macroeconomic risk
	Compliance risk
	Reputational risk

Risk concentration analysis

Concentration risk management in BCR Group is based upon a framework of processes, methods and reports. Multiple analyses are regularly conducted, reviewed and reported. Concentration risks are also taken into account systematically in the stress factors of stress tests.

The Bank has implemented a process to identify measure, control and manage risk concentrations. The process is essential to ensure the long-term viability of BCR Group, especially in times of adverse business environment and stressed economic conditions. Identified risk concentrations are considered in the scenario designed for the comprehensive stress test and measured under stressed conditions.

The output of the concentration risk analyses contributes to the identification of the material risks within the risk materiality assessment as well as to the setting/calibration of BCR Group limit system.

Stress testing

Stress testing is a key risk management tool within financial institutions, in particular to support these in taking a forward-looking view in their risk management as well as strategic, business, risk, capital and liquidity planning. In this sense, stress testing is a vital tool in the Enterprise-wide Risk Management (ERM) framework.

In order to assure a holistic view of the bank's inherent risks, BCR Group's comprehensive stress testing exercise takes into account all the risks that the institution has identified as material during the Risk Materiality Assessment.

The stress testing exercise evaluates the impact of adverse macroeconomic developments on all strategic risk indicators defined in the Risk Appetite Statement in order to help the Bank identify events that might push it outside its risk appetite.

The Bank has developed a specific tool to translate macroeconomic variables into risk parameters in order to support the stress testing process.

The stress test performed in the reporting period indicated sufficient capital adequacy.

Risk-bearing Capacity Calculation

The Bank uses the Risk-bearing Capacity Calculation (RCC) as the ultimately tool to define the capital adequacy as required by ICAAP. Within the risk-bearing capacity calculation (RCC), the economic capital requirement for risks is aggregated and compared to the coverage potential (the Bank's available capital from an internal perspective). BCR has defined Economic Capital Adequacy (ECA) as one of different measures to express and monitor BCR Group's risk appetite. The integral forecast, risk appetite as well as a traffic light system support management in its discussions and decision processes.

Economic Capital is the amount of capital needed to cover all the bank's risks using real economic measures (rather than accounting or regulatory rules) to ensure its sustainability. Based on BCR Group business and risk profile, the three main types of banking risks – credit risk, market risk and operational risk – are considered directly in the Risk-bearing Capacity Calculation. Besides the Pillar I risk types (credit, market and operational risks), in the context of Pillar II, interest rate risk in the banking book, FX induced credit risk, and business/strategic risk are explicitly considered within the required economic capital via internal models. The methodologies that are applied for these different risk types are diverse and range from historical simulations and other Value-at-Risk (VaR) approaches to the regulatory approach for residual portfolios.

The capital or coverage potential required to cover economic risks and unexpected losses is based on regulatory own funds adapted with other elements deemed adequate from an economic point of view such as by year-to-date profit. The coverage potential must be sufficient to absorb unexpected losses resulting from the Bank's operation at any point in time.

Risk planning and forecasting

An effective financial plan clearly states strategic business objectives in financial terms while a well prepared budget forms the foundation for decision-making throughout the fiscal year. Adjustment of the business with future expectations based on recent and actual performance is done through the forecasting process.

As the Bank's Risk Weighted Assets (RWA) determine the actual regulatory capital requirement of a bank and influence the capital ratio as a key performance indicator, particular emphasis is devoted to meeting targets and to the planning and forecasting capacity for this parameter. The evolution of the Bank's RWA is monitored against strategic limits defined through the institution's Risk Appetite Statement.

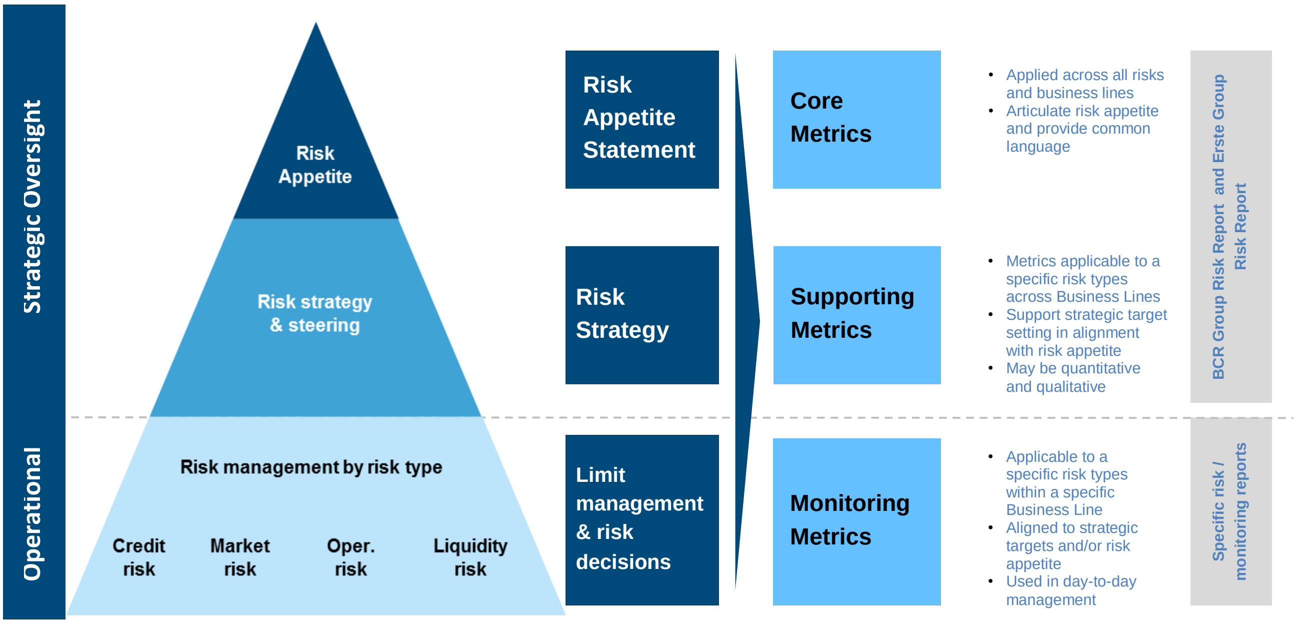
Recovery plan

The BCR Recovery Plan Governance serves as a framework for the drawing up and the implementation of the plan as a main pillar of strengthening the financial resilience of BCR and restoring its financial position following a significant deterioration.

It establishes relevant recovery triggers which are monitored quarterly by the institution and aligned with its Risk Appetite limits and identifies a set of recovery measures which could be taken in order to restore BCR financial strength and viability when it comes under severe stress.

RISK MONITORING

All risks and exposures are monitored on a continuous basis and managed along portfolio, organizational level and risk type dimensions.



Oversight of the overall risk profile at the BCR Group level consists of both strategic and operational oversight as set out below.

Strategic oversight

Oversight of strategic planning is aligned with the Bank's mission, the expectations of stakeholders, and offers an appropriate short-, mid- and long-range focus. A key aspect in the strategic oversight is also to actively monitor the management's execution of approved strategic plans as well as the transparency and adequacy of internal communication of the strategy.
A framework for effective risk management requires integration with the strategic and organizational planning within the Bank.

Operational oversight

Risk management by risk type ensures that the risk specific profile remains in line with the risk strategy and operational support achievement of the strategic limits and targets. The development of the specific risk profile (i.e. retail credit, corporate credit, operational risk, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision making of the dedicated risk functions to ensure the risk profile remains within risk strategy (i.e. operational risk report, retail risk report, etc.). These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of portfolio quality (client, segment, countries and industries) or risk drivers. In instances where certain risk portfolios or events are identified as potentially in distress, these are closely monitored by the dedicated risk functions to manage the risk impact and to develop effective strategies to minimize potential losses. This process facilitates early risk detection and reaction.

ADEQUACY OF RISK MANAGEMENT SYSTEMS

The Bank must monitor risk management systems to ensure they are performing as intended. This is accomplished by the Bank through on-going monitoring activities and periodically assessment of the risk management systems. On-going monitoring is often most effective since it is completed on a real-time basis where appropriate, can react dynamically to changing conditions.

In this respect, the Bank provide a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy **(Annex 1).**

The Bank implemented a proper risk management framework which includes policies, procedures, limits and controls providing adequate, timely and continuous identification, measurement or assessment, mitigation, monitoring and reporting of the risks posed by the banking activities, both at the business line and institution-wide levels.

An effective risk management requires clear articulation of the Bank's risk appetite and how the Bank's risk profile is managed in relation to that appetite. The Bank has implemented an effective Risk Appetite Framework which is communicated across the Bank, as well as to the stakeholders, and which embeds the risk appetite into the financials risk profile.

Both Risk Appetite Statement and Risk Tolerance are part of the Risk Appetite Framework and are embedded in the Bank Risk Strategy.

The Risk Appetite is based on relevant risk drivers and metrics and ensures that BCR Group operates within the strategic guidelines and does not exceed the aggregate risk tolerance.

3 MANAGEMENT BODIES

Information on governance arrangements

DISCLOSURE REQUIREMENTS COVERED: ART. 435(2) (a) (d) (e) CRR

DISCLOSURE REQUIREMENTS COVERED: ART. 67 (a) NBR Regulation no. 5 / 2013

Banca Comerciala Romana SA (BCR) is a joint-stock company administered under a dualist system, located in Bucharest Blvd. Elisabeta no. 5, registered with the Trade Registry under no.J40/90/1991 and a member of Erste Group which consists of banks and financial services companies.

The management structure of BCR, both oversight function bodies, such as the Supervisory Board, and management bodies such as the General Meeting of Shareholders and Management Board, is described in detail on the bank's website, Section: About us/Corporate Governance.

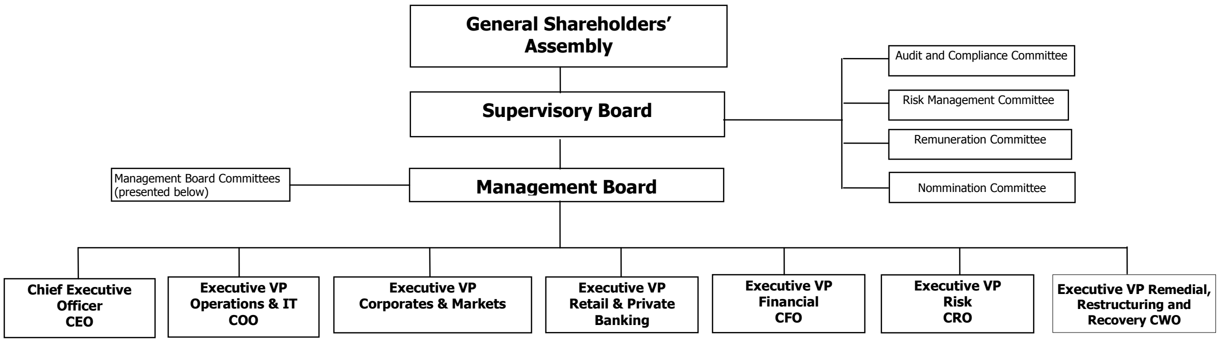
Relevant and comprehensive information with regard to the functions and responsibilities of these bodies along with the corporate governance principles and policies, Code of Ethics and the Charter of the Bank, are found in this sub-section.

Organizational chart

The central organisation of the Bank is structured on 7 functional lines, as follows:

- one line directly subordinated to the CEO;
- 6 lines that cover the following areas: Operations & IT, Corporate Clients & Capital Markets, Retail & Private Banking, Financial, Risk and Remedial, Restructuring and Recovery respectively, each composed of functional entities, directly subordinated to 6 executive Vice-presidents.

The organizational chart of BCR Head Office as of 31.12.2015 is presented in the chart below:



According to the legal requirements, the management structure has the role to monitor, assess and periodically revise the efficiency of the management framework of the bank's activity and of the policies which refer to, so that it takes into consideration any change of internal and external factors which affects the Bank.

COMMITTEES AND GROUP STRUCTURE

DISCLOSURE REQUIREMENTS COVERED: ART. 67 (d) NBR Regulation no. 5/2013

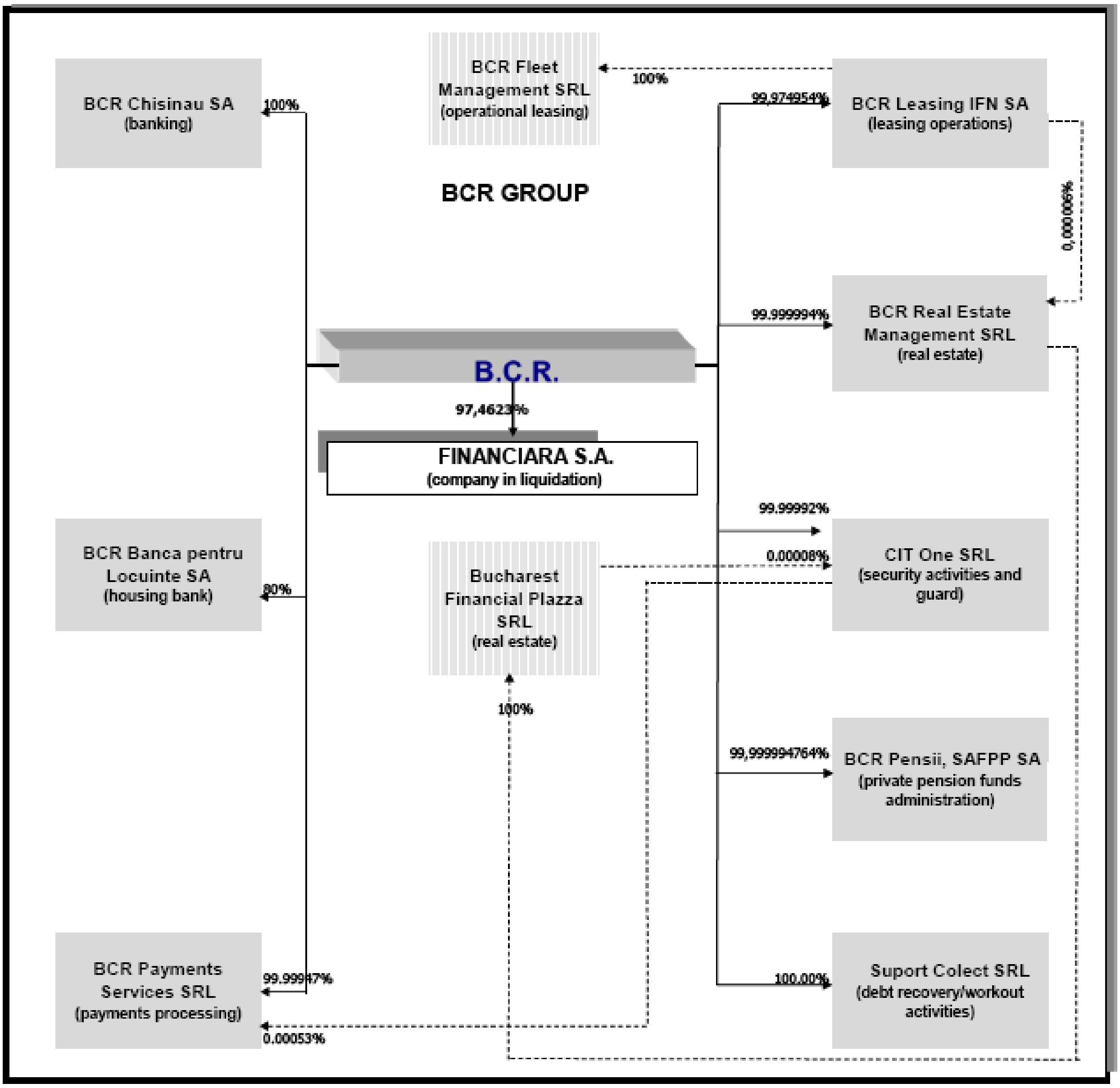
MB Committees

The Management Board committees as of **31.12.2015** are presented in the table below:

Committees subordinated to the Management Board	
1	Assets and Liabilities Management Committee (ALCO)
2	Projects and IT Committee
3	Corporate Credit Committee
4	Retail Credit Committee
5	Problem Assets Committee (PAC)
6	Operational Risk Management Committee (ORCO)
7	Investments and Disposal Committee
8	Know Your Customer Committee (KYCO)
9	Self Banking Equipment Management Committee
10	Financial Steering Group Committee
11	Risk Committee of the Management Board
12	Litigations Committee
13	Labour Security and Health Committee
14	Professional Inadequacy Committee
15	Social Committee
16	Disciplinary Committee

BCR Group structure

The BCR Group structure as of 31.12.2015 is presented in the chart below:



BCR has a two-tier governance structure and carries out its activities considering the principles and objectives of good corporate governance, based on the Romanian and EU legal and regulatory framework, as well as in alignment with the parent company and the best international practices in the field.

The two-tier governance structure consists in a *Supervisory Board* (representing the supervisory function, which ensures the supervision and coordination of the Management Board activity) and a *Management Board* (representing the management function, which ensures the operational management of the Bank) as management bodies. Their membership, position and number of mandates are presented in the following section.

Their competencies and responsibilities are regulated through the Charter, the Internal Rules of each structure and also through the BCR Operational Book.

The **Supervisory Board** approves and periodically reviews BCR's risk profile and the bank's overall strategy in respect of risk management with the goal of ensuring a responsible, prudent and profitable banking activity.

The Supervisory Board consists of seven (7) members, appointed by the Bank's General Meeting of Shareholders and their mandate is of maximum three (3) years with the possibility of being re-elected for subsequent maximum three (3) years mandates.

During 2015, the Supervisory Board had the following membership structure evolution:

Period 01.01 – 28.01.2015	
Name	**Position**
Manfred Wimmer	Chairman
Andreas Treichl	Deputy Chairman
Gernot Mittendorfer	Member
Brian O'Neill	Member
Tudor Ciurezu	Member
Period 29.01-31.12.2015	
Manfred Wimmer	Chairman
Andreas Treichl	Deputy Chairman
Gernot Mittendorfer	Member
Tudor Ciurezu	Member
Brian O'Neill	Member
Andreas Gottschling	Member (appointed by the General Meeting of Shareholders on 29.01.2015 and granted approval by NBR on 17.06.2015)

Taking into consideration the following:

- Supervisory Board membership structure as of December 31st, 2015 and
- the information made available by each Supervisory Board member under the relevant Fit & Proper Affidavit and
- the Law no. 29/2015 for completion of EGO no. 99/2006 regarding credit institutions and capital adequacy, entered into force on March 15th, 2015,

the mandates held by the Supervisory Board members in other companies are detailed below:

- **Mr. Manfred Wimmer** holds 1 non-executive mandates within Erste Group;
- **Mr. Andreas Treichl** holds 1 executive mandate and 4 non-executive mandates within Erste Group (counted as 1 mandate, according to Law no. 29/2015), 2 non-executive mandates in VIG Group (counted as 1 mandate, according to Law no. 29/2015) and 4 mandates in non-profit organizations (not counted, according to Law no. 29/2015);
- **Mr. Gernot Mittendorfer** holds 3 executive mandates and 5 non-executive mandates within Erste Group (counted as 1 mandate, according to Law no. 29/2015);

- **Mr. Andreas Gottschling** holds 1 executive mandate and 1 non-executive mandate within Erste Group;
- **Mr. Brian O'Neill** holds 1 non-executive mandates within Erste Group, other 2 non-executives mandates and 1 mandates in non-profit organizations (not counted, according to Law no. 29/2015);
- **Mr. Tudor Ciurezu** holds 1 executive mandate and 1 non-executive mandates.

All Supervisory Board members are compliant with the requirements regarding the number of mandates allowed to be held, as provided by the Law no. 29/2015 for completion of EGO no. 99/2006 regarding credit institutions and capital adequacy.

The Risk Management Committee of the Supervisory Board has an advisory role, being established for the purpose of assisting the Supervisory Board of the Bank in carrying out its roles and responsibilities in respect of risk management. The Risk Management Committee is responsible for reviewing, prior submission to the Supervisory Board's approval, the main risk strategic documents and/or transactions, annual reports describing the conditions for performing the internal control, respectively the issues related to the risk management function as well as regular reports on the evolution of the Bank's risk indicators.

This Committee also issues recommendations for any internal regulation related to risk or other matters for which the Law or the National Bank of Romania requires the approval of the Supervisory Board and reports on a quarterly basis to the Supervisory Board regarding its activity.

In 2015, the Risk Management Committee convened in ten (10) regular and special meetings.

The **Management Board** is responsible for the setting and implementation of the overall risk strategy of the Bank, approved by the Supervisory Board, including the risk tolerance/appetite levels and its risk management framework, the maintenance of a proper risk exposure reporting, as well as the maintenance of the risk limits, including crisis situations.

The Management Board develops the strategies, policies, processes and systems for the management of the liquidity risk in accordance with the established risk tolerance and ensure that the Bank maintains a sufficient liquidity.

The Management Board is also responsible for developing an integrated and institution-wide risk culture, based on a full understanding of the risks the Bank faces and how they are managed, taking into account its risk tolerance/appetite and shall adopt the necessary measures for the monitoring and control of all significant risks according to its strategy on risk management.

The Management Board consists of seven (7) members appointed by the Supervisory Board and their mandate is for a maximum of four (4) years with the possibility of being re-elected for subsequent of maximum four (4) years mandates.

During 2015, the Management Board membership structure evolution was the following:

Period 01.01-30.09.2015	
Name	Position
Tomas Spurny	CEO (his mandate ended starting on 30.09.2015)
Bernd Mittermair	Executive vice – president
Sergiu Manea	Executive vice – president
Paul Ursaciuc	Executive vice – president
Jonathan Locke	Executive vice – president
Adriana Jankovicova	Executive vice – president
Dana Demetrian	Executive vice – president (appointed by SB on 24.10.2014 and granted approval by NBR on 05.01.2015)
Period 01.10-31.12.2015	
Sergiu Manea	CEO (appointed by SB as of 1.10.2015 in the meeting as of 31.08.2015, took over the position after the NBR approval on 26.10.2015)
Bernd Mittermair	Executive vice – president
Paul Ursaciuc	Executive vice – president
Jonathan Locke	Executive vice – president
Adriana Jankovicova	Executive vice – president
Dana Demetrian	Executive vice – president

Taking into consideration the following:

- Management Board membership structure as of December 31st, 2015
- the information made available by each Management Board under the relevant Fit & Proper Affidavit and
- the Law no. 29/2015 for completion of EGO no. 99/2006 regarding credit institutions and capital adequacy, entered into force on March 15th, 2015,

the mandates held by the Management Board members in other companies are detailed below:

- **Mr. Sergiu Cristian Manea** holds 1 executive mandate (CEO BCR and coordinator of Executive Vice-president Corporates and Capital Markets line), 6 non-executive mandates within BCR Group (all counted as 1 mandate, according to Law no. 29/2015), 1 non-executive mandate in non-profit organizations (not counted, according to Law no. 29/2015) and 1 non-executive mandate outside BCR Group;
- **Mrs. Adriana Jankovicova** holds 1 executive mandate (CFO BCR) and 9 non-executive mandates within BCR Group (all counted as 1 mandate, according to Law no. 29/2015);
- **Mr. Jonathan Charles Locke** holds 1 executive mandate (CRO BCR) and 5 non-executive mandates within BCR Group (all counted as 1 mandate, according to Law no. 29/2015);
- **Mrs. Dana Luciana Demetrian** holds 1 executive mandate (BCR Executive Vice-president Retail and Private Banking), 4 non-executive mandates within BCR Group (all counted as 1

mandate, according to Law no. 29/2015) and 2 non-executive mandates outside BCR Group;

- **Mr. Bernd Mittermair** holds 1 executive mandate (CWO BCR) and 2 non-executive mandates within BCR Group (all counted as 1 mandate, according to Law no. 29/2015);
- **Mr. Paul Ursaciuc** holds 1 executive mandate (COO BCR), 5 non-executive mandates within BCR Group (all counted as 1 mandate, according to Law no. 29/2015) and 1 non – executive mandate outside BCR Group.

All Management Board members are compliant with the requirements regarding the number of mandates allowed to be held, as provided by the Law no. 29/2015 for completion of EGO no. 99/2006 regarding credit institutions and capital adequacy.

The Risk Committee of the Management Board (RCMB)

The Risk Committee of the Management Board is operational starting with September 29th, 2015. It is composed of 5 members and 10 permanent guests.

The competence of the Risk Committee of Management Board is to approve the Internal Rating based Approach (IRB) policies and methodologies, the credit risk rating models (all segments) and risk parameters (PD, LGD, CCF) methodology and regular review/results, the market and liquidity risk models and methodologies and other related items.

The Committee evaluates and pre-approves the strategic risk items like the annual BCR risk strategy, the ICAAP related policies, the Retail and Corporate risk policies, including pouvoirs, the Recovery plan, the credit risk limits, the market and liquidity risk limits and the collateral management policy.

It is also regularly examining, monitoring and assessing the overall credit risk development, the credit risk-weighted assets and risk parameters, the market and liquidity risk, the general compliance of BCR credit risk rules and procedures with risk guidelines of Erste Group and with prudential regulations, the development of the main projects of risk and business which are risk related and is proposing risk mitigating actions.

In 2015, the Risk Committee of the Management Board convened in twelve (12) regular and special meetings.

The Operational Risks Management Committee (ORCO)

Operational Risk Management Committee (ORCO) – is an analysis, advisory and decision body that reviews and pre-approves or decides within its limits of competences regarding the implementation of corrective measures and risk mitigation actions to proactively manage operational risk (including IT risk, model risk, outsourcing). ORCO meets at least every three months, in regular meetings, and whenever required, in special meetings. The Operational Risk Management Committee is composed of 5 members with voting rights and 11 permanent guests.

Internal Audit

Risk Management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with the Management Board and reports its findings and recommendations to the Audit and Compliance Committee.

More details about the corporate governance framework, the Policy regarding Banca Comerciala Romana SA corporate governance, as well as the Corporate Governance Report for 2015 are presented on the Bank website https://www.bcr.ro/en/about-us/corporate-governance/principles-policies.

Description of the information flow on risk to the management body

One of the Bank main goals is the timely, accurate and effective risk reporting to the management body which is an integral part of a strong risk management framework.

The Supervisory Board and its committees (including but not limited to the risk committee) and the Management Board need reports on a regular basis with the status of risk to support their oversight of the Bank's management of risk.

They also need alerts when significant changes are detected in the level of risk.

Therefore the Bank has implemented a quarterly comprehensive reporting framework that consists of dashboards and heat maps for the relevant risk types to the Management Board and Supervisory Board.

Territorial Network

BCR is organised in functional lines at central level and it holds a network of branches serving for the retail and corporate business functional lines.

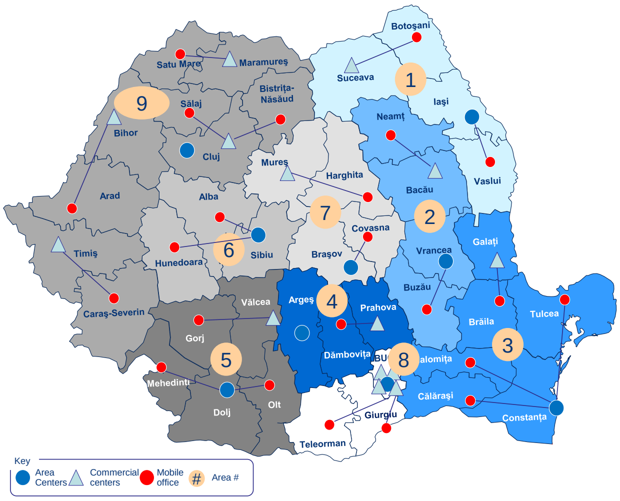
The BCR's territorial network as of 31.12.2015 is grouped according to the two main customer segments, i.e. retail and corporate.

Corporate Segment as of 31 December 2015

The corporate segment is structured into 9 geographical areas, based on client density, covering the entire country: Iasi, Vrancea, Constanta, Arges, Dolj, Sibiu, Brasov, Bucuresti and Transilvania. The corporate segment is served by 21 Commercial Centres and Area Centres, 18 Mobile Teams and International Clients Department that support small and medium-sized customers (SMEs) and by two Divisions within BCR's Headquarters which support the large enterprises clients and public sector clients (Group Large Corporate and Public and Infrastructure Finance).

Corporate Segment as of 31 December 2015:

REGION		Commercial Centres and Area Centres
Area 1	Iasi	2
Area 2	Vrancea	2
Area 3	Constanta	2
Area 4	Arges	2
Area 5	Dolj	2
Area 6	Sibiu	1
Area 7	Brasov	2
Area 8	Bucuresti	4
Area 9	Transilvania	4



Corporate network map as of 31.12.2015

As a rule, for the corporate segment, each area contains one Area Centre, one Commercial Centre and 2-3 Mobile Teams, except Bucharest and Transilvania Area (without Area Centre, with 4 Commercial Centres) and Sibiu Area (no Commercial Centre).

Retail Segment as of 31 December 2015

The retail segment is structured into 12 Retail Areas and it comprises a total number of 511 territorial units, out of which 167 branches and 344 agencies which support private individuals, free professions and micro - enterprises.

Retail Area	No. Agencies	No. Branches
Area 01	40	14
Area 02	34	14
Area 03	28	13
Area 04	31	17
Area 05	33	17
Area 06	26	13
Area 07	39	12
Area 08	25	15
Area 09	25	15
Area 10	19	12
Area 11	22	11
Area 12	22	14
Total	344	167

Retail network map as of 31.12.2015

Turnover

The turnover for BCR Group and BCR standalone as of December 31, 2015 is presented in the table below:

Turnover	RON thds.
BCR Group	4,081,368
out of which:	
Romania	4,055,744
Moldova	25,624
BCR Bank	3,851,965

Macroeconomic forecasted risks

DISCLOSURE REQUIREMENTS COVERED: ART. 67 (c) NBR Regulation no. 5 / 2013

Economic growth: Romanian economy is likely to grow close to 4% on average in 2017 and 2018 driven by domestic demand in general and private consumption in particular. As expansionary fiscal policies are to be pursued, this could set the stage for volatile growth rates in the years to come. A certain amount of overheating should not be ruled out in the short term, due to an increased social bias of the legislation already endorsed by the Parliament that focuses more on stimulating private consumption. Net exports will most likely remain a drag GDP formation-wise.

Monetary policy & inflation: The central bank is likely to keep the monetary policy rate unchanged in 2016, as deflation will be mostly supply-driven. Private consumption will remain in the spotlight, following an expansive wage policy in the public sector, amid broad fiscal easing. Households' fortified purchasing power will turn up the heat on inflation and this will become more manifest in early 2017. Under these circumstances, the central bank could decide to deliver a first key rate hike in 1Q17.

Budget deficit & fiscal policy: The broad fiscal easing and loose public wage legislation approved by the Parliament which has already come into force will weigh heavily on the budget. Nominal budget deficit could easily widen to 3% of GDP or even more, while the structural budget deficit will also see a significant departure from the target assumed through the Fiscal Compact. Further fiscal relaxation is slated for 2017, when the VAT cut is to be again reduced to 19% from 20%. A medium-term MTO realignment toward the 1% of GDP Romania committed to back in 2012 would require fiscal corrections as of 2017.

Recruitment criteria

DISCLOSURE REQUIREMENTS COVERED: ART. 435(2) (b) (c) CRR

a.) The process of selection and nomination applicable for the Management Body and Key Function Holders is regulated by the provisions of The Nomination Policy and is generally based on the following steps:

- Initiate the searching process (including the distribution of roles and responsibilities);
- Define the profile of requirements (including a description of the roles and capabilities for appointment, and assessment of the expected time commitment);
- Search candidates;
- Preselect the candidates;
- Organize interviews with the candidates;
- Final decision on the candidates; and
- Formal nomination of the candidate.

The selection and nomination of the Management Body is under the responsibility of Nomination Committee. The selection of the Key Function Holders (except for the coordinator of audit function) follows the principles provided by the Recruitment and Selection Policy and is under the responsibility of Management Board.

The selection and nomination of the coordinator of audit function is made by the Supervisory Board, with advice from the Audit and Compliance Committee.

The suitability of members of the Management Body is assessed before a new member takes up his/her mandate, in each case before being authorized by the competent authorities and re-assessed periodically thereafter.

The assessment of the experience of members of the Management Body takes into account the nature, scale and complexity of the business of the credit institution as well as the responsibilities of the position concerned.

The three (3) main assessment criteria are: reputation, experience and governance, as detailed in the Policy of Nomination, in accordance to the legal provisions in force.

The assessment of the members of the Management Body considers both the theoretical experience attained through education and training, and the practical experience gained in previous positions. This means that skills and knowledge acquired and demonstrated by the professional conduct of the member are taken into account.

Furthermore, a member of the Management Body should have sufficient experience to enable the member to provide constructive challenge to the decisions and effective oversight of the management body in BCR. Members of the Management Body should be able to demonstrate that they have, or will be able to acquire the technical knowledge and practical experience necessary to enable them to understand the business of BCR and the risks that the bank faces sufficiently well.

The current composition of the Management Body meets the experience requirements regarding theoretical and practical experience and skills necessary for Supervisory Board and

Management Board position holders, as attested by obtaining all necessary approvals and authorizations from regulatory authorities.

b.) Establishing a target for the representation of the underrepresented gender in the Management Body, and preparing a strategy on how to increase the number of the underrepresented gender in the Management Body is under the responsibility of The Nomination Committee.

The Nomination Committee shall periodically (at least annually) assess the structure, size, composition and performance of the Management Body and make recommendations to the Management Body with regard to any changes.

The target ratio female/male for the Management Body is 14%, to be achieved by 2019.

HR Division will support the Nomination Committee in achieving this target through the following actions, with the support of Human Resources at the Group level:

- incorporating the diversity principles in human resources instruments and processes;
- more women nominated into the Group succession pool;
- gender and age-balanced talent pool where all employees who meet clearly defined criteria (applicable to all) can apply in a transparent selection process;
- mentoring/sponsoring + targeted career planning;
- create an inclusive work environment (promoting work-life balance, family-friendly policies, intergenerational dialogue);
- give more visibility to senior female leaders (internally & externally); and
- diversity road shows, training, awareness raising.

Taking into consideration the current composition of the Management Body, the diversity principle has been promoted by the nomination of two new members from the underrepresented gender, namely Mrs. Adriana Jankovicova and Mrs. Dana Demetrian.

4 ORGANIZATION OF THE INTERNAL CONTROL SYSTEM'S FUNCTION

DISCLOSURE REQUIREMENTS COVERED: ART. 67 (e) NBR Regulation no. 5/2013

The Management Body (both the supervisory and the management functions) is responsible for the development and the maintenance of a proper internal control system ensuring effective and efficient operations, adequate risk control, prudent business conduct, reliable financial and non-financial information reported at internal and external level, as well as compliance with the on-going laws, regulations and the internal policies and procedures.

Every person in the organization has certain internal control responsibilities assigned. All employees provide information used by the internal control system or otherwise take action effecting control. Furthermore, all members of personnel are also responsible for communicating operational problems upwards, as well as infringements of the Ethics Code or on-going policies and illegal actions.

The internal control system in BCR involves:

a) the existence of a sound internal control framework in place, ensured by:

- clear definition of the role and responsibilities of the management body concerning the internal control
- identification, assessment and monitoring of significant risks
- control activities definition, segregation of duties assurance and conflict of interest avoidance
- a transparent framework for information and communication
- continuous monitoring of the activities and correcting the deficiencies.

b) the existence of independent control functions in place (the risk management function, compliance function and internal audit function) with direct line of reporting to the management body.

The BCR Internal Control System is structured on three levels:

1. First-level or line controls is designed to ensure that transactions are carried out correctly. Controls are performed by the entities that take the risks and incorporated in specific procedures. The responsibility of this area is allocated to the Business Management.
2. Second-level of control is the duty of Risk Management Function and Compliance Function (Strategic Risk Management/ Risk Controlling Division, Retail Risk Management Division, Corporate Underwriting Division, Corporate Loan Administration Division, Risk Governance and Project Division, Security Management and Business Continuity Division, Compliance Division and Financial Crime Prevention Division).
3. Third-level controls are performed by Internal Audit Function, which assesses and regularly checks the completeness, functionality and adequacy of the internal control system. Internal audit is independent of both first and second-level lines.

Performance monitoring by the management body

Performance management is formalized through the Performance and Professional Development System (PDS procedure). This process is applicable to all BCR Group employees, including control function. Details about the performance management and compensation strategy are presented in the Corporate Governance Report for 2015 (https://www.bcr.ro/en/about-us/corporate-governance/principles-policies).

Material information about the financial and operating results

DISCLOSURE REQUIREMENTS COVERED: ART. 67 (f) NBR Regulation no. 5 / 2013

BCR Group published yearly its Financial Statements, with all material financial information on BCR website: https://www.bcr.ro/en/investors/financial-reports.

5 SCOPE OF CONSOLIDATION AND OWN FUNDS

DISCLOSURE REQUIREMENT COVERED BY: ART. 436 (a) (b) and 437 CRR

The information related to the scope of consolidation and own funds (respectively the Disclosure requirements according to Art. 436 and 437 from CRR) were disclosed in the Banca Comerciala Romana SA Consolidated and Separate Financial Statements as of 31 December 2015 and in the Consolidated and Individual Administrator's Report of Banca Comerciala Romana year ended 31 December 2015.

DISCLOSURE REQUIREMENT COVERED BY: ART. 436 (c) CRR

Own funds transfer

Currently there are no restrictions or significant impediments to the prompt transfer of own funds or settle the liabilities among the parent and its subsidiaries within BCR Group.

Except for regulatory restrictions on capital distributions stemming from the CRR applicable to all financial institutions in Romania, BCR Group does not have any other significant restrictions on its ability to access or use the assets and settle the liabilities of the Group. Also, the owners of non-controlling interest in Group subsidiaries do not have protective rights that can significantly restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

Total capital shortfall of all subsidiaries not included in the consolidation

DISCLOSURE REQUIREMENT COVERED BY: ART. 436 (d) (e) CRR

As of 31 December 2015 there was no capital shortfall at any of the companies of BCR Group included in consolidation.

6 CAPITAL REQUIREMENTS

Capital requirements – Pillar I and Pillar II

DISCLOSURE REQUIREMENTS COVERED: ART. 438(a) CRR

Pillar I

The Bank monitors the solvency ratios, at individual and consolidated level, according to Basel III requirements, based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS), also taking into consideration the local provisions. Starting with 2014, considering the new Basel III requirements, the Bank also monitors the CET1 Ratio, both at an individual and consolidated level.

Solvency Ratio, CET1 Ratio and Tier1 Ratio, as of 31 December 2015 are presented in the below table (based on audited figures after the General Meeting of Shareholders approval):

Indicator (thds. RON)	BCR Group	BCR Bank
Common Equity Tier 1 (CET1) capital	5,149,342.28	5,288,900.74
Tier 1 capital	5,149,342.28	5,288,900.74
Tier 2 (T2) capital	1,752,743.13	1,586,652.29
Total capital (TC=T1+T2)	6,902,085.41	6,875,553.03
Common Equity Tier 1 ratio (as a percentage of total risk exposure amount)/*	16.04%	17.55%
Tier 1 ratio (as a percentage of total risk exposure amount)/*	16.04%	17.55%
Total capital ratio (as a percentage of total risk exposure amount)/*	21.74%	23.04%

*) In order to compute the Capital ratios, an additional regulatory deduction of RON 216,485 thds, was applied to Own Funds (CET1 and Total Capital).

The prudential filter represents the gap between local prudential value adjustments (RAS provisions) and IFRS provisions. According to NBR Regulation no. 5/2013, the usage of the prudential filter will be phased out until 31.12.2017 (the percentages applicable are 60% in 2015 and will reduce by 20% per year until 0% in 2018). In Romania, IFRS provisions are determined by each bank using its own methodology according to IFRS standards; prudential value adjustments are determined based on a stricter methodology provided by NBR (a matrix considering debt service, financial performance and legal procedures). According to the legislation, prudential filters are used only for individual level (BCR standalone); for consolidated level (BCR Group) only the IFRS provisions are considered.

The total credit risk capital requirement is calculated as 8% of risk weighted assets. Also, in order to calculate the capital adequacy ratio, the Bank computes a capital requirement for market and operational risks, both at an individual and consolidated level.

Pillar II

The ICAAP and RCC form a part of the Pillar II requirements, according to Basel Accord. BCR Group' RCC is a model which measures the risk relevant exposures across all relevant risk types and compares it with the capital or with the coverage potential BCR Group has for covering such risks.

The risk side of the calculation serves to determine the economic capital requirement from unexpected losses in respect of credit, market and operational risk. Besides credit, market and operational risk, the economic capital requirement for 31 December 2015 includes also FX induced credit risk and business/strategic risk.

The table below summaries the main models uses by the Bank for economic capital calculation under Pillar II:

Type of Risk	Model	Comment
Credit risk	Credit risk is computed as 8% of RWA percentage, in compliance with the Basel regulations	Amount scalled to a confidence level of 99.9%
Market risk	For market risk, due to the individual characteristics of various products and exposure types, the Bank differentiates between the following portfolio types: ▪MR Trading Book ▪MR Banking Book BCR determines a capital requirement for market risk as follows: ▪VaR methodology (1 year, 99.9%) for interest risk, FX risk and equity risk in the Trading Book ▪VaR methodology (1 year, 99.9%) for the interest rate risk of the Banking Book (IRRBB) ▪Standardized method for the FX position in the Banking Book	The impact of various market risk factors is analysed separately for each one of the two portfolios.
Operational risk	Advanced Measurement Approach (AMA) at BCR Group level and by considered as risk transfer the entire insurance amount	Amount scalled to 1 year, 99.9% confidence level
FX induced Credit risk	Internal Model impacting EAD, LGD and PD for FX exposures to unhedged borrowers.	Amount scalled to 1 year, 99.9% confidence level
Business/ strategic risk	Internal model based on extreme value theory (EVT)	Amount scalled to 1 year, 99.9% confidence level

The economic capital requirement is compared to the capital held as coverage (broken down into equity, subordinated capital, reserves and retained earnings), thus determining the Bank's ability to absorb these potential unexpected losses. The risk is calculated at a confidence level of 99.9%. The calculation of RCC is designed in accordance with the business strategy and risk profile of BCR Group and is accounted for its risk appetite. The Risk Appetite Framework defines, from a strategic perspective, the risk level that BCR Group is willing to be exposed to and specifies restrictions and limits required for daily operations.

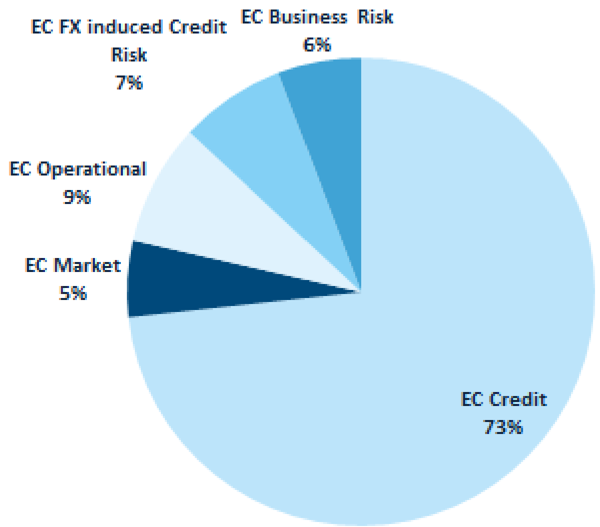
In general, the coverage potential has to be higher than or equal to the Bank overall risk exposure. BCR Group has defined Economic Capital Adequacy (ECA) limits as a measure to express and monitor the BCR Group risk appetite.

To determine the BCR Group's capital adequacy, BCR Group uses a forward-looking traffic light system. In this way, the management body may asses at any time the extent to which the economic capital adequacy of BCR Group is appropriate and sufficient. The process enables the management body to respond in time to changes, and, if necessary, to take the adequate measures on the risk side or on the coverage potential side.

The Management Board and the Supervisory Board are informed on a quarterly basis on the basis of the results of the determined risk-bearing capacity of BCR Group, the degree of utilization of the risk limits, about the level of risks and about the capital/coverage potential going forward. The calculation of the risk-bearing capacity is a vital part of the management of risk and capital at the level of BCR Group.

The following diagram presents the composition of the economic capital requirement according to type of risk as of 31 December 2015:

Economic Capital allocation in % , 31.12.2015



Other own funds requirements

DISCLOSURE REQUIREMENTS COVERED: ART. 438 (c, e, f) CRR

BCR currently computes its regulatory capital adequacy ratio based on Regulation no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, on a monthly basis (IFRS with prudential filters, bank standalone), as well as quarterly at BCR Group level (IFRS standards).

The regulatory capital requirements computed based on the Bank's audited financial statements after the General Meeting of Shareholders approval, as of 31.12.2015, for the credit risk, market risk and operational risk were as follows:

31.12.2015 (ths RON)	Bank IFRS with prudential filters	Group BCR (IFRS)
TOTAL CAPITAL REQUIREMENTS	**2,311,746.62**	**2,460,703.89**
Credit risk - standard approach	**1,910,321.57**	**2,034,845.33**
Central governments or central banks	50,648.82	64,388.77
Regional governments or local authorities	96,723.37	96,729.84
Public sector entities	327.39	327.39
Multilateral Development Banks	0.00	0.00
International Organisations	0.00	0.00
Institutions	22,809.18	24,279.64
Corporates	810,831.54	801,497.17
Retail	484,621.40	525,952.24
Secured by mortgages on immovable property	174,129.74	176,729.63
Exposures in default	160,582.49	198,966.16
Items associated with particular high risk	2.74	2.74
Covered bonds	0.00	0.00
Claims on institutions and corporates with a short-term credit asses	0.00	0.00
Collective investments undertakings (CIU)	0.00	0.00
Equity	73,038.59	5,398.00
Other items	36,606.31	140,573.73
Securitisation positions SA	0.00	0.00
Position, foreign exchange and commodity risks under sta	**11,432.32**	**9,362.76**
Position risk afferent to traded debt instruments	1,391.36	1,391.36
Position risk afferent to equity	386.68	386.68
FX risk	9,654.29	7,584.72
Operational risk	**386,571.91**	**413,074.99**
Basic approach	0.00	37,170.68
Advanced assessment approach	386,571.91	375,904.31
Capital requirements for credit valuation	**3,420.82**	**3,420.82**
Standardised method	3,420.82	3,420.82

7 EXPOSURE TO COUNTERPARTY RISK

DISCLOSURE REQUIREMENTS COVERED: ART. 439 CRR

Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures

The Bank implemented prudent and proper credit limits for counterparty exposures, consistent with the risk appetite, risk profile and soundness of the Bank's capital. The Bank manages credit risk by placing limits on the level of risk acceptable in relation to its counterparty credit exposures. Such risks are monitored on a regular basis and are subject to an annual or more frequent review when considered necessary.

The Credit risk limits cover also settlement risk and credit exposure at counterparty level.

Measures for exposure value

BCR determines the exposure value for derivative instruments arising from counterparty credit risk using the mark-to-market method as described in the regulation no. 575/2013, article 274. More exactly, the potential future credit exposure is determined by multiplying the notional amounts or underlying values by several percentages which are allocated according to the residual maturity and type of contract.

Exposure values for derivative instruments arising from counterparty credit risk for BCR in the last two years are as follows:

(in RON)	31.12.2014	31.12.2015
Exposure from Derivatives Instruments	207,055,100.45	192,782,183.81

The exposures value for Securities Financing Transactions arising from counterparty credit risk is calculated using the Financial Collateral Simple Method as described in the Regulation no. 575/2013, article 222.

Exposure values for Securities Financing Transactions arising from counterparty credit risk for BCR in the last two years are as follows:

(in RON)	2014	2015
Exposure from Securities Financing Transactions	90,406,198.05	2,676,199.43

The impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating is not material.

8 CREDIT RISK ADJUSTMENTS

DISCLOSURE REQUIREMENTS COVERED: ART. 442 (a) CRR

Definitions for accounting purposes of past due and impaired

Assets are considered past due when the counterparty has failed to make a payment when due.

According to NBR's Order no.27/2010 financial assets, including related interests and amounts to be amortized which are past due but not impaired are booked in the account "Not impaired past due receivables" and receivables which are impaired at individual level are recorded in the account "Impaired receivable".

The details about the impairment and depreciation are presented in the Note 2 to the Consolidated and Separate Financial Statements as of 31 December 2015 for BCR (Group and Bank).

DISCLOSURE REQUIREMENTS COVERED: ART. 442(b) CRR

a. Description of the approaches and methods adopted for determining specific and general credit risk adjustments

The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances. The details about the impairment assessment are presented in the Note 40.5 to the Consolidated and Separate Financial Statements as of 31 December 2015 for BCR (Group and Bank).

b. Exposures amount

DISCLOSURE REQUIREMENTS COVERED: ART. 442(c) CRR

The total credit risk exposure without taking into account any collateral or other credit risk mitigation techniques, broken down by exposure classes, is shown in the table below:

	BCR Standalone		BCR Group	
in RON thousands	**2014**	**2015**	**2014**	**2015**
Sovereign	26,862,445	25,953,249	29,075,493	28,361,255
Institutions	847,401	900,284	883,649	933,931
Corporates	19,427,804	19,930,111	18,684,919	19,022,878
Retail	20,817,680	20,633,338	22,252,594	21,871,002
Total	**67,955,330**	**67,416,982**	**70,896,656**	**70,189,066**

DISCLOSURE REQUIREMENTS COVERED: ART. 442(d) CRR

The geographic distribution of the total credit risk exposure, broken down in significant areas by exposure classes, is presented in the table below:

BCR Standalone				2015
in RON thousands	Sovereign	Institutions	Corporate	Retail
South - West	125,290,519	1,596,201	1,040,508,093	1,436,427,545
North - East	708,078,101	5,055,149	888,583,361	2,080,437,866
South	484,405,439	42,392,675	1,550,210,772	2,037,152,924
West	251,668,577	147,178,762	612,428,588	1,735,933,080
Center	276,843,252	13,930,554	1,791,490,260	2,177,591,326
South - East	63,116,942	1,232,111	1,424,119,332	2,074,423,386
North - West	300,960,235	69,581,037	1,893,070,173	2,355,365,020
Bucharest - Ilfov	23,742,886,150	619,317,643	10,729,700,307	6,736,006,557
Total	**25,953,249,216**	**900,284,131**	**19,930,110,885**	**20,633,337,704**

DISCLOSURE REQUIREMENTS COVERED: ART. 442 (e) CRR

The distribution of the total credit risk exposure by industry and risk category is presented below:

BCR Group					2015
in RON thousands	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Agriculture, forestry and fishing	221,345	289,188	21,265	265,699	797,497
Mining and quarrying	1,184,086	4,460	0	252,754	1,441,301
Manufacturing	1,517,105	1,639,996	75,368	1,895,238	5,127,707
Electricity, gas, steam and air conditioning supply	442,913	157,759	18,201	203,458	822,331
Water supply	153,292	80,221	192	60,606	294,311
Construction	2,013,835	595,253	246,542	1,598,829	4,454,458
out of which: Development of building projects	1,013,268	33,675	244,106	559,924	1,850,973
Wholesale and retail trade	1,991,849	757,634	5,260	855,418	3,610,161
Transport and storage	463,105	261,641	15,255	119,767	859,767
Accommodation and food service activities	26,461	36,992	5,117	118,490	187,060
Information and communication	34,480	280,052	3,787	81,252	399,570
Financial and insurance services	7,573,527	302,141	612	62,564	7,938,844
out of which: Holding companies	236,214	35		64	236,314
Real estate activities	340,431	25,589	63,235	298,609	727,864
Professional, scientific and technical activities	182,775	129,438	3,621	55,227	371,060
Administrative and support service activities	96,139	22,924	203	29,326	148,591
Public administration and defence, compulsory social security	21,576,346	252,333	83,708	74,752	21,987,139
Education	27,732	1,511	161	162	29,566
Human health services and social work activities	10,621	149,883	1,064	44,068	205,636
Arts, entertainment and recreation	1,465	2,132	930	6,677	11,204
Other services	9,289	40,906	3,148	5,207	58,551
Private households	14,621,989	3,618,161	249,177	2,227,110	20,716,437
Others		11			11
Total	**52,488,784**	**8,648,224**	**796,847**	**8,255,212**	**70,189,066**

DISCLOSURE REQUIREMENTS COVERED: ART. 442 (f) CRR

The residual maturity breakdown of all credit risk exposure, broken down by exposure classes, is presented in the table below:

BCR Standalone				2015
in RON thousands	Sovereign	Institutions	Corporate	Retail
< 3 months	9,169,185,202	261,795,462	3,682,905,961	779,007,497
3 months <= X < 1 year	2,060,497,157	11,621,156	4,426,433,135	563,817,849
1 year <= X < 2,5 years	2,520,867,646	0	2,763,486,158	1,179,557,226
2,5 years <= X < 5 years	4,393,686,742	87,787,166	4,400,119,631	2,988,154,909
5 years <= X < 10 years	5,235,511,660	149,269,899	1,999,626,552	1,065,038,145
10 years <= X < 15 years	1,654,709,833	276,994,018	997,597,878	1,150,071,131
15 years <= X < 20 years	903,063,301	0	974,311,880	3,037,064,761
20 years <= X	15,727,674	112,816,431	685,629,690	9,870,626,187
Total	**25,953,249,216**	**900,284,131**	**19,930,110,885**	**20,633,337,704**

DISCLOSURE REQUIREMENTS COVERED: ART. 442 (g) CRR

The following table shows the total credit risk exposure, as well as the past-due and impaired exposures, broken down by counterparty types[3]:

BCR Group										2015
		of which: perfoming			of which: non-perfoming					
in RON thousands	Gross carrying amount	Not past due or Past due <= 30 days	Past due > 30 days <= 60 days	Past due > 60 days <= 90 days	Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year	Of which: defaulted	Of which: impaired
Loans and advances	**45,820,013**	**37,703,312**	**203,586**	**166,719**	**3,305,497**	**344,617**	**295,173**	**3,801,107**	**7,483,341**	**7,261,965**
Central banks	6,887,464	6,887,464	-	-	-	-	-	-	-	-
General governments	4,653,529	4,544,293	4	11,507	83,441	11,198	465	2,621	65,776	65,707
Credit institutions	490,599	490,599	-	-	-	-	-	-	-	-
Other financial corporations	373,696	311,405	38	181	59,102	-	75	2,895	58,857	51,248
Non-financial corporations	14,028,156	8,558,482	42,663	46,730	2,354,195	212,973	153,546	2,659,567	5,212,199	5,008,672
Of which: Small and Medium-sized Enterprises	5,511,374	2,995,685	13,328	40,449	555,694	177,548	93,692	1,634,978	2,455,877	2,405,801
Of which: Commercial real estate	7,672,123	3,809,553	24,909	3,436	1,437,005	128,690	117,968	2,150,563	3,789,404	3,780,946
Households	19,386,567	16,911,068	160,881	108,301	808,759	120,446	141,087	1,136,024	2,146,508	2,136,338
Of which: Residential mortgage loans	14,265,026	12,366,379	121,696	71,143	565,912	63,853	89,758	986,285	1,654,399	1,652,729
Of which: Credit for consumption	4,573,179	4,160,418	32,826	21,060	196,366	54,012	46,043	62,456	351,111	351,058
Debt instruments	**17,277,711**	**17,274,265**	**-**	**1,466**	**1,980**	**-**	**-**	**-**	**1,980**	**-**
Central banks	14,682	14,682	-	-	-	-	-	-	-	-
General governments	17,250,137	17,246,692	-	1,466	1,980	-	-	-	1,980	-
Credit institutions	12,891	12,891	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-
Off-balance sheet instruments *	**7,012,529**									
Loan commitments given	**4,325,405**									
Financial guarantees given	**2,680,552**									
Other commitments given	**6,572**									
Positive fair value of derivative instruments	**78,814**									

The accumulated impairment and accumulated changes in fair value due to credit risk and provisions for past-due and impaired exposures, broken down by counterparty types[4] are shown below:

[3]&[4] Based on FINREP counterparty types

BCR Group							2015
in RON thousands	Accumulated impairment, accumulated changes in fair value due to credit risk and provisions	on performing exposures	on non-performing exposures				
			Total	Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year
Loans and advances	**-5,992,531**	**-585,462**	**-5,407,069**	**-1,980,050**	**-200,385**	**-198,134**	**-3,028,500**
Central banks	0	0	0	0	0	0	0
General governments	-60,080	-31,051	-29,029	-24,217	-4,073	-186	-552
Credit institutions	-1,340	-1,340	0	0	0	0	0
Other financial corporations	-31,379	-3,065	-28,314	-26,350	0	-28	-1,937
Non-financial corporations	-4,070,712	-284,486	-3,786,226	-1,479,727	-130,528	-114,555	-2,061,417
Of which: Small and Medium-sized Enterprises	-1,751,150	-69,413	-1,681,737	-317,496	-102,338	-57,954	-1,203,948
Of which: Commercial real estate	-3,045,947	-119,022	-2,926,926	-1,081,106	-66,710	-85,819	-1,693,291
Households	-1,829,019	-265,520	-1,563,500	-449,756	-65,784	-83,365	-964,595
Of which: Residential mortgage loans	-1,363,083	-146,462	-1,216,621	-299,757	-34,202	-49,048	-833,613
Of which: Credit for consumption	-366,175	-100,749	-265,425	-128,442	-31,208	-33,344	-72,431
Debt instruments	**-2,145**	**-2,145**	**0**	**0**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0	0
General governments	-2,145	-2,145	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Off-balance sheet instruments	**242,719,954**	**63,103,961**	**179,615,993**	**0**	**0**	**0**	**0**
Loan commitments given	**40,357**	**24,883**	**15,474**	**0**	**0**	**0**	**0**
Financial guarantees given	**202,363**	**38,221**	**164,142**	**0**	**0**	**0**	**0**
Other commitments given	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Positive fair value of derivative instruments							

DISCLOSURE REQUIREMENTS COVERED: ART. 442 (h) CRR

The amount of the impaired exposures and past-due exposures, broken down by significant geographical areas including the amounts of credit risk adjustments related to each geographical area are shown below:

BCR Standalone				2015
in RON thousands	Past-due amounts that are not impaired	Allowances for past-due but not impaired exposures	Impaired amounts	Allowances for impaired exposures
South - West	180,312,021	-11,530,568	259,281,963	-180,581,443
North - East	306,426,897	-17,519,172	554,536,071	-384,031,532
South	292,348,828	-13,859,040	695,015,681	-465,837,150
West	244,710,844	-18,798,579	370,804,327	-256,952,483
Center	309,612,485	-14,869,954	897,352,577	-639,150,273
South - East	250,247,477	-15,986,062	860,554,455	-609,796,008
North - West	260,787,476	-14,453,554	1,623,136,789	-1,356,307,625
Bucharest - Ilfov	759,433,369	-37,341,038	1,469,548,595	-1,076,625,300
Total	**2,603,879,398**	**-144,357,967**	**6,730,230,457**	**-4,969,281,812**

DISCLOSURE REQUIREMENTS COVERED: ART. 442 (i) (I-V) CRR

The reconciliation of changes between specific and collective credit risk adjustments for loans to customers is shown below:

								2015	Group
in RON thousands	Opening balance (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans*	Direct write-offs of loans and receivables*
Specific allowances									
Loans and receivables	**(7,179,811)**	**(1,299,204)**	**2,181,203**	**1,160,962**	**162,946**	**(395,220)**	**(5,369,124)**	**507,857**	**(367,895)**
General governments	(20,105)	(12,478)	1,784	4,986	1,376	(4,136)	(28,573)	988	(316)
Other financial corporations	(14,926)	(24,842)	11,657	1,251	1,908	(3,240)	(28,192)	10,610	(9,094)
Non-financial corporations	(5,071,656)	(737,926)	1,306,091	944,344	85,286	(279,499)	(3,753,360)	479,482	(330,078)
Households	(2,073,124)	(523,958)	861,671	210,381	74,376	(108,345)	(1,558,999)	16,777	(28,407)
Collective allowances									
Loans and receivables	**(687,259)**	**(54,923)**	**-**	**126,321**	**-**	**(6,206)**	**(622,067)**		
NC (open balance)							-		
General governments	(27,693)	(9,716)	-	3,126	-	2,776	(31,507)		
Other financial corporations	(8,033)	(1,210)	-	5,993	-	63	(3,187)		
Non-financial corporations	(376,216)	(41,186)	-	33,298	-	(8,230)	(392,334)		
Households	(275,317)	(2,811)	-	83,904	-	(815)	(195,039)		
Total	**(7,867,070)**	**(1,354,127)**	**2,181,203**	**1,287,283**	**162,946**	**(401,426)**	**(5,991,191)**		

								2014	Group
in RON thousands	Opening balance (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans*	Direct write-offs of loans and receivables*
Specific allowances									
Loans and receivables	**(8,455,447)**	**(5,180,914)**	**5,067,477**	**880,670**	**391,506**	**116,897**	**(7,179,811)**	**386,015**	**(504,850)**
General governments	(9,887)	(22,585)	11,263	5,943	2,852	(7,691)	(20,105)	4,026	(1,190)
Other financial corporations	(138,380)	(22,143)	64,215	3,255	1,295	76,832	(14,926)	8,262	(1,025)
Non-financial corporations	(6,439,249)	(3,612,402)	3,480,481	578,467	250,654	670,393	(5,071,656)	360,781	(396,025)
Households	(1,867,931)	(1,523,784)	1,511,518	293,005	136,705	(622,637)	(2,073,124)	12,946	(106,610)
Collective allowances									
Loans and receivables	**(649,991)**	**(182,969)**	**-**	**162,106**	**-**	**(16,405)**	**(687,259)**		
NC (open balance)									
General governments	(23,698)	(6,527)	-	5,875	-	(3,343)	(27,693)		
Other financial corporations	(5,509)	(2,210)	-	1,690	-	(2,004)	(8,033)		
Non-financial corporations	(362,842)	(90,756)	-	80,411	-	(3,029)	(376,216)		
Households	(257,942)	(83,476)	-	74,130	-	(8,029)	(275,317)		
Total	**(9,105,438)**	**(5,363,883)**	**5,067,477**	**1,042,776**	**391,506**	**100,492**	**(7,867,070)**		

								2015	Bank
in RON thousands	Opening balance (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans*	Direct write-offs of loans and receivables*
Specific allowances									
Loans and receivables	**(6,169,458)**	**(1,215,823)**	**1,515,138**	**1,038,682**	**157,466**	**(295,286)**	**(4,969,281)**	**431,191**	**(264,877)**
General governments	(20,106)	(12,478)	1,784	4,986	1,376	(4,136)	(28,574)	988	(316)
Other financial corporations	(14,851)	(24,666)	11,582	1,251	1,908	(3,241)	(28,017)	10,610	(9,094)
Non-financial corporations	(4,714,891)	(679,127)	1,042,254	823,248	80,395	(175,753)	(3,623,874)	403,531	(227,060)
Households	(1,419,610)	(499,552)	459,518	209,197	73,787	(112,156)	(1,288,816)	16,062	(28,407)
Collective allowances									
Loans and receivables	**(660,866)**	**(39,805)**	**-**	**109,147**	**-**	**(9,018)**	**(600,542)**		
NC (open balance)	-						-		
General governments	(27,685)	(9,712)	-	3,121	-	2,781	(31,495)		
Other financial corporations	(7,959)	(1,146)	-	5,966	-	68	(3,071)		
Non-financial corporations	(350,899)	(27,207)	-	16,527	-	(11,050)	(372,629)		
Households	(274,323)	(1,740)	-	83,533	-	(817)	(193,347)		
Total	**(6,830,324)**	**(1,255,628)**	**1,515,138**	**1,147,829**	**157,466**	**(304,304)**	**(5,569,823)**		

								2014	Bank
in RON thousands	Opening balance (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans*	Direct write-offs of loans and receivables*
Specific allowances									
Loans and receivables	**(7,135,801)**	**(4,585,060)**	**4,288,522**	**811,859**	**345,453**	**105,569**	**(6,169,458)**	**351,621**	**(378,127)**
General governments	(9,887)	(22,585)	11,262	5,943	2,852	(7,691)	(20,106)	4,026	(1,190)
Other financial corporations	(138,062)	(22,124)	63,635	3,255	1,295	77,150	(14,851)	8,262	(1,025)
Non-financial corporations	(5,710,412)	(3,588,097)	3,174,728	510,466	245,933	652,491	(4,714,891)	326,608	(287,721)
Households	(1,277,440)	(952,254)	1,038,897	292,195	95,373	(616,381)	(1,419,610)	12,725	(88,191)
Collective allowances									
Loans and receivables	**(645,712)**	**(155,626)**	**-**	**140,245**	**-**	**227**	**(660,866)**		
NC (open balance)									
General governments	(23,696)	(6,519)	-	5,875	-	(3,345)	(27,685)		
Other financial corporations	(5,509)	(1,874)	-	1,689	-	(2,265)	(7,959)		
Non-financial corporations	(360,381)	(65,219)	-	58,774	-	15,927	(350,899)		
Households	(256,126)	(82,014)	-	73,907	-	(10,090)	(274,323)		
Total	**(7,781,513)**	**(4,740,686)**	**4,288,522**	**952,104**	**345,453**	**105,796**	**(6,830,324)**		

Related parties transactions

The Bank shall not incur, after taking into account the effect of the credit risk mitigation in accordance, an exposure to the group of related parties of more than 25% of its eligible capital.

Details about related parties transactions are presented at Note 37 to the Consolidated and Separate Financial Statements as of 31 December 2015 for BCR (Group and Bank).

9 UNENCUMBERED ASSETS

DISCLOSURE REQUIREMENTS COVERED: ART. 443 CRR

Details related to assets disclosures are included in the Consolidated and Separate Financial Statements as of 31 December 2015 for BCR (Group and Bank), at Note 38 and Note 39.

10 Use of ECAIs

DISCLOSURE REQUIREMENTS COVERED: ART. 444 CRR

BCR does not use ECAIs for computing risk weighted exposure amounts.

11 MARKET RISK

Market risk is the risk to incur losses corresponding to on-balance and off-balance positions due to adverse market price movements (such as, for example, stock prices, interest rates, commodity prices and foreign exchange rates).

The main components of the market risk management process documented in BCR's Market Risk Rulebook are as follows:

1. identification of market risks
2. market risk measurement
3. market risk control process
4. market risk monitoring and reporting

11.1. Identification of market risks

The market risks can be identified from the proposal phase of a new product within the Product Approval Process (PAP), but also through the lifetime of the product under the periodic (annual) Risk Materiality Assessment Process (RiskMat).

The identification of all market risks (interest rate risk, credit spread risk, FX risk, equity risk, commodity risk, volatility risk) performed under PAP is essential for the investment operations and for new products and ensure that these are subject to adequate procedures and controls before these are implemented or undertaken.

The Risk Materiality Assessment Process in BCR identifies possible risk drivers classified by potential impact (low, moderate, high) for all types of market risks. In case a risk was considered immaterial may be reclassified as significant if there are evidence that the potential impact has changes.

11.2. Market Risk measurement

The risk measurement process includes calculation of market risk exposures using specific measures, such as: value-at-risk (VaR), sensitivities and stress testing.

Trading Book (TB)

For Trading Book portfolio BCR uses the following measures:

Value-at-Risk (VaR) - which is calculated on a daily basis using a horizon of 1 day and a confidence level of 99% for FX, Fixed Income and Money Market portfolios as well as at an aggregated level for all TB portfolios.

Present value of a Basis Point (PVBP) - which measures the sensitivity of a financial instrument to a 1 bps parallel shift of the interest rate curve and is computed for TB Fixed Income portfolio and for Money Market portfolio.

Stress tests - which are performed on a regular/irregular basis in order to quantify the Bank's vulnerability to losses in case of adverse changes in the value of market risk factors.

Banking Book (BB)

For Banking Book portfolio the Bank uses the following measures:

Value-at-Risk (VaR) is calculated on a monthly basis using a horizon of 1 year and a confidence level of 99.9% for total BB portfolio;

The potential change in economic value (MVoE) caused by sudden and unexpected changes in the levels of interest rates, using the standard methodology described in NBR Regulation no. 5/2013 which takes into account all positions that are not included in the trading book portfolio, classified by currency (EUR, RON and at an aggregated level for all other currencies) and maturity (residual maturity for fixed interest rate instruments and the residual period until the next re-pricing date in case of products with variable interest rate). The standard shock applied to the bank's relevant yield curves is 200 basis points, in both directions;

Stress tests are performed on a regular/irregular basis in order to quantify the Bank's vulnerability to losses in case of adverse changes in the value of market risk factors.

11.3. Market Risk Control Process

The market risk control process includes development of a comprehensive limit system, limit allocation and limit breach reporting.

BCR market risk limit system includes:

VaR Limits for several portfolios, such as: TB Fixed Income portfolio, TB Common Stock portfolio, TB Money Market portfolio, total TB portfolio, bonds portfolio classified as AFS (available-for-sale), total Banking Book portfolio.

Position Limits represents the upper limit admitted for the size of the exposure, expressed as an absolute amount of a portfolio at a point in time. BCR has specific position limits for total FX position and total holdings of common equity in trading book.

Present Value of a Basis Point (PVBP) limit which is defined for each major currency as well as total for all currencies for Money Market transactions.

Stop/Loss (S/L) limit is set to stop the loss registered in a transaction. BCR has defined S/L limits for TB FI portfolio and TB Equity portfolio

MVoE limit is defined in BCR as a regulatory limit in compliance with NBR Regulation no. 5/2013.

11.4. Market Risk Reporting

DISCLOSURE REQUIREMENTS COVERED: ART. 448 CRR

All the limits for TB portfolio are monitored on a daily basis and their utilization degree is presented in the daily Market Risk report.

The IRRBB VaR and MVoE limits for the total BB it is monitored on a monthly basis. Additionally, MVoE report is submitted to NBR on a quarterly basis on individual level (BCR Bank), and bi-annually on consolidated level (BCR Group).

The end of year potential decline of the economic value based on the MVoE methodology at an individual and consolidated level are presented in the tables below. The tables are based on audited figures after the General Meeting of Shareholders approval.

BCR Bank

(thds RON)	31/Dec/14	31/Dec/15
Own funds	5,848,909	6,875,553
The potential decline of the economic value:		
- % of own funds	**8.47**	**7.14**
- total absolute value, of which:	495,654	490,980
- RON	420,644	297,872
- EUR	49,275	141,617

BCR Group

(thds RON)	31/Dec/14	31/Dec/15
Own funds	6,324,049	6,902,085
The potential decline of the economic value:		
- % of own funds	**8.79**	**7.68**
- total absolute value, of which:	556,079	530,167
- RON	482,627	347,634
- EUR	48,442	131,285

12 OPERATIONAL RISK

DISCLOSURE REQUIREMENTS COVERED: ART. 446 and 454 CRR

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

Legal (judicial) risk is defined as loss risk following fines, penalties and sanctions for which the credit institution is liable in case of not applying or deficiently applying the legal or contractual dispositions, as well as the fact that the contractual rights and liabilities of the credit institutions and/or of its counterparty are not established adequately.

Operational risks include also the following risks:

IT risk means a subcategory of operational risk, that concerns the current or prospective risk of adverse impact on earnings and capital, arising from inadequate IT strategy and policies, information technology or processing, in terms of manageability, integrity, controllability and continuity thereof, or from inadequate use of the institution's information technology.

Model risk means the potential loss a credit institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.

The Bank cannot eliminate all operational risks, but can manage them by setting an adequate internal control framework, by promptly identifying them, continuous monitoring, adequate control and reporting, with the aim to implement adequate corrective measures.

The control framework includes effective segregation of duties, access procedures, authorization and reconciliation, personnel training, assessment processes, and the use of internal audit.

The main objective of the operational risk management is the assurance of the internal framework allowing the identification, assessment and monitoring of operational risks, and the adoption of necessary measures aimed at operational risk loss mitigation/ control.

The management of operational risks in BCR consists of:

- ✓ Identification and assessment/ measurement of operational risks
- ✓ Monitoring, control and reporting of operational risks.

The Risk Materiality Assessment Process in BCR identifies possible risk drivers classified by potential impact (low, moderate, high) for all types of operational risk (IT, Legal, operational risk from outsourcing activities, fraud, model, employment, business disruption, execution). In case a risk was considered immaterial may be reclassified as material if there are evidence that the potential impact has changes.

12.1. The identification, and measurement/ assessment of operational risks

Operational risk is influenced by a wide range of factors that must be considered when determining the bank's exposure to operational risk. These factors may be grouped on categories (e.g. economic and business environment, business, processes and systems, etc.).

In order to consider all these factors, BCR has implemented a selection of qualitative and quantitative instruments:

- The *quantitative analysis* of operational risk, which includes the identification, collection, analysis and control of internal and external data on loss-generating operational risk events.

  BCR developed and maintained a comprehensive framework for the identification and collection of information referring to operational risk losses, whereby the entire bank's personnel has the responsibility to completely, correctly and in due time inform on operational risks topics. The information obtained is reconciled and compared, for verification or completeness purposes, with information obtained from alternative sources, such as accounting, internal or external audit reports etc.

- For the *qualitative analysis*, the Bank has elaborated a methodology for:
  - Risk and Control Self-Assessment (RCSA). RCSAs are performed regularly, so that the bank is able to identify the main operational risk sources and undertake the adequate risk mitigation measures, preventing or mitigating the losses stemming from the emergence of high operational risks points where controls are not adequate or efficient.
  - Risk assessment in case of New Products, Activities, Processes and Systems (PAP). The Product Approval Process (PAP) sets minimum standards to ensure that adequate risk assessment procedures are executed prior to the development and/or launch of new or significant modified products. The PAP ensures that adequate controls are put in place to manage the inherent risks associated with new products, related processes and system implementation, and other initiatives.
  - Risk assessment in case of outsourced activities ensuring a proper control of the risk associated to the activities provided by service providers which have been classified as outsourcing as per legal requirements.

- **The monitoring and regular reporting** of operational risk indicators (KRI), enabling the bank to detect any change in its exposure to operational risk in due time.

- **Scenarios analysis** on the probability of future occurrence of significant losses is performed on a yearly basis.

Starting with 2015, the Bank implemented the Risk Return Decisions, an instrument that support management and relevant Committees to take decisions by balancing risk and return. The Risk Return Decisions include an assessment from operational, compliance, reputational, security, legal and information and communication technology (ICT) risks in one par, versus the return (including cost reduction) on the other part. The risks are identified and assessed based on the risk scaling methodology (impact evaluation and likelihood that risk happens).

The results of the identification and assessment of operational risks are consolidated for the computation of the capital requirements covering operational risk.

Internal data collection aims to gather the complete and correct collection, recording and validation of all operational risk events covering the whole Bank. Collecting internal loss data helps to understand where and how risks are manifesting themselves and establish a basis for quantifying operational risk exposure and the capital needed to underpin this. Basically the internal data represents the basis of the Advanced Measurement Approach (AMA) model based on loss distributions.

The regulatory capital requirement for operational risk is reported as maximum between capital requirements obtained using Advance Measurement Approach (AMA) and 75% from capital requirement calculated using the Basic Indicator Approach.

The internal model uses the Loss Distribution Approach (LDA) which includes the following factors:

- ✓ Internal data: for the assessment of the parameters of the LDA model, a set of historical data covering the last 5 years is used;
- ✓ External data: Operational Risk Exchange (ORX) data are used in addition to internal data, supplementing the latter for specific value intervals for which there are insufficient history;
- ✓ Scenario analysis: used to supplement the data regarding the losses generated by operational risk; they refer to potential future events that could have high severity impact and low frequency;
- ✓ Business environment and control factors: Key Risk Indicators (KRIs).

BCR computes the capital requirements for operational risk considering the risk transfer mechanisms (insurances) used for mitigation purposes.

At the beginning of October 2010, the Austrian Financial Market Authority (FMA), in collaboration with the National Bank of Romania (NBR), approved the application of the Advanced Approach in the computation of the capital for covering operational risk (AMA) at BCR level.

In 2011 the Holding received FMA approval for capital charge calculation including the recognition of the mitigating effect of insurances.

In order to determine its capital requirement based on the advanced approach (AMA), BCR uses the statistic model elaborated at Erste Group level.

In 2015, the AMA model was changed (non- material change) at Erste Group level by improving stability of the model with robust parameter estimation for tail events (events with impact above 1 mn EUR). Information in this regard was sent both to Austrian Financial Market Authority (FMA) and European Central Bank, National Bank of Romania for information.

12.2. The monitoring, controlling and reporting of operational risk

The Bank permanently monitors and controls operational risks through specific risk ratios, by monitoring the evolution of recorded events, as well as through implementing/ solving corrective measures.

At the Bank level, the outsourcing activities are on-going and regularly monitored according to the internal specific procedures. The monitoring results are presented at least on a quarterly basis to the Bank management (Executive Committee and Operational Risk Management

Committee). Key risk and performance indicators are set up for each outsourced activity. Their evolution is monitored by the outsourcing manager.

Operational risk reporting to Bank's management is a major component of the risk management framework.

Reporting is essential in the process of acknowledging the losses generated by operational risk and the Bank's exposure to this risk type, enabling the institution to perform an adequate management of operational risk.

Regular reporting provides detailed information on operational risk at BCR level, both at local management level (Operational Risk Management Committee; Management Board; Risk Committee of the Supervisory Board) and at Erste Group level.

13 REPUTATIONAL RISK

Reputational risk can be defined as the current or prospective risk that can adversely affect the bank's earnings and capital, arising from the negative perception of the credit institution's image shared by customers, counterparties, shareholders, investors or supervisory authorities. A „reputational risk" materializes when the negative publicity triggered by certain business events, whether accurate or not, compromises the Bank's reputational capital and may result in value loss for the company.

Reputational risk can be driven by the negative publicity, true or false about Bank's reputation or reputation of the governing bodies and their members; practices, instruments, liquidity or Bank's solvability; other risks from Bank's activity, when reputational risk is a component (such operational risk, compliance risk, ethical incidents risk etc.).

Reputational risk impact may affect the Bank's ability to perform its current activity according to the work plan, establish new business relationships or continue the existent partnerships with customers.

Reputational risk administration

The Bank permanently monitors and controls reputational risks through efficient communication flow, policies and procedures in place which determine an adequate framework for managing reputational risk.

In order to ensure a consistent and unitary guideline and standard for managing the reputational risk of the Bank, the Reputational Risk Work Group was established at Bank's level, aiming to identify, classify and assess reputational risks in terms of likelihood and extent of their effects on reputational capital. A quarterly Reputational Risk Register is elaborated and presented to Operational Risk Management Committee and Executive Committee, including information regarding:

- Overview of the Bank's reputational risk level;
- Mitigation measures;
- Brief overview of the main developments of reputational risk indicators analysis;
- Quantitative and qualitative indicators analysis;
- Litigation overview.

Reporting is essential in the process of acknowledging the losses in terms of reputation and the Bank's exposure to this risk type, enabling the institution to perform an adequate management of reputational risk.

The Risk Materiality Assessment Process in BCR identifies possible risk drivers classified by potential impact (low, moderate, high) for reputational risk. In case a risk was considered immaterial may be reclassified as significant if there are evidence that the potential impact has changes.

In the case of reputational risk materialization, the communication policy for emergency and crisis situations with reputational impact for the Bank serves as guideline for aspects such whom of / what / when / how the Bank communicates during such a situation, depending on the complex evolutions determined by mass media reporting of specific incidents.

14 EXPOSURES IN EQUITIES NOT INCLUDED IN THE TRADING BOOK (IFRS)

DISCLOSURE REQUIREMENTS COVERED: ART. 447 CRR

Additional details are presented in the Notes 18, 20 and 41 to the Consolidated and Separate Financial Statements as of 31 December 2015 for BCR (Group and Bank)

All equities held by the bank and not included into the trading book are classified as AFS ("available-for-sales"). For the listed securities the fair value presented in the tables below is given by the market price, while for the unlisted securities the fair value is determined by discounting the future expected cash-flows.

BCR Group		
Equity not included in the trading book	Available-for-sale financial assets	
in RON thousands	**2014**	**2015**
Common Equity	147,532	266,258
Listed	110,098	138,391
Unlisted	37,434	127,867

BCR Bank		
Equity not included in the trading book	Available-for-sale financial assets	
in RON thousands	**2014**	**2015**
Common Equity	137,284	266,036
Listed	110,098	138,391
Unlisted	27,186	127,645

15 EXPOSURES TO SECURITISATIONS POSITIONS

DISCLOSURE REQUIREMENTS COVERED: ART. 409 and 449 CRR

The Bank does not hold securitisations positions in the portfolio.

16 REMUNERATION POLICY

DISCLOSURE REQUIREMENTS COVERED: ART. 450 CRR

Remuneration policy and practices, remuneration structure and bonus structure

In BCR, the aim of the Remuneration policies is to implement a reward structure that will allow BCR to attract, motivate and retain among its employees the best people who will contribute to the achievement of Bank's goals and objectives.

The remuneration policies are approved by the Supervisory Board of BCR, following the review of the Remuneration Committee. The Remuneration Committee is an advisory body that helps the BCR Supervisory Board in fulfilling its obligations/ duties in respect to the BCR's global compensation system.

The Remuneration Committee exercises its duties under the supervision of the Supervisory Board that appoints and revokes, from among its members (i) the members of the Remuneration Committee, (ii) the chairman ("**Chairman**") and (iii) the deputy chairman ("**Deputy Chairman**"). During 2015, the Remuneration Committee had the following membership structure:

- Mr. Andreas Treichl – Chairman;
- Mr. Manfred Wimmer – Deputy Chairman;
- Mr. Brian O'Neill – Member.

In 2015, the Remuneration Committee convened in seventeen (17) regular and special meetings.

Observing all legal provisions of EU Regulation no.575/ 2013 and of NBR Regulation no. 5/ 2013, the remuneration practices for Management Body and other Identified Staff are detailed in a separate policy - Remuneration Policy applicable for the Management Body and other Identified Staff in BCR.

The main principles of the BCR Remuneration Policies are the following:

- The Remuneration Policy allows and promotes a sound and effective risk management, without encouraging risk-taking that exceeds the bank's risk tolerance level.
- The Remuneration Policy is designed in accordance with the culture, business strategy, internal control background, goals, values and long-term interests of BCR and includes principles to avoid conflicts of interest.
- The total remuneration in BCR is based on a combination between individual performance, performance of the business unit and bank's performance. For individual performance assessment, both financial and non-financial criteria (individual skills, leadership skills, contribution to team performance etc.) are being taken into account.
- The total variable remuneration paid does not limit the bank's ability to strengthen its capital base. Further, variable remuneration decisions taken by the members of the Management Board give due consideration of the long-term interests of the shareholders, investors and Employees of the bank in having a functional banking industry and financial market stability.
- Performance measurement used to calculate the components of variable remuneration includes an adjustment for all current and potential types of risk and takes into account the cost of capital and the liquidity required.

- The guaranteed variable remuneration is not consistent with sound risk management or the pay-for-performance principle and is not part of prospective remuneration plans. The guaranteed variable remuneration is exceptional, and may be granted only when hiring new staff and is limited to the first year of employment (as granting date) provided that the credit institution has solid and adequate equity capital.
- Fixed and variable components of total remuneration are properly balanced. The fixed component will represent a sufficiently high proportion of total remuneration in order to allow the operation of a fully flexible variable remuneration policy, including the possibility to pay no variable remuneration.
- The variable remuneration shall only be paid out to the extent that the ratio between fixed and variable component remains reasonable. The ratio variable/ fixed remuneration should not exceed 100%.
- Payments related to the early termination of a contract will reflect performance achieved over time and are designed in a way that does not reward failure.
- The variable remuneration is paid or vests only if it is sustainable according to the financial situation of the credit institution as a whole, and justified according to the performance of the credit institution, the business unit and the individual concerned. Otherwise, the variable component of remuneration shall not be awarded or it shall be awarded only in a limited amount.

The reward package of BCR comprises the following elements:

- Fixed component;
- Variable component.

The variable pay is conditioned by company and individual performance; specifically, it is granted annually for all employees based on individual performance measured using both quantitative and qualitative criteria.

Given the different profile of sales functions in terms of diversity of promoted products and dynamics of sales activities, for front-office staff in retail territorial network, the variable pay component is granted quarterly. For the sales staff, quantitative performance criteria are related to sales targets, which are transparent and continuously monitored.

BCR paid the following remuneration amounts for 2015:

	Supervisory function	Management Board function	Investment Banking	Retail Banking	Asset Management	Corporate functions	Control functions	Other
Number of employees	6	6						
Total number of staff (FTE)			56	4,366		793	342	562
Annual net profit/ loss (thou RON)	963,427							
Total amount of remuneration (thou RON)	291	16,265	11,346	297,261		94,232	40,175	65,650
of which: total amount of variable pay (thou RON)		5,904	2,751	36,510		10,266	7,072	6,275

The following items are being considered in terms of bonus payment structure:

- The minimum performance requirements are conditioning every bonus payment, both the upfront and deferred components. Minimum performance requirements must take into account the performance at the local level, as well as the capital adequacy requirements, liquidity ratios and financial performance. The minimum local performance requirements are annually set up and approved by the Supervisory Board of BCR;
- The minimum performance criteria approved for 2015 is composed of the target level set for BCR Group Operating Result in addition to the minimum performance criteria set at Erste Group level;
- The total variable component of remuneration shall be considerably contracted where subdued or negative financial performance of Erste Group and/or BCR Group occurs due to criteria previously described at the determination of bonus pool. This assessment impacts both the current variable remuneration and reduction in pay-outs of bonus amounts previously earned and not paid out;
- The actual pay-out of variable remuneration is usually in cash. In general, bonus payments are one-time cash payments unless a different bonus payment model is defined. The variable component of remuneration shall not be paid through vehicles or methods that facilitate avoidance of the applicable legal requirements;
- Failure shall never be rewarded. In this regard, BCR avoids any binding commitments before all conditions for any component of variable remuneration are met;
- In particular, payments must not be promised and have to relate to the performance in any particular performance period;
- BCR follows the regulatory guidelines in the decision-making process regarding bonus payments; especially in the case of substantive net loss respectively due to equity capital adequacy;
- The application of any disciplinary sanction leads to the loss or limitation of the Employee eligibility for performance bonus referring to the year when the sanction was applied;
- There are deferred payment arrangements, and claw-back mechanism to ensure risk adjustments in order to correlate the reward with the sustainable performance.

The ex-post risk adjustment mechanism used by BCR is claw-back. BCR can claim repayment of the performance bonus from an employee if one of the following events occurs:

  - Proven fraud committed by any employee during the Performance Period;
  - Misleading information provided by the respective employee, if such information had or could reasonably have had an impact on the performance assessment;
  - Evidence of misbehavior or serious error by any employee (e.g. breach of code of conduct and other internal rules, especially concerning risks);
  - Evidence that the employee failed to respect appropriate standards of good reputation and proper expertise or
  - Evidence that the employee participated in or was responsible for a conduct which resulted in material losses to the credit institution.

- The structure of the pay-out model for Identified Staff is:

- 60% of the bonus payment is granted at once (meaning upfront payment) and
- 40% of the bonus payment is deferred over the next three years
- 50% of both the upfront payments and the deferrals will be granted as non-cash instruments, namely phantom shares, which must be retained for one year.

The pay-out of the deferred pay for each year (cash and instrument) is subject to reaching the minimum performance criteria set for the respective year.

The BCR remuneration for the management body and identified staff for 2015 is presented in the **Annex 2.**

17 LEVERAGE

DISCLOSURE REQUIREMENTS COVERED: ART. 451 CRR

Information about leverage ratio

The leverage ratio represents the relationship between core capital (Tier 1) and leverage exposure according to Article 429 CRR. Essentially, the leverage exposure represents the sum of unweight on- and off-balance-sheet positions considering valuation and risk adjustments as defined within the CRR.

Based on Article 499 (2) CRR, the information presented below on individual and consolidated levels, use the transitional arrangements for the definition of the capital measure. Also, according to Article 499 (3) CRR, BCR computes the Leverage ratio based on end-of-quarter results.

The scope of consolidation for financial purposes is the same as the regulatory scope of consolidation used for determine the leverage ratio. The following tables are based on audited figures General Meeting of Shareholders approval.

31.12.2015
BANCA COMERCIALA ROMANA
INDIVIDUAL (RON)

Table LR Sum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amounts
1	Total assets as per audited financial statements	69,274,746,947
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	113,968,523
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-2,714,285,305
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	-974,881,982
8	**Total leverage ratio exposure**	**65,699,548,182**

Table LR Com: Leverage ratio common disclosure

		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	59,047,242,317
2	(Asset amounts deducted in determining Tier 1 capital)	-642,700,307
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	58,404,542,010
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	81,003,093
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	111,779,091
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of lines 4 to 10)**	192,782,184
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2,676,199
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	2,676,199
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	9,813,833,095
18	(Adjustments for conversion to credit equivalent amounts)	-2,714,285,305
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	7,099,547,789
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	**Tier 1 capital**	5,288,900,737
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	65,699,548,182
Leverage ratio		
22	**Leverage ratio**	8.05%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognized fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Table LR Spl: 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:	59,047,242,317
EU-2	Trading book exposures	169,294,491
EU-3	Banking book exposures, of which:	58,877,947,826
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	21,960,485,909
EU-6	Exposures to regional governments, MDB, international organizations and PSE NOT treated as sovereigns	4,530,461,132
EU-7	Institutions	429,916,598
EU-8	Secured by mortgages of immovable properties	6,384,318,975
EU-9	Retail exposures	10,709,524,168
EU-10	Corporate	9,355,719,436
EU-11	Exposures in default	1,666,307,648
EU-12	Other exposures (eg equity, securitizations, and other non-credit obligation assets)	3,841,213,961

31.12.2015
BANCA COMERCIALA ROMANA
CONSOLIDATED (RON)

Table LR Sum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amounts
1	Total assets as per audited financial statements	71,905,556,810
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	113,963,023
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-2,497,471,898
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	-492,753,123
8	**Total leverage ratio exposure**	**69,029,294,812**

BCR

Table LR Com: Leverage ratio common disclosure

		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	62,289,935,650
2	(Asset amounts deducted in determining Tier 1 capital)	-504,162,050
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	61,785,773,600
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	81,003,093
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	111,773,591
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of lines 4 to 10)**	192,776,684
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2,676,199
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	2,676,199
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	9,545,540,227
18	(Adjustments for conversion to credit equivalent amounts)	-2,497,471,898
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	7,048,068,329
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	**Tier 1 capital**	5,149,342,278
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	69,029,294,812
Leverage ratio		
22	**Leverage ratio**	7.46%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognized fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Table LR Spl: 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:	62,289,935,650
EU-2	Trading book exposures	169,294,491
EU-3	Banking book exposures, of which:	62,120,641,160
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	24,438,499,612
EU-6	Exposures to regional governments, MDB, international organizations and PSE NOT treated as sovereigns	4,530,865,781
EU-7	Institutions	513,434,704
EU-8	Secured by mortgages of immovable properties	6,462,367,041
EU-9	Retail exposures	11,448,592,618
EU-10	Corporate	8,309,017,981
EU-11	Exposures in default	2,112,740,078
EU-12	Other exposures (eg equity, securitizations, and other non-credit obligation assets)	4,305,123,344

18 USE OF CREDIT RISK MITIGATION TECHNIQUES

DISCLOSURE REQUIREMENTS COVERED: ART. 453 CRR

Policies and processes for collateral valuation and management

The Bank does not conclude netting agreement in the reporting period.

In order for an asset to be accepted by the bank as collateral for a loan it is necessary for that asset to fulfill the provisions of the NBR regulations, EU regulations, as well the national, legal and internal requirements. In that perspective an asset must be valuated to determine the market value and the Bank's accepted value beforehand.

The market value is estimated through valuation undertaken by a specialized external company or the value is internally estimated according to internal standards.

The collateral valuation is important for the identification of the secured and unsecured parts of the exposure of a client or group of clients according to the norms and standards internally regulated.

The valuation is performed in accordance with the International Standards of Valuation, ANEVAR Guide and internal procedures, when the loan is granted, during the lifetime of the loan and in case of foreclosure of the respective collateral.

The valuation report for BCR clients must observe the models elaborated by the bank, sent to the external valuator when the collaboration agreement was signed. The valuation approaches used in the valuation report for BCR clients are:

- market approach;
- income approach (capitalization or DCF);
- costs approach.

The market value is the estimated amount for which a good should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The accepted value is an internal view on collateral risk, which serves to show the most probable recovery amount of the collateral in case of its liquidation.

The valuation report is the document in which the market value is estimated.

Description of the main types of collateral taken by BCR

The main types of collateral taken by BCR are presented in the table below:

1. Real estate collateral	Personal guarantees (continued)
1.1. Residential real estate	3.3. Public sector
1.2. Commercial and industrial real estate	3.4. Financial institutions
1.3. Agricultural and forestry real estate	**4. Financial guarantees**
1.4. Real estate with other uses	4.1. Credit balance of the account, deposit certificates and other collateral
2. Movables	4.2. Gold
2.1. Furniture and equipment	**5. Claims and rights**
2.2. Computers and communication equipment	5.1 Receivables
2.3. Plants and equipment	5.2 Renting lands and buildings
2.4. Transportation means/special vehicles	5.3 Receivables from letters of guarantee and letters of credit
2.5. Stock	5.4 Rights
3. Personal guarantees	**6. Comfort elements**
3.1. Private individuals	6.1 Insurance companies
3.2. Legal entities	6.2. Comfort commercial contracts

Market or credit risk concentrations within the credit mitigation taken

BCR registers credit risk concentrations in its risk mitigation operations towards the Romanian state. Thus, on 31.12.2015, the total collaterals received from the Ministry of Public Finance used for credit risk mitigation purposes amounted to 3,638,575,949.69 RON.

19 LIQUIDITY RISK

19.1. Liquidity & funding management

- Asset and Liability Management, focused on suitably determining the appropriate balance sheet structure, by continuously correlating resources and placements in terms of their structure and maturity;
- adequate liquidity management (including minimum mandatory reserve management) and developing bank's funding plan in accordance with business and risk strategy (business model, risk tolerance), regulatory requirements (e.g. restrictions on funds being transferred between entities) and Group guidelines. Within the aforesaid processes, the bank uses direct (e.g. money market transactions, bonds issuance, derivative transactions, investments in eligible assets) and indirect instruments (Fund Transfer Pricing is playing a central role) through which can influence its liquidity;
- correlation of the main directions of the liquidity strategy with the bank's investments strategy considering also a proper collateral management (size and composition of the liquidity buffers which reflect the potential cash outflow needs in different crisis scenarios);
- Bank's cash inflows and outflows over a variety of time horizons (including intraday liquidity management), under normal and stressed conditions (prospective cash flows for major currencies, individually and aggregated).

For every financial year BCR prepares a strategy for managing liquidity under normal circumstances encompassing the main objectives of the bank, with the purpose to maintain adequate portfolio liquidity, by re-evaluating it in line with the business environment requirements. The bank's liquidity strategy is integrated in the budget planning processes and illustrates how the bank achieves compliance with the risk appetite.

For managing liquidity in crisis situations, BCR has developed a contingency funding plan that clearly sets out the strategies for addressing liquidity shortfalls in emergencies. The contingency funding plan comprises sets of specific measures and liquidity enhancing actions required to successfully overcome a potential crisis. To permanently improve banks' capacity to promptly react in cases of crises, the contingency funding plan is updated annually and tested periodically.

19.2 Liquidity risk management

BCR has an appropriate reporting framework for liquidity and funding risk management, approved by the Management Board, which includes the scope, manner and frequency of liquidity and funding risk reporting, and which also designates the entity responsible for preparing the reports. The specific reports and documentation containing comprehensive and easily accessible information on liquidity risk are submitted regularly to the appropriate recipients (Executive Director of Strategic Risk Management/Risk Controlling Division, CRO, Balance Sheet Management Division, ALCO).

Based on an appropriate reporting framework and IT system, BCR has the ability to identify and measure liquidity and funding risk, in line with its size, complexity, risk tolerance and risk-taking capacity.

As part of its risk management framework, BCR has two specialized local committees for the analysis and decision-making of liquidity and funding issues, namely the Operative Liquidity Committee (OLC) and ALCO.

The liquidity risk monitoring system of BCR includes (but is not limited to) the following indicators:

Regulatory:

- Monthly liquidity indicator reported to the NBR
- Weekly liquidity indicator
- Liquidity Coverage Ratio (LCR)
- Net Stable Funding Ratio (NSFR)

Internal:

- Survival Period Analysis (SPA).

20. ABBREVIATIIONS

ALCO	Asset and Liability Management Committee
AMA	Advanced Measurement Approach
BB	Banking book
BCR	Banca Comerciala Romana
CEO	Chief Executive Officer
CET1	Common Equity Tier-1
CFO	Chief Financial Officer
GDP	Gross Domestic Product
CCF	Credit Conversion Factor
CRR	Capital Requirement Regulation
DCF	Discounted cash flow
EBA	European Banking Authority
EC	Economic capital
ECA	Economic Capital Adequacy
ERM	Enterprise-wide Risk Management
EU	European Union
FS	Financial Statements
FX	Foreign exchange
HR	Human Resources
KRI	Key Risk Indicators
KYCO	Know Your Customer Committee
ICAAP	Internal Capital Adequacy Assessment Process
IRB	Internal Rating-based Approach
IRRBB	Interest rate risk in the banking book
IFRS	International Financial Reporting Standards
IT	Information Technology
LDA	Loss distribution approach
LGD	Loss given default
LR	Leverage Ratio
MB	Management Board
MTO	Medium Term Objective
NBR	National Bank of Romania

OLC	Operative Liquidity Committee
ORCO	Operational Risk Management Committee
ORX	Operational Risk Exchange
RAS	Risk Appetite Statement
RCC	Risk bearing capacity calculation
RCSA	Risk control self-assessment
RWA	Risk Weighted Assets
PAP	Product approval process
PD	Probability of default
PVBP	Present Value of a Basis Point
RCMB	Risk Committee of the Management Board
SB	Supervisory Board
SME	Small and medium size enterprises
TB	Trading book
VaR	Value at Risk
VAT	Value added tax
VP	Vice-president

21. LIST OF ANNEXES

Annex 1 Statement of BCR Management Board on the adequacy of Bank's risk management framework

Annex 2 2015 Remuneration data for the management body and identified staff