

BANCA COMERCIALĂ ROMÂNĂ

CORPORATE GOVERNANCE REPORT

FOR 2012

Prepared according to the requirements of the NBR Regulation no 18/2009 on governance arrangements of the credit institutions, capital adequacy assessment process and the conditions for outsourcing their activities.

- EXCERPT -

21.02.2013

I. Introduction – rationale of the current report

The present Report is prepared according to the requirements of the National Bank of Romania's Regulation No 18/2009 on governance arrangements of credit institutions, internal adequacy assessment process and the conditions for outsourcing their activities as subsequently amended as regards ensuring an adequate level of transparency, by summarizing the principles related to the corporate governance framework and according to art 22 from this regulation provides the following information:

- Ownership structure – including major shareholders positions in the bodies having supervisory functions and in the bodies having management functions;
- Bodies covering the supervisory function – selection process, qualifications, criteria for independence, material interests in transactions and other matters affecting the credit institution;
- Bodies having management function – responsibilities, reporting lines;
- Organizational structure – remuneration policies, compensation of management structure/bodies members;
- The policies or ethic codes of business conduct, governance arrangements code or policy, as well as the supervisory function self-assessment.

II. BCR – corporate governance structure

Based 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 and as provided in its charter Banca Comercială Română (BCR) is organized in a two-tier corporate governance structure.

The management structure of the bank is aiming to ensure the following key objectives:

- to correspond to the size and complexity of the activity carried out;
- to allow for a clear separation of responsibilities between the supervisory function and the executive management function;
- clear, precise, well-defined and transparent allocations of responsibilities and competences within the business/reporting lines;
- to ensure an independent internal control system that properly cover its main functions: risk management, compliance, internal audit;
- to optimize the information flow, vertically, from top to bottom and vice-versa, as well as horizontally, in view of ensuring a full, timely and relevant information for a proper fulfillment of each organizational structure responsibilities;

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 responsibilities are regulated by the BCR Charter, by each of the bodies' Internal Rules, as well as the BCR Internal Rules.

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

III. Shareholding – shareholding structure

On December 31st, 2012, the subscribed and paid in share capital of BCR amounted to RON 1.625.331.209,40, divided into 16.253.312.940 nominal shares, with a face value of 0,1 RON.

In December 2012, 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 December 3rd 2012 – January 7th 2013. Subsequent to this offer, the number of shares owned by *EGB Ceps Holding GmbH* increased from 14.489.523.595 to 15.208.451.113 and the shareholding structure of BCR SA, according to BCR shareholder's ledger on December 31st is described in details on the bank's website – [Investors Relations section](#).

IV. The BCR management structure

According to the legal requirements, the management structure monitors, assesses and revises the efficacy 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) year- periods.

In 2012, 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**, enclosed to the present report - Annex 4 –approved by the SB on – 19.07.2012.

The SB supervises 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 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 2012, 35 SB meetings were held, organized according to the provisions of BCR Charter and of SB Internal Rules, out of which 6 were regular and the rest being 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 2012 the Audit and Compliance Committee had 5 regular meetings;
- **The Compensation Committee** - reviews, reports to, advises, issues recommendations 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 2012 in 9 meetings, of which 3 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 2012, 56 meetings of the Risk Committee were conducted (4 regular ones).

The main competences and responsibilities of the Supervisory Board, as well as of its subordinated committees are presented in Annex 2 to the current report.

2. BCR organizational structure

On December 31st 2012, BCR was organized in seven functional lines:

- Executive President,
- Operations and IT,
- Corporate Banking,
- GLC 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 as shown in Annex 11 to the current report.

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. For the Management Board members there are no specific legal or internal regulations regarding the positions occupied by the majority shareholder's representatives.

We mention that, according to the provisions of Art. 25.1, letter b) of the Charter, one of the main assignments of the Supervisory Board is to *“elect and revoke the president and the other members of the Management Board, to set up the powers of the Management Board, the terms and conditions of the mandate of its members, by establishing the duties of each member and approving their remuneration”*. Furthermore, according to the provisions of Art. 28.1 of the Charter, the number of Management Board members is established by the Supervisory Board (on December 31st 2012, the Management Board had 7 members).

Thus, during 2012, the following amendments of the MB members number (from 5 to 7 members) and of the membership of the MB took place, namely: the appointment of Mr. Christian Franz Bruckner (24.04.2012), of Mr. Sergiu Manea (24.04.2012), of Mr. Martin Skopek (24.04.2012), of Mr. Tomas Spurny (24.04.2012), of Mr. Bernd Mittermair (23.05.2012) and of Mr. Paul Ursaciuc (7.12.2012) as members of MB.

Also, the MB member and president/vice-president mandates of the following persons ended, as follows: Mrs. Oana Petrescu (24.04.2012) and Mr. Dominic Bruynseels (01.04.2012), Mr. Helmuth Hintringer (23.05.2012) and Mr. Christian Bruckner (07.12.2012).

The Management Board's membership on December 31st, 2012 was the following:

- **Tomas Spurny – Executive President – coordinating the functional lines executive president;**
- **Bernd Mittermair – Executive Vice President – coordinating the financial functional line;**
- **Frank Michael Beitz - Executive Vice President – coordinating the risk functional line;**
- **Martin Skopek - Executive Vice President – coordinating the retail & private banking business line;**
- **Wolfgang Schoiswohl Executive Vice President - coordinating the corporate banking functional line;**
- **Sergiu Manea Executive Vice President - coordinating GLC & capital markets business lines;**
- **Paul Ursaciuc – Executive Vice-President – coordinating Operations and IT functional line.**

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.

The MB is convened in weekly meetings or each time it is deemed necessary. During 2012, the Management Board met in 116 meetings, out of which 50 regular ones and 66 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 Committee meets in regular working meetings, usually held weekly, and in special meetings, whenever required. 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 – the executive Vice-president 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 business line.

- **The Operational Risk Management Committee – ORCO** - 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. ORCO meets every two months, in regular meetings, and whenever required, in special meetings. 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 Executive Vice-president of the risk functional line;
 - Deputy-chairman – the Executive Vice-president of the financial functional line;
 - Deputy-chairman – the Executive Vice-president of the Operations & IT functional line;
 - Member - the executive manager of the Controlling Risk Division;
 - Member – the executive manager of the Compliance and Anti-Fraud Division;
 - Member – Security and Business Continuity Management Division;
 - Member - Organization and IT Solutions Division;
 - Member – Banking Operations Division.

- **The Investments and Disposals Committee - IDC** – is operational starting with August 1st, 2012. This committee carries out activities in the following domains: (i) projects prioritizing, approval and monitoring projects; (ii) defining the costs general framework; (iii) monitoring costs and investments; (iv) approving requests for general administrative and investment expenses (according to authority limits); (v) managing property of BCR and its subsidiaries; (vi) coordinating costs budgeting for BCR Group: general administrative expenses, investments, income related to property management activity, projects. IDC is composed of 3 members and 7 permanent guests (having no voting right). The IDC members are the following: the chairman is the CFO and the CEO and Executive Vice-president of the operations and IT business line as members. IDC meets twice a month, in regular meetings, and whenever required, in special meetings.

Details concerning the competences and responsibilities of the Management Board and its above-mentioned subordinated committees can be found in Annex 3 to the current report.

V. The Reward Policy

During 2012, the Selection and Reward Policy of the BCR Group Management structure, as well as the Reward Policy for BCR employees were updated and completed so that they reflect the new business requirements. The purpose of BCR Reward Policy (attached to the current report – Annex 7) is that of implementing a reward 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.

More information about the Reward Policy you can find in BCR Report on disclosure requirements – 31 DECEMBER 2012, posted on the bank's website – [Investors Relation section](#).

VI. 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, in its relationship with clients, 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.

BCR employees must know, apply and unconditionally adhere to the provisions of the Code of Ethics. To that extent, regular training sessions are held, along with sessions of testing the knowledge and comprehension of the principles and requirements of the Code; their non-observance may trigger disciplinary sanctions.

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

VII. The Policy regarding the activity of Corporate Governance and self – assessment carried out by the supervisory bodies as regards its performance. Internal control system

The Corporate Governance policy, 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 2012, an individual and anonymous survey – Annex 9 - was drafted for self-assessment and was filled in by the SB 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 Corporate Governance policy.

As regards the **internal control system**, being a component of the Corporate Governance, 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.

VIII. The Corporate Governance at BCR Group level

On December 31st 2012, BCR Group included the following member companies:

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

Also, BCR indirectly owns the following subsidiaries:

- BCR Fleet Management SRL;
- Bucharest Financial Piazza SRL.

The BCR Group membership, as well as the membership of the Boards of Directors/Supervisory Boards, pertaining to the companies within the Group, are detailed in Annex 10 to the current report.

In 2012, 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. Concerning the internal control at the level of the companies within BCR Group, we mention that these are comprised in the 2012 BCR internal control report.

Throughout 2012, the BCR management structure focused on improving the Group's activity, securing the development of an adequate Corporate Governance, 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.

7.03.2013