

NOTE

AUTHOR	Note number	- 144 / 11/03/2021		
	Functional entity	Directia Contabilitate		
	Confidentiality level	Confidential		
	Name, first name	Ramona Florentina Calota		
1. Referring to	Distribution of net profit for the financial year 2020			
2. For		Information	Pre-approval	Approval
	DE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VPC	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	ALCO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	MB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Risk Committee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	SB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	GMS	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Other level	<input type="checkbox"/>	N/A	<input type="checkbox"/>
	N/A			
	N/A			
3. Call notice chapter	Topics for approval			
4. Proposed resolution draft²	The pre-approval by the Management Board and Supervisory Board and approval by the General Shareholders' Meeting of the distribution of the 2020 net profit registered at BCR level			
5. Content:				
<u>5.1. Legal requirements</u>				
<p>BCR prepares, approves and publishes the separate and consolidated Annual Financial Statements audited as at 31.12.2020, in accordance with the Accounting Law no. 82/1991, with subsequent amendments and supplements and the Accounting Regulations according to IFRS applicable to credit institutions approved through the NBR Order no. 27/2010, with subsequent amendments and supplements.</p> <p>The Separate and Consolidated Annual Financial Statements accompanied by the Separate and Consolidated Administrators' Report and the Audit Report as of 31 December 2020 are subject to the pre-approval of the Management Board and Supervisory Board and the approval of the General Shareholders' Meeting.</p> <p>For submission to the National Bank of Romania and the Ministry of Finance - National Agency for Fiscal Administration, the Annual Financial Statements as at 31 December 2020 will be accompanied by the Administrators' Report, the Independent Auditor's Report and the Proposal for the distribution of profit in accordance with art. 29 para. 1 of the Accounting Law no 82/1991, republished as subsequently amended and supplemented, para. 67 of the Law no 31/1990, republished as subsequently amended and supplemented and art. 27 of BCR Constitutive Act.</p> <p>The financial results of Romanian Commercial Bank (stand-alone) for the financial year ended 31 December 2020 is a net profit of RON 779,958,198.</p>				

² To be filled in case of documents submitted for pre-approval/ approval to several committees

The main elements of the equity before profit distribution for the year 2020 are presented below:

	Bank
In RON thousands	
Share capital ¹	1,625,342
Adjustment of the capital – hyperinflation	1,327,223
Merger premium	395,483
Other reserves	1,197,466
<i>Legal statutory reserves</i>	569,355
<i>General reserve regarding credit risk set up from profit before tax</i>	162,935
<i>Reserve on general banking risks</i>	267,673
<i>Other reserves</i>	197,503
Other comprehensive income	186,164
Retained earnings ²	3,639,730
Net profit for the period	779,958
Total amount of the Bank's equity	9,151,366

^[1] The share capital represents the subscribed and paid-up share capital at nominal value, consisting of 16,253,416,254 shares with each nominal value of RON 0.1 / share.

^[2] Include also undistributed proposed dividends from 2019 profit in amount of RON 325,954,833. Due to COVID-19 pandemic effects and based on the recommendations received from ECB/NBR, approval of dividends distribution proposed for 2019 financial year, in amount of RON 325,954,833 was not approved in GSM meeting held on 26 June 2020. The GSM resolution mentions the intention to postpone the dividend distribution decision as initially proposed and, consequently, the amount was registered within retained earnings.

5.2. Proposal for distribution and payment of net profit for the financial year 2020

We propose to the General Meeting of Shareholders, the following structure of net profit allocation for 2020:

Table A

Element	RON
Other Reserves ^[1]	24,910,608
Dividend proposed	71,778,644
Result reported ^[2]	683,268,946
Total	779,958,198

^[1] The amount of RON 24,910,608 represents the reinvested accounting profit of BCR which was exempt from applying corporate income tax, in accordance with the provisions of the Fiscal Code in force and which should be mandatorily allocated to Reserves.

^[2] The retained earnings totaling RON 683,268,946 will be used in accordance with the Bank's business and capital planning strategy.

Total potential dividend planned according to capital strategy is 70% of 2020 net profit, amounting to RON 545,970,739.

However, at the end of 2020, NBR issued the letter no. 788/21.12.2020 recommending measures to maintain own funds at an adequate level according to bank's risk profile. From this perspective, dividend distribution should be prudent, at least until 30.09.2021, as follows: 15% of the cumulative profits 2019 and 2020, but not more than 20 bps of CET 1 ratio as at 31.12.2020. Maximum distribution allowed before 30.09.2021 as per NBR's recommendation is **RON 71,778,644**.

NBR should be notified on the distribution intention.

Please see below the details:

BCR Bank	RON
Cumulative Net Profit	1,431,867,864
of which 2019	651,909,666
of which 2020	779,958,198
Regulatory RWA	35,889,322,109
CET1 ratio	19.86%
15% of Cumulative Net Profit	214,780,180
20 bps of CET1 ratio	71,778,644
Dividend proposal	71,778,644

5.3. Potential dividends

Summarizing the above mentioned, the total potential dividends are as follows:

BCR Bank	RON
Total dividends	871,925,572
Retained earnings (equivalent payout ratio 50% from 2019 registered profit)	325,954,833
2020 (payout ratio 70%)	545,970,739
Total dividends for distribution	871,925,572
Payable before 30.09.2021	71,778,644
Payable after restrictions expire	800,146,928

According to Law 31/1990, art.67.2, dividends proposed for distribution should be paid to the shareholders no later than 6 months after GSM approval, otherwise the Bank will pay penalties for the days past due.

Considering the uncertainty of the date when the restrictions imposed by NBR expire, at this moment, the Bank cannot estimate a date for payment of the rest of RON 800,146,928 RON from total potential dividends. The approval for this distribution must be subject of a separate GSM, when the date of distribution will be known.

5.4. Payment of dividends

We propose the dividends in amount of RON 71,778,644 to be paid at the latest by the end of 30.06.2021. Any withholding tax applied to dividend income will be deducted from gross value in accordance with the provisions of the Fiscal Code. Tax treatment of dividend income will be determined for each category of beneficiary under the tax provisions.

5.5. Regarding own funds items under Regulation 575/2013

Pursuant to Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, Chapter II "Basic Tier 1 Own Funds", Article 26, paragraph 1, the main own funds items, other than social capital, are: retained earnings, other items of accumulated comprehensive income, other reserves and funds for general banking risks. Eligible own funds items are included net of potential obligations (dividends, taxation effects).

These Basic Level 1 own funds items referred to in the previous paragraph may be included in the calculation of own funds only if they are available immediately and unrestricted to cover the risks or losses as soon as they appear.

In accordance with the above, we propose to General Shareholders' Meeting the approval of the following:

1. Distribution of the net profit for the financial year 2020 according to the table above (Table A);
2. Payment of dividends in amount of RON 71,778,644, in compliance with the provisions of the Fiscal Code regarding withholding tax until 30.06.2021 at the latest;
3. Maintaining the intention of dividend distribution in amount of **RON 325,954,833** out of retained earnings (equivalent payout ratio 50% from 2019 registered profit) and **RON 474,192,095** out of 2020 profit, when the restrictions expire, subject to a separate GSM's approval;
4. Except of dividend distribution for 2019 and 2020 proposed or intended to be distributed in the future, maintaining the inclusion in the Basic Tier 1 Own Funds of the retained earnings, other accumulated earnings, other reserves and funds for general banking risks in compliance with the provisions of Regulation 575/2013 up to any other decisions of the GSM;
5. Continuing in 2021 to apply for the fiscal facility related to the reinvested profit with the consequence that the net profit will have to be mandatorily allocated to "Other reserves" category within total Bank's equity.