

Annual Report

for the year ended at 31 December 2020

This report is prepared in accordance with requirements of ASF Regulation 5/2018.

Report issued: 12 March 2021

Name of legal entity:	Banca Comercială Română SA
Headquarters:	159 Calea Plevnei street, Sector 6, Bucharest, postal code 060013
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Registration Number in the Trade Register:	J40/90/1991
Company Registration Number:	361757
Banking Register Number:	RB-PJR-40-008/18.02.1999
Notification registered as Personal Data Operator at ANSPDCP under No:	3776 and 3772
Subscribed and paid-up capital:	1,625,341,625.40 RON
The regulated market on which the bonds are issued:	Luxemburg Stock Exchange (www.bourse.lu) Bucharest Stock Exchange (www.bvb.ro)
The main characteristics of the bonds issued by BCR S.A.	Issuance in amount of EUR 2,000,000, ISIN XS0675038649 Issuance in amount of RON 600,000,000, ISIN ROEAZVK5DFP8

1. Analysis of the issuer's activity

1.1. Company presentation

Banca Comercială Română (BCR) was established in 1990, when it took over the commercial operations of the National Bank of Romania. Today, BCR Group (member of Erste Group) is one of the most important financial group in Romania, including universal banking operations (retail, corporate & investment banking, treasury and capital markets) as well as leasing companies, a private pension fund and a housing bank.

The Bank offers a complete range of financial services, a very developed digital banking ecosystem in George and financial solutions dedicated to each stage of the financial cycle in a lifetime, as a "one-stop shop": savings, investment, lending, consulting and advisory, as well as leasing. BCR encourages long-term relationships with its clients belonging to all segments, offers affordable and transparent products, but also personalized consulting services.

Network

BCR offers a full range of financial products and services through a network of 18 commercial business centres and 16 mobile offices dedicated to companies and 370 retail units located in the majority cities with a population of over 10,000 inhabitants.

Bank and subsidiaries

During 2020, Banca Comercială Română Group ("BCR Group" or "the Group") comprised the parent bank, Banca Comercială Română S.A. and its subsidiaries, presented in the following table:

Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impairment
			2020	2019			
1 BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	38,825	61239
2 BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,492	226,388	63,104
3 BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	81408	88,42
4 BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	781078	-	781078
5 Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
6 CIT One SRL (i)	Romania	Cash processing and storing	-	100.00%	-	-	-
7 BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1900	1900	-
8 BCR Fleet Management SRL (ii)	Romania	Operational leasing	99.97%	99.97%	-	-	-

(i) As of 30 of September 2020, BCR lost control over CIT One SRL following the subscription agreement concluded with 2 other companies, the company has 3 shareholders, each owning 33% of CIT One. Starting with this date, CIT One is a joint venture, consolidated through equity method.

(ii) Company held indirectly by BCR through BCR Leasing SA, reclassified as asset held for sale starting May 2019.

1. Analysis of the issuer's activity (continued)

1.2. General evaluation elements

The BCR impact in the economy

In **retail banking**, BCR generated total new loans to individuals and micro businesses of around RON 8 billion in 2020. BCR gained market share y/y in new consumer loans up to 17.4% (+1.6 pp) and in new mortgage loans up to 20% (+3 pp) despite the adverse pandemic context. Mortgage new sales in local currency increased by 28% y/y, mainly driven by Casa Mea mortgage product which represents 71% of the total production. Also, BCR continued to support the state guaranteed product Noua Casa, reaching a market share of 30%. Stock of mortgage in local currency increased by 20% y/y in 2020, while the stock of consumer loans increased by 8% y/y.

In **corporate banking**, BCR (Bank standalone) approved new corporate loans of RON 9.3 billion in 2020, up by 24.5% y/y. The main driver was the increase of financing granted to SME segment (including BCR Leasing subsidiary) by 14.8% y/y to RON 7 billion (EUR 1.4 billion) as of 31 December 2020, as a result of a high focus on new business including leasing and BCR's participation in SME Invest program. Also, Public Sector financing increased by 21.6% y/y and the Real Estate financing by 7% y/y.

The **intelligent banking platform George** exceeded 1 million active users, up by 43% as compared to 2019. George displays online a large number of retail banking products (current accounts, savings, credit, and insurances). In 2020 several unique products were launched on the George platform: online refinancing, online credit card and online overdraft (launched at the end of 2020 – already 50% of credit cards and overdraft contracts were granted on a full digital flow), Multi Protect insurance and credit insurance. George Moneyback, the loyalty program that offers money back in return, as discount, when customers use card payments reached 310,000 users in just five months. Over 95% of new savings accounts in 2020 have been initiated through George.

The **Casa Mea App**, which runs the document workflow for standard mortgages on mobile phone or tablet, has been used for 40% of the Casa Mea mortgage loans.

The **Money School programme** reached over 30,000 adults and children in 2020, by organizing financial education online sessions and dedicated workshops. The total number of people that have interacted with the program exceeds 430,000. The **BCR Business School**, the entrepreneurial education program reached 10,000 users (entrepreneurs, managers, freelancers, teachers, and students) that have subscribed on the platform or participated at online sessions. Within the **INNOVX-BCR business accelerator program**, last year 62 start-ups (up to EUR 1 million) and scale-ups (companies with turnovers or attracted funds of over EUR 1 million) were accelerated or incubated, from all over the country.

BCR Group performance in 2020

BCR Group achieved a **net profit** of RON 814.1 million (EUR 168.3 million) in 2020 up from RON 593.3 million (EUR 125 million) in 2019 underpinned by strong loan growth and better operating performance, partly offset by higher risk costs. The net profit in 2019 was affected by a significant one-off provision allocation related to the activity of BCR Banca pentru Locuinte booked in Q2 2019.

Operating result improved by 5.1% to RON 1,877.5 million (EUR 388.1 million) in 2020 from to RON 1,786.9 million (EUR 376.5 million) in 2019, on the back of higher operating income along with lower operating expenses.

Net interest income increased by 5.1% to RON 2,371 million (EUR 490.1 million) in 2020, from RON 2,256.3 million (EUR 475.5 million) in 2019, favoured by higher loan and deposit volumes in both retail and corporate, partly offset by impact from lower money market interest rates.

Net fee and commission income decreased by 9%, to RON 710 million (EUR 146.8 million) in 2020, from RON 780.6 million (EUR 164.5 million) in 2019, driven by lower cash withdrawal and waived withdrawal fee at non-BCR ATMs in April and May as support measure during the state of emergency.

The income statement is converted using the average exchange rate for 2020 of 4.8381RON/EUR (2019: 4.7456 RON/EUR). The statement of financial position is converted using the closing exchange rates for 31 December 2020 4.8683 RON/EUR (2019: 4.7830 RON/EUR). All the percentage changes refer to RON figures.

1. Analysis of the issuer's activity (continued)

1.2. General evaluation elements (continued)

Net trading result increased by 1.2%, to RON 356.5 million (EUR 73.7 million) in 2020, from RON 352.4 million (EUR 74.3 million) in 2019, mainly driven by slightly higher trading activity.

Operating income increased by 1.6%, to RON 3,546.3 million (EUR 733.0 million) in 2020, from RON 3,490.4 million (EUR 735.5 million) in 2019, driven by higher net interest income and net trading result, partly offset by lower fee income.

General administrative expenses reached RON 1,668.8 million (EUR 344.9 million) in 2020, down by 2.0% in comparison to RON 1,703.5 million (EUR 359.0 million) in 2019, mainly due to lower contribution to deposit insurance fund in 2020 versus 2019 and lower depreciation, partly offset by higher personnel expenses and costs related to the new head office in 2020.

As such, **cost-income ratio** improved to 47.1% in 2020, versus 48.8% in 2019.

Risk costs and Asset Quality

Impairment result from financial instruments recorded an allocation of RON 521.3 million (EUR 107.7 million) in 2020, as compared to a release of RON 61.8 million (EUR 13.0 million) in 2019. This result has been influenced by prudent measures taken by the bank in order to anticipate any potential negative effect of the pandemic context, measures mainly translated into updated risk parameters based on the most recent macroeconomic scenarios and the implementation of stricter rules for credit risk classification under IFRS 9 applied to client exposures affected by the current situation.

The **NPL ratio** reached 4.5% as of December 2020 against 4.1% recorded as of December 2019. This evolution is mainly reflecting the effect of a one-off large default registered in the corporate segment in the second quarter of 2020, as well as higher new NPLs in the retail segment as a result of an assessment for unlikeliness to pay performed in the fourth quarter on clients with still active instalment deferral agreements. At the same time, the NPL provisioning coverage reached 122.5% as of December 2020.

Loans and advances to customers increased by 7.4% to RON 43,002.5 million (EUR 8,833.2 million) as of 31 December 2020 from RON 40,049.0 million (EUR 8,373.2 million) as of 31 December 2019, supported by increases in both retail (+6.9% ytd) and corporate (+7.8% ytd).

Deposits from customers strongly increased by 12.3% to RON 64,876.8 million (EUR 13,326.4 million) as of 31 December 2020 versus 57,791.8 million (EUR 12,082.8 million) as of 31 December 2019, supported by increases in both retail (+10.9% ytd) and corporate (+16.4% ytd) deposits.

The **solvency ratio** for BCR Bank standalone, according to the capital requirements regulations (CRR) stood at 20.51% as of December 2020, well above the regulatory requirements of the National Bank of Romania. Furthermore, the Tier 1+2 capital ratio of 19.42% (BCR Group) as of December 2020 is clearly reflecting BCR's strong capital and funding positions.

Consolidated turnover for year ended at 31 December 2020 is RON 4,354,208 thousands (2019: RON 4,272,269 thousands) calculated according to NBR Regulation 5/2013 article 644 regarding prudential requirements for credit institution.

Liquidity in RON equivalents at 31 December 2020, calculated according to NBR Regulation 25/2011 was between 1.68 and 26.94 depending on residual maturity of assets and liabilities (2019, between 1.68 and 17.07).

1.2.1. Description of the main products

The Group provides day-to-day banking services and other financial services to governmental institutions, corporate and individual clients operating in Romania and abroad. These services include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, finance micro and small enterprises, bank guarantees, letters of credit and through subsidiaries also leasing, brokerage, financial consultancy services and asset management.

1.2.2. Evaluation of the technical-material supply activity

N/A

1. Analysis of the issuer's activity (continued)

1.2. General evaluation elements (continued)

1.2.3. Valuation of sales activity

BCR is one of the most important banks in Romania regarding bank transactions, BCR customers having available the largest national network of ATM and multifunctional machines- almost 1,800, more than 13,000 POS and complete services of Internet banking, Mobile banking, Phone-banking and E-commerce.

BCR serves the following groups of clients:

Private Individuals: BCR supports its customers to fulfil their aspirations, insuring their current and future financial well-being and provides support for accessing the full digital flow of its products. BCR offers a full range of services and products, from real estate financing (mortgages), personal loans, personal accounts (including packages for entrepreneurs, students, NGOs and Foundations), debit and credit cards, investment and savings products, consultancy and sale of treasury products and financial market access to private customers. BCR offers full Internet banking, Mobile Banking, Phone Banking and E-commerce services. The George digital platform is always available for its customers on their mobile phone, tablets or laptops. The Bank's customers have full control over their financing, anytime and anywhere.

Small and Medium Enterprises as well as large companies: proper financing is essential for the sound development of a business. BCR is dedicated to finding ways to navigate together with customers, through the current challenges. As a leader in many banking areas, BCR plays a key role for the commercial companies' segment by offering customized products, specialized programs and advice to micro-enterprises, small and medium-sized businesses as well as for large commercial companies.

Municipal authorities, public and non-profit sector: thanks to the long and solid relationship with municipal authorities, as well as with the public and non-profit sector, BCR became the first choice for dedicated financial solutions (including special funding for infrastructure projects at national, regional and local level).

1.2.4. Evaluation related to issuer's employees

The number of own employees of the Bank at 31 December 2020 was 5,201 employees (31 December 2019: 5,412 employees).

The number of own employees of the Group at 31 December 2020 was 5,645 employees (31 December 2019: 6,766 employees).

Key statistics related to BCR's workforce:

- gender distribution: 74.15% women and 25.85% men;
- average age: 40.43 years;
- Level of studies: 85.89% employees with higher education and 14.11% employees with secondary education.

Improvement and professional development

During 2020, there were 14,076 participations in various training sessions and workshops organized in accordance with our annual training plan, of which 44% represents participation in technical training courses.

The total average number of training days was 3.60 days per employee, of which in class or virtual sessions 2.27 days/employee and 1.33 days/employee in e-learning format.

In the context of the COVID-19 pandemic, starting with March 2020, all instructor-led sessions (including the Induction session for new hires) were delivered in a virtual format. All the training topics essential to our colleagues' activity were redesigned for online delivery by using interactive and engaging techniques.

Our e-learning platform is actively used for on-line education as well as for regular testing sessions, such as: prevention and combating money laundering, information security, market abuse, financial sanctions, transparency and consumer protection, health and safety at work (SSM), compliance, data protection etc. Last year, we purchased approximately 500 online courses which we made available to all our employees directly on the platform supplied by the training provider. Additionally, some 420 colleagues benefited from online courses on various current topics available on the international Udemy for Business platform.

Employees from our retail units benefited from specialized programs for development of technical skills and other skills necessary in their daily activity in the new work environment. Thus, they participated in virtual courses focused on customer service in light of the Covid-19 generated situation, as well as in courses designed to improve the client-bank relationship.

1. Analysis of the issuer's activity (continued)

1.2. General evaluation elements (continued)

1.2.4 Evaluation related to issuer's employees (continued)

In 2020, BCR continued the process of transformation in line with worldwide digitalisation trends and ever-changing customer expectations and, for this purpose, a series of events and workshops were organized on relevant topics such as new ways of working, design thinking and agile methodologies.

The bank continued to focus on management education by providing managers with various courses on management & leadership skills, so as to ensure they are prepared to face the challenges brought about by work from home conditions and contribute to overall achievement of strategic objectives.

1.2.4. Evaluation related the impact of the issuer's core business on environment

Environmental protection and the responsible use of resources are endeavours integrated in the business strategies of environmentally conscious companies world-wide, and in Romania.

Banca Comercială Română:

- admits and accepts the fundamental importance of an integrated approach of the environmental and social factors, as well as of lasting development principles within its financing activity;
- pays adequate attention to its financing processes, securing before making the financing decision, the compliance of the respective projects with the minimal environmental protection, social protection and occupational safety standards applicable in Romania.

BCR does not finance activities which do not meet environmental requirements specified in the Romanian legislation, relevant international conventions and agreements to which Romania adhered expressly. Analysis of environmental issues is part of the lending process and is mandatory for every transaction.

1.2.5. Evaluation of Research and Development

N/A

1.2.6. Evaluating the issuer's risk management activity

The overall focus of risk and capital management throughout 2020 was on maintaining the BCR Group risk profile in line with the BCR Risk Strategy, increasing the capital base and supporting the strategic management initiatives with a focus on balance sheet optimization.

BCR Group uses a risk management and control system that is forward-looking and tailored to its business and risk profile. This system is based on a clear risk strategy that is consistent with the business strategy and focused on early identification and management of risks and trends.

The overall risk profile for BCR Group, as well as the individual risk profiles are implemented through the BCR Group Risk Strategy and are subject to an annual comprehensive review process. A quarterly assessment of the risk profiles checks if there are changes in respect of the risks materiality or if new risks occurred in the Bank activity.

Given BCR Group business strategy, the key risks for BCR Group are credit risk, market risk (including interest rate risk in the banking book), liquidity and funding risk and operational risk. All material risks are covered by BCR Group's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of BCR Group.

Based on the BCR Group Risk Strategy and BCR Group overall and individual risk profiles, BCR Group subsidiaries, including BCR, set up their local risk profile. Also, BCR Group's capital management framework serves to ensure that the BCR group and its subsidiaries are capitalized in line with the risk profile, regulatory requirements and economic capital requirements.

1. Analysis of the issuer's activity (continued)

1.2. General evaluation elements (continued)

1.2.6. Evaluating the issuer's risk management activity (continued)

As part of its risk strategy, BCR Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The target risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework. In terms of governance, full oversight of the risk profile and a sound execution of the risk strategy is ensured including appropriate monitoring and escalation of issues that could materially impact the risk profile of the Group.

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The proportionality principle is a crucial and integral part of BCR Group's overall risk framework and strategy. The proportionality principle is applied for the core components of BCR Group ICAAP framework (Risk Materiality Assessment/Risk taxonomy, Risk-bearing Capacity Calculation, Risk Appetite & Risk Profile, Stress testing, Risk Concentration Analysis, and Recovery Plan).

BCR Group level risk management principles, concepts and processes are generally designed, developed and implemented to address over-arching organizational needs across both group and local entities/subsidiaries reflecting a high degree of granularity and detail.

However, subsequent implementation and application at BCR Group subsidiaries requires an approach that takes differences in business structures, size, complexity and relevance into account. This will ensure a meaningful, suitable and adequate application across BCR Group in line with local needs and capabilities while still fulfilling overall BCR Group level requirements and standards.

The evaluation of proportionality criteria is reviewed on an annual basis and included in the Risk Strategy. In addition, a reassessment might be carried out outside the annual review cycle if changed business parameters indicate a need for a respective reclassification.

Starting from the volume and nature of BCR activity as part of BCR Group, the risk profile of BCR Group is driven by the Bank risk profile. Thus, the Risk Profile for BCR Group follows in general the same directions as the Bank, both with regard to overall risk profile and individual risks profiles based on the following considerations:

- the volume and nature of BCR activity as part of BCR Group;
- the categorization of BCR as a full subsidiary based on the Proportionality Principles.

1.2.7. Outlook on issuer's activity

2021 expected macroeconomic development

BCR forecasts gross domestic product growth to recover in 2021 by +3.9% y/y after a -3.9% contraction in 2020 as both external and domestic demand should be supported by large fiscal and monetary stimulus packages.

Large amounts of EU funds available under the current budgeting exercise and from the EU recovery plan should support investments and prop-up gross domestic product growth offsetting the expected deceleration in wage and pension increase over the next couple of years.

Medium-term, gross domestic product growth should hover around its potential rate of around 3.5%. Near-shoring could bring additional investments as Romania is deeply integrated in the European manufacturing value chains.

Balance Sheet developments

Loan production will continue to be key growth driver for the balance sheet, BCR Group expecting a high-single digit increase in 2021, sustained by both Retail and Corporate segments.

Retail loans portfolio is assumed to increase in 2021 on the account of dynamic consumer lending and strong mortgages, housing standard being predominant within growth composition. Corporate is expected to see in 2021 a two-digit increase in lending portfolio, with positive developments in all segments. According to BCR's estimations, Corporate portfolio is expected to grow faster than market over the next years.

On the liabilities side, both Retail and Corporate deposits will continue their strong growth in line with BCR strategy to capitalize on its customer deposit base and with focus on digitalization.

1. Analysis of the issuer's activity (continued)

1.2. General evaluation elements (continued)

1.2.8 Outlook on issuer's activity (continued)

Income Statements developments

Net interest income is expected to marginally contract in 2021 on the back of loose monetary policy during 2020-2021.

Following the decrease in 2020, second key income component, **net fee and commission income**, is expected to recover in 2021 driven by card payments and brokerage fees despite the challenging environment.

Net trading result backslides in 2021 on base effect due to exceptional results in trading activities of the previous year.

In the current context, **operating income** will stay rather flat in 2021.

Lower **operating expense** in 2021 vs. 2020 is targeted in an effort to counterbalance negative effect from COVID-19 crisis.

Risk cost development in 2021 is driven by estimated increased default rates, especially among debtors who requested payment deferrals under COVID-19 crisis, corroborated with the implementation of new default methodology which applies stricter thresholds for marking with default the overdue exposures above 90 days past due (DPD)

2. Issuer's tangible assets

Currently, BCR S.A. has a portfolio of 125 properties, located in 39 counties, of which the largest number of buildings are located in Bucharest - 15 units, Hunedoara and Brasov - 6 units and the remaining 98 buildings are located in other counties in Romania.

In 2019, BCR S.A. decided to pursue a strategy of optimizing the network of units and headquarter buildings by selling certain properties. Implementation of strategy continued in 2020, as well and, as a consequence, the number of properties approved for sale increased.

Based on the approved strategy a number of tangible assets (IAS 16) were reclassified in 2020 into:

- non-current assets held for sale (IFRS5) - 6 properties in net amount of RON 14,098 thousand and
- investment properties (IAS 40) - 10 properties with net amount of RON 43,816 thousand.

During 2020, BCR sold 42 properties (land and buildings), the net book value of which amounted to RON 75,462 thousand.

As of 31 December 2020, net tangible assets amounted to RON 974,865 thousand, out of which investment property amounted to RON 171,860 thousands. In total net tangible assets, buildings and lands are 40%.

Description and analysis of depreciation degree of Bank's property

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 30 to 50 years (mainly 50 years)
- Office equipment 3 to 10 years
- Other furniture and equipment 3 to 10 years

3. Securities Market

3.1. Romanian and foreign markets where the securities issued by the Bank are traded

BCR's current debt issuance programme implemented in 2013 is a programme for issuing debt instruments in various currencies and maturities with a limited range of interest rate structures.

In 2009, BCR launched a EUR 3,000,000,000 Medium Term Notes Programme (MTN) approved by Commission de Surveillance du Secteur Financier Luxembourg and listed on the Luxembourg Stock Exchange and stopped in 2012.

In April 2018, BCR's Extraordinary Shareholders General Meeting has approved the extension of the Debt Issuing Programme for a period of 10 years, as well as new bond structures (e.g. subordinated notes, Minimum requirement for eligible liabilities (MREL) notes). In 2019, the debt issuance programme has been integrated into the Multi Issuer Programme (MIP) arranged by Erste Group Bank, and is approved by Financial Market Authority (Austria) and listed on the Vienna Stock Exchange.

In 2019, under the MIP, BCR issued a number of 1,200 senior non preferred bonds, due 16 December 2026, each with a nominal value of RON 500,000, and a total value of RON 600,000,000. The issue was made available for subscription through private placement to qualified investors only and bears an interest rate of 5.35% per year. The bonds became tradable on the regulated market managed by the Bucharest Stock Exchange under the ISIN ROEAZVK5DFP8 and DBFNFR symbol starting with 19 December 2019.

As of 31 December 2020, BCR had 1 bond issue outstanding, issued out of the previous MTN and listed on the Luxembourg Stock Exchange (www.bourse.lu). The summary of these bonds issued is presented below:

ISIN	Issue date	Maturity date	Category	Type	Currency	Issue value	Paying Agent
XS0675038649	02.12.2011	02.12.2021	SENIOR	Index Linked Notes	EUR	2,000,000	BNP Paribas, Lux

Additional information regarding these bonds is available on the web page of the Luxembourg Stock Exchange: <https://www.bourse.lu/programme/Programme-BancaComRomana/13618>.

In 2020, 2 bond issues were redeemed, totalling approximately EUR 31.89 million.

3. Securities Market (continued)

3.2. Description regarding issuer's dividends policy

The net profit of the Bank for the financial year ended 31 December 2020, amounting to RON 779,958,198.03 will be distributed according to the law.

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 para. 27 of BCR Charter. The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2020 net profit as follows:

Item	Amount - in RON
Other reserves ^[1]	24,910,608
Dividend distribution	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 totalling 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 decision.

3.3. Description of any activities of the issuer to acquire its own shares

N/A

3.4. The number and nominal value of the shares issued by the parent company and owned by the subsidiaries

At 31st December 2020 and 31st December 2019, BCR Leasing IFN SA holds 109 BCR shares with nominal value of 0.10 RON/share.

3.5. Presentation of the methods used by the bank for paying its obligation towards the owners of these types of securities in case that the bank issued bonds and/or other debt securities

The coupon payments and principal repayments of the bonds issued out of the MTN Programme are made in accordance with the provisions of sections "Terms and Conditions" of the Base Prospectus, as well as the Final Terms of the bonds, published on the web page of the Luxembourg Stock Exchange (www.bourse.lu), direct link: <https://www.bourse.lu/programme/Programme-BancaComRomana/13618>.

The coupon payment and principal repayments of the RON 600,000,000 senior non preferred bonds are made in accordance with the provisions of sections "Securities Note" of the Base Prospectus, as well as the Final Terms of the bonds, published on the web page of the Bucharest Stock Exchange (www.bvb.ro), direct link:

<http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=BCR26>.

4. Issuer's Management

As of 31.12.2020, the members of the Supervisory Board were:

- Manfred Wimmer – Chairman;
- Alexandra Habeler – Drabek – Deputy Chairwomen;
- Daniela Camelia Istocescu Nemoianu – member;
- Hildegard Gacek – member;
- Elisabeth Krainer Senger – Weiss – member;
- Bernhard Spalt – member;
- Birte Quitt – member.

The Members of the Management Board as of 31.12.2020 were as follows:

1. **Sergiu Cristian Manea** – Executive President, Chairman of the Management Board - mandate valid until 28.02.2022;
2. **Elke Meier** – Executive Vice-President coordinating the Financial functional line, Member of the Management Board - mandate valid until 31.12.2023;
3. **Ilinka Kajgana** – Executive Vice-President, coordinator of the Risk functional line, Member of the Management Board - mandate valid until 31.12.2023;
4. **Dana Luciana Dima** - Executive Vice-President coordinating the Retail and Private Banking functional line, Member of the Management Board - mandate valid until 31.10.2021;
5. **Ryszard Ferdynand Drużyński** - Executive Vice-President coordinating the Operations & IT functional line, Member of the Management Board - mandate valid until 31.12.2020. Mr. Drużyński's mandate ended as of December 31st 2020 and the Supervisory Board approved on November 23rd 2020 the appointment of Mr. Thomas Kolarik in the position of Management Board member and Executive Vice-President coordinating the Operations & IT functional line. Currently Mr. Kolarik is under the NBR authorization process.

Management Board members meet the general conditions provided by the law and the special conditions of the Banking Law, National Bank's regulations, and Recruitment and Remuneration Policy of BCR Group management.

Professional experience details of Management Board may be found on the following link: <https://www.bcr.ro/en/about-us/bcr-management>.

The Management Board may set up committees as it deems necessary and appropriate. Such committee's competencies and authority will be stipulated by the Management Board and responsibilities will be defined by each committee's internal rules.

There are no litigation or administrative proceedings in the records of the bank involving the members of the Supervisory Board or the Management Board of BCR.

5. Financial highlights

5.1. Statements of financial position

The structure and evolution of the Group's main asset, liability and equity categories are presented below.

ASSETS in RON thousands	Group				Bank			
	31.12.2020	31.12.2019	31.12.2018	2020/2019%	31.12.2020	31.12.2019	31.12.2018	2020/2019%
Cash and cash balances	10,538,199	9,006,518	11,123,191	17.0%	10,193,736	8,724,971	10,862,852	16.8%
Financial assets held for trading	1,248,822	429,356	213,965	190.9%	1,248,822	429,356	214,092	190.9%
Derivatives	39,891	40,100	31,062	-0.5%	39,891	40,100	31,189	-0.5%
Other financial assets held for trading	1,208,931	389,256	182,903	210.6%	1,208,931	389,256	182,903	210.6%
Non-trading financial assets mandatorily at fair value through profit or loss	104,739	93,872	39,395	116%	104,504	93,620	39,152	116%
Equity instruments	75,033	40,388	33,475	85.8%	74,798	40,136	33,232	86.4%
Debt securities	27,781	49,922	-	-44.4%	27,781	49,922	-	-44.4%
Loans and advances to customers	1,925	3,562	5,920	-46.0%	1,925	3,562	5,920	-46.0%
Financial assets at fair value through other comprehensive income	7,536,126	6,117,844	5,222,081	23.2%	7,511,525	6,115,902	5,187,019	22.8%
Equity investments	-	-	40,721	-	-	-	40,721	-
Debt securities	7,536,126	6,117,844	5,181,360	23.2%	7,511,525	6,115,902	5,146,298	22.8%
<i>thereof pledged as collateral</i>	-	56,341	-	-100.0%	-	56,341	41,748	-100.0%
Financial assets at amortised cost	57,990,947	54,899,081	50,843,219	5.6%	57,372,656	53,019,313	48,732,568	8.2%
<i>thereof pledged as collateral</i>	421,310	739,503	690,952	-43.0%	1416,847	2,087,276	1,693,280	-32.1%
Debt securities	14,827,570	15,735,188	15,879,108	-5.8%	13,986,991	14,422,788	14,297,905	-3.0%
Loans and advances to banks	2,028,021	661,437	123,840	206.6%	2,026,208	661,086	388,848	206.5%
Loans and advances to customers	41,135,356	38,502,456	34,840,271	6.8%	41,359,457	37,935,439	34,045,815	9.0%
Finance lease receivables	130,1380	1,117,933	990,868	16.4%	15,106	3,399	-	344.4%
Property and equipment	863,743	937,267	1,169,260	-7.8%	803,005	837,505	760,646	-4.1%
Investment property	17,1860	161,181	162,806	6.6%	17,1860	161,181	162,806	6.6%
Intangible assets	348,900	359,085	361,898	-2.8%	339,662	348,582	354,020	-2.6%
Investments in joint ventures and associates	39,031	24,553	20,027	59.0%	33,470	17,035	7,509	96.5%
Current tax assets	230,979	238,752	181,800	-3.3%	227,831	235,928	178,822	-3.4%
Deferred tax assets	173,378	183,857	202,165	-5.7%	165,784	172,780	197,061	-4.0%
Assets held for sale	625,253	646,396	161,114	-3.3%	192,247	210,704	117,699	-8.8%
Trade and other receivables	563,885	425,060	563,014	32.7%	548,097	408,778	543,179	34.1%
Investments in subsidiaries	-	-	-	-	448,521	488,077	403,152	-8.1%
Other assets	249,430	297,604	275,502	-16.2%	161,407	173,821	148,677	-7.1%
Total assets	81,986,672	74,938,359	71,530,305	9.4%	79,538,233	71,440,952	67,909,254	11.3%

Total assets of BCR as at 31 December 2020 amounted to RON 79,538,233 thousands, increasing by 11.3% compared to 31 December 2019 (RON 71,440,952 thousands). At Group level, the total assets increased by 9.4% from RON 74,938,359 thousands as at 31 December 2019 to RON 81,986,672 thousands as at 31 December 2020.



5. Financial highlights (continued)

5.1. Statements of financial position (continued)

Liabilities and Equity in RON thousands	Group				Bank			
	31.12.2020	31.12.2019	31.12.2018	2020/2019%	31.12.2020	31.12.2019	31.12.2018	2020/2019%
Financial liabilities held for trading	52,051	73,498	32,988	-29.2%	52,051	73,498	32,988	-29.2%
Derivatives	52,051	73,498	32,988	-29.2%	52,051	73,498	32,988	-29.2%
Financial liabilities measured at amortised cost	69,847,085	63,678,655	61,618,808	9.7%	68,527,999	61,395,958	58,326,984	11.6%
Deposits from banks	1,066,225	1,266,201	2,127,723	-15.8%	2,065,137	2,534,084	3,076,973	-18.5%
Borrowings and financing lines	1,453,289	2,105,646	2,408,375	-31.0%	426,827	572,786	672,249	-25.5%
Deposits from customers	64,876,774	57,791,780	55,098,959	12.3%	63,591,718	55,775,424	52,593,690	14.0%
Debt securities issued	614,801	784,402	349,153	-21.6%	614,801	784,402	349,153	-21.6%
Subordinated loans	1,087,260	1,067,313	1,041,982	1.9%	1,087,260	1,067,313	1,041,982	1.9%
Other financial liabilities	748,736	663,313	592,616	12.9%	742,256	661,949	592,937	12.1%
Finance lease liabilities	428,737	327,050	-	31.1%	426,424	323,721	-	31.7%
Provisions	1,857,633	1,779,611	1,151,688	4.4%	1,145,984	1,049,481	1,120,255	9.2%
Current tax liabilities	2,985	2,882	97,782	3.6%	-	-	97,110	-
Deferred tax liabilities	11,833	8,303	-	42.5%	-	-	-	-
Liabilities associated with assets held for sale	150,294	244,193	15,438	-38.5%	-	-	-	-
Other liabilities	291,133	352,457	246,887	-17.4%	234,409	293,240	193,842	-20.1%
Total equity	9,344,921	8,471,710	8,366,714	10.3%	9,151,366	8,305,054	8,138,075	10.2%
Share capital	2,952,565	2,952,565	2,952,565	0.0%	2,952,565	2,952,565	2,952,565	0.0%
Retained earnings	4,630,443	3,882,594	3,766,482	19.3%	4,419,688	3,706,526	3,525,615	19.2%
Other reserves	1,761,913	1,636,551	1,647,667	7.7%	1,779,113	1,645,963	1,659,895	8.1%
attributable to non-controlling interest	43	52	46	-17.3%	-	-	-	-
attributable to owners of the parent	9,344,878	8,471,658	8,366,668	10.3%	-	-	-	-
Total liabilities and equity	81,986,672	74,938,359	71,530,305	9.4%	79,538,233	71,440,952	67,909,254	11.3%

5. Financial highlights (continued)

5.2. Profit or Loss

in RON thousands	Group				Bank			
	31.12.2020	31.12.2019	31.12.2018	2020/2019%	31.12.2020	31.12.2019	31.12.2018	2020/2019%
Net interest income (1)	2,371,025	2,256,271	2,047,195	5.1%	2,248,995	2,139,209	1,946,477	5.1%
Interest income	2,721,402	2,661,708	2,488,627	2.2%	2,635,589	2,568,106	2,392,496	2.6%
Other similar income	63,517	86,783	95,434	-26.8%	5,631	26,923	38,489	-79.1%
Interest expense	(393,464)	(451,566)	(513,662)	-12.9%	(372,153)	(416,360)	(461,631)	-10.6%
Other similar expense	(20,430)	(40,654)	(23,204)	-49.7%	(20,072)	(39,460)	(22,877)	-49.1%
Net fee and commission income (2)	709,999	780,609	706,814	-9.0%	664,455	747,972	673,853	-11.2%
Fee and commission income	913,890	946,460	881,176	-3.4%	856,101	900,910	824,162	-5.0%
Fee and commission expense	(203,891)	(165,851)	(174,362)	22.9%	(191,646)	(152,938)	(150,309)	25.3%
Dividend income (3)	3,312	2,569	3,731	28.9%	3,683	5,994	11,684	-77.0%
Net trading result (4)	345,186	346,346	431,709	-0.3%	335,938	337,792	426,985	-0.5%
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss (5)	14,608	15,569	18,429	-6.2%	14,608	15,569	18,429	-6.2%
Foreign currency translation (6)	(3,261)	(9,475)	(3,347)	-65.6%	608	(5,307)	(6,209)	-111.5%
Net result from equity method investments (7)	(2,060)	(390)	2,651	428.2%	-	-	-	-
Rental income from investment properties and other operating leases (8)	107,489	98,919	78,388	8.7%	8,298	11,158	11,045	-25.6%
Personnel expenses (9)	(804,958)	(775,990)	(780,810)	3.7%	(695,984)	(668,348)	(684,947)	4.1%
Other administrative expenses (10)	(644,115)	(685,214)	(671,461)	-6.0%	(658,967)	(713,793)	(689,897)	-7.7%
Depreciation and amortisation (11)	(219,695)	(242,258)	(197,901)	-9.3%	(206,796)	(211,820)	(136,238)	-2.4%
Operating Income (1+2+3+4+5+6+7+8)	3,546,298	3,490,418	3,285,570	16%	3,276,585	3,262,387	3,082,264	0.4%
Operating Expenses (9+10+11)	(1,668,768)	(1,703,462)	(1,650,172)	-2.0%	(1,561,747)	(1,593,961)	(1,511,082)	-2.0%
Operating Result	1,877,530	1,786,956	1,635,398	5.1%	1,714,838	1,668,426	1,571,182	2.8%
Gains/(losses) from derecognition of financial assets measured at amortised cost	11	(485)	-	-102.3%	11	(485)	-	-102.3%
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(59)	(29,413)	2,221	-99.8%	(59)	(29,413)	2,221	-99.8%
Net impairment loss on financial instruments	(521,271)	61,816	(121,217)	-943.3%	(505,325)	6,273	(122,361)	-815.6%
Other operating result	(291,102)	(923,113)	(87,920)	-68.5%	(192,356)	(705,238)	(260,487)	-72.7%
Pre-tax result from continuing operations	1,065,109	895,761	1,428,482	18.9%	1,017,109	939,563	1,190,555	8.3%
Taxes on income	(251,001)	(302,495)	(226,219)	-17.0%	(237,151)	(287,654)	(220,108)	-17.6%
Net result for the period	814,108	593,266	1,202,263	37.2%	779,958	651,909	970,447	19.6%
Net result attributable to non-controlling interests	(9)	6	10	-250.0%	-	-	-	-
Net result attributable to owners of the parent	814,117	593,260	1,202,253	37.2%	779,958	651,909	970,447	19.6%



5. Financial highlights (continued)

5.3. Cash Flow

in RON thousands	Group			Bank		
	31.12.2020	31.12.2019	31.12.2018	31.12.2020	31.12.2019	31.12.2018
Net result for the period	814,108	593,266	1,202,263	779,958	651,909	970,447
Non-cash adjustments for items in net result for the period						
Depreciation, amortisation of assets	219,695	242,258	197,901	206,796	211,820	136,238
Allocation and release of impairment of loans	670,181	105,368	170,821	646,555	152,367	146,466
Gains/(losses) from the sale of tangible and intangible assets	10,222	8,827	(7,945)	3,474	(30,014)	(12,648)
Gains/(Losses) on disposal of non-current assets held for sale	10,044	(99,969)	-	10,044	(82,727)	-
Other provisions	62,003	630,290	(28,969)	82,842	(70,774)	(17,448)
Impairment of subsidiaries	-	-	-	39,556	583,430	166,410
Impairment tangible and intangible assets	135,461	93,528	94,636	53,772	48,065	96,024
Current and deferred tax not paid	-	-	(6,908)	-	-	(3,610)
Other adjustments	(21,128)	60,804	(12,284)	(33,399)	48,767	(12,242)
Adjustments for items in net profit/(loss) for the year	(564,031)	(547,247)	(542,504)	(530,367)	(511,594)	(510,827)
Interest income from investing activities	(666,727)	(668,354)	(672,116)	(640,746)	(628,884)	(615,632)
Interest expense for financing activities	102,696	121,107	129,612	110,788	129,828	112,758
Dividend income from investing activities	-	-	-	(409)	(1,538)	(7,953)
Changes in assets and liabilities from operating activities after adjustment for non-cash components						
Financial assets - held for trading	(819,675)	(206,353)	(119,658)	(819,675)	(206,353)	(119,658)
Non-trading financial assets mandatorily at fair value through profit or loss	1,637	2,358	14,720	1,637	2,358	14,720
Financial assets at fair value through other comprehensive income	(1,324,565)	(936,332)	51,679	(1,302,971)	(967,632)	58,044
Financial assets at amortised cost	(4,984,932)	(4,294,261)	(1,067,033)	(5,580,044)	(4,183,227)	-
Loans and advances to banks	(1,366,584)	(537,597)	2,075,058	(1,365,396)	(336,785)	2,015,026
Loans and advances to customers	(3,434,900)	(3,629,599)	(3,142,091)	(4,202,941)	(3,843,043)	(2,784,788)
Finance lease receivables	(183,448)	(127,065)	-	(11,707)	(3,399)	-
Other assets from operating activities	57,363	(20,104)	29,754	20,511	(183,480)	9,771
Financial liabilities measured at amortised cost	6,855,473	1,743,888	1,002,933	7,352,837	2,657,963	1,200,652
Deposits from banks	(332,585)	(1,019,631)	(1,048,821)	(572,751)	(592,784)	(1,075,682)
Deposits from customers	7,084,994	2,692,822	2,604,305	7,816,294	3,181,734	2,709,941
Other financial liabilities	103,064	70,697	(552,551)	109,294	69,013	(513,607)
Other liabilities from operating activities	(83,997)	132,390	12,131	(58,829)	99,396	19,283
Cash flow from operating activities	1,037,859	(2,672,235)	991,537	872,697	(1,779,726)	1,291,860



5. Financial highlights (continued)

5.3. Cash Flow (continued)

in RON thousands	Group			Bank		
	31.12.2020	31.12.2019	31.12.2018	31.12.2020	31.12.2019	31.12.2018
Proceeds of disposal	1,951,203	1,364,712	1,261,843	1,378,473	1,011,953	922,799
Debt securities at amortised cost	1,867,749	1,119,754	998,355	1,315,940	804,821	684,090
Financial assets at fair value through other comprehensive income	-	727	198,641	-	727	198,641
Property and equipment, intangible assets and investment properties	79,568	103,444	64,847	58,647	65,588	40,068
Assets held for sale	3,886	140,817	-	3,886	140,817	-
Acquisition of	(1,194,967)	(1,352,129)	(1,408,856)	(1,043,352)	(1,083,327)	(1,122,831)
Debt securities at amortised cost	(967,137)	(976,785)	(1,013,296)	(886,822)	(928,609)	(926,943)
Property and equipment, intangible assets and investment properties	(227,830)	(375,344)	(395,560)	(156,530)	(154,718)	(195,888)
Contribution to increase in share capital of subsidiaries and investments in associates	(14,478)	(4,526)	-	(4,535)	(682,525)	(30,000)
Interest received from investing activities	666,727	668,354	656,890	640,746	628,884	603,157
Dividends received from investing activities	-	-	-	409	12,538	7,953
Cash flow from investing activities	1,408,485	676,411	509,877	971,741	(112,478)	381,078
Dividends paid to equity holders of the parent	-	(484,630)	(213,476)	-	(484,630)	(213,476)
Dividends paid to non-controlling interests	-	(487)	(14,587)	-	(487)	(14,587)
Repayment of principal of lease liabilities (IFRS 16)	(73,705)	(42,906)	-	(73,077)	(41,745)	-
Debt securities redeemed	(85,601)	(187,233)	(219,251)	(85,601)	(187,233)	(219,251)
Debt securities issued	-	600,000	-	-	600,000	-
Inflows from other financing activities	-	364,106	782,144	-	-	-
Outflows from other financing activities	(684,196)	(302,394)	(1,950,510)	(159,901)	(73,785)	(1,492,303)
Interest paid for financing activities	(71,161)	(67,305)	(131,887)	(57,094)	(57,798)	(15,856)
Cash flow from financing activities	(914,663)	(120,849)	(1,747,567)	(375,673)	(245,678)	(2,055,473)
Cash and cash equivalents at beginning of period	9,006,518	11,123,191	11,369,344	8,724,971	10,862,852	11,245,387
Cash flow from operating activities	1,037,859	(2,672,235)	991,537	872,697	(1,779,726)	1,291,860
Cash flow from investing activities	1,408,485	676,411	509,877	971,741	(112,478)	381,078
Cash flow from financing activities	(914,663)	(120,849)	(1,747,567)	(375,673)	(245,678)	(2,055,473)
Cash and cash equivalents at end of period	10,538,199	9,006,518	11,123,191	10,193,736	8,724,971	10,862,852

6. Annexes

The following documents are annexed to this report:

1. The bank's constitutive act valid at 31 December 2020;
2. List of the subsidiaries of the issuer and entities controlled or controlling the issuer;
3. Statement of Compliance of the members of the Executive Committee who assume responsibility for the preparation of the Financial Statements;
4. Financial Statements as at 31 December 2020;
5. Auditors' report.

Chairman of the Supervisory Board,

Manfred WIMMER


Annex 1: The Bank's constitutive act valid at 31 December 2020;

The bank's constitutive act valid at 31 December 2020 is available at following web address:

https://cdn0.erstegroup.com/content/dam/ro/bcr/www_bcr_ro/EN/About-us/Corporate-Governance/BCR_Charter.pdf

Annex 2: List of the subsidiaries of the issuer and entities controlled or controlling the issuer

List of the subsidiaries of the issuer and entities controlled by the issuer

- BCR Chisinau SA
- BCR Leasing IFN SA
- BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA
- BCR Banca pentru Locuinte SA
- Suport Colect SRL
- BCR Payments Services SRL
- BCR Fleet Management SRL

List of the of entities controlling the issuer

The ultimate parent of the Group is Erste Group Bank AG.



Banca Comercială Română S.A.
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InfoBCR: *2227 number available
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RDS, Telekom networks;
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in any network in Romania or abroad

Trade Register Number:
J40/90/1991
Registered with the Credit
Institution Register: RB-PJR-40-
008/18.02.1999

Taxpayer identification number:
RO 361757
Share capital: 1,625,341,625.40 lei
SWIFT: RNCB RO BU

STATEMENT

According to the articles 30 and 31 of the Accounting Law no. 82/1991

The "Separate and Consolidated Financial Statements" as at December 31st, 2020 for the Group Banca Comercială Română (the Group) and for the bank individually (Bank) have been prepared in accordance with National Bank of Romania Order no. 27/2010 for the approval of the Accounting Regulations compliant to International Financial Reporting Standards, applicable to credit institutions, as subsequently amended and supplemented.

We, Sergiu Cristian Manea as Executive President and Elke Meier as Executive Vicepresident of Banca Comercială Română SA, undertake the responsibility for the preparation of the Separate and Consolidated Financial Statements as at 31.12.2020 and we confirm the following:

- a) The accounting policies applied for the preparation of the separate and consolidated financial statements for the year ended 2020 are in accordance with accounting regulations applicable to credit institutions, correspondingly in accordance with the NBR's Order no. 27/2010;
- b) The Annual Separate and Consolidated Financial Statements reflect a true and fair view of the financial position, financial performance and further information related to the activity of the Bank and the Group;
- c) Banca Comercială Română SA prepared its Financial Statements and carry on their business on a going concern basis.

Executive President,
Sergiu Cristian Manea



Executive Vicepresident,
Elke Meier