



BANCA COMERCIAL ROMAN SA

**CORPORATE GOVERNANCE
FRAMEWORK REPORT**

2017



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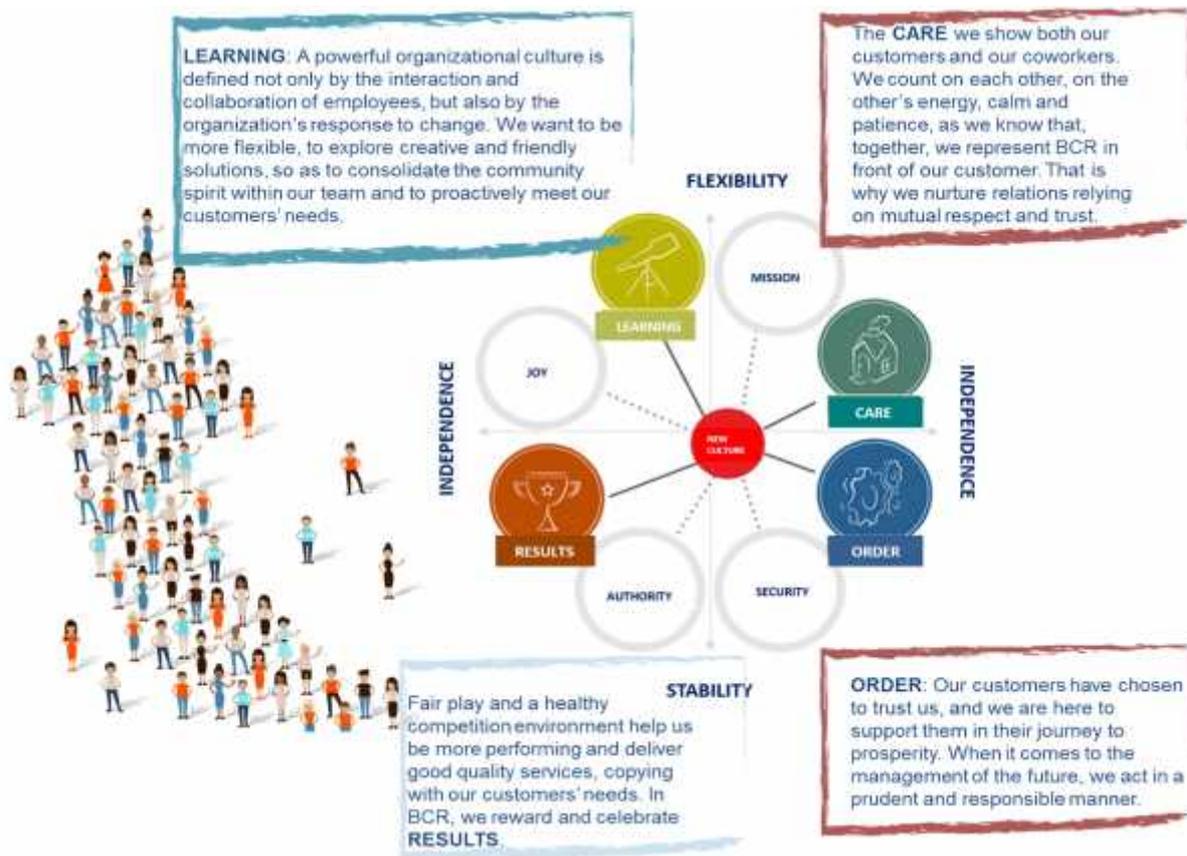
I. Company profile

Banca Comerciala Român SA (“BCR” or “the Bank”) has a two-tier governance structure and carries out its activity based on a corporate governance framework, in observance of the Romanian and EU legal and regulatory requirements, as well as in alignment with Erste Group guideline and the best international practices in the field.

Corporate culture main principles and objectives

We believe in BCR and its powerful human capital. We believe that the BCR future implies a **real cultural transformation**.

A careful analysis of what BCR stands for at present to Romania and who we want to be – for our co-workers, customers, and the communities we take action in led to the conclusion that BCR cultural identity may be expressed by **four complementary cultural dimensions: outcome, order, learning and care**.



We trust ourselves and everything that we can be. The trust that, as of tomorrow, we are ready to review the existing rules and processes and that we will conceive more simple, efficient and friendly products and services.

We trust our contribution to the mutual welfare. We are here to offer trust, to provide our customers with all our expertise acquired for almost as long as it took Romania to grow up.

BCR Mission

The BCR mission is **to be the main pillar of the prosperity pact for Romania, rooted in the consensus between the civil and economic society.**

Our story summarized in a **storyline** is the following:

- **We, the Romanian Commercial Bank, understand to be more than a mere bank.**
- **We are people believing in people. The trust you provide us with helps us be better in what we do.**
- **Day by day, we support Romanians' access to prosperity by means of responsibility, education and respect. We believe in Romania, we believe in people who trust themselves.**

We will play a significant role in Romania's future, **by mobilizing the financial and intellectual capital** and we are going to offer quality services to all communities and client segments in Romania. We are going to use technology as an instrument to help us meet regulatory requirements and reach clients in a structured manner. We are going to have a multi-channel strategic approach – by always adapting, in order to anticipate and be able to deal with the market challenges.

II. BCR principles, corporate governance structure and shareholding

From BCR's perspective, Corporate Governance means all rules, systems and processes implemented with a view to establish the relation between shareholders, management, clients, employees, suppliers and other parties involved in setting the objectives and the manner to achieve them, for increasing economic performance and, implicitly, the Bank's value. It also highlights the efficiency of the management systems, namely the role of the Supervisory Board and of the Management Board, the responsibilities and remuneration of these structures' members, the creditability of the financial statements and the efficiency of control functions.

BCR establishes and reassess on an annual basis and publishes on its website the corporate governance principles that ensure an adequate framework for its activity, in observance of the legal and regulatory requirements of the legislative framework in Romania, the guiding principles of Erste Group Bank, as well as the best international practices in the field.

The goal of this report is to annually assess the manner in which the general principles and the governance policy are implemented and reflected through the presentation of the corporate governance structure, including the manner in which it is transposed in the bank's internal governance and the manner in which its management body, through its supervisory and executive management functions, supervises and implements an activity management framework that ensures the efficient and cautious management of the credit institution.

Based on the provisions of Law no. 31/1990 on companies, with the subsequent amendments and completions and the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, with the subsequent amendments and completions, and in compliance with its Charter, BCR is organized as a two-tier corporate governance structure.

The management body of the bank has ultimate and overall responsibility for the institution and defines, oversees and is accountable for the implementation of the governance arrangements within the credit institution that ensure effective and prudent management of the institution. The management body's responsibilities include setting, approving and overseeing the implementation of:

- the overall business strategy and key policies of the institution within the applicable legal and regulatory framework, taking into account the institution's long term financial interests and solvency;
- the overall risk strategy, including the institution's risk appetite and its risk management framework and measures to ensure that the management body devotes sufficient time to risk issues;
- an adequate and effective internal governance and internal control framework that includes a clear organisational structure and well-functioning independent internal risk management, compliance and audit functions that sufficient authority, stature and resources to perform their functions;
- a remuneration policy that is in line with the remuneration principles set out in within the applicable regulatory framework as well as a selection and suitability assessment process for key function holders;
- arrangements aimed at ensuring the internal functioning of each committee of the management body, when established, detailing the: i. role, composition and tasks of each of them; ii. appropriate information flow, including the documentation of recommendations and conclusions, and reporting lines between each committee and the management body, competent authorities and other parties;
- a risk culture in line with the regulatory framework and aligned with the bank strategy which addresses the institution's risk awareness and risk taking behaviour;
- a corporate culture and values in line with the regulatory framework and aligned with the bank strategy, which fosters responsible and ethical behaviour, including a code of conduct or similar instrument;
- a conflict of interest policy at institutional level and or staff, arrangements aimed at ensuring the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance, a process of disclosure and communications with external stakeholders and competent authorities;

The management structure is conceived so as to meet the following objectives:

- to fit the dimension and complexity of the bank activity;
- to allow a clear separation of responsibilities between the supervisory function and the management function;
- to assign responsibilities and competencies along the functional/reporting lines in a clear, precise, well-defined and transparent manner;

- to ensure independence of the internal control system, so as to properly cover its main functions: risk management, compliance, internal audit;
- to improve the information flow, vertically, from top to bottom, and vice versa, and also horizontally, so as to ensure the delivery of comprehensive information, relevant in terms of the proper fulfilling of each organizational structure's tasks, in due time.

The BCR management structure consists of the **Management Board** – representing the **management function**, which ensures the operational management of the bank, and the **Supervisory Board** – representing the **supervisory function**, which ensures the supervision and coordination of the Management Board activity. Their competencies and responsibilities are regulated through the Charter, the Internal Rules of each structure and also through BCR's Operational Book.

Efficiently organized corporate governance helps ensure the Bank's stability and maintains corporate governance and business conduct standards.

Shareholding

The Bank's subscribed and paid up capital is RON 1,625,341,625.40, divided in 16,253,416,254 nominative shares, with a nominal value per share of RON 0.1.

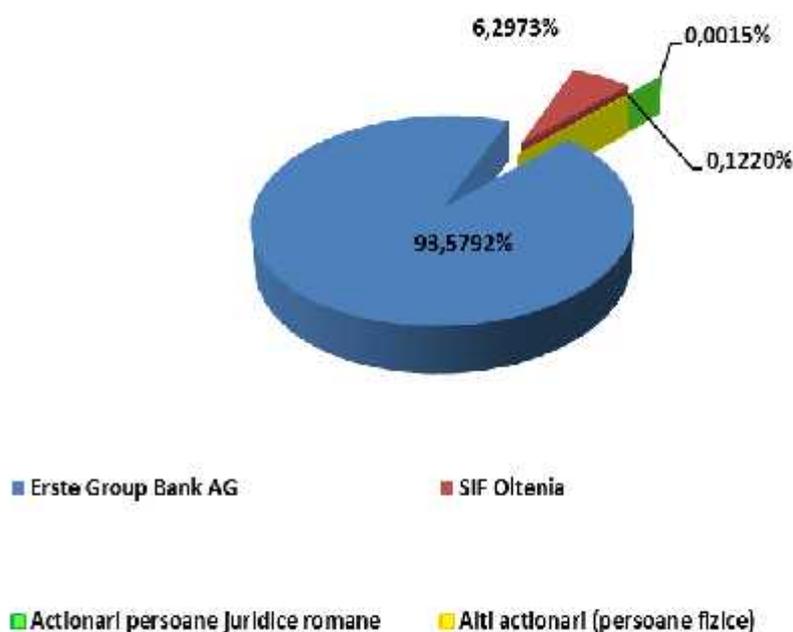
The BCR shareholding structure as of 31.12.2017:

Erste Group Bank AG, AM Belvedere 1,1100 Wien, Austria, holds **15,209,810.499** nominative shares, worth RON 0.1 each, accounting for 93,5792% of the total share capital, namely RON 1,520,981,049.9;

Financial Investment Company "Oltenia" (SIF Oltenia), headquartered in Craiova, 1 Tufanele Street, Dolj County, holds **1,023,534.303** shares, carrying a nominal value of RON 0.1 each, accounting for 6.2973% of the total share capital, namely RON 102,353,430.30;

Romanian legal entities (i.e. 1. *SC Actinvest SA holds 226,802 shares*; 2. *FDI Certinvest Dinamic holds 13,699 shares*; 3. *BCR Leasing SA holds 109 shares*; 4. *SIF Muntenia holds 1 share*; 4. *SIF Banat Crisana holds 1 share*), holding **240,612 shares** with a nominal value of RON 0.1 each, accounting for 0.0015% of the total share capital, namely RON 24,061.20;

Private individual shareholders own 19,830,840 shares with a nominal value of RON 0.1 each, accounting for 0,1220% of the total share capital, namely RON 1,983,084.0.



Shareholders - General Shareholders Meeting

The shareholders exert their rights within the General Shareholders Meeting (“GMS” or “General Meeting”).

The Bank’s shares are indivisible and offer its shareholders equal rights, each share representing the right to one vote in the General Shareholders Meeting.

The General Meetings are convened by the Management Board at least 30 days prior to the established meeting date.

The General Shareholders Meetings are ordinary and extraordinary. The Ordinary General Shareholders Meeting is held at least once a year, within 5 months from concluding the financial year and the Extraordinary General Meeting is convened whenever necessary.

The Bank carries out all diligences to protect and facilitate shareholders in exercising their rights, by clear and transparent provisions at the bank’s level:

- The right to safe registration means for shareholders/shares owned;
- The right to receive timely, regular and relevant information with respect to the company’s development;
- The right to attend and vote during the GMS and additionally, the right to be informed with respect to the voting rules and procedures, applicable to this type of meetings; the right to their share of the company profit;
- The right to attend and to receive sufficient information with respect to the changes within the company: changes in the company Charter, authorization to issue new shares, one-off transactions (for example- sale of a significant part of the company’s assets);

- The right of the shareholders to ask questions, also with respect to the independent auditor's report, the right to participate in strategic decision making processes such as electing the Supervisory Board members or expressing opinions with respect to the remuneration of the Supervisory Board and Management Board members according to BCR Charter.

In 2017, two ordinary meeting took place, with mainly the following topics on the agenda:

- approval of the revenue and expenditure budget related to the 2017 financial year;
- appointment of an independent financial auditor;
- approval of the financial statements related to the financial year concluded on 31.12.2016;
- distribution of profit for the financial year concluded on 31.12.2016;
- discharge from administration of the members of the Supervisory Board and of the members of the Management Board for the financial year of 2016;
- remuneration structure for the members of the Supervisory Board of BCR for 2017.

Transparency and timely dissemination of information is ensured in the Bank by:

- Regular and timely communication of relevant and material information with respect to the company, in order to guarantee that voting rights are properly exerted in the general shareholders meetings;
- Timely, regular, complete and accurate reporting to shareholders and the independent auditor of all current, financial, administrative and extraordinary activities.

III. BCR management structure

A. BCR organizational structure

BCR is organized in business lines at central level and it holds a network of branches serving the retail and corporate business lines. At territorial level, retail and corporate activity is organized in areas, managed in the case of retail, by a Retail Area Manager, subordinated to the Executive Manager of the Retail Network Division, and in the case of corporate, by a Corporate Area Executive Manager, who is subordinated to the Executive Manager of the Corporate Network Division.

Thus, at the end of 2017, the bank was organized in 5 functional business lines, as follows:

- One business line subordinated to the CEO;
- And 4 business lines covering the following areas: Operations & IT, Retail & Private Banking, Financial, Risk each made up of several functional entities subordinated to the 4 Executive Vicepresidents.

The branch network of the Bank is composed of branches without legal personality, namely county branches, branches and units. The Retail Area Manager ensures the coordination of the retail activity, organized based on branches type A, B, C, which differ depending on the segment of clients and the product structure they offer. The Corporate Area Executive Manager ensures the coordination of activity performed in corporate business centers.

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

B. Supervisory Board (SB)

Members – persons, appointment

The Supervisory Board is composed of seven (7) members, appointed for a period of three (3) years, with the possibility of being re-elected for another three-year (3) period.

According to the provisions of article 17.3 a of BCR's Charter the Supervisory Board members are nominated by shareholders or by other acting Supervisory Board members.

Thus, the Supervisory Board structure, at the end of 2017, is as follows:

SB Member	Position	Starting date of the mandate	Ending date of the mandate
Manfred Wimmer	Chairman	23.04.2016	23.04.2019
Andreas Treichl	Deputy Chairman	23.04.2016	23.04.2019
Gernot Mittendorfer	Member	23.04.2016	23.04.2019
Hildegard Gacek	Member	23.04.2016	23.04.2019
Wilhelm Koch	Member	23.04.2016	23.04.2019
Brian O'Neill	Member	23.04.2016	23.04.2019
Tudor Ciurezu	Member	23.04.2016	23.04.2019

Aspects related to the **selection process, eligibility requirements, independence criteria of Supervisory Board members, as well as other areas which have an impact on the credit institution** are included in the **Procedure concerning the nomination and suitability assessment process related to Supervisory Board members.**

Professional experience

SB Member	Professional experience				
	Financial	Regulation framework	Planning and strategy	Risk management	Financial information interpretation
Manfred Wimmer	✓	✓	✓	✓	✓
Andreas Treichl	✓	✓	✓	✓	✓
Gernot Mittendorfer	✓	✓	✓	✓	✓
Hildegard Gacek	✓	✓	✓	✓	✓
Wilhelm Koch	✓	✓	✓	✓	✓
Brian O'Neill	✓	✓	✓	✓	✓
Tudor Ciurezu	✓	✓	✓	✓	✓

Internal structure – subcommittees and their responsibilities

The Supervisory Board gathers in quarterly meetings or on any occasion necessary, and the meeting calendar for the on-going year is established at the end of the previous year. In 2017, 32 SB meetings took place, organized and held in compliance with the provisions of the Charter and the Supervisory Board Internal Rules, out of which 4 were regular meetings, while the other meetings were held by correspondence.

In order to fulfil its attributions, the Supervisory Board established the following committees:

- **The Audit and Compliance Committee** is a consultative body, which reviews, briefs, provides consultancy and assists the Supervisory Board in fulfilling its tasks in terms of internal control, compliance and audit, as well as in terms of the quality and performance of the Bank's internal accountants and auditors, the authenticity of the bank's financial information, and the timely nature financial controls and policies.
- **The Risk Management Committee** assists the Supervisory Board in carrying out its attributions in relation to risk management and is a consultative entity which revises, reports to, counsels and assists the Supervisory Board in fulfilling attributions which fall in its responsibility in relation to risk management, and issues recommendations according to the authority limits established through the Internal Rules.
- **The Remuneration Committee** is a consultative body that reviews, briefs, provides consultancy, issues recommendations and assists the Supervisory Board in fulfilling its tasks and responsibilities related to the remuneration policy and especially provides consultancy and monitors the remuneration, bonuses and benefits of the Management Board's members.

- **The Nomination Committee** is a consultative body that reviews, briefs, provides consultancy, issues recommendations and assists the Supervisory Board in fulfilling its tasks and attributions related to the nomination and suitability assessment of the Supervisory Board and Management Board members, and of individuals holding key offices, as well as of the management framework of the activity.

The structure of the SB sub-committees

SB Member	Audit and Compliance Committee	Remuneration Committee	Risk Management Committee	Nomination Committee
Manfred Wimmer		Deputy Chairman	Member	Deputy Chairman
Andreas Treichl		Chairman		Chairman
Gernot Mittendorfer			Deputy Chairman	
Hildegard Gacek	Deputy Chairman	Member	Chairman	Member
Wilhelm Koch	Member			
Brian O'Neill	Chairman			
Tudor Ciurezu				

Management Board control instruments

The Supervisory Board supervises and coordinates the activity of the Management Board, as well as compliance with legal provisions, the Charter and the decisions of the General Shareholders Meeting related to the Bank's activity.

The Supervisory Board is responsible for setting and reviewing an adequate and efficient framework related to the internal control, which comprises risk management, compliance and audit, as well as an appropriate framework related to the financial reporting and accounting.

The Supervisory Board is directly responsible for supervising the activity of the Internal Audit Division, whose main goal is to perform in due time the audit missions or any other audit investigation covering the entire activity of the bank and its subsidiaries, the audit reports are submitted to the Management Board and/or the Audit and Compliance Committee, respectively the Supervisory Council.

The Supervisory Board is responsible for the supervision of the activity carried out by the Compliance Division, as well as the supervision of the compliance risk management.

The Compliance Division reports directly to the Management Board (MB), the Supervisory Board (SB) and the supporting committees/Audit and Compliance Committee (CAC).

The Supervisory Board exerts a permanent control over the Bank's administration, and the Management Board, by the following means:

- The Supervisory Board is responsible to check the compliance of the administrative operations performed by the Management Board based on the applicable legislation, the Bank's Charter and the decisions of the Bank's Shareholders' General Meeting;
- The Supervisory Board represents the Bank in its relations with the Management Board;

- The Supervisory Board is not involved in the daily administration of the Bank, and these tasks are not delegated to the Supervisory Board except for some clauses included in the applicable legislation and/or the Bank's Charter.

C. Management Board (MB)

Members – persons, appointment

According to the provisions of the Management Board Internal Rules, it provides the current management of the Bank and performs its duties under the supervision of the Supervisory Board, which appoints and revokes Management Board members and the Management Board chairman from the members of the Management Board, acting in accordance with the current provisions of the Bank's internal regulations and Charter.

According to the provisions of article 20.1 of the Charter, the number of Management Board members is established by the Supervisory Board (on December 31st, 2017, the Management Board had 5 members).

Thus, during 2017, the following changes took place in the composition of the Management Board, namely:

- ❖ Appointment of Mr. Ryszard Druzynski, in the meeting of the Supervisory Board of 7.02.2017, as executive Vicepresident of BCR, coordinator of the Operations and IT functional line – endorsed by NBR on 6.04.2017 – his term in office shall end on 31.12.2020;
- ❖ Mr. Bernhard Spalt's term in office as Executive Vicepresident of BCR, coordinator of the Risk Functional Line ended on 31.12.2017;
- ❖ Mrs. Adriana Jankovicova's term in office as Executive Vicepresident of BCR, coordinator of the Financial Functional Line ended on 31.12.2017;
- ❖ Appointment of Mrs. Elke Meier, in the meeting of the Supervisory Board of 4.12.2017, as executive vicepresident of BCR, coordinator of the Financial Functional Line - her term in office shall end on 31.12.2020;
- ❖ Appointment of Mr. Michael Beitz, in the meeting of the Supervisory Board of 27.12.2017, as executive vicepresident of BCR, coordinator of the Risk Functional Line - his term in office shall end on 31.12.2019;

Management Board membership on December 31st 2017:

MB Member	Position	Responsibility area
Sergiu Manea	President - CEO	Executive president
Adriana Jankovicova	Executive vice-president - CFO	Financial
Dana Demetrian	Executive vice-president	Retail & Private Banking
Bernhard Spalt	Executive vice-president	Risk
Ryszard Druzynski	Executive vice-president	Operations & IT

Professional experience

MB Member	Professional experience					
	Financial markets	Management framework	Strategic planning	Risk Management	Interpretation of a credit institutions' financial information	Internal control processes
Sergiu Manea	✓	✓	✓	✓	✓	✓
Adriana Jankovicova	✓	✓	✓	✓	✓	✓
Dana Demetrian	✓	✓	✓	✓	✓	✓
Bernhard Spalt	✓	✓	✓	✓	✓	✓
Ryszard Druzynski	✓	✓	✓	✓	✓	✓

Internal structure – subcommittees and their responsibilities

The Management Board meets in weekly meetings or whenever necessary. During 2016, the Management Board had 112 meetings, namely 45 regular meetings and 67 ordinary meetings held through other means of distance communication.

In order to carry out its responsibilities, the MB has created the following committees:

Subcommittee	Role and scope
Assets and Liabilities Committee (ALCO)	Analyses/pre-approves/approves in the field of attracting resources and making investments, establishing an interest policy for the purpose of maintaining an adequate liquidity level, approving new products and services, eliminating from the BCR offer of products and services, within the authority limit established through the organisation and functioning regulations and through other specific internal regulations. Decides upon the funding strategy and the management of the bank's assets and liabilities. During the year 16 meetings were held, of which 11 regular meetings and 5 per rollam.
Credit Committee	Analyses/pre-approves/approves the credit applications, the modification of conditions for the granting, utilising, guaranteeing and/or reimbursing of some credits previously granted, the requests to close the agreements and prolong their validity terms, the issuance the guarantee letters, the requests for endorsements, credit agreements, factoring operations and other facilities, within the authority limit established through bank regulations and other specific regulations, for retail, corporate and workout clients, within the limits of the competences defined based on RF BCR. During the year 63 meetings were held, of which 39 regular meetings and 24 per rollam.

<p>Costs and Investments Committee (CIC)</p>	<p>It analyses, decides, informs and assists the Management Board in fulfilling its tasks in the areas of:</p> <ul style="list-style-type: none"> a) Project implementation and approval; b) Defining the regulatory framework for expenditures and investments, unrelated to customers; approval of specific financial methodology and group-related processes; c) Monitoring expenses and investments; approval of general administrative expenses and investments; Cost Budgeting Coordination for the BCR Group: General Administrative Expenses, Investments and Incomes from Cost Type Officers (TCO); d) Management of activities related to BCR and Subsidiary real estate properties; e) Establishment of branches and agencies (retail / corporate network units); f) Making decisions and formulating recommendations for the Self-Banking equipment strategy, its related budget structure and investment and operational improvements. <p>Within the authority limit established by RF BCR</p> <p>During the year there were 28 meetings, of which 15 regular meetings and 13 per rollam meetings.</p>
<p>Risk Committee of the Management Board (RCMB)</p>	<p>Operative committee which is on one side, supporting the Management Board on the main risk items (e.g. risk strategy, risk policies) and on the other side, represents a forum where risk items are discussed and agreed with the main business.</p> <p>During the year, it had 16 meetings, out of which 9 regular meetings and 5 per rollam meetings.</p>

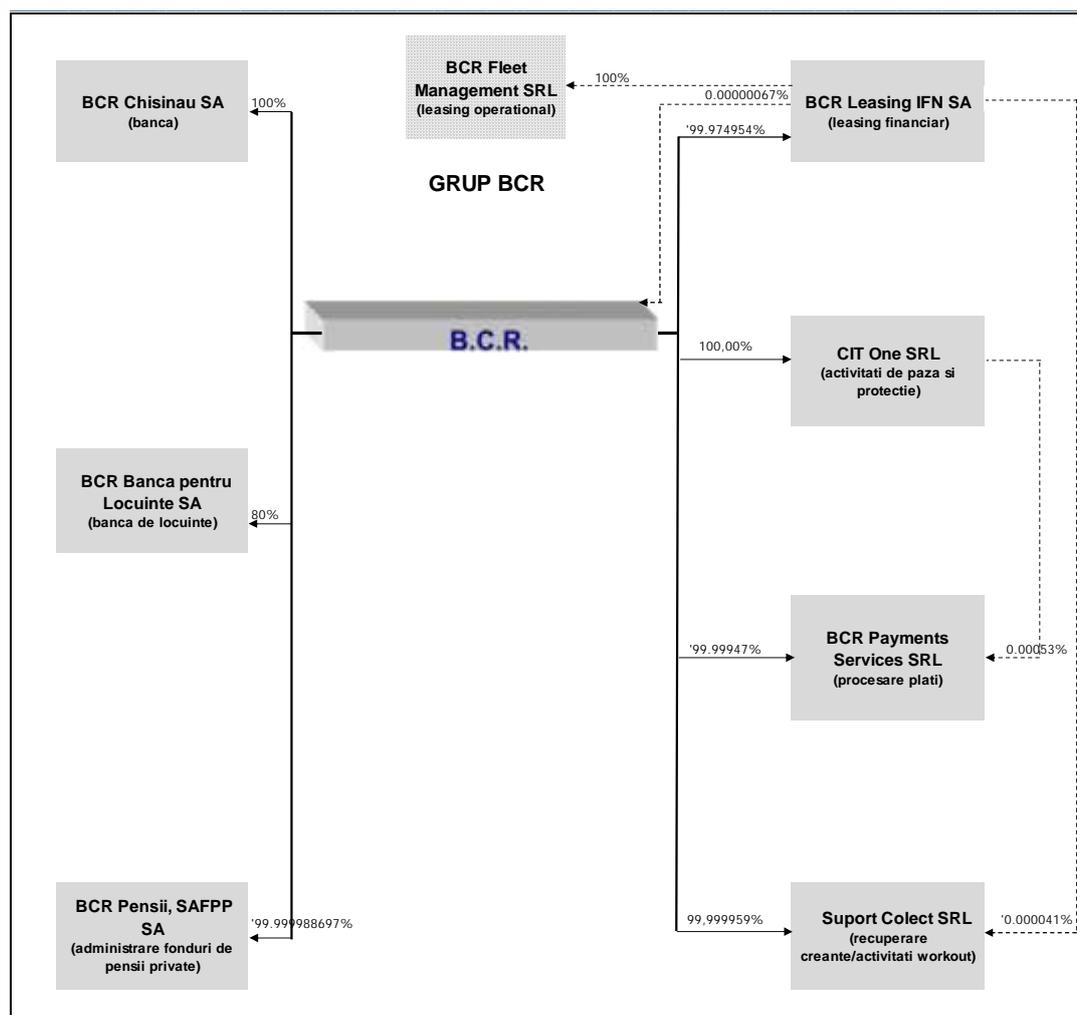
IV. BCR Group structure and governance framework

The corporate governance model at BCR Group level (and at the individual bank level) is based on the interaction of corporate governance structures at the bank level (eg shareholders, Management Board, group structure governance, risk management, compliance, internal audit, remuneration, communication). In order to ensure the implementation of effective corporate governance practices both at the bank level and within the BCR Group, a central unit of governance of the group was proposed to make sure that:

- The information regarding the group structure are centralized and monitored in a structured manner;
- The strategies and policies are consistent and up to date in the entire BCR Group;
- Communication channels between BCR and its branches are effective and efficient with adequate report lines; and
- identifying any non-standard or non-transparent activities in a timely manner and taking the necessary measures to allow monitoring and decision-making by the BCR management group.

A. BCR Group structure – overview

On December 31, 2017 the BCR Group structure (Bank and 8 subsidiaries) was as follows:



The BCR subsidiaries are registered companies active on the Romanian market (except for BCR Chi in u SA – financial institution registered in the Republic of Moldova), organized from a legal perspective as limited liability companies, with their own governance system:

- Two-tier system (the management function is carried out by the Management Board /Directorate and the supervisory function ensured by the Supervisory Board): BCR Chi in u SA, BCR Banca pentru Locuin e SA, BCR Pensii SAFPP SA, BCR Leasing IFN SA;
- Unitary system (management ensured by the Board of Directors): CIT One SRL, BCR Payments Services SRL, Suport Colect SRL and BCR Fleet Management SRL.

Compared with December 31, 2016, in 2017 the group’s composition went through the following changes:

- completion of the merger with BCR of the two subsidiaries specializing in real estate management - BCR Real Estate Management SRL and Bucharest Financial Piazza SRL;
- increase of the share held by BCR in the share capital of BCR Banca pentru Locuinte SA as a result of the acquisition of share held by the shareholder of sBAU (1 share is held by BCR Leasing IFN SA).

BCR Banca pentru Locuin e SA

Subsidiary directly held by BCR, registered as a joint stock company, in 2008, in the context of regulations of the National Bank of Romania regarding credit institutions, as well as specific provisions and regulations for housing banks issued by the supervisory authority, the Ministry of Public Finance and the European Commission, with respect to the Basel III regulations.

The savings and loans company's objective is to promote, support and capitalize on the development of the Romanian savings and loans system, offering savings and loans products (bauspar products), especially to individuals, as an alternative to housing loans, as well as medium - term deposit products.

Structure of the Supervisory Board on December 31, 2017:

Name	Position
Elke Meier*)	Chairman
Alexandru Berea	Deputy Chairman
Pavel Vanek	Member

*) appointed by AGA (General Meeting of Shareholders) of the company on 12.12.2017 – now, currently being in the process of being authorised by NBR

Structure of the Management Board on December 31, 2017:

Name	Position
Lucian Claudiu Anghel	CEO
Cristina Varzaru	Member
Erwin Bernhard	Member

BCR Chi in u SA

Subsidiary directly held by BCR, registered as a joint stock company, in 1998, under the Law of financial institutions of the Republic of Moldova no 550-XIII/21.07.1995. It's a medium-sized bank authorized to operate all kinds of banking activities in the Republic of Moldova.

The territorial network includes the headquarters in Chi in u, four branches (two in Chisinau, one in B I i and the other one in Cahul) and an agency (located in Chisinau).

The structure of the Supervisory Board on December 31, 2017:

Name	Position
Sergiu Manea	Chairman
Mihail Bu tan	Member
Rastislav Kovacik	Member

The structure of the Management Board on December 31, 2017:

Nume	Position
Juan Luis Martin Ortigosa	CEO
Natalia Codreanu	Member
Iurie Rusu	Member

BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA

Subsidiary directly held by BCR, registered as a joint stock company in 2007, under the specific legislation issued by the Financial Supervisory Authority. The company operates in the private pension funds management field: Fondul de Pensii Administrat Privat BCR (Pillar 2) and Fondul de Pensii Facultativ BCR Plus (Pillar 3).

Structure of the Supervisory Board on December 31, 2017:

Name	Position
Dana Demetrian	Chairman
vacant	Member
Dragos Valentin Neacsu	Member

Structure of the Directorate on December 31, 2017:

Name	Position
Radu Craciun	CEO
- vacant	Member
Adela Maria Cercel	Member

BCR Leasing IFN SA

Subsidiary directly held by BCR, registered as a joint stock company in 2001, currently one of the important players on the Romanian leasing market. The company is governed by Law no 93/2009 on non-banking financial institutions.

The main activity of the subsidiary is to provide financial/financing leasing services - flexible and efficient solutions for the financing of passenger and commercial motor vehicles, light and heavy equipment, providing immediate access to the goods for which financing is granted, the possibility of paying VAT in instalments and also paying the residual value at the end of the leasing agreement and zero VAT for intercommunity financing transactions.

Structure of the Supervisory Board on December 31, 2017:

Name	Position
Sergiu Manea	Chairman
Bernhard Spalt	Member
Georg Haslinger	Member

Structure of the Directorate on December 31, 2017:

Name	Position
Bogdan Ionut Speteanu	CEO
Nicoleta Claudia Tomescu	Member
Mihai Tasulea	Member

CIT One SRL

Subsidiary directly held by BCR, registered as limited liability company, in 2009, with the purpose of optimizing costs related to cash processing and transportation activity at BCR level. Starting with 2015, the company was authorized to carry out security activities, besides cash transport and processing services.

Structure of the Board of Directors on December 31, 2017:

Name	Position
Ryszard Druzynski	Chairman
Bernhard Spalt	Member
vacant	Member

BCR Payments Services SRL

Subsidiary directly held by BCR, registered as a limited liability company, in 2011, in order to take over a part of the payment processing activity of BCR, so as to increase efficiency in payments processing by reducing related costs.

The company is responsible for the centralized processing of payments transactions and debit instruments in local and foreign currency, the opening, closing and maintaining of BCR's client accounts.

Structure of the Board of Directors on December 31, 2017:

Name	Position
Ryszard Druzynski	Chairman
Sergiu Manea	Member
Dana Demetrian	Member

Suport Colect SRL

Subsidiary directly held by BCR, organized as limited liability company, in 2009, with the purpose of improving the recovery of the overdue loans granted by BCR, in the context of the global crisis. Its main activity is monitoring and recovering/buying receivables from clients.

Structure of the Board of Directors on December 31, 2017:

Name	Position
Bernhard Spalt	Chairman
Sergiu Manea	Member

BCR Fleet Management SRL

Subsidiary indirectly held by BCR, through the BCR subsidiary, BCR Leasing IFN SA (sole shareholder) in 2009, organized as a limited liability company, which provides for BCR Group operational leasing services and car fleet management.

Structure of the Board of Directors on December 31, 2017:

Name	Position
Bogdan Ionut Speteanu	Chairman
Sergiu Manea	Member
Bernhard Spalt	Member

B. BCR Group governance framework

The organizational structure of the BCR Group is transparent, in accordance with BCR organizational structure, established as a means to promote efficiency and show a prudent management.

The basic principles for an efficient supervision of the BCR subsidiaries, together with the internal regulations of the Bank, represent in the same time, the framework and sound basis for the compliance, supervision, governance and risk management activity.

The roles and responsibilities of BCR's Management Board members include, as well, the activity of supervision of the Bank's subsidiaries, which are responsible for ensuring:

- A corporate governance framework within BCR Group;
- The implementation of the governance polices and mechanisms adequate to the structure, activity and risks incurred by the BCR Group entities.

In this context, in establishing the corporate governance framework at BCR Group level, the BCR Management Board holds the following competences (of approval/pre-approval) regarding the subsidiaries:

- ✓ the governance structure;

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- ✓ the general business strategy, the business plan and the main activity fields;
 - ✓ changes of the main object of activity;
 - ✓ merger/split, dissolution and liquidation;
 - ✓ acquiring its own shares exceeding 10% of the subsidiary's share capital, when such acquisition is allowed according to the companies' law; and
 - ✓ proposals of candidates for the appointment as members in the Supervisory Board or Board of Directors;
 - ✓ decisions on the approval, at subsidiary level, of all topics included on the agenda of the General Shareholders Meeting of such company, except for those under the responsibility of the BCR Supervisory Board.

Likewise, BCR Management Board supervises the activity of the bank's subsidiaries by means of its subordinated committees, thus ensuring the implementation of a joint strategy at Group level. Based on specific roles and responsibilities, the Management Board members are appointed within the Supervisory Boards/Boards of Directors of such entities, as the case may be.

The BCR Management Board members appointed within the Supervisory Boards/Boards of Directors of BCR subsidiaries have specific duties established by the companies' Law, the Charter and other internal regulations of such entities, depending on the nature and complexity of their type of activity, by observing, at the same time, the legal requirements at local level.

In order to ensure an adequate corporate governance framework within BCR Group and also governance policies and mechanisms proper to the structure, activity and risk implied by the group entities, each member of the BCR Management Board, which is also a member of the Supervisory Board/Board of Directors of a subsidiary, will ensure that all strategic decisions, standards and policies implemented in BCR/Erste Group will be observed and properly implemented within each company.

In order to ensure an efficient supervision of the entities within BCR Group, **the following set of good practices is applied:**

- all matters to be submitted for information/pre-approval/approval to the Supervisory Boards/Boards of Directors of the subsidiaries are discussed and coordinated by BCR divisions relevant in that industry, in order to ensure compliance with the Group policies and competences;
- the final documentation prepared by BCR subsidiaries to be presented during the meetings of the Supervisory Board/Board of Directors is previously validated by the relevant BCR divisions.
- for the topics on strategic decisions, business plans, specific business, significant transactions or members' appointment within the executive management of subsidiaries submitted for approval to the subsidiaries' Supervisory Boards/Boards of Directors, in accordance with the internal rules of BCR/subsidiaries, the prior approval of the BCR management bodies shall be necessary.

The monitoring activity of the subsidiaries is fulfilled, as well, by BCR internal control functions with entities responsible for the supervision of subsidiaries' activity, namely: Internal Audit Division, Compliance Division, Strategic Risk Management Division, Financial Crime Prevention Division.

V. Performance management and remuneration strategy

Within BCR, the performance management is supported by the **Performance and Professional Development System (PDS)**, by means of a state-of-the-art and accessible IT tool – PDS application, applicable to all employees within BCR Group.

The Performance and Professional Development System has an impact on the employees with regard to their future professional development and career evolution.

The individual performance is assessed from two perspectives:



Given the particularities of sales functions from Retail network, the business objectives and performance - bonus correlation is governed, for this category of staff, by the **Retail incentive scheme**.

The remuneration philosophy of BCR adapts to the realities of the banking sector and economic environment. It is based on BCR business strategy and long-term goals, the Bank's culture and organizational structure and influenced by market practice.

BCR focuses on implementing and promoting a **pay-for-performance philosophy**, with the following key elements:

- Creating a direct correlation between remuneration and performance, where variable remuneration applies;
- Fixed remuneration (base salary) is concentrated on individual performance (individual results within the context of organisational responsibility and individual skills);
- Yearly variable component relies on the Bank's performance, organisational structure wherein the activity is carried out and the individual side (individual results);
- Incentives are granted based on certain key performance indicators that take into account both quantity and quality criteria.

BCR shall, from time to time, evaluate its remuneration practices (at least on annual basis), in order to ensure that:

- incentives are correctly established, risks are efficiently managed and excessive risk taking is not encouraged;
- the principles envisaged within the Remuneration Policy comply with all regulation principles in force.

Within BCR, the total remuneration package is composed of the following elements:

- Fixed remuneration:

- Base salary;
- Benefits
- Variable remuneration.

VI. Community

Any community values dignity, kindness, honesty and wisdom. These core values are part of BCR's principles: **Client first, Accountability, Performance, Cooperation, Initiative, Discipline and Results.** This is what we are offering to our clients when we work and behave according to BCR's principles.

As 70% of Romanians believe the country is going the wrong direction, and only 14.2% continue to trust in the banking system, it is BCR's duty, as the largest local bank, to be **a connector** and **a catalyst** for Romania's development. We should be **The Bank for Romania, as well as responsible citizens**, with sound principles, integrate the bank in the community and **intermediate and support value development** in the communities we belong.

BCR's strategic directions in the relation with the community:

- Supporting and promoting leaders and role-models;
- Education for practical skills development;
- Financial education
- Civic leadership.



✓ **Supporting and promoting leaders and role models**, by taking part in the creation of a positive and inspirational framework for Romania's development.

✓ **Education for practical skills development**, by strategic partnerships with the largest universities in the country, with the main goal of creating projects which help develop practical skills of students for an easier integration in the labour market.

✓ **Civic leadership**, by developing projects which annually support hundreds of NGOs, as well as by encouraging employees to be responsible citizens, thus integrating the bank in the community.

✓ **Financial education** through developing projects aiming at increasing the awareness degree for various age categories (preschool, children, teenagers, young people and adults) with regard to the importance of financial education, the way in which they take financial decisions and identifying the factors which influence the personal budget.

Also, **BCR team members** are encouraged to act as **responsible citizens** in the communities they belong. BCR employees have the right to a day off for volunteering activities; they are encouraged to suggest and implement projects with real social impact and to redirect 2% of their income tax to social welfare companies.

Also, BCR aligns its business strategy to the needs of the community, permanently developing innovative products for our clients, in order to help them fulfil their dreams and aspirations. Also, BCR is an important factor of economic development, by providing active support to business community members.

1. Financial education

- **Money School (Școala de Bani)** – is a complex financial education project meant for adults, clients and non-clients, in which colleagues from BCR, who become financial education teachers after attending a training, will meet the clients in branches and at their companies' headquarters, as well as non-clients, aiming at increasing their awareness on how to make financial decisions. Training materials were specially developed for this project and rely on international financial education principles. They are completely non-commercial – they do not refer to any of the BCR's products or services, BCR being the first organiser of an adult financial education program of such magnitude. By the end of 2017 we trained **1000 BCR employees** who became „financial education teachers” and who worked, during the workshops organised last year, with approximately **18000 persons**, increasing their awareness on how to make financial decisions, on how to build their personal budget and how to improve their financial decisions. Within the project Școala de Bani there have been organised courses with 10.000 children and youngsters in the schools, lyceums and universities in Romania.
- **Money School on Wheels (Școala de Bani pe Roti) Școala de Bani pe Roți**, the first interactive itinerary program of financial education for children aged 7 to 14. The program takes place in a new and colourful truck named FLIP, whose modular trailer turns into a real playground with state-of-the-art equipment, where specialized trainers provide small and interactive workshops in groups of 15 students. For 90 minutes, children will explore the world of money in the truck and will go through five stages of information and awareness, having reliable allies: games, interaction and enjoyment. During the workshop, the little ones will explore spending categories and personal budget, will discuss the value of money and objects, and understand that almost all economic processes are globally connected. In 2017, the FLIP truck arrived in 8 cities where it interacted with more than **6200** children.

- **From Playing to Financial Education (De la Joc la Educație Financiar)**, a project initiated by the National Bank of Romania and the Association for Promotion of Educational Performance, in partnership with BCR and the Ministry of Education, continued in 2017 as well, BCR being the main partner and the only banking partner. The project consisted in carrying out trainings and informative activities for children, school staff and parents, on basic financial education notions, supporting personal development and implicitly community development. During this project, 23.000 financial education books for pre-school level were distributed, in 16 counties and in Bucharest, in almost 200 kindergartens.

2. Supporting and promoting leaders:

- **Let's go to the Olympiad! (Hai la Olimpiad)** is a program launched by eMAG foundation, joined by BCR in 2014, to support education performance. We support both the extension of training centres for high potential children, as well as the organisation of national Olympiads and preparation of the international mathematics team. After four years, „Hai la Olimpiad !” consists of **4400 pupils** who are training in Mathematics, Informatics and Physics, under the guidance of **290 dedicated teachers**. In 2017 we expanded to 31 centres, which develops its activity in the following cities: Baia Mare, Bucure ti, Bra ov, Buz u, Cluj-Napoca, Constanța, Drobeta Turnu Severin, Hunedoara, Ia i, Oradea, Piatra Neamț, Suceava, Târgoviște, Târgu Mureș, Timișoara and Vaslui.
- **Youth Capital in Romania** is the most ambitious national program for the youth, as it emphasizes on developing youth ecosystems in Romania, in general, and in the urban environment, in particular. Within this program, local authorities work together with youth oriented NGOs and the private environment, placing the young at the core of the urban development process. Each year, a city in Romania receives, following a concepts competition, the title of Youth Capital in Romania and is financially supported, by means of training and consultancy, in preparing and implementing initiatives included in the candidate file. The Youth Capital in Romania was launched in 2016 and was initiated by BCR, in partnership with the Romanian Youth Council (CTR) – a Romanian youth representative entity, SHARE Federation Cluj-Napoca– co-manager of Cluj-Napoca 2015 program, the European Youth Capital and PONT Group – a group of youth experts, the initiator of the preparatory measures for the Youth Capital in Romania, based on Cluj-Napoca's experience as candidate for the European Youth Capital of 2015. The first city in Romania to hold the title of Youth Capital in Romania is Timi oara, which took the role of pioneer of this program between May 2nd, 2016 and May 1st, 2017. Moreover, the 2017 edition takes place under the High Patronage of the President of Romania, Klaus Iohannis. In 2017, Youth Capital in Romania was Bacau.

3. Education for developing practical skills

- **Career lab** is an informal learning skills platform specially designed by BCR, in a partnership with The School of Values (Scoala de Valori), in order to help young people develop soft skills and to gain easier access to the labour market. The official platform containing modules for personal planning, career development, financial skills and behaviour was launched in 2016.
- **Summer Job in BCR** is a financial education competition and the first paid internship project, designed for Romanian high-school students. Its purpose is to offer students their first working experience within a company and help them acquire banking and financial notions, through practice,

with the help of BCR mentors. In 2017 we selected 60 students who attended a 2 months paid internship in BCR.

4. Civic leadership

- **The Good Causes Award** www.bursabinelui.ro is the only free of charge platform for donations in Romania which brings together organizations that need support in order to carry out various projects, as well as people who wish to involve in good causes in their community. Currently there are 300 organizations on the platform, which managed to raise over EUR **300,000** from online donations in the past 4 years. In 2017, over **7,500 people** donated for the submitted projects, and over EUR **110,000** were raised for the projects enrolled in the competition.
 - **Bakery of Good Deeds** is a competition for bank employees with the purpose of encouraging community involvement, by catalysing several valuable resources: abilities, time and dedication of our colleagues and financial resources offered by the Bank. In 2017, 25 projects entered the competition, from all over the country, over 100 employees were involved as members of the project teams or mentors, EUR 15,000 were used to implement the 5 winning projects and the projects which entered the competition gather a few thousand beneficiaries.
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