BCR GROUP

DISCLOSURE REPORT
INTERIM – H1 2016

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

As per Part Eight of the Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, the Bank must publish the required information at least on an *annual basis.*

In compliance with NBR Instructions from 28 October 2015 on materiality, proprietary and confidentiality and on disclosure frequency under articles 432(1), 432(2) and 433(3) of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, BCR will publish information *more frequently than annually.*

Considering the stipulations of the following documents:

- Art. 433 from 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;
- Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under articles 432(1), 432(2) and 433(3) of Regulation (EU) No. 575/2013, EBA/GL/2014/14 from 23 December 2014;
- BIS Standards Revised Pillar III disclosure requirements from January 2015;
- Art. 18 point a) from EBA/GL/2014/14 – *"The Bank should especially assess their need to publish information more frequently than annually when the institution is one of the three largest institution in its home Member State",*

BCR decided on a *semi-annual* publication of the interim disclosures.

2 HIGHLIGHTS

The interim disclosures are focused on relevant, material changes since the prior annual period. This allows stakeholders to quickly identify new information and then decide whether it is relevant to their decision-making.

The Bank selected a sample of information to be disclosed semi-annually, but not limited to:

- Capital amounts & structure
- Capital adequacy (RWA, capital requirements, Pillar I and Pillar II)
- Capital ratios; adjustments of ratios (Tier 1, Tier 2, Total capital)
- Leverage ratio (exposure, ratios)
- Risk relevant exposures
- Credit mitigation techniques – overview
- Counterparty credit risk.

The Bank may include in the interim disclosures any other items prone to rapid change.

By its interims, the Bank describes the differences from the most recent annual disclosures and explains how the financial position and results of operations for interim period relate to the entire year.

In respect of the items selected for interim disclosure, the Bank prepares the same level of disclosures at both interim and annual reporting dates.

3 SCOPE

The interim disclosure requirements are presented on a consolidated basis (BCR Group).

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.

4 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.

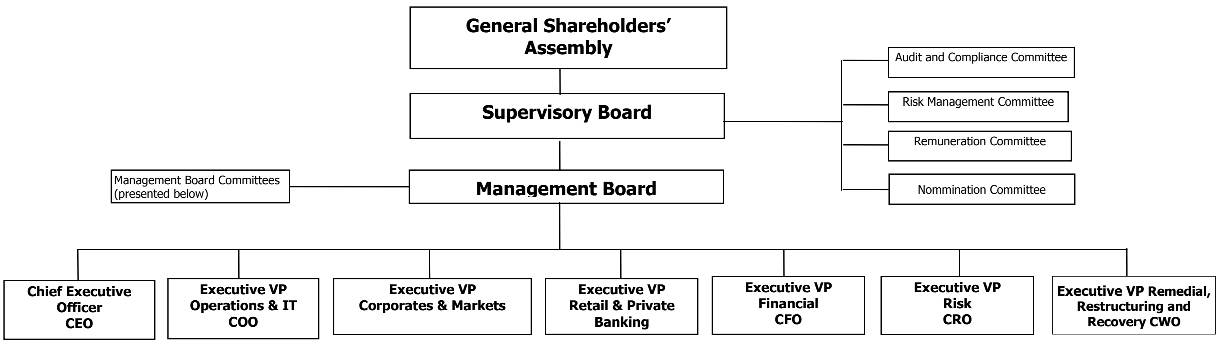
The management structure of BCR, both oversight function bodies, such as the Supervisory Board, and management bodies such as the General Meeting of Shareholders and Management Board, is described in detail on the bank's website, Section: About us/Corporate Governance.

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 30.06.2016 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

In the context of corporate governance redesign process at the request of the executive management, Legal Division initiated the reshaping of the structure of the management decisional bodies under the Management Board (MB).

The main rationale is to provide a clearer structure with one single management decision body subordinated to MB for each major activity area by:

- streamlining the decision making process and eliminate redundancies/ overlapping of the responsibilities;

- optimizing the MB committees structure (by decreasing the number of MB subordinated committees;

- optimizing the Management Board members calendar.

The Management Board approved the new structure of the management decisional bodies which was implemented starting with 13.05.2016.

Management Board committee's structure:

Between **31.12.2015 – 12.05.2016**:

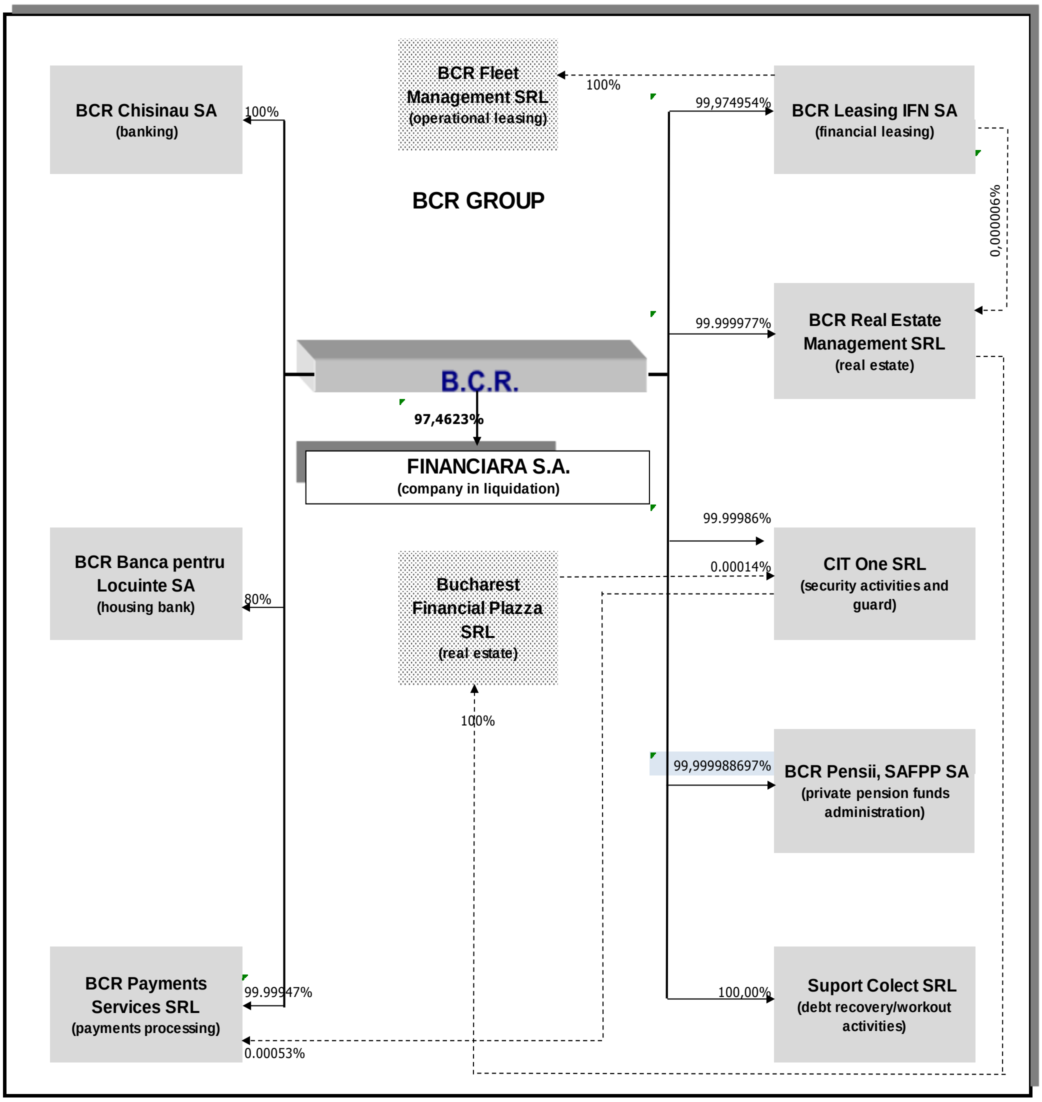
Committees subordinated to the Management Board	
1	Assets and Liabilities Management Committee
2	Projects and IT Committee
3	Corporate Credit Committee
4	Retail Credit Committee
5	Problem Asset Committee
6	Operational Risk Management Committee
7	Investments and Disposals Committee
8	Know Your Customer Committee
9	Self Banking Equipment Management Committee
10	Financial Steering Group Committee
11	Risk Committee of the Management Board
Other Work Committees / Committees established at BCR level	
12	Litigations Committee
13	Labour Safety and Health Committee
14	Professional Inadequacy Committee
15	Social Commission
16	Disciplinary Commission

Between **13.05.2016 – 30.06.2016:**

Committees subordinated to the Management Board	
1	Assets and Liabilities Management Committee
2	Credit Committee
3	Cost and Investment Committee
4	Risk Committee of Management Board
Other Work Committees / Committees established at BCR level	
5	Litigation Committee
6	The Evaluation Commission
7	Disciplinary Commission
8	Labour Safety and Health Committee
9	Social Commission

BCR Group structure

The BCR Group structure as of **30.06.2016** 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.

Considering that the Supervisory Board members' mandates expired on 23.04.2016, the General Meeting of Shareholders approved on 22.04.2016 to appoint new members and also, extend the mandates for some of the existing Supervisory Board members.

Period 01.01.2016 – 23.04.2016	
Name	**Position**
Manfred Wimmer	Chairman
Andreas Treichl	Deputy Chairman
Gernot Mittendorfer	Member
Tudor Ciurezu	Member
Brian O'Neill	Member
Andreas Gottschling	Member
Vacant position	Member
Period 24.04.2016 – 30.06.2016	
Manfred Wimmer	Chairman
Andreas Treichl	Deputy Chairman
Hildegard Gacek	Appointed as Member - under NBR authorisation procedure
Wilhelm Koch	Appointed as Member – under NBR authorisation procedure
Tudor Ciurezu	Member
Gernot Mittendorfer	Member
Brian O'Neill	Member

Taking into consideration the following:

- Supervisory Board membership structure as of June 30th, 2016 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 are detailed below:

- **Mr. Manfred Wimmer** holds 2 non-executive mandates within Erste Group (counted as 1 mandate, according to Law no. 29/2015);
- **Mr. Andreas Treichl** holds 1 executive mandate and 6 non-executive mandates within Erste Group (counted as 1 mandate, according to Law no. 29/2015), 1 non-executive mandates in VIG Group, 1 non - executive mandate in Leoganger Bergbahnen Gesellschaft m.b.H.;
- **Mr. Gernot Mittendorfer** holds 2 executive mandates and 8 non-executive mandates within Erste Group (counted as 1 mandate, according to Law no. 29/2015);
- **Mr. Brian O'Neill** holds 2 non-executive mandates within Erste Group, 2 non-executives mandates and 1 mandate in non-profit organizations (not counted, according to Law no. 29/2015);
- **Mr. Tudor Ciurezu** holds 1 executive mandate 2 non-executive mandates;
- **Wilhelm Koch** - currently under the NBR authorization process;
- **Hildegard Gacek** - currently under the NBR authorization process.

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 to the 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.

Until 30.06.2016, the Risk Management Committee convened in seven (7) 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.

In the first semester 2016, the Management Board membership structure was the following:

Period 30.06.2016	
Name	**Position**
Sergiu Manea	Executive President
Bernd Mittermair*	Executive Vice President
Paul Ursaciuc	Executive Vice President
John Locke	Executive Vice President
Adriana Jankovicova	Executive Vice President
Dana Demetrian	Executive Vice President
Vacant position	Executive Vice President

*) Starting 1st of July this position became vacant

Taking into consideration the following:

- Management Board membership structure as of June 30th, 2016
- 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), 4 non-executive mandates within BCR Group (all counted as 1 mandate, according to Law no. 29/2015);
- **Mrs. Adriana Jankovicova** holds 1 executive mandate (CFO BCR) and 6 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 6 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), 2 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. 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;
- **Mr. Bernd Mittermair** holds 1 executive mandate (CWO BCR) and 1 non-executive mandate within 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.

RCMB consists of the members of the Management Board: Chief Executive Officer (CEO), Chief Risk Officer (CRO), Chief Financial Officer (CFO), Operations & IT Executive Vice-president (COO), Corporates & Markets Executive Vice-president, Retail & Private Banking Executive Vice-president, and Chief Workout Officer (CWO).

The CRO is the RC Chairman and the CEO is the RC Deputy Chairman.

The competencies and responsibilities of the RCMB cover the main topics of risk management.

RCMB is an analysis, advisory and decisional body, subordinated to MB, having the following main responsibilities:

- ✓ Pre-approves the annual or interim BCR risk strategy, the quarterly Risk Report, the Risk Appetite Statement (RAS), the ICAAP related policies, the Retail and Corporate risk policies (including pouvoirs), the Risk Materiality Assessment results;
- ✓ Pre-approves the Recovery plan and represents BCR Recovery Steering body for the initiation and implementation of recovery measures;
- ✓ Pre-approves the annual review of the limits for countries and sovereign entities and for banks and financial institutions affiliated to banking groups;
- ✓ Pre-approves the collateral management policy;
- ✓ Pre-approves the stress testing results;
- ✓ Pre-approves the setting and registering of litigation provisions;
- ✓ Approves rating cut-offs, credit risk acceptance rules/minimum risk requirements for clients and products, policy rules for lending products;
- ✓ Approves the IRB Approach policies and methodologies (related to rating systems, RWA, own funds requirements, data quality and other);
- ✓ Approves the rating models (all segments) and risk parameters (PD, LGD, CCF) methodology and regular review/results for credit risk;
- ✓ Analyses and approves the risk and financial impact of the rating models redevelopment, risk parameters review, changes in rating cut-offs, and other material changes in risk management policies;
- ✓ approves the stress test and ICAAP timeline and stress test scenarios;

- ✓ regularly analyses, monitors and assesses the overall credit risk development, credit risk-weighted assets and risk parameters development, the market and liquidity risk development, the models and parameters performance on credit risk, market risk, liquidity risk, collaterals;
- ✓ monitors the lending policies use, the general compliance of internal credit risk rules and procedures with risk guidelines of Erste Group and with prudential regulations;
- ✓ monitors the development of main projects of risk and business which are risk related;
- ✓ regularly analyses the impact of regulatory and market changes;
- ✓ reviews risk based pricing models based on the specific reports/analysis;
- ✓ analyses quarterly recovery indicator and trigger report or information in case of breach of triggers and/or indicators;
- ✓ continuously evaluates the operational risks affecting the Bank's objectives and take action on any change in conditions in which it operates;
- ✓ ensures that information and experience gained about the non-financial risk management are integrated into business and supporting processes.

Until 30.06.2016, the Risk Committee of the Management Board convened in eighteen (18) regular and special meetings.

Internal Audit

Risk Management processes throughout the Bank is 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.

5 RISK MANAGEMENT OF BCR GROUP

DISCLOSURE REQUIREMENTS COVERED: ART. 435(1) (a-f) CRR

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

Risk Policies

The risk management process is dynamic and on-going and requires a constant review of risks and the consequent adjustment of controls to manage these risks. Therefore, the Bank ensures first a regular review of the methodological framework (policies and procedures).

As a consequence, in H1 2016 the Bank has review all the ICAAP and ICAAP related policies that are falling under ERM (Enterprise-wide Risk Management Principles), as follows:

- BCR Group Enterprise-wide Risk Management Principles;
- BCR Group Principles for Managing Credit Risk;
- BCR Group Policy for the Risk Appetite Statement;
- BCR Group Policy for the Risk Materiality Assessment;
- BCR Group Stress Testing Policy;
- BCR Group Risk Bearing Capacity Calculation Policy;
- BCR Group Risk Management Concentration Policy;
- BCR Group Limit Management Policy;
- BCR Group Risk Settlement Policy;
- Maximum & Rating-based Lending Limit Framework for Clients / Client Groups.

Risk Strategy & Risk Appetite

The Bank implemented in January 2016 an enhanced RAF (Risk Appetite Framework) which represents the overall approach, including policies, controls and systems, through which risk appetite is established, communicated and monitored. The RAF demonstrates the implicit link between risk appetite and strategy. It defines the risk limits and tolerances around those limits.

The RAF also clarifies the action required in the event of a breach of risk limits and risk tolerance. Finally, it specifies the roles and responsibilities for the Bank for the implementation of the RAF.

Limit framework

The Bank also enhanced the limit framework by implementing the concept of core metrics, supporting metrics and operational limits.

Therefore, an integral part of ERM is the development of key risk metrics, exposure limits, and governance and oversight processes to ensure that enterprise-wide risks are within acceptable and manageable levels. A best-practice approach to addressing these requirements is to implement a clearly defined risk appetite statement (RAS).

Risk Appetite and Performance Management

The Bank also enhanced the performance measurement as a critical component in its strategy as only effective and fair performance measurement can incentivize managers to achieve the return and risk objectives.

Thus, the Bank has introduced, besides RORAC, additional indicators – like EVA and Risk-earnings ratio - to measure risk-adjusted profitability, evaluate investment and acquisition opportunities, and allocate capital and other corporate resources.

Risk Materiality Assessment

For BCR Group, the Risk Materiality Assessment is performed for all risk types to which the institution may be exposed. Therefore, the Bank identifies the material risks which could jeopardise strategic and business targets, and sets up action plans, which are then monitored.

Through its risk materiality assessment process that is currently in place, the Bank is able to capture and aggregate all material risks data across the banking group. Also, by its risk materiality assessment process has created the proper standards for risks materiality (i.e. definition of material risks, tolerance levels, and tie to risk appetite).

For 2016, the Bank enhanced the identification and assessment process (*matrix*), by performing a comprehensive inventory of risks and by improving the risk assessment methodology (*risk drivers*).

The risks identified as being material as of June 2016 are as follows:

- Credit risk (default risk, concentration risk, residual risk, un-hedged borrower risk);
- Market risk (interest rate risk in banking book);
- Operational risk (IT risk, legal risk, fraud risk, employment risk, execution risk);
- Liquidity & Funding risk (funding risk);
- Other risks (strategic risk, macroeconomic risk, compliance risk, reputational risk, capital risk).

Stress testing

For 2016, the Bank has launched several strategic initiatives within the stress testing framework build upon the initiatives already planned for the various risk types, as follows:

- Simplification of processes (linkages between the scenario, parameter estimation and final results must be as straight-forward and transparent as possible);
- Enhance scenario analyses, models and assumptions used in stress testing;
- Further optimization of the stress testing process through increased automation and standardization;
- Enterprise-wide stress testing on-going integration with both the strategic and financial planning processes;
- Reinforced governance (oversight of local stress testing methodologies, stress test inventory and scenarios by the relevant local committee).

Reporting

All risks and exposures are monitored by the bank on a continuous basis and managed along portfolio, organizational level and risk type dimensions. The Risks Reports contain an appropriate balance between data, analysis and qualitative comments, include forward-looking measures, risk appetite data, limits and emerging risks, and are distributed on a quarterly basis to the senior management.

Turnover

The turnover for BCR Group and BCR standalone as of 30.06.2016 is presented in the below table:

Thds. RON	
Turnover	
BCR Grup	1,989,526
out of which:	
Romania	1,975,696
Moldova	13,830
BCR Bank	1,869,177

Macroeconomic forecasted risks

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

Economic growth: Most likely, 2016 economic growth will peak at around 4.5% based on household consumption and investments. Net exports could contribute negatively to real GDP in 2016 because import growth will outpace that of exports by a large extent, local economy being unable to cover the demand with domestically produced goods and services. There is a risk of economic overheating on short term in the context of loose fiscal and wage policies. Economic growth could slow down to 3.4% in 2017 due to less traction from the new fiscal and wage policies followed by the government after elections in the autumn. External risks such as Brexit and unstable political situation in Turkey, a key commercial partner for Romania, could also weigh on 2017 economic growth.

Monetary policy and inflation: The NBR could keep the key rate unchanged at 1.75% until the end of 2017 against the backdrop of weak inflationary pressures and loose monetary policies by the large central banks around the globe. Household consumption will continue to grow significantly, boosted by loose fiscal and wage policies. Purchasing power will consolidate, adding upward pressure on inflation rate especially in late-2017. Under these circumstances, the NBR could deliver the first hike in the key rate in early-2018.

Budget deficit and fiscal policy: Loose fiscal and wage policies will lead to a wider budget deficit. Headline budget deficit could grow to 2.9% of GDP in 2016 and 3.5% in 2017, while structural deficit will derail from the targets assumed under the European Fiscal Compact. We see rather high chances that the new government that will take office after elections will announce some measures to keep budget deficit under control in 2017-18. This could mean higher taxes and cuts in certain categories of public expenditures.

6 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.

There is no difference in the scope of consolidation between 30 June 2016 and 31 December 2015. BCR publishes only annual detailed information related own funds according to CRR.

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 30 June 2016 there was no capital shortfall at any of the companies of BCR Group included in consolidation.

7 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 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.

Total capital ratio, CET1 Ratio and Tier1 Ratio, as of 30 June 2016, are presented in the below table:

Indicator (thds. RON)	BCR Group	BCR Bank
Common Equity Tier 1 (CET1) capital	5,288,728.89	5,525,188.05
Tier 1 capital	5,288,728.89	5,525,188.05
Tier 2 (T2) capital	1,603,114.02	1,533,324.62
Total capital (TC=T1+T2)	6,891,842.91	7,058,512.67
Common Equity Tier 1 ratio (as a percentage of total risk exposure amount)/*	16.18%	18.15%
Tier 1 ratio (as a percentage of total risk exposure amount)/*	16.18%	18.15%
Total capital ratio (as a percentage of total risk exposure amount)/*	21.26%	23.36%

*) In order to compute the Capital ratios, an additional regulatory deduction of RON 177,284 thds, was applied to Own Funds (CET1 and Total Capital).

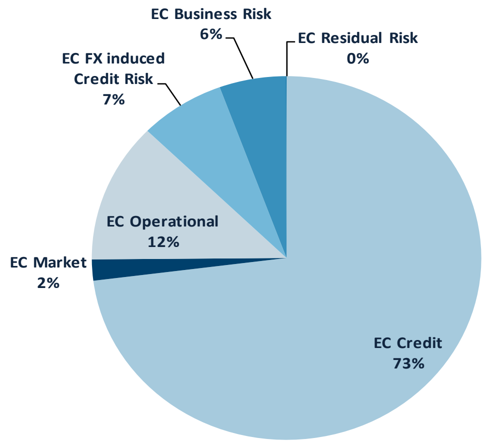
The prudential filter represents the gap between local prudential value adjustments (RAS provisions) and IFRS provisions. According to NBR Regulation no. 5/2013, the usage of the prudential filter will be phased out until 31.12.2017 (the percentages applicable are 40% in 2016 and will reduce by 20% p.a. 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 at individual level (BCR standalone); at 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.

<u>Pillar II</u>

The below diagram presents the composition of the economic capital requirement for BCR Group according to risk type, under Pillar II, as of 30 June 2016:

Economic Capital Requirement by Risk Type in % , 30.06.2016



Throughout the first half of 2016 the Economic Capital Adequacy Ratio (ECA Ratio) for the Group has maintained well within the Risk Appetite limits established through the Risk Appetite Statement. The ECA Ratio is computed and monitored quarterly through the Risk bearing Capacity Calculation process which compares the internal capital requirement with the available internal capital, including capital like components according to internal definitions which together form the gross amount available to cover the bank's risks. The results of the Risk Bearing Capacity Calculation are reported quarterly to senior management through the Risk Report.

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 final financial statements as of 30.06.2016 for the credit risk, market risk and operational risk were as follows:

30.06.2016 (ths RON)	Bank IFRS with prudential filters	Group BCR (IFRS)
TOTAL CAPITAL REQUIREMENTS	**2,357,071.96**	**2,526,618.99**
Credit risk - standard approach	**1,855,958.72**	**1,981,809.41**
Central governments or central banks	49,779.22	62,656.16
Regional governments or local authorities	93,262.91	93,268.47
Public sector entities	167.85	167.85
Multilateral Development Banks	0.00	0.00
International Organisations	0.00	0.00
Institutions	57,970.83	59,140.51
Corporates	754,339.24	753,097.59
Retail	445,666.64	494,657.28
Secured by mortgages on immovable property	193,454.42	195,769.94
Exposures in default	91,364.81	112,886.32
Items associated with particular high risk	54,928.06	55,060.90
Covered bonds	0.00	0.00
Claims on institutions and corporates with a short-term credit assessment	0.00	0.00
Collective investments undertakings (CIU)	0.00	0.00
Equity	73,038.59	5,294.64
Other items	41,986.14	149,809.76
Securitisation positions SA	0.00	0.00
Settlement/delivery risk	**0.01**	**0.01**
Settlement/delivery risk in the non-Trading book	0.01	0.01
Position, foreign exchange and commodity risks under standardised	**11,043.10**	**17,568.76**
Position risk afferent to traded debt instruments	8,298.49	8,298.49
Position risk afferent to equity	80.00	80.00
FX risk	2,664.61	9,190.27
Operational risk	**483,013.71**	**520,184.38**
Basic approach	0.00	37,170.68
Advanced assessment approach	483,013.71	483,013.71
Capital requirements for credit valuation	**7,056.43**	**7,056.43**
Standardised method	7,056.43	7,056.43

8 LEVERAGE

DISCLOSURE REQUIREMENTS COVERED: ART. 451 CRR

Information about leverage ratio

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 information about leverage ratio (individual and on a consolidated basis) for 30 June 2016 are presented in the table below:

30.06.2016
BANCA COMERCIALA ROMANA
INDIVIDUAL (RON)

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

		Applicable Amounts
1	Total assets as per published financial statements	70,611,030,805
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised 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	105,421,549
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)	-2,704,973,921
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	-598,872,554
8	**Total leverage ratio exposure**	67,412,605,880

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)	60,689,839,977
2	(Asset amounts deducted in determining Tier 1 capital)	-459,293,755
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	60,230,546,222
	Derivative exposures	
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	112,844,936

5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	102,530,580
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)**	215,375,516
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2,113,073
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)**	2,113,073
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	9,669,544,990
18	(Adjustments for conversion to credit equivalent amounts)	-2,704,973,921
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	6,964,571,069
	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**	5,525,188,046
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	67,412,605,880
	Leverage ratio	
22	**Leverage ratio**	8.20%
	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 derecognised 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:	60,689,839,977
EU-2	Trading book exposures	902,004,944
EU-3	Banking book exposures, of which:	59,787,835,033
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	21,182,132,225
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	4,397,471,614
EU-7	Institutions	2,681,295,449
EU-8	Secured by mortgages of immovable properties	6,481,185,590
EU-9	Retail exposures	10,388,848,509
EU-10	Corporate	9,239,056,485
EU-11	Exposures in default	1,038,974,942
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	4,378,870,219

30.06.2016
BANCA COMERCIALA ROMANA
CONSOLIDATED (RON)

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

		Applicable Amounts
1	Total assets as per published financial statements	73,369,913,330
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised 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	105,416,049
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)	-2,502,536,634
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	-389,590,901
8	**Total leverage ratio exposure**	70,583,201,845

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)	63,842,939,974
2	(Asset amounts deducted in determining Tier 1 capital)	-399,858,057
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	63,443,081,917
	Derivative exposures	
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	112,844,936
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	102,525,080
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)**	215,370,016
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2,113,073
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)**	2,113,073
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	9,425,173,472
18	(Adjustments for conversion to credit equivalent amounts)	-2,502,536,634
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	6,922,636,838
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**	5,288,728,890
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	70,583,201,845
Leverage ratio		
22	**Leverage ratio**	7.49%
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:	63,842,939,974
EU-2	Trading book exposures	902,004,944
EU-3	Banking book exposures, of which:	62,940,935,031
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	23,543,857,130
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	4,397,818,539
EU-7	Institutions	2,746,803,677
EU-8	Secured by mortgages of immovable properties	6,552,162,729
EU-9	Retail exposures	11,258,596,598
EU-10	Corporate	8,264,146,105
EU-11	Exposures in default	1,283,166,994
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	4,894,383,258

9 USE OF CREDIT RISK MITIGATION TECHNIQUES

DISCLOSURE REQUIRMENTS COVERED ART. 453 CRR

Description of the main types of collateral taken by BCR

The Collateral Management Policy sets out the requirements necessary to the provisions of a uniform framework for collateral management. The Collateral Catalogue is an integral part of the policy.

The main aspects covered are the following:

- end-to-end process and responsibilities for the lifecycle of collateral in the lending business;
- basic principles of setting up the allocated value for a collateral and also the flow to monitor and update the collateral haircuts;
- high-level requirements a collateral has to fulfill to be considered eligible under Basel III;
- requirements for collateral reporting.

The Collateral Catalogue (Annex to the Policy) describes all collateral types used within BCR, together with their corresponding minimum acceptance/ eligibility criteria, valuation requirements and applicable haircuts. Collateral Management Policy and Collateral Catalogue are aligned with Group Collateral Management Policy/Group Collateral Catalogue.

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	
3.1. Private individuals	
3.2. Legal entities	

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 30.06.2016, the total collaterals received from the Ministry of Public Finance used for credit risk mitigation purposes amounted to 3,797,480 ths RON (out of witch “Prima Casa” is 90.5%).

10 EXPOSURE TO COUNTERPARTY CREDIT RISK

DISCLOSURE REQUIREMENTS COVERED: ART. 439 CRR

The Bank determines the exposure value for derivatives instruments arising from counterparty credit risk using the mark-to-market method as described in the Regulation no. 575/2013, art. 274.

Exposure values for derivative instruments arising from counterparty credit risk for BCR for 31.12.2015 and 30.06.2016 are presented in the below tables:

in Ron thousands	31.12.2015	30.06.2016
Exposure from Derivative Instruments	192,782	215,376

The exposure 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, art. 222.

Exposure values for Securities Financing Transactions arising from counterparty credit risk for BCR for 31.12.2015 and 30.06.2016 are presented in the below tables:

in Ron thousands	31.12.2015	30.06.2016
Exposure from Securities Financing Transactions	2,676	2,113

11 CREDIT RISK ADJUSTMENTS

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	**2015**	**2016 H1**	**2015**	**2016 H1**
Sovereign	25,953,249	26,214,750	28,361,255	28,521,017
Institutions	900,284	3,020,152	933,931	3,033,496
Corporates	19,930,111	17,214,310	19,022,878	16,351,531
Retail	20,633,338	20,628,944	21,871,002	21,951,662
Total	**67,416,982**	**67,078,155**	**70,189,066**	**69,857,705**

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				**2016 H1**
in RON thousands	**Sovereign**	**Institutions**	**Corporate**	**Retail**
South - West	113,043	9	840,782	1,417,201
North - East	712,749	0	762,191	2,002,900
South	515,034	22,485	1,263,586	2,012,828
West	372,449	3	486,243	1,738,999
Center	278,316	0	1,295,032	2,151,983
South - East	57,774	10	1,279,892	2,061,664
North - West	350,155	0	1,750,699	2,307,934
Bucharest - Ilfov	23,815,232	2,997,644	9,535,885	6,935,435
Total	**26,214,750**	**3,020,152**	**17,214,310**	**20,628,944**

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					2016 H1
in RON thousands	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Agriculture, forestry and fishing	257,198	231,579	19,268	117,107	625,152
Mining and quarrying	1,225,066	772	0	225,094	1,450,933
Manufacturing	1,576,236	1,331,647	174,466	1,285,004	4,367,352
Electricity, gas, steam and air conditioning supply	228,304	376,862	20,318	160,651	786,135
Water supply	156,348	51,661	410	49,139	257,559
Construction	1,711,751	946,033	4,715	555,281	3,217,781
out of which: Development of building projects	879,730	16,170	1,480	117,743	1,015,122
Wholesale and retail trade	1,972,359	639,484	10,495	451,880	3,074,217
Transport and storage	952,812	192,860	9,125	51,875	1,206,672
Accommodation and food service activities	30,693	6,978	24,068	40,568	102,308
Information and communication	31,081	249,581	3,538	59,914	344,114
Financial and insurance services	8,941,207	424,132	1,894	53,864	9,421,097
out of which: Holding companies	234,587	0	-	32	234,619
Real estate activities	551,019	98,092	53,063	120,705	822,879
Professional, scientific and technical activities	90,804	93,690	15,035	47,612	247,142
Administrative and support service activities	69,919	17,360	202	3,518	90,998
Public administration and defence, compulsory social security	22,474,438	12,596	36,289	71,741	22,595,064
Education	26,725	693	66	281	27,765
Human health services and social work activities	6,224	122,099	1,450	13,596	143,369
Arts, entertainment and recreation	2,194	2,629	25	214	5,063
Other services	40,463	3,564	-	4,832	48,859
Private households	14,970,911	3,659,056	254,858	2,138,410	21,023,235
Others	-	0	-	11	11
Total	**55,315,754**	**8,461,370**	**629,286**	**5,451,296**	**69,857,705**

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				2016 H1
in RON thousands	Sovereign	Institutions	Corporate	Retail
< 3 months	7,239,417	2,467,284	2,094,327	623,294
3 months <= X < 1 year	758,773	56,387	5,145,132	589,248
1 year <= X < 2,5 years	0	13,764	2,151,329	1,015,019
2,5 years <= X < 5 years	9,061,218	189,620	3,628,344	3,206,930
5 years <= X < 10 years	6,156,868	1,061	1,805,186	918,726
10 years <= X < 15 years	2,302,401	0	1,005,342	1,143,442
15 years <= X < 20 years	680,625	864	805,231	2,864,663
20 years <= X	15,449	291,173	579,419	10,267,622
Total	**26,214,750**	**3,020,152**	**17,214,310**	**20,628,944**

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[1]:

[1] &[2] Based on FINREP counterparty types

BCR Group										2016 H1
in RON thousands	Gross carrying amount	of which: perfoming			of which: non-perfoming					
		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	**44,707,919**	**39,294,272**	**247,342**	**136,331**	**2,077,895**	**896,418**	**269,170**	**1,786,490**	**4,731,325**	**4,671,645**
Central banks	5,960,898	5,960,898	-	-	-	-	-	-	-	-
General governments	4,484,616	4,391,861	9,618	18	78,150	4,514	13	443	51,730	51,966
Credit institutions	2,730,783	2,730,783	-	-	-	-	-	-	-	-
Other financial corporations	271,882	219,780	32	4	40,325	11,193	250	298	50,063	43,536
Non-financial corporations	11,623,001	8,765,926	50,242	31,865	1,178,926	766,579	136,963	692,501	2,589,289	2,530,980
Of which: Small and Medium-sized Enterprises	3,879,255	3,031,859	7,335	26,862	397,325	19,134	102,117	294,624	789,166	802,520
Of which: Commercial real estate	5,627,879	3,861,926	20,848	1,016	459,139	711,032	75,744	498,174	1,718,270	1,713,392
Households	19,636,740	17,225,025	187,451	104,444	780,495	114,132	131,945	1,093,248	2,040,244	2,045,162
Of which: Residential mortgage loans	14,376,231	12,727,178	157,022	78,326	535,103	69,167	67,625	741,809	1,351,261	1,348,813
Of which: Credit for consumption	4,654,693	4,134,758	24,515	17,702	187,323	41,325	57,858	191,213	461,328	468,725
Debt instruments	**18,156,573**	**18,153,142**	**-**	**1,474**	**1,957**	**-**	**-**	**-**	**1,957**	**-**
Central banks	8,195	8,195	-	-	-	-	-	-	-	-
General governments	18,148,378	18,144,947	-	1,474	1,957	-	-	-	1,957	-
Credit institutions	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-
Off-balance sheet instruments *	**6,883,260**									
Loan commitments given	**3,930,682**									
Financial guarantees given	**2,692,874**									
Other commitments given	**259,704**									
Positive fair value of derivative instruments	**109,954**									

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[2] are shown below:

BCR Group							2016 H1
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	**-4,071,863**	**-607,608**	**-3,464,255**	**-995,624**	**-808,565**	**-190,246**	**-1,469,819**
Central banks	0	0	0	0	0	0	0
General governments	-44,908	-16,329	-28,579	-25,585	-2,698	-12	-284
Credit institutions	-4,037	-4,037	0	0	0	0	0
Other financial corporations	-26,871	-3,768	-23,103	-11,462	-11,193	-249	-198
Non-financial corporations	-2,061,848	-193,947	-1,867,901	-499,410	-732,081	-107,580	-528,829
Of which: Small and Medium-sized Enterprises	-586,269	-83,445	-502,824	-211,033	-10,260	-78,987	-202,544
Of which: Commercial real estate	-1,437,516	-87,088	-1,350,428	-219,099	-689,807	-58,933	-382,589
Households	-1,934,198	-389,527	-1,544,672	-459,166	-62,593	-82,404	-940,508
Of which: Residential mortgage loans	-1,265,081	-295,543	-969,538	-289,411	-35,829	-38,589	-605,710
Of which: Credit for consumption	-485,908	-90,357	-395,551	-133,465	-25,640	-41,780	-194,665
Debt instruments	**-1,810**	**-1,810**	**0**	**0**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0	0
General governments	-1,810	-1,810	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 *	**237,651**	**49,151**	**188,500**	**0**	**0**	**0**	**0**
Loan commitments given	**21,579**	**17,383**	**4,196**	**0**	**0**	**0**	**0**
Financial guarantees given	**216,072**	**31,768**	**184,304**	**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:

[1] &[2] Based on FINREP counterparty types

BCR Standalone				2016 H1
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	184,776	-15,726	156,075	-107,285
North - East	277,828	-23,164	271,291	-187,520
South	306,893	-18,725	389,126	-243,594
West	233,804	-21,909	220,432	-144,225
Center	240,534	-19,246	442,038	-304,161
South - East	248,607	-22,249	554,606	-369,762
North - West	272,539	-22,662	1,297,306	-1,141,709
Bucharest - Ilfov	886,317	-53,375	876,026	-581,600
Total	**2,651,299**	**-197,058**	**4,206,899**	**-3,079,856**

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

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

								2016 H1	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	**(5,369,124)**	**(534,332)**	**1,999,085**	**515,751**	**49,353**	**(87,304)**	**(3,426,571)**	**(585,587)**	**472,099**
General governments	(28,573)	(8,546)	2,781	9,803	714	(4,078)	(27,899)	(1,187)	111
Other financial corporations	(28,192)	(575)	23	3,946	374	1,390	(23,033)	(96)	860
Non-financial corporations	(3,753,360)	(307,994)	1,879,167	337,553	27,185	(20,831)	(1,838,280)	(564,020)	468,877
Households	(1,558,999)	(217,218)	117,114	164,450	21,080	(63,784)	(1,537,358)	(20,285)	2,251
Collective allowances									
Loans and receivables	**(622,067)**	**(170,516)**	**-**	**147,749**	**-**	**3,579**	**(641,255)**		
NC (open balance)	-	-	-		-	-	-		
General governments	(31,507)	(1,441)	-	43,840	-	(27,901)	(17,008)		
Other financial corporations	(3,187)	(761)	-	174	-	(63)	(3,837)		
Non-financial corporations	(392,334)	(24,301)	-	102,346	-	15,740	(298,550)		
Households	(195,039)	(144,013)	-	1,389	-	15,804	(321,859)		
Total	**(5,991,191)**	**(704,848)**	**1,999,085**	**663,500**	**49,353**	**(83,724)**	**(4,067,825)**		

								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)**		

*) The allocations, releases, recoveries and direct written-offs of loans and receivables represent the P&L impact.
Uses are the use of adjustments for impairment of sold loans or written off.

								2016 H1	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	**(4,969,281)**	**(507,157)**	**1,932,460**	**488,048**	**48,328**	**(73,848)**	**(3,081,450)**	**(537,478)**	**447,631**
General governments	(28,574)	(8,546)	2,781	9,803	714	(4,078)	(27,900)	(1,187)	111
Other financial corporations	(28,017)	(334)	-	3,946	374	1,394	(22,638)	(95)	860
Non-financial corporations	(3,623,874)	(281,714)	1,812,728	312,070	26,204	(8,744)	(1,763,330)	(517,350)	445,455
Households	(1,288,816)	(216,563)	116,950	162,230	21,036	(62,420)	(1,267,582)	(18,847)	1,204
Collective allowances									
Loans and receivables	**(600,542)**	**(163,279)**	**-**	**142,945**	**-**	**547**	**(620,329)**		
NC (open balance)	-	-	-	-	-	-	-		
General governments	(31,495)	(1,441)	-	43,839	-	(27,901)	(16,998)		
Other financial corporations	(3,071)	(737)	-	137	-	(51)	(3,723)		
Non-financial corporations	(372,629)	(17,471)	-	97,926	-	12,685	(279,489)		
Households	(193,347)	(143,630)	-	1,044	-	15,814	(320,119)		
Total	**(5,569,823)**	**(670,437)**	**1,932,460**	**630,993**	**48,328**	**(73,301)**	**(3,701,779)**		

								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)**		

*) The allocations, releases, recoveries and direct written-offs of loans and receivables represent the P&L impact.
Uses are the use of adjustments for impairment of sold loans or written off.

12 OPERATIONAL & REPUTATIONAL RISK

DISCLOSURE REQUIREMNTS COVERED: ART. 446 AND 454 CRR

12.1. Operational risk

The Bank continues to use the AMA model for operational risk capital requirement calculation (both Pillar I and Pillar II). The AMA model was developed at Erste Group level and the figures computed for the operational risk capital requirement are provided on a quarterly basis to all subsidiaries of the group, including BCR.

The Key Risk Indicators (KRI) are regularly monitored and reported on a quarterly base to BCR Management Board. The reports present the KRIs level and, in case of breaching the limits, adequate mitigation measures are implemented in order to reduce the level of risk.

In order to assess the level of operational risk across the Bank, both in terms of inherent and residual risks (including the evaluation of existing controls), Risk and Control Self-Assessment (RCSA) analysis were conducted according with the initial approved plan. For the RCSA performed until end of June 2016, no high residual risks have been identified.

Outsourcing activities are continuously monitored at BCR level, according with internal procedures in place. As of H1 2016, adequate ratings were granted by outsourced managers and no relevant breaching of the indicators was identified.

A new risk management process took place starting with 2016 aiming to re-evaluate all outsourced activities by using a formalized methodology defined at Erste Group level. The analysis includes the evaluation of all possible risks that could be associated with outsourcing (counterparty/vendor, operational, dependency, financial, legal and contractual, exist strategy, country, compliance, loss of management control risks, other risk considered as relevant). The process will be performed annually, the results being presented for approval of Risk Committee of the Management Board.

In order to help the decision bodies to properly evaluate and decide whether a risk can or cannot be accepted, a common tool across Erste Group was implemented in BCR. The Risk-Return Decision template presents in one document all relevant aspects from both sides: risks (probability and severity - financial, legal and reputational impact) and returns (income or cost reduction). It should be applied once business areas (acting as first line of defense) identify a non-financial risk (such operational, compliance, reputational, security, legal, and Information and Communication Technology risks) and is willing to accept the risk. The risk-return decisions approved from the implementation were within defined the Risk Appetite Statement.

12.2. Reputational risk

Reputational risk shows a medium-high level also in Q1 2016, mainly due to growth of consumer protections lawsuits portfolio, distrust in banks due to consumer protection lawsuits, unpredictable legislative trend and exceedingly consumer friendly approach. BCR continues its efforts in pursuing an integrated and balanced approach to preventing and treating reputational risk exposure and operating transparently and accountably, employing a simplified, rapid and innovative grant-making process.

13 LIQUIDITY RISK

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) Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR); Survival Period Analysis (SPA).

Liquidity Buffer

BCR has two approaches for the calculation of the Liquidity Buffer:

- the regulatory approach applied for LCR calculation (following Reg. 575/2013 and Delegated Act);
- the internal approach applied under the Survival Period Analysis, which is more conservatory than the regulatory approach, because it take into consideration additional haircuts for bonds issued by EU Member States in order to account for adverse market price variations.

The liquidity buffer as of June 2016 according to the internal approach was RON 16.8 bn, that is RON 1.4 bn. greater than the value from December 2015, comprising mainly fixed income instruments (79.7%).

The fixed income instruments from the liquidity buffer are denominated in RON (66.5%) and EUR (33.5%); thus, the level of bonds denominated in EUR is sufficient to cover the net cash outflows denominated in EUR.

Liquidity Coverage Ratio (LCR)

Liquidity coverage ratio (LCR) represents the adequate level of high-quality liquid assets to be converted into cash to meet liquidity needs for 30 days under a liquidity stress scenario. The level of LCR as of June 2016 in comparison to December 2015 is presented in the following table:

Liquidity Coverage Ratio (LCR) - BCR Bank	Dec-15	Jun-16
High quality liquid assets - mio RON	17,699	18,203
Total net cash outflows - mio RON	7,043	5,818
LCR- BCR Bank	**251%**	**313%**
Regulatory limit	60%	70%

Survival Period Analysis (SPA)

The Survival Period Analysis (SPA) represents a key instrument for assessing the insolvency risk; it targets a short-time horizon – within one year – and uses the dynamic stress testing methodology. SPA measures the period an entity is able to survive in case of a predefined liquidity crisis scenario.

The RAS limit and warning level for SPA are applied to the net funding gap for one month. The net funding gap indicates the surplus of liquid assets that are still available after a crises period.

The SPA results are based on a severe combined idiosyncratic and market crisis scenario and shows a survival period higher than one year for BCR Bank.

Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio (NSFR) is defined as a ratio between available and required funding. The NSFR restricts overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

The level of NSFR as of June 2016 is presented in the following table:

Net Stable Funding Ratio (NSFR) - BCR Bank	Dec-15	Jun-16
Available amount of stable funding - mio RON	47,842	46,788
Required amount of stable funding - mio RON	26,050	25,351
NSFR- BCR Bank	**184%**	**185%**

14 MARKET RISK

DISCLOSURE REQUIREMENTS COVERED: ART. 448 CRR

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).

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 potential decline of the economic value based on the MVoE methodology at an individual and consolidated level are presented in the tables below:

BCR Bank

(thds RON)	31/Dec/15	30/Jun/16
Own funds	6,875,553	7,058,513
The potential decline of the economic value:		
- % of own funds	**7.14**	**9.86**
- total absolute value, of which:	490,980	696,166
- RON	297,872	369,754
- EUR	141,617	276,740

BCR Group

(thds RON)	31/Dec/15	30/Jun/16
Own funds	6,902,085	6,891,843
The potential decline of the economic value:		
- % of own funds	**7.68**	**10.82**
- total absolute value, of which:	530,167	745,672
- RON	347,634	429,557
- EUR	131,285	266,841