

**REPORT**

**REGARDING THE MANAGEMENT FRAMEWORK IN**

**BANCA COMERCIALĂ ROMÂNĂ**

**FOR 2011**

**- EXCERPT -**

**Registered in Romania**

**Trade Register registration number J40/90/1991**

**Sole Registration Number 361757**

**Registration number in the Credit Institution Registry RB-JPR-40-008/1999**

**[www.bcr.ro](http://www.bcr.ro)**

## I. Introduction

The aim of the current Report is to provide an answer to the National bank of Romania's requirements as regards ensuring an adequate level of transparency, by summarizing the principles related to the capital and risk assessment processes.

The Banca Comercială Română management framework is based upon the provisions of the BCR Charter, as well as upon the principle of the credit institution's organization as a company managed in a two-tier system, on the strengths on the provisions of Commercial Companies Law no. 31/1990, with further amendments and completions and of the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, with subsequent amendments and completions.

The management structure is conceived so as to correspond to the size and complexity of the activity carried out and to allow for a clear separation of responsibilities and an optimal information flow, vertically, from top to bottom and vice-versa, as well as horizontally, in view of ensuring a full and term-abiding notifying of the organizational structures concerning the data needed for a proper fulfillment of their duties.

The BCR management structure is composed of the **Management Board** – representing the **management function**, which secures the operational management of the bank and the **Supervisory Board** – representing the **supervision function**, which supervises, manages and coordinates the Management Board activity.

Their competences and assignments are regulated by the BCR Charter, by each of the

bodies' Internal Rules, as well as in BCR Internal Rules.

The efficiently organized management framework represents a consistent element for assuring the bank stability and for maintaining appropriate standards of corporate governance and business conduct.

## II. Shareholding – shareholding structure

On December 31<sup>st</sup>, 2011, the subscribed and paid up share capital of the Bank amounted to 1.553.435.534,80 RON, divided into 15.534.355.438 nominal shares, with a face value of 0,1 RON.

In November 2011, at the proposal of the majority shareholder, EGB Ceps Holding GMBH, the General Meeting of Shareholders *decided to* increase the share capital, by shares subscription, addressed to all BCR shareholders. The subscription period was between November 14<sup>th</sup> – December 19<sup>th</sup> 2011.

The ownership structure is described in details on the bank's website – [Investors Relations section](#).

## III. The BCR management structure

According to the legal requirements, the management structure monitors, assesses and revises the efficiency of the management framework of the bank's activity and its related policies on a regular basis, in order to be aligned to any change of the internal or external factors affecting the bank.

### 1. The Supervisory Board (SB)

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

**In 2011, the Supervisory Board had the following membership:**

- **Andreas TREICHL – Chairman of Supervisory Board**
- **Manfred WIMMER – Deputy Chairman of Supervisory Board**
- **Herbert JURANEK - Member**
- **Bernhard SPALT - Member**
- **Florin POGONARU - Member**
- **Mihai Fercala - Member**
- **Tudor Ciurezu – Member**

We underline the fact that the SB members are appointed by the General Meeting of Shareholders and the Chairman is elected by the SB, from its members, nominated by the shareholder owning at least 50% plus one share of the Bank share capital

The aspects regarding the **selection process, eligibility requirements, independence criteria of the SB members, as well as other fields with impact on the credit institution** are included in the **Policy for the selection and remuneration of the BCR Group management structure**.

The General Meeting of Shareholders approved the **remuneration policy for 2011**, the compensations level and their payment to the SB members.

The SB supervises, manages and coordinates the Management Board's activity, as well as the observance of legal provisions, of the BCR Charter and of the General Meeting of Shareholders' resolutions within the Bank activity.

The Supervisory Board CS is convened quarterly or every time considered necessary and the calendar of the regular meetings for the ongoing year is established at the end of the previous year.

In 2011, 39 SB meetings were held, out of which 6 were regular ones, organized according to the provisions of BCR Charter and of SB Internal

Rules. The other meetings were held by correspondence.

In order to fulfill its responsibilities, the SB established the following committees:

- **The Audit and Compliance Committee** – reviews, reports to, advises and assists the SB in carrying out its tasks related to the internal control, compliance and audit, as well as to the quality and performance of Bank's internal accountants and auditors, to the accuracy of the Bank's financial information, and the adequacy of the financial controls and policies; in 2011 the Audit and Compliance Committee had 6 regular meetings;

- **The Compensation Committee** - reviews, reports to, advises and assists the SB in carrying out its powers and responsibilities with respect to the compensation policy and, in particular, advises and monitors the remuneration, bonuses and benefits of the MB members; the Compensation Committee met in 2011 in 8 meetings, of which 2 regular ones;

- **The Risk Committee** – analyzes and approves/decides, if the case may be, the implementation of the main internal procedures and regulations, lending and risk policies, as well as the set-up/delegation of approval competences for loans, assisting the SB in meeting its tasks in the risk management area; in 2011, 77 meetings of the Risk Committee were conducted (5 regular ones).

## **2. The BCR organizational structure**

On December 31st 2011, Banca Comercială Română was organized in seven functional lines:

- Executive President,
- Operations,
- Corporate Banking,

- Treasury and Capital Markets,
- Retail and Private Banking,
- Financial,
- Risk,

each of them being composed of clearly allocated functional entities. The functional entities within the head office ensure the organizational and procedural framework required for carrying out the bank activities, in a prudent and profitable manner. The business lines (functional lines) are those presented in the Bank Organizational Chart.

### **3. The Management Board (MB)**

According to the provisions of the Management Board Internal Rules, this body ensures the operational management of the Bank, acting as per the guidelines and instructions in force and the Bank Charter.

**The Management Board's membership** on December 31st 2011 was the following:

- **Dominic Bruynseels – Executive President – coordinating the functional lines executive president and operations;**
- **Helmuth Karl Hintringer – Executive Vice President – coordinating the financial functional line ;**
- **Frank Michael Beitz - Executive Vice President – coordinating the risk functional line;**
- **Oana Mihaela Petrescu - Executive Vice President – coordinating the retail & private banking business line ;**
- **Wolfgang Schoiswohl - corporate banking and treasury & capital markets business lines.**

The Operations functional line is coordinated by **Christian Franz Bruckner – Chief Operating Officer**, who reports to the Executive President. The Supervisory Board approved the

delegation of the COO position responsibilities, respectively:

- The coordination of the Operations Functional Line, by delegating them from the responsibility of the Executive President, whilst he will continue to be responsible for the overall activity of the Operations Functional Line, according to the delegation principle;

- The double subordination of this position, reporting both to the Management Board and to the Executive President as regards the fulfillment of the delegated responsibilities.

In October 2011, Mr. Wolfgang Schoiswohl's mandate, as member of the Management Board, was renewed until June 30<sup>th</sup> 2014, upon the observance of the legal provisions.

The structure of the compensation packages of the management bodies' members is detailed in the **Policy for the selection and remuneration of BCR Group management structure** attached.

During 2011, the Management Board met in 142 meetings, out of which 54 regular ones and 88 special ones.

In order to fulfill its assignments, the Management Board organized the following committees:

- **The Assets and Liabilities Management Committee - ALCO** – reviews, reports to and assists the Management Board in meeting its assignments on assets and liabilities management, financing strategy, interests policy, liquidity policy; ALCO is an analysis and decision-making body, issuing decisions and recommendations according to its authority limits.

ALCO is composed of all the Management Board members – President and Vice-presidents.

The Committee meets in regular monthly meetings or in special meetings, whenever required.

▪ **The Credit Committee** - reviews, reports to and assists the Management Board in fulfilling the responsibilities in the area of loan granting, amending the granting terms, using and/or guaranteeing conditions for previously granted loans, agreement signing, extending the agreements validity terms, issuing letters of guarantee, factoring operations and other activities. The Credit Committee carries out its activity on two separate business lines – the retail and the corporate business lines.

**The Retail Credit Committee** is composed of two members:

- Chairman – the executive Vice-president of the risk functional line
- Member- Executive – the executive Vice-resident of the retail & private banking business line

**The Corporate Credit Committee** is composed of 3 members:

- Chairman – the Executive Vice-president of the risk functional line
- Member – the Executive President
- Member – the Executive Vice-president of the corporate banking and treasury & capital markets business line

The Committee meets in regular working meetings – usually held weekly, and in special meetings – whenever required.

▪ **The Operational Risk Management Committee – ORCO** – has been functioning starting with April 1<sup>st</sup> 2011, by taking over the competences of the Risk Management Committee and having additional competences in the risks management area, according to the provisions of

NBR regulation no. 18/2009, with subsequent amendments and completions. This newly-created committee reviews, reports to and assists the Management Board in carrying out its responsibilities in the area of operational risk management and it represents an analysis and decision body, which issues resolutions and recommendations, according to its authority limits. It approves the methodology and the processes related to business continuity and recommends adequate measures to the Management Board.

The Operational Risk Management Committee is composed of 8 members and 7 permanent guests (having no voting right). The ORCO members are the following:

- Chairman – the Vice-president of the risk functional line
- Deputy-chairman – the Vice-president of the financial functional line
- Deputy-chairman – the Coordinator of the Operations functional line
- Member - the executive manager of the Controlling Risk Division
- Member – the executive manager of the Anti-Fraud Division
- Member – Security and Business Continuity Management Division
- Member - Organization and IT Solutions Division
- Member – Banking Operations Division

ORCO meets every two months, in regular meetings, and whenever required, in special meetings.

▪ **The Building Users Committee - BUC** – is operational starting with January 1<sup>st</sup> 2011. This committee advises and decides with respect to operations and activities concerning the real estate units over which BCR has at least a right of usage, no matter the source it derives

from. The Committee revises, reports to and assists the Management Board in fulfilling the competences which fall onto it in the domain of pre-approving and monitoring of the budget, as regards real estate, purchases/sales of spaces and fixed assets and endorsing the bank's real estate strategy; it is an analysis and decision-making body which issues resolutions and recommendations, according to its authority limits. BUC is composed of 3 members and 2 permanent guests (having no voting right). The BUC members are the following:

- Chairman – the Vice-president of the financial functional line
- Member – the Vice-president of the Retail & Private Banking business line
- Member – the Management Board advisor, COO

BUC meets twice a month, in regular meetings, and whenever required, in special meetings.

The Committees carry out their specific assignments through collaboration and actions coordination.

Throughout 2011, BCR revised the SB and its committees' Internal Rules, accordingly, along with the Internal Rules of the MB and of ALCO, so as to unitary reflect the new provisions of the NBR Regulation no. 25/2010, which amended the NBR Regulation no. 18/2009, regarding the management framework of the credit institutions' activity, the internal capital adequacy assessment process and the conditions for outsourcing their activity.

#### **IV. The Reward Policy**

The purpose of BCR Reward Policy is that of implementing a compensation structure which allows BCR to attract, motivate and maintain among its employees the most valuable

individuals, who will contribute to meeting the bank's aims and objectives.

In 2011 both the Selection and remuneration policy of the management structure within BCR Group and the BCR employees' compensation policy were updated and supplemented, so as to reflect the new NBR Regulation no. 25/2010 requirements.

More information about the Reward Policy you can find in BCR Report on disclosure requirements – 31 DECEMBER 2011, posted on the bank's website – [Investors Relation section](#).

#### **V. The Code of Ethics**

The **Code of ethics** was implemented in BCR, describing the set of values, principles and ethical norms needed to respect dignity, integrity and also to secure equitable relationships among BCR employees, as well as in BCR's relationship with society as a whole.

The Code of Ethics has the goal of promoting ethical values and principles in BCR, in order to enhance the quality of the services provided and to protect the company's reputation; it also has an educational, regulatory role and it seeks to impose promoted values.

The Code of Ethics can be found on the bank's web-site – [Corporate Governance section](#).

#### **VI. The Policy regarding the activity management framework and self – assessment carried out by the supervisory bodies as regards its performance. Internal control system**

**The policy regarding the management framework at BCR level**, as per the provisions of Regulation 18/2009, with subsequent amendments and completions, is based on the principles according to which the management structure as a whole and the supervision function in particular, is

in charge of setting up, assessing and periodically and systematically reviewing the organization of the bank's activity, the collective and individual responsibilities, monitoring the implementation and enforcement of the whole set of regulations, flows and control keys, from the perspective of the assumed mission and vision, as well as meeting the objectives set up in the business plans and assuring an efficient risks management.

Based on the legal requirements, in order to monitor the Supervisory Board's performance in 2011, an individual and anonymous survey was drafted for self-assessment and was filled in by the BS members. The document was drafted considering the BCR particularities and was focused on topics such as: general information regarding the activity carried out during the analyzed period, the subordinated committees or the SB working procedures. This approach was aimed at using the survey as a support tool for the SB members in fulfilling their duties and creating a basis for identifying the steps which must be taken in order to improve the corporate governance framework at BCR level.

Its results were analyzed and, based on the lower ratings, the most relevant aspects were selected; subsequently, certain measures were proposed through an action plan included in the management framework policy.

As regards the **internal control system**, being a component of the management framework, according to the provisions of NBR Regulation no.18/2009, with further amendments and completions, a separate report is to be drawn and submitted to NBR, as an independent document.

## VII. The Management framework at BCR Group level

On December 31<sup>st</sup> 2011, BCR Group included the following member companies:

- BCR Leasing IFN SA;
- BCR Chisinau SA;
- BCR Banca pentru Locuinte SA;
- BCR Pensii SAFPP SA;
- Financiară SA;
- BCR Partener IFN SA;
- BCR Finance BV;
- BCR Fleet Management SRL;
- BCR Procesare SRL;
- Suport Colect SRL;
- Bucharest Financial Piazza SRL;
- BCR Real Estate Management SRL;
- good.bee Service RO SRL;
- BCR Payments Services SRL

The BCR Group membership, as well as the membership of the Boards of Directors/Supervisory Boards, pertaining to the companies within the Group, **which are presented on the bank's web site.**

In 2011 one stage of the Group Operations and Support Functions Integration (GOSFI) project, focused on a unitary approach and control at the level of the whole BCR group, was concluded. Moreover, emphasis was placed on applying the same principles and, to that extent, Charters and Internal Rules of the management bodies and of the organizational structure of the BCR Group companies were drafted / revised. This project continues with the stage of monitoring processes and reviewing statutory documents, when and if the case occurs and providing support for the set-up of new subsidiaries.

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Throughout 2011, the BCR management structure focused on improving the Group's activity, securing the development of an adequate management framework, adapted to the legal requirements and to the specific conditions under which BCR carried out its activity and strengthening control, creating consolidated reports at BCR Group level, with a special emphasis on risk issues.

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