BCR GROUP DISCLOSURE REPORT H1 2020

Pursuant to NBR Regulation no. 5/2013 on prudential requirements for credit institutions and Part Eight of the Capital Requirements 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

Contents

BCR GROUP DISCLOSURE REPORT H1 2020

List of Tables, Templates and Graphs

1 Introduction

The provisions of the NBR Regulation no. 5/2013 on prudential requirements for credit institutions and Part Eight of Regulation (EU) No 575/2013 of the Parliament and of the Council of June 2013 on prudential requirements for credit institutions and investment firms, hereinafter referred to as the Capital Requirements Regulation (CRR) apply to BCR Group, hereinafter referred to as BCR Group. This Report is prepared on a consolidated basis (IFRS) according to NBR's Regulations. All information herein is presented as of June 30th 2020 unless otherwise stated.

Following an overall frequency assessment of all Pillar 3 disclosures this half-year Pillar 3 Report provides principally an update to the areas mentioned below, which are also in line with the recommendations provided by the European Banking Authority ("EBA") in its "Final Report on the Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 575/2013" ("EBA Guideline", EBA/GL/2016/11, version 2).

Areas which require that half-year disclosures to be provided are as follows:

- Information pertaining to own funds and relevant ratios based on Regulation No. 1423/2013, laying down implementing technical standards with regard to disclosure of own funds requirements for institutions;
- Information pertaining to the leverage ratio based on Regulation No. 200/2016, laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions;
- Information on risk exposures, credit quality, RWA and capital requirements with the appropriate quarterly or semi-annual frequency, as per EBA/GL/2016/11, version 2, as specified in templates: EU LI 3, EU OV 1, EU CCR 1, EU CCR 2, EU CCR 5-A, EU CCR 5-B, EU CR 1–A, NPL 1, NPL 3, NPL 4, NPL 5, NPL 6, NPL 9, EU CR 1-D, EU CR 1-E, EU CR 2-A, EU CR 2-B, EU CR 3, EU CR 4;
- Information pertaining to the liquidity coverage ratio which should be regarded as items that are prone to rapid change as per EBA/GL/2017/01;
- Information on non-performing and forborne exposures, according to EBA/GL/2018/10 "Guidelines on management of non-performing and forborne exposures";
- Information on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis and NBR Instructions / 03.08.2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis.

For the full set of information required under NBR Regulation no. 5/2013 on prudential requirements for credit institutions and Part Eight of Regulation (EU) No 575/2013 of the Parliament and of the Council of June 2013 on prudential requirements for credit institutions and investment firms please refer to "BCR GROUP DISCLOSURE REPORT 2019" which is available on the BCR Group website (https://www.bcr.ro/en/investors/transparency-and-public-disclosure).

Additional information on the financial and operational result of BCR Group is presented in the Interim Condensed Financial Statements Consolidated and Separate – Unaudited - 30 June 2020, hereinafter referred to as Group Report. The Group Report is available on the website of BCR Group (https://www.bcr.ro/en/investors/financial-reports).

2 Overview of Non-applicable Disclosures

The following table provides an overview of the CRR Articles which are not covered by the Disclosure Report nor included in other reports as mentioned above, alongside an explanation regarding the reason behind their non-applicability.

1 Non-applicable CRR articles

CRR article number	CRR article description	Disclosure requested in the CRR article	Reason for non-applicable disclosure	Non-applicable templates
438 (d)	Capital requirements	For institutions calculating risk-weighted exposure amounts in accordance with Chapter 3 of Part Three, Title II, 8 % of the risk-weighted exposure amounts for each of the exposure classes specified in Article 147. For the retail exposure class, this requirement applies to each of the categories of exposures to which the different correlations in Article 154(1) to (4) correspond. For the equity exposure class, this requirement applies to: (i) each of the approaches provided in Article 155; (ii) exchange traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures; (iii) exposures subject to supervisory transition regarding own funds requirements; (iv) exposures subject to grandfathering provisions regarding own funds requirements.	BCR Group does not apply the internal credit risk model.	Template EU CR8 Template EU CCR7
438 (c) (d)	Capital requirements	Information required by Article 438(c) and (d) on exposures that are risk-weighted in accordance with Part Three, Title II, Chapter 2 or Chapter 3 by specifying information regarding non-deducted participations risk-weighted under the above-mentioned requirements in the CRR, when they are allowed (in accordance with Article 49(1) of the CRR) to not deduct their holdings of own funds instruments of an insurance undertaking, a re-insurance undertaking or an insurance holding company.	BCR Group does not have participations in insurance and re-insurance undertakings or an insurance holding company.	Template EU INS1
438 (f)	Capital requirements	Provide quantitative disclosures of institutions' specialised lending and equity exposures using the simple risk-weighted approach.	BCR Group applies the standardised approach.	Template EU CR10
439 (f)	Exposure to counterparty credit risk	In the application of Article 439(e) and (f), institutions should disclose the specific information specified in Template EU CCR8 on the exposures to derivatives with CCPs and their associated risk exposure amounts.	BCR Group does not have exposures towards central counterparties.	Template EU CCR8
439 (g)	Exposure to counterparty credit risk	The notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure.	BCR Group has no credit derivatives in its portfolio.	Template EU CCR6
439 (h)	Exposure to counterparty credit risk	The notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group.	BCR Group has no credit derivatives in its portfolio.	Template EU CCR6
444	Use of ECAIs	Information related to ECAIs used for calculation of the RWA exposure amounts.	BCR does not use ECAIs for computing risk weighted exposure amounts.	Template EU CR5, Template EU CCR3
452	Use of the IRB Approach to credit risk	Information related to the calculation of the risk-weighted exposure amounts under the IRB Approach.	BCR Group calculates the risk-weighted exposure amounts under Standardized approach.	Template EU CR6 Template EU CR7 Template EU CCR4
455	Use of Internal Market Risk Models	Information to be disclosed in accordance with Article 363 for capital requirement calculation.	BCR Group does not apply the internal market risk model.	Template EU MR2-A Template EU MR2-B Template EU MR3 Template EU MR4

3 Own Funds

DISCLOSURE REQUIREMENT COVERED BY: ART. 437 (1) (a), (b), (c), (d) CRR

Group Own Funds

For the disclosure of own funds, BCR Group follows the requirements under Article 437 CRR as well the requirements defined in the Regulation EU No 1423/2013. Based on the requirements defined by the European Bank Authority in the Implementing Technical Standards, the following information must be provided:

- A full reconciliation of CET1 items, Additional Tier 1 (AT1) items, Tier 2 (T2) items and filters and deductions applied pursuant to Articles 32 to 36, 56, 66 and 79 to own funds of the institution's statement of the financial position in the unaudited financial statements in accordance with Article 437 (1) (a) CRR.
- A description of the main features of the CET1, AT1 and T2 instruments issued by the institution according to Article 437 (1) (b) CRR (see section Capital instruments).
- A table designed by the European Bank Authority to show the capital structure of regulatory capital. Presentation of this table that shows the details on the capital structure of BCR Group including the capital components as well as any regulatory deductions and prudential filters. Disclosures in this table cover the disclosure requirements as defined in Article 437 (1) (d) CRR, separate disclosure of the nature and amounts of each prudential filter applied pursuant to Articles 32 to 35 CRR, each deduction made pursuant to Articles 36, 56, and 66 CRR as well as items not deducted in accordance with Articles 47, 48, 56, 66 and 79 CRR (see section Group Own funds template).

CRR Statement of financial position

Due to different applicable regulations, BCR Group distinguishes two consolidation perimeters:

- Prudential consolidation perimeter in accordance with Articles 18 and 19 of the CRR;
- Accounting consolidation perimeter in accordance with IFRS 10 Consolidated Financial Statements.

This distinction is applicable starting with March 31st 2019.

The table below presents the information regarding the consolidation method applied for each entity according to accounting and prudential perimeters:

2 Template EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Equity method	
Banca Comerciala Romana	Full consolidation	X					Credit institution
BCR Chisinau	Full consolidation	X					Credit institution
BCR Banca pentru Locuinte	Full consolidation	X					Credit institution
BCR Leasing	Full consolidation	X					Other Financial Corporation - Finance Leasing
BCR Pensii	Full consolidation	X					Other Financial Corporation - Administrator of Pension Fund
BCR Suport Colect	Full consolidation	X					Non Financial Corporation - ancillary services undertaking
CIT ONE (BCR Procesare)	Full consolidation	X					Non Financial Corporation - ancillary services undertaking
BCR Payments	Full consolidation	X					Other Financial Corporation
Fleet Management	Full consolidation			X			Non financial Corporation
Fondul de Garantare a Creditului Rural IFN SA	Equity method					X	Other Financial Corporation
BCR Social Finance	Equity method					X	Other Financial Corporation

Consideration of consolidation methods for the calculation of consolidated own funds according to the CRR

The amounts that are used as the basis for the calculation of own funds are based on the definition of the regulatory scope of consolidation pursuant to the CRR. Amounts that relate to the own share as well as to the minority interest in fully consolidated entities are therefore determined based on the regulatory scope of consolidation according to CRR.

Consideration of non-consolidated financial sector entities and deferred tax assets that rely on future profitability arising from temporary differences within the calculation of consolidated common equity tier 1 of BCR Group

Carrying amounts representing the investments in financial sector entities have to be deducted from the own funds based on the requirements as defined in Articles 36 (1) (h), Article 45 and Article 46 CRR for non-significant investments and Articles 36 (1) (i) CRR, Article 43 and Article 45 CRR for significant investments. For these purposes, non-significant investments are defined as investments in financial sector entities in which the participation is equal to or less than 10% of common equity tier 1 (CET 1) of the relevant financial sector entities, while significant investments are defined as investments that are above 10% of the common equity (CET 1) of the relevant financial sector entities.

To determine the participation in the relevant financial sector entities, these participations are calculated based on the direct, indirect and synthetic holdings in the relevant entities.

According to Article 46 (1) CRR, holdings in non-significant investments have to be deducted only if the total amount for such investments exceeds a defined threshold of 10% in relation to CET1 of the reporting institution. Deduction shall be applied to the amount that exceeds the 10% threshold. Amounts that are equal to or less than 10% of the CET1 of the reporting institution are considered within the RWAs based on the requirements according to Article 46 (4) CRR.

For the deduction of significant investments in the CET1 of financial sector entities, a threshold is defined in Article 48 (2) CRR. According to Article 48 (2) CRR, significant investments in the CET1 of financial sector entities shall only be deducted if they exceed 10% of the CET1 of the reporting institution. If the 10% threshold is exceeded, the deduction is limited to the amount by which the defined threshold is exceeded. The remaining amount has to be considered within the calculation of the RWAs. The risk weight (RW) is defined at 250% according to Article 48 (4) CRR.

A 10% threshold related to the CET1 capital of the reporting institution is applied for deferred tax assets that rely on future profitability arising from temporary differences according to Article 48 (3) CRR. In case the amount for deferred tax assets that rely on future profitability that arise from temporary differences exceeds the threshold of 10% of CET1 of the reporting institution the exceeding amount has to be deducted from the CET1 of the reporting institution. The amount that is equal to or less than the threshold as defined in Article 48 (3) CRR has to be considered within the calculation of RWAs with a 250% RW according to Article 48 (4) CRR.

In addition to the aforementioned thresholds, a combined threshold for the deduction of significant investments according to Article 36 (1) (i) CRR and for deferred tax assets that rely on future profitability and arise from temporary differences according to Article 36 (1) (c) CRR as well as according to Article 38 CRR is defined in Article 48 (2) CRR. The combined threshold according to Article 48 (2) CRR is defined at 17.65% of the CET1 of the reporting institution. If the threshold is exceeded, the exceeding amount has to be deducted from the CET1 of the reporting institution. The remaining amount has to be considered within the RWAs. A 250% RW shall be applied for the amount not exceeding the 17.65% threshold according to Article 48 (4) CRR.

At the reporting date, BCR Group did not exceed any of the aforementioned thresholds. Hence, direct, indirect and synthetic investments in financial sector entities were not deducted from the consolidated own funds of BCR Group and therefore are considered in RWAs.

Reconciliation of IFRS and CRR items included in the Statement of financial position

The following tables provide a reconciliation of IFRS statement of the financial position items to CET1 items, AT1 items, T2 items and filters according to Articles 32 to 35 as well as deductions as defined in Articles 36, 56, and 66 CRR.

3 Reconciliation of IFRS statement of the financial position items to CET1 items, AT1 items, T2 items -Equity

Total equity for the Group — 30.06.2020

in RON thousands	IFRS	CRR	Dividends*	Regulatory Adjustments	Own funds	Own funds disclosure table - Reference
Subscribed capital	2,952,565	2,952,565		-	2,952,565	
Capital reserve	395,483	395,483		-	395,483	
Capital instruments and the related share premium accounts	**3,348,048**	**3,348,048**		-	**3,348,048**	a
Retained earnings	3,815,746	3,803,590	(325,955)	-	3,477,635	
Profit/loss in the period	498,877	499,028		(499,028)	-	
Retained earnings	**4,314,623**	**4,302,617**		(824,982)	**3,477,635**	b
Other comprehensive income (OCI)	**111,387**	**110,230**		(8,400)	**101,830**	c1
Fair value reserve	62,522	62,522		(8,400)	54,122	
Currency translation	(8,965)	(10,123)		-	(10,123)	
Remeasurement of net liability of defined benefit obligation	80,655	80,655		-	80,655	
Deferred tax	(22,825)	(22,825)		-	(22,825)	
Other reserves	1,197,466	1,197,466		(54,475)	1,142,991	c2
Equity attributable to the owners of the parent	**8,971,524**	**8,958,361**		**(887,857)**	**8,070,504**	
Equity attributable to non-controlling interest	54	53		(53)	-	
Total equity	**8,971,578**	**8,958,415**		**(887,910)**	**8,070,504**	

Note: Retained earnings includes minority interest. The table may contain rounding differences.

*The dividends are related to 2019 financial result that were not paid until 30 June 2020. For more details please see BCR Group Interim Financial Statements Note 17.

Last column contains a letter to link the amount derived from the accounting figures to the related eligible amount as disclosed in the own funds template in section Own funds template. Further details regarding the development of IFRS equity are disclosed in the half-year Group Report under "Statement of changes in equity".

4 Reconciliation of IFRS statement of the financial position items to CET1 items, AT1 items, T2 items –Intangible assets

Intangible assets for the Group — 30.06.2020

in RON thousands	IFRS	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - Reference
Intangible assets	347,742	347,742	-	347,742	f
Intangible assets	**347,742**	**347,742**	-	**347,742**	-

Note: The table may contain rounding differences.

5 Reconciliation of IFRS statement of the financial position items to CET1 items, AT1 items, T2 items –Deferred taxes

Deferred Taxes for the Group — 30.06.2020

in RON thousands	IFRS	CRR / Own Funds	Regulatory Adjustments	Own funds disclosure table - Reference
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	-	-	h
related DTA allocated on or after 1 January 2014 for which 100% deduction is required according to CRR transitional provisions	-	-	-	-
related DTA allocated before 1 January 2014 for which 10% deduction from CET 1 is required according to CRR transitional provisions	-	-	-	-
Deferred tax assets that rely on future profitability and arise from temporary differences net of associated tax liabilities *	220,222	220,274	(52)	k
Deferred tax assets that do not rely on future profitability	-	-	-	-
Other deferred tax liabilities	(66,589)	(66,589)	-	-
out of which deferred tax liabilities associated to other intangible assets	(25,595)	(25,595)	-	g
Deferred tax assets	**153,633**	**153,685**	(52)	

Note: The table may contain rounding differences.

* Based on the threshold definition according to Article 48 CRR Deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for BCR Group at half-year 2020. In accordance with Article 48 (4) CRR the non-deductible amount is risk weighted with 250% and considered within credit risk.

6 Reconciliation of IFRS statement of the financial position items to CET1 items, AT1 items, T2 items –Subordinated liabilities

Subordinated liabilities for the Group					30.06.2020
in RON thousands	IFRS	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - Reference
Subordinated issues, deposits and supplementary capital	1,081,588	1,081,588	(743,370)	338,218	j
Subordinated liabilities	**1,081,588**	**1,081,588**	**(743,370)**	**338,218**	**-**

Note: The table may contain rounding differences.

Details regarding subordinated liabilities are disclosed in the half-year Group Report under Note 6 "Deposits from banks". In accordance with NBR Regulation 5/2013 on prudential requirements for credit institutions, the subordinated liabilities with less than 5 years maturity, are amortized.

Threshold calculations according to Articles 46 and 48 CRR

7 Group own funds threshold calculations

Group treshold calculations according to Articles 46 and 48 of (EU) Regulation no.575/2013	30.06.2020
Non significant investments in financial sector entities	**in RON thousands**
Threshold (10% of CET1)	757,476
Holdings in CET 1	(73,228)
Holdings in AT 1	-
Holdings in T 2	-
Distance to threshold	**684,248**
Significant investments in financial sector entities	**-**
Threshold (10% of CET1)	757,476
Holdings in CET 1	(28,645)
Distance to threshold	**728,831**
Deferred tax assets	**-**
Threshold (10% of CET1)	757,476
Deferred tax assets that are dependent on future profitability and arise from temporary differences	(220,274)
Distance to threshold	**537,202**
Combined threshold for deferred tax assets and significant investments	**-**
Threshold (17.65% of CET1)	1,336,945
Deferred tax assets that are dependent on future profitability and arise from temporary differences and CET1 instruments of financial sector entities where the institution has a significant investment	(248,919)
Distance to threshold	**1,088,026**

Note: The table may contain rounding differences.

The main features and full details of capital instruments are presented in Annex 1 of this document. This refers to Tier 2 subordinated loans and bonds and CET 1 instruments.

In applying article 437 (1) (c) BCR publishes the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments together with its Disclosure Report under the section Capital Instruments on the website of BCR Group (https://www.bcr.ro/en/investors/transparency-and-public-disclosure).

DISCLOSURE REQUIREMENT COVERED BY: ART. 437 CRR (d) (e)

Group Own funds template

Own funds under Basel 3 consist of CET1, AT1 and T2. In order to determine the capital ratios, each respective capital component, after consideration of all the regulatory deductions and filters, is compared to the total risk. According to the CRR, the minimum ratio for CET1 is

4.5%, which can be increased based on the buffer regime according to CRD IV. The minimum capital requirement for Tier 1 capital (CET1 plus AT1) and for total own funds are 6% and 8%, respectively. Additional capital buffers were applied for half-year 2020:

- 2.5% - capital conservation buffer
- 2% - other systemically important institutions (O-SIIs)
- 1% - systemic risk buffer.

The table below presents the composition of the regulatory capital based on the Implementing Technical Standards on the disclosure of own funds published in EU Regulation 1423/2013.

The table presents the current amount, references to the respective CRR articles and references to the above shown tables (equity, intangible assets, deferred tax assets and subordinated liabilities).

8 Own funds disclosure template

in RON thousands		Jun-20	Regulation (EU) No 575/2013 Article Reference	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	References to reconciliation tables
Common equity Tier 1 (CET1) capital: instruments and reserves					
1	Common equity Tier 1 (CET1) capital: instruments and reserves	3,348,048	26 (1), 27, 28, 29		-
	of which: ordinary shares	3,348,048	EBA list 26 (3)		a
2	Retained earnings	3,477,635	26 (1) (c)		b
3	Accumulated other comprehensive income (and any other reserves)	1,244,821	26 (1)		c1+c2
Common Equity Tier 1 (CET1) capital before regulatory adjustments		**8,070,504**	-		
Common Equity Tier 1 (CET1) capital: regulatory adjustments			-		
7	Additional value adjustments (negative amount)	(11,388)	34, 105		
8	Intangible assets (net of related tax liability) (negative amount)	(322,147)	36 (1) (b), 37		-(f+g)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38		-h
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(12)	33 (1) (b) (c)		
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(495,746)	-		
29	**Common Equity Tier 1 (CET1) capital**	**7,574,758**	-		
Additional Tier 1 (AT1) capital: instruments		-	-		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	-		
Additional Tier 1 (AT1) capital: regulatory adjustments		-	-		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	-		
Excess of deduction from AT1 items over AT1		-	-		
44	**Additional Tier 1 (AT1) capital**	-	-		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7,574,758**	-		
Tier 2 (T2) capital: instruments and provisions			-		
46	Capital instruments and the related share premium accounts	338,218	-		j
51	**Tier 2 (T2) capital before regulatory adjustment**	**338,218**	-		
Tier 2 (T2) capital: regulatory adjustments			-		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	-		
58	**Tier 2 (T2) capital**	**338,218**	-		
59	**Total capital (TC = T1 + T2)**	**7,912,977**	-		
60	**Total risk-weighted assets**	**38,548,259**	92 (3), 95, 96, 98		
Capital ratios and buffers		-			
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**19.65%**	92 (2) (a)		
62	**Tier 1 (as a percentage of total risk exposure amount**	**19.65%**	92 (2) (b)		
63	**Total capital (as a percentage of total risk exposure amount**	**20.53%**	92 (2) (c)		
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	9.00%	CRD 128, 129, 140		
65	of which: capital conservation buffer requirement	2.50%			
66	of which: countercyclical buffer requirement	-			
67	of which: systemic risk buffer requirement	1.00%			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.00%	CRD 131		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.53%	CRD 128		
Amounts below the thresholds for deduction (before risk-weighting)		-			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	73,228	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70		
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	28,645	36 (1) (i), 45, 48		
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	220,274	36 (1) (c), 38, 48		k

Note: The table may contain rounding differences.

Note: Row 68 is calculated as the CET 1 capital less any CET 1 items used to meet Tier 1 and Total capital requirements; this is before consideration of Pillar 2 SREP requirements.

9 Own funds Summary as of 30 June 2020

Group		30.06.2020		31.12.2019	
in RON thousands		Basel 3		Basel 3	
	Article pursuant to CRR	Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	3,348,048	3,348,048	3,348,048	3,348,048
Own CET1 instruments	36 (1) (f), 42			-	-
Retained earnings	26 (1) (c), 26 (2)	3,477,635	3,477,635	3,289,664	3,289,664
Profit of the period	26 (2)	-	-	187,967	187,967
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	101,830	101,830	105,921	105,921
Other reserves	Art. 4 (117), Art. 26 (1) (e)	1,142,991	1,142,991	1,142,991	1,142,991
Transitional adjustments due to additional minority interests	479, 480			-	-
Common equity tier 1 capital (CET1) before regulatory adjustments		**8,070,504**	**8,070,504**	**8,074,592**	**8,074,592**
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	(12)	(12)	(2)	(2)
Value adjustments due to the requirements for prudent valuation	34, 105	(11,388)	(11,388)	(10,587)	(10,587)
Regulatory adjustments relating to unrealised gains and losses	467, 468	-	-	-	-
Goodwill	4 (1) (113), 36 (1) (b), 37	-	-	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(322,147)	(322,147)	(336,787)	(336,787)
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-	-	-	-
Other transitional adjustments CET1	469 to 472, 478, 481	**-**		**-**	**-**
Goodwill		-		-	-
Other intangible assets		-		-	-
Deferred tax assets that rely on future profitability and do not arise from temporary differences		-		-	-
Excess of deduction from AT1 items over AT1	36 (1) (j)	-		-	-
Common equity tier 1 capital (CET1)	50	**7,574,758**	**7,574,758**	**7,727,216**	**7,727,216**
Additional tier 1 capital (AT1)		**-**		**-**	**-**
Other transitional adjustments AT1	474, 475, 478, 481	**-**		**-**	**-**
Other intangible assets		-		-	-
Excess of deduction from AT1 items over AT1	36 (1) (j)	-		-	-
Additional tier 1 capital (AT1)	61	**-**		**-**	**-**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	25	**7,574,758**	**7,574,758**	**7,727,216**	**7,727,216**
Tier 2 capital (T2)		338,218	338,218	438,617	438,617
Other transitional adjustments tier 2 capital	476, 477, 478, 481	-	-	-	-
Tier 2 capital (T2)	**71**	**338,218**	**338,218**	**438,617**	**438,617**
Short-term subordinated capital (tier-3)				**-**	**-**
Total own funds	**4 (1) (118) and T2**	**7,912,977**	**7,912,977**	**8,165,833**	**8,165,833**

Note: The table may contain rounding differences.

4 Capital Requirements

DISCLOSURE REQUIREMENTS COVERED: ART. 438 (a) CRR

Capital requirements – Pillar I and Pillar II

Pillar I

The Bank monitors the solvency ratios, at individual and consolidated level, according to Basel 3 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 Basel 3 requirements, the Bank also monitors the CET1 Ratio, both at an individual and consolidated level.

Solvency Ratio, CET1 Ratio and Tier1 Ratio, as of June 30th 2020 are presented in the below table:

10 Solvency ratio, CET 1 ratio and Tier 1 ratio for BCR Group as of 30 June 2020

Indicators (in RON thousands)	BCR Group
Common Equity Tier 1 (CET1) capital	7,574,759
Tier 1 capital	7,574,759
Tier 2 (T2) capital	338,218
Total capital (TC=T1+T2)	7,912,977
Common Equity Tier 1 ratio (as a percentage of total risk exposure amount)	19.65%
Tier 1 ratio (as a percentage of total risk exposure amount)	19.65%
Total capital ratio (as a percentage of total risk exposure amount)	20.53%

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.

Pillar II

The ICAAP and Risk Bearing Capacity Calculation (RCC) form a part of the Pillar II requirements, according to Basel Accord. BCR Group' RCC is a model which measures the risk relevant exposures across all relevant risk types and compares it with the capital or with the coverage potential BCR Group has for covering such risks.

The risk side of the calculation serves to determine the economic capital requirement from unexpected losses in respect of credit, market and operational risk. Besides credit, market and operational risk, the economic capital requirement for June 30th 2020 includes also FX induced credit risk and business/strategic risk.

The table below summaries the main models used by the Bank for economic capital calculation under Pillar II:

11 Internal models to quantify risks under Pillar II

Type of risk	Model	Comment
Credit risk	Internal Rating Based Model Approach	Amount scaled to a confidence level of 99.92%
Market risk	For market risk, due to the individual characteristics of various products and exposure types, the Bank differentiates between the following market risk types: ▪MR Trading Book ▪MR Banking Book BCR determines a capital requirement for market risk as follows: ▪VaR methodology (1 year, 99.92%) for the interest rate risk and credit spread risk in the banking book (IRRBB) ▪Standardized method for the FX position in the BB ▪Internal model – Trading Book - VaR (1y, 99.92%)	Amount scaled to 1 year, 99.92% confidence level
Operational risk	Advanced Measurement Approach (AMA) at BCR Group level and by considering as risk transfer the entire insurance amount	Amount scaled to a confidence level of 99.92%
FX Induced Credit risk	Internal model impacting EAD, LGD and PD for FX exposures to unhedged borrowers.The FX scenario considers the most unfavorable rolling year on-year FX change over a period of 5 years	Amount scaled to a confidence level of 99.92%
Business / strategic risk	Internal model based on the deviations between realized and budgeted net operating result. The distribution of these deviations is modelled with a logistic distribution.	Amount scaled to a confidence level of 99.92%

The Group may also include additional capital risk buffers to cover specific risk types.

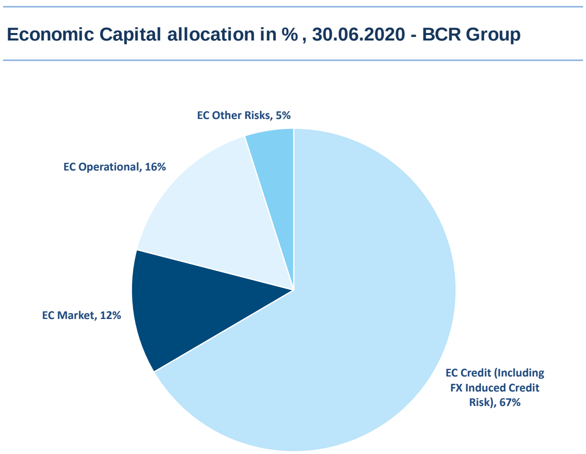
The economic capital requirement is compared to the capital held as coverage (broken down into equity, subordinated capital, reserves and retained earnings), thus determining the Group's ability to absorb these potential unexpected losses. The risk is calculated at a confidence level of 99.92%. The calculation of RCC is designed in accordance with the business strategy and risk profile of BCR Group and is accounted for in its risk appetite.

To determine the BCR Group's capital adequacy, BCR Group uses a forward-looking traffic light system. The process enables the management body to respond in time to changes, and, if necessary, to take the adequate measures on the risk side or on the coverage potential side.

The Management Board and the Supervisory Board are informed on a quarterly basis on the results of the determined risk-bearing capacity of BCR Group, the degree of utilization of the risk limits, about the level of risks and the capital/coverage potential going forward. The calculation of the risk-bearing capacity is a vital part of the management of risk and capital at the level of BCR Group.

The following diagram presents the composition of the economic capital requirement according to type of risk as of June 30th 2020:

12 Economic capital allocation as of June 30th 2020 for BCR Group



DISCLOSURE REQUIREMENTS COVERED: ART. 438 (c) (e) (f) CRR

Other own funds requirements

As stated above, BCR Group 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 for the Bank Standalone, as well as quarterly at BCR Group level (IFRS standards).

The regulatory capital requirements computed as of June 30th 2020, for the credit risk, market risk and operational risk were as follows:

13 Template EU OV1 – Overview of RWAs

			RWAs		Minimum capital requirements	
in RON thousands			30.06.2020	31.03.2020	30.06.2020	31.03.2020
	1	Credit risk (excluding CCR)	30,703,266	35,794,908	2,456,261	2,863,593
Article 438(c)(d)	2	Of which the standardised approach	30,703,266	35,794,908	2,456,261	2,863,593
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach		-	-	-
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach		-	-	-
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA		-	-	-
Article 107, Article 438(c)(d)	6	CCR	109,014	128,035	8,721	10,243
Article 438(c)(d)	7	Of which mark to market	77,362	89,615	6,189	7,169
Article 438(c)(d)	8	Of which original exposure		-	-	-
	9	Of which the standardised approach	12,961	17,715	1,037	1,417
	10	Of which internal model method (IMM)		-	-	-
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP		-	-	-
Article 438(c)(d)	12	Of which CVA	18,691	20,704	1,495	1,656
Article 438(e)	13	Settlement risk		-	-	-
Article 449(o)(i)	14	Securitisation exposures in the banking book (after the cap)		-	-	-
	15	Of which IRB approach		-	-	-
	16	Of which IRB supervisory formula approach (SFA)		-	-	-
	17	Of which internal assessment approach (IAA)		-	-	-
	18	Of which standardised approach		-	-	-
Article 438 (e)	19	Market risk	182,476	138,894	14,598	11,112
	20	Of which the standardised approach	182,476	138,894	14,598	11,112
	21	Of which IMA		-	-	-
Article 438(e)	22	Large exposures		-	-	-
Article 438(f)	23	Operational risk	7,553,502	7,684,660	604,280	614,773
	24	Of which basic indicator approach	352,824	352,824	28,226	28,226
	25	Of which standardised approach		-	-	-
	26	Of which advanced measurement approach	7,200,678	7,331,836	576,054	586,547
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)		-	-	-
Article 500	28	Floor adjustment		-	-	-
	29	Total	38,548,259	43,746,497	3,083,861	3,499,720

As of June 30th 2020, the total RWA for BCR Group was 38,548,259 thousand RON, with 5,198,239 thousand RON lower as compared to March 31st 2020 (43,746,497 thousand RON). The decrease in credit risk RWA (including counterparty credit risk) of 5,110,663 thousand RON was mainly driven by the temporary treatment of public debt issued in the currency of another Member State in line with the REGULATION (EU) 2020/873 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic.

In addition, RWA for operational risk decreased with 131,158 thousand RON due to a decrease in AMA indicator for BCR. Meanwhile, market risk RWA increased with 43,583 thousand RON due to increase in TDI (traded debt instruments) position.

5 Exposure to Counterparty Risk

DISCLOSURE REQUIREMENTS COVERED: ART. 439 CRR

Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures

BCR has implemented prudent and proper credit limits for counterparty exposures, consistent with the risk appetite, risk profile and soundness of the bank's capital.

The bank manages credit risk by placing limits on the level of risk acceptable in relation to its counterparty credit exposures. Such risks are monitored on a regular basis and are subject to an annual or more frequent review when considered necessary.

The credit risk limits cover also settlement risk and credit exposure at counterparty level.

The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures

BCR determines the exposure value for derivative instruments arising from counterparty credit risk using the mark-to-market method as described in the CRR, Article 274. More exactly, the potential future credit exposure is determined by multiplying the notional amounts or underlying values by several percentages which are allocated according to the residual maturity and type of contract.

Exposure values for derivative instruments arising from counterparty credit risk for BCR are as follows:

14 Exposure from derivative instruments

Type (RON thousands)	Dec-19	Jun-20
Exposure from Derivative Instruments	111,821	163,403

The exposures value (net of provisions) for Securities Financing Transactions arising from counterparty credit risk is calculated using the Financial Collateral Simple Method as described in the CRR, Article 222.

Exposure values for Securities Financing Transactions arising from counterparty credit risk for BCR are as follows:

15 Exposure from Securities Financing Transactions

Type (RON thousands)	Dec-19	Jun-20
Exposure from Securities Financing Transactions	426,870	64,805

The decrease compared to December 2019 is due to a decrease in reverse repo transactions concluded with Erste Group.

The impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating is not material.

Counterparty credit limits are monitored on a daily basis. Any remedial action is taken so as to ensure that actual credit risk exposure to a client (country)/client group does not exceed the approved risk appetite.

A discussion of policies for securing collateral and establishing credit reserves

The bank has in place processes for securing collateral for transactions with derivatives. The exposure for each counterparty is limited by the bank by approving exposure thresholds based on the collateral posted by the counterparty. The limits are monitored daily and margin calls are performed in case the exposure reaches a predefined warning level.

Discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating

There are certain contracts concluded with a clause through which the minimum transfer amount is determined based on the rating of each counterparty, and the collateral transfer could be impacted through the change in this minimum threshold as a result of a credit downgrade of the bank. No such clauses were executed during the reporting period of H1 2020.

Gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure

16 Template EU CCR1 – Analysis of CCR exposure by approach

in RON thousands		Notional	Replacement cost/ current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market		65,611	97,792			163,403	77,362
2	Original exposure	-					-	-
3	Standardised approach		-			-	-	-
4	IMM (for derivatives and SFTs)				-	-	-	-
5	Of which securities financing transactions				-	-	-	-
6	Of which derivatives and long settlement transactions				-	-	-	-
7	Of which from contractual cross-product netting				-	-	-	-
8	Financial collateral simple method (for SFTs)						64,805	12,961
9	Financial collateral comprehensive method (for SFTs)						-	-
10	VaR for SFTs						-	-
11	**Total**							**90,323**

A comprehensive view of the methods used to calculate CCR regulatory requirements and the main parameters used within each method.

In order to determine the regulatory counterparty credit risk exposure, BCR uses the mark-to-market model in accordance with the Article 274 from CRR.

For the calculation of own funds requirements for CVA risk, BCR is using the standardized method in accordance with Article 384 CRR.

CVA regulatory calculations (with a breakdown by standardized and advanced approaches)

17 Template EU CCR2 – CVA capital charge

in RON thousands		Exposure Value	RWAs
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)	-	-
3	(ii) SVaR component (including the 3× multiplier)	-	-
4	**All portfolios subject to the standardised method**	**85,633**	**18,691**
EU 4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	**85,633**	**18,691**

The table EU-CCR2 reflects the best estimate of the potential loss incurred on derivative transactions due to the default of the counterparty. During 2020, there were no significant changes in respect of the CVA capital charge.

Overview of the impact of netting and collateral held on exposures for which the exposure value is measured as per Part Three, Title II, Chapter 6 of the CRR, including exposures arising from transactions cleared through a CCP

18 Template EU CCR5-A – Impact of netting and collateral held on exposure values

in RON thousands		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives	63,619	-	-	-	63,619
2	SFTs	-	-	-	-	-
3	Cross-product netting	-	-	-	-	-
4	**Total**	**63,619**	**-**	**-**	**-**	**63,619**

Breakdown of all types of collateral (cash, sovereign debt, corporate bonds, etc.) posted or received by banks to support or reduce CCR exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP

19 Template EU CCR5-B – Composition of collateral for exposures to CCR

RON thousands	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Bonds	-	-	-	-	64,669	-
Total	**-**	**-**	**-**	**-**	**64,669**	**-**

Table EU CCR5-B presents the fair values of collaterals received in respect of reverse repo transactions. The collateral presented in CCR5-B for SFT transactions pertains to Securities Financing Transactions for which exposures value are calculated in accordance with Part Three, Title II, Chapter 4 (CRR).

Measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable

According to the method applied to determine the exposure value for CCR (mark-to-marked method), the bank measures: current replacement costs and future potential exposures.

The future potential exposure is calculated by applying the standard percentages from Article 274.

6 Credit Risk

DISCLOSURE REQUIREMENTS COVERED: ART. 435(1) (a) (c) (d) CRR

Credit risk management strategies and processes

BCR Group has in place strategies, policies and processes for the identification, measuring, monitoring, control and reporting of credit risk. The main types of credit risks that BCR is exposed to are: default risk, migration risk, residual risk, FX induced credit risk and concentration risk.

Credit risk is governed by BCR Group's Principles for managing credit risk. These define the principles for managing credit risk and govern the loan policies and procedures of BCR Group.

BCR Group strategic goals with respect to credit risk are set through the BCR Group Risk Strategy and are in line with BCR Group's Risk Appetite Statement, and address the following:

- BCR's credit risk profile, defined based on the Risk Materiality Assessment Process;
- BCR's strategic objectives regarding the management of credit risk, in accordance with the Group's risk tolerance and regulatory requirements.

Key principles and strategies for the management of credit risk are as follows:

- BCR Group only does business that it fully understands and that its clients fully understand. The ownership structure and economic reasoning for any transaction is fully transparent before approving it. No transaction can be executed without a risk opinion issued by risk management if the procedures require and explicitly delegated authorities.
- Collaterals and other credit enhancements have to be evaluated according to internally defined rules. BCR Group has a standardized structure for a collateral catalogue as well as evaluation and revaluation rules and appraisal regulations. Credit enhancements can be used to reduce the possibility of loss given defaults for selected customer segments. Depending on rating grade, purpose and tenor, risk bearing products are protected against losses by stipulating adequate collaterals fully, indisputable, legally enforceable and sufficiently documented for the Bank. Collaterals and other credit enhancements can never substitute repayment capability.
- BCR Group lends only if the integrity of the client is unquestionable. Furthermore, principles of responsible financing are implemented which govern corporate banking business with regard to transactions in sensitive industry sectors to protect the bank's reputation.
- Active portfolio screening, including the use of an early warning framework, allows early identification of negative developments in order to implement timely and adequate risk mitigating actions.
- A comprehensive limit framework is used in order to manage portfolio concentration.

Credit risk management structure and organization

Risk Management units in BCR Group report directly to the Risk Executive Vice-President (Chief Risk Officer - CRO). BCR regulatory framework utilizes "the four eyes principle" to critically assess and control credit risk. Management activities are fully segregated from business originators and decision makers.

The Risk Committee of the Management Board, the Management Board and the Credit Committee are involved in credit risk and limits administration according to specific responsibilities and competences.

Credit risk reporting, monitoring and mitigation

Based on an appropriate reporting framework and IT system, BCR has the ability to identify and measure credit risk, in line with its size, complexity, risk tolerance and risk-taking capacity.

BCR has a comprehensive reporting framework for credit risk management, approved by the Management Board, which includes the scope, manner and frequency of credit 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 credit risk are submitted regularly to the appropriate recipients (Supervisory Board, Risk Management Committee of the Supervisory Board, Management Board, Risk Committee of the Management Board, Executive Director of Strategic Risk Management Division, CRO).

Regular credit risk reporting contains information concerning the development of credit risk exposures in each key segment, the evolution of the quality of the portfolio, provisions, cost of risk, risk rates (NPL rate, NPL coverage ratio with provisions), capital adequacy, main risk indicators.

The Group has implemented a wide framework of risk limits in order to mitigate all types of related credit risks (concentration, default, residual, FX induced credit risk, settlement risk). In the day-to-day process of lending BCR implemented dedicated policies which are meant to filter the loans granted through the underwriting criteria. Furthermore, the Group has a clear and robust system for managing the credit risk mitigation techniques, governing the entire process for evaluation, monitoring and management of collaterals.

Considering the COVID-19 pandemic BCR included in the estimation of Expected Credit Losses updated forward looking macro-economic scenarios as well as additional IFRS 9 staging criteria (stage overlays) for the exposures which are considered to be more sensitive to the current context.

7 Credit Risk Adjustments

DISCLOSURE REQUIREMENTS COVERED: ART. 442 (g) (h) CRR

Table EU CR1-A contains on-balance-sheet and off-balance-sheet gross exposures and loss allowances, subject to credit risk framework, as of June 30th 2020, breakdown per exposure classes defined under the standardized approach.

Template 12 – EU CR1-B – Credit quality of exposures by industry or counterparty types and Template 13 – EU CR1-C – Credit quality of exposures by geography were replaced by Template 5: Quality of non-performing exposures by geography and Template 6: Credit quality of loans and advances by industry according to EBA final Guideline on Disclosure of Non-performing and Forborne exposures (EBA/GL/2018/10).

The tables reflect the asset quality of BCR Group, by presenting the gross carrying amount split per defaulted and non-defaulted categories.

20 Template EU CR1-A: Credit quality of exposures by exposure classes and instruments

in RON thousands	Gross carrying value		Specific Credit Risk Adjustment	General Credit Risk Adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net Values (a+b-c-d)
	defaulted exposures	non-defaulted exposures					
1 Central governments or central banks							-
2 Institutions							-
3 Corporates							-
4 Of which: Specialised lending							-
5 Of Which: SME							-
6 Retail							-
7 Secured by real estate property							-
8 SME							-
9 Non-SME							-
10 Qualifying Revolving							-
11 Other Retail							-
12 SME							-
13 Non-SME							-
14 Equity	-						-
15 Total IRB approach	-	-	-	-	-	-	-
16 Central governments or central banks	-	26,837,525	22,982	-	-	10,495	26,814,543
17 Regional governments or local authorities	-	4,270,888	11,240	-	935	(1,933)	4,259,648
18 Public sector entities	-	607,325	610	-	-	1	606,715
19 Multilateral Development Banks	-	58,516	4	-	-	(0)	58,512
20 International Organisations	-	-	-	-	-	(0)	-
21 Institutions	10	2,312,134	5,495	-	-	15,691	2,306,649
22 Corporates	2,151	22,399,760	403,544	-	980,024	98,467	21,998,367
23 of which: SME	1	8,946,371	163,349	-	52,560	33,779	8,783,022
24 Retail	783	16,222,028	401,210	-	580,066	202,483	15,821,601
25 of which: SME	-	776,547	25,033	-	-	22,935	751,513
26 Secured by mortgages on immovable property	818	11,044,556	179,855	-	42,522	29,591	10,865,519
27 of which: SME	-	122,534	4,003	-	-	-	118,531
28 Exposures in default	2,236,972	-	1,608,062	-	-	-	628,910
29 Items associated with particularly high risk	6,218	-	2,613	-	46,982	(4,664)	3,604
30 Covered bonds	-	-	-	-	-	-	-
31 STD - Securitisation positions	-	-	-	-	-	-	-
32 Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
33 Collective investments undertakings (CIU)	-	-	-	-	-	-	-
34 Equity exposures	-	116,931	-	-	-	-	116,931
35 Other exposures	18,478	5,607,217	1,385	-	533	(215)	5,624,310
36 Total SA approach	2,265,430	89,476,880	2,637,000	-	1,651,062	349,915	89,105,310
37 Total	**2,265,430**	**89,476,880**	**2,637,000**	**-**	**1,651,062**	**349,915**	**89,105,310**
38 Of which: Loans	1,934,282	48,339,561	2,273,496	-	1,651,062	(368,964)	48,000,347
39 Of which: Debt securities	1,894	21,152,381	26,550	-	-	(9,792)	21,127,725
40 Of which: off balance	299,325	14,131,229	338,440	-	-	33,183	14,092,114

Undisclosed Positions subject to other framework flags than credit risk	Gross exposure	CLA
Of which: Loans	64,845	-
Of which: Debt securities	503,888	-
Of which: off balance	107	-

Defaulted exposures also include impaired exposures in the form of overdue fees attached to liabilities which are not defaulted (they are not in the scope of default allocation) but considered non-performing.

21 Template NPL 1: Credit quality of forborne exposures

in RON thousands		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	**Loans and advances**	**586,731**	**591,580**	**591,580**	**589,800**	**(51,053)**	**(410,588)**	**376,382**	**120,813**
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	162,238	13,943	13,943	13,943	**(3,142)**	**(12,988)**	748	676
4	Credit institutions	-	-	-	-	-	-	-	-
5	Other financial corporations	-	11,897	11,897	11,897	-	**(9,330)**	2,173	2,173
6	Non-financial corporations	356,843	291,560	291,560	289,779	**(43,688)**	**(213,336)**	267,990	52,600
7	Households	67,650	274,180	274,180	274,180	**(4,223)**	**(174,933)**	105,471	65,364
8	**Debt Securities**	-	-	-	-	-	-	-	-
9	**Loan commitments given**	12,152	16,198	16,198	16,198	**(997)**	**(15,527)**	2,096	517
10	**Total**	**598,883**	**607,778**	**607,778**	**605,998**	**(52,050)**	**(426,116)**	**378,478**	**121,329**

According to Part 1 of Annex V to Commission Implementing Regulation (EU) No 680/2014, tables NPL 1, NPL 3, NPL 5, NPL 6 and NPL 9 are based on the FINREP reporting requirements. The quantitative information included in the disclosures on the basis of FINREP may differ from other tables due to exposures subject to other frameworks than credit risk.

The following table shows the credit quality of forborne exposure pertaining to loans and advances, debt securities and off-balance exposures.

The share of performing forborne exposure increased from 25% as of December 31st 2019 to 50% as of June 30th 2020, the majority being attributed to loans and advances.

22 Template NPL 3: Credit quality of non-performing exposures by past due days

in RON thousands		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
010	**Loans and advances**	**48,404,405**	**48,169,374**	**235,032**	**1,934,282**	**1,062,265**	**92,624**	**131,145**	**205,867**	**222,792**	**96,097**	**123,492**	**1,934,282**
020	Central banks	**6,873,415**	6,873,415	0	0	0	0	0	0	0	0	0	0
030	General governments	**3,159,193**	3,154,891	4,302	15,696	7,194	0	1,122	6,944	35	0	401	15,696
040	Credit institutions	**492,338**	492,338	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	**274,913**	274,780	133	12,318	10	364	47	0	11,897	0	0	12,318
060	Non-financial corporations	**13,505,968**	13,453,854	52,114	890,620	612,396	22,722	30,834	80,639	91,141	39,863	13,024	890,620
070	Of which SMEs	**5,634,381**	5,609,370	25,012	234,804	120,192	13,144	18,965	30,251	19,078	26,343	6,830	234,804
080	Households	**24,098,578**	23,920,095	178,483	1,015,648	442,664	69,538	99,142	118,284	119,719	56,234	110,067	1,015,648
090	**Debt securities**	**21,152,381**	**21,152,381**	**0**	**1,894**	**1,894**	**0**	**0**	**0**	**0**	**0**	**0**	**1,894**
100	Central banks	**31,206**	31,206	0	0	0	0	0	0	0	0	0	0
110	General governments	**21,012,911**	21,012,911	0	1,894	1,894	0	0	0	0	0	0	1,894
120	Credit institutions	**50,809**	50,809	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	**51,745**	51,745	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	**5,710**	5,710	0	0	0	0	0	0	0	0	0	0
150	**Off-balance-sheet exposures**	**14,131,336**			299,325								**299,325**
160	Central banks	**0**			0								0
170	General governments	**2,508,340**			311								311
180	Credit institutions	**648,037**			0								0
190	Other financial corporations	**262,400**			0								0
200	Non-financial corporations	**9,403,951**			295,498								295,498
210	Households	**1,308,607**			3,516								3,516
220	**Total**	**83,688,122**	**69,321,755**	**235,032**	2,235,501	**1,064,159**	**92,624**	**131,145**	**205,867**	**222,792**	**96,097**	**123,492**	**2,235,501**

The table below shows performing and non-performing exposure broken down by past due age structure and default status, financial instrument and counterparty.

As of June 30th 2020 total BCR Group NPL ratio was 2.6% and NPL ratio pertaining to loans and advances stood at 3.8%, broadly stable as compared with December 31st 2019.

23 Template NPL 4: Performing and non-performing exposures and related provisions

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
in RON thousands			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
010	**Loans and advances**	**48,404,405**	**40,797,701**	**7,606,705**	**1,934,282**	**-**	**1,932,502**	**(897,788)**	**(184,571)**	**(713,217)**	**(1,373,488)**	**-**	**(1,373,488)**	**(104,013)**	**23,374,432**	**406,141**
020	Central banks	6,873,415	6,873,415	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	3,159,193	2,676,068	483,125	15,696	-	15,696	(11,544)	(3,469)	(8,075)	(13,550)	-	(13,550)	-	341,877	718
040	Credit institutions	492,338	425,325	67,013	-	-	-	(2,837)	(1,141)	(1,697)	-	-	-	-	29,387	-
050	Other financial corporations	274,913	270,385	4,528	12,318	-	12,318	(1,879)	(1,657)	(222)	(9,736)	-	(9,736)	(3,033)	66,008	2,187
060	Non-financial corporations	13,505,968	10,209,613	3,296,355	890,620	-	888,839	(395,822)	(104,486)	(291,336)	(587,986)	-	(587,986)	(65,124)	7,186,258	257,109
070	Of which SMEs	5,634,381	4,282,668	1,351,713	234,804	-	234,804	(211,253)	(58,612)	(152,642)	(160,624)	-	(160,624)	(29,134)	2,819,269	58,281
080	Households	24,098,578	20,342,894	3,755,684	1,015,648	-	1,015,648	(485,706)	(73,818)	(411,888)	(762,216)	-	(762,216)	(35,856)	15,750,903	146,127
090	**Debt securities**	**21,152,381**	**21,079,469**	**21,167**	**1,894**	**-**	**1,894**	**(25,982)**	**(25,126)**	**(857)**	**(568)**	**-**	**(568)**	**-**	**-**	**-**
100	Central banks	31,206	31,206	-	-	-	-	(1,334)	(1,334)	-	-	-	-	-	-	-
110	General governments	21,012,911	20,997,454	15,457	1,894	-	1,894	(23,938)	(23,788)	(150)	(568)	-	(568)	-	-	-
120	Credit institutions	50,809	50,809	-	-	-	-	(4)	(4)	-	-	-	-	-	-	-
130	Other financial corporations	51,745	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	5,710	-	5,710	-	-	-	(706)	-	(706)	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**14,131,336**	**8,988,551**	**1,282,346**	**299,325**	**-**	**30,510**	**(89,505)**	**(22,864)**	**(27,490)**	**(248,935)**	**-**	**(23,764)**		**2,486,254**	**18,663**
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	2,508,340	1,539,095	207,495	311	-	191	(3,197)	(984)	(1,298)	(302)	-	(188)		734,177	10
180	Credit institutions	648,037	7,620	3,385	-	-	-	(561)	(4)	(3)	-	-	-		558,117	-
190	Other financial corporations	262,400	61,234	186,171	-	-	-	(2,268)	(53)	(2,166)	-	-	-		75,336	-
200	Non-financial corporations	9,403,951	6,129,312	833,347	295,498	-	27,195	(79,810)	(20,378)	(22,001)	(247,547)	-	(22,653)		1,111,305	18,406
210	Households	1,308,607	1,251,289	51,948	3,516	-	3,124	(3,668)	(1,446)	(2,023)	(1,086)	-	(923)		7,319	247
220	**Total**	**83,688,122**	**70,865,721**	**8,910,218**	**2,235,501**	**-**	**1,964,906**	**(1,013,276)**	**(232,562)**	**(741,563)**	**(1,622,991)**	**-**	**(1,397,820)**	**(104,013)**	**25,860,686**	**424,804**

In the following table, detailed split of gross credit exposure, accumulated impairment, write-offs and allocated collateral are presented, by financial instrument and counterparty. The figures are also broken down by IFRS stages.

Credit loss allowances (all stages combined) covered 117.93% of the reported non-performing on-balance and off-balance credit risk exposure as of June 30th 2020.

24 Template NPL 5: Quality of non-performing exposures by geography[1]

		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
in RON thousands				Of which defaulted				
010	**On-balance-sheet exposures**	**71,492,963**	**1,936,177**	**1,936,177**	**71,439,437**	**(2,300,047)**		**-**
020	Core Market - Austria	459,557	8	8	459,557	(155)		-
030	Core Market - Croatia	0	-	-	0	(0)		-
040	Core Market - Czech Republic	0	-	-	0	(0)		-
050	Core Market - Hungary	55	-	-	55	(0)		-
060	Core Market - Romania	70,251,892	1,866,480	1,866,480	70,250,111	(2,225,694)		-
070	Core Market - Serbia	0	-	-	0	(0)		-
080	Core Market - Slovakia	11	-	-	11	(0)		-
090	Emerging Markets	510,044	10,760	10,760	510,044	(15,461)		-
100	Other EU Countries	217,601	58,911	58,911	217,601	(58,682)		-
110	Other Industrialized Countries	53,804	19	19	2,059	(55)		-
120	**Off-balance-sheet exposures**	14,430,661	299,325	299,325			**(338,440)**	
130	Core Market - Austria	59,626	8,961	8,961			(8,918)	
140	Core Market - Croatia	-	-	-			-	
150	Core Market - Czech Republic	30	-	-			(0)	
160	Core Market - Hungary	484	-	-			(1)	
170	Core Market - Romania	13,954,321	147,032	147,032			(205,511)	
180	Core Market - Serbia	-	-	-			-	
190	Core Market - Slovakia	30	-	-			(1)	
200	Emerging Markets	49,986	-	-			(111)	
210	Other EU Countries	365,068	143,331	143,331			(123,897)	
220	Other Industrialized Countries	1,116	0	0			(2)	
230	**Total**	**85,923,624**	**2,235,502**	**2,235,502**	**71,439,437**	**(2,300,047)**	**(338,440)**	**-**

[1] Template **EU CR1-B** – Credit quality of exposures by industry or counterparty types and Template **EU CR1-C** – Credit quality of exposures by geography were replaced by Template **NPL 5** - Quality of non-performing exposures by geography and Template **NPL 6** - Credit quality of loans and advances by industry, according to EBA final Guideline on Disclosure of Non-performing and Forborne exposures (EBA/GL/2018/10).

25 Template NPL 6: Credit quality of loans and advances by industry

RON thousands	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
1 A Agriculture, forestry and fishing	919,338	32,258	32,258	919,338	(37,880)	-
2 B Mining and quarrying	30,342	672	672	30,342	(1,186)	-
3 C Manufacturing	4,273,821	485,879	485,879	4,273,821	(438,370)	-
4 D Electricity, gas, steam and air conditioning supply	446,629	28,152	28,152	446,629	(41,075)	-
5 E Water supply	267,733	6,543	6,543	267,733	(9,095)	-
6 F Construction	1,770,624	179,092	179,092	1,770,624	(190,636)	-
7 G Wholesale and retail trade	2,677,973	41,729	41,729	2,677,973	(85,008)	-
8 H Transport ans storage	1,408,389	43,459	43,459	1,406,807	(46,732)	-
9 I Accommodation and food service activities	202,301	6,919	6,919	202,301	(17,080)	-
10 J Information and communication	132,756	10,960	10,960	132,756	(12,661)	-
11 K Financial and insurance activities	18,514	2,031	2,031	18,514	(84)	-
12 L Real estate activities	1,320,662	30,634	30,634	1,320,662	(58,586)	-
13 M Professional, scientific and technical activities	161,531	8,584	8,584	161,531	(9,278)	-
14 N Administrative and support service activities	412,969	3,651	3,651	412,770	(5,520)	-
15 O Public administration and defence, compulsory social security	166	-	-	166	(1)	-
16 P Education	5,291	117	117	5,291	(763)	-
17 Q Human health services and social work activities	229,584	524	524	229,584	(5,171)	-
18 R Arts, entertainment and recreation	27,255	701	701	27,255	(5,074)	-
19 S Other services	90,710	8,716	8,716	90,710	(19,610)	-
20 Total	**14,396,588**	**890,620**	**890,620**	**14,394,808**	**(983,808)**	**-**

26 Template NPL 9: Collateral obtained by taking possession and execution processes

in RON thousands		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	-	-
020	Other than PP&E	194,619	(96,793)
030	Residential immovable property	106,043	(58,297)
040	Commercial Immovable property	76,301	(37,656)
050	Movable property (auto, shipping, etc.)	12,276	(840)
060	Equity and debt instruments	-	-
070	Other	-	-
080	**Total**	**194,619**	**(96,793)**

The gross value of collateral obtained by taking possession and execution process and related impairment is presented in the above table by collateral type, the highest share being residential property at 54%.

In assessing the BCR's Group asset quality, the table below provides a comprehensive breakdown per overdue days buckets in case of loans and debt securities.

The on-balance gross carrying amount as of June 30th 2020 is presented.

27 Template EU CR1-D: Ageing of past-due exposures

in RON thousands	<= 30 days	> 30 days <= 60 days	> 60 days <=90 days	> 90 days <=180 days	> 180 days <= 1year	> 1year
1 Loans	49,057,254	227,354	117,218	92,624	131,145	648,249
2 Debt Securities	21,154,275	-	-	-	-	-

The figures below reflect the gross carrying values for loans and receivables, debt securities and off-balance exposures, split per performing/ non - performing categories. Also, a separate disclosure of forborne deals is presented.

In BCR Group the definition of non-performing exposure follows the EBA "ITS on Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013". This category includes non-performing exposures to defaulted customers in the sense of Article 178 of EU Regulation no. 575/2013 including unlikeliness to pay, overdue material amounts with more than 90 days past due, restructuring resulting into a loss to the lender, realization of a loan loss and initiation of Bankruptcy proceedings.

The non-performing exposure situated at 2,109,809 thousand RON at the end of June 2020, higher with 125,692 thousand RON as compared to December 2019, triggered by regular new defaulted customers, partly offset by continuous workout efforts to diminish the stock of non-performing exposures through recoveries, write-offs and debt sales.

28 Template EU CR1-E: Non-performing and forborne exposures

in RON thousands	Gross Carrying Amount of performing and non-performing exposure	Of which performing but past due >30 and < 90 dpd	of which performing forborn	of which non-performing				Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
								PERFORMING EXPOSURE		NONPERFORMING EXPOSURE			
				Total	of which defaulted	of which impaired	of which forborn	Total	of which forborn	Total	of which forborn	Total	of which forborn
010 Debt securities	21,154,275	-	-	1,894	1,894	1,894	-	(25,982)	-	(568)	-	-	-
020 Loans and advances	50,273,843	235,032	586,731	1,934,282	1,934,282	1,932,502	591,580	(900,008)	(51,053)	(1,373,488)	(410,588)	24,507,735	376,382
030 Off-balance sheet exposures	14,430,554	-	12,152	299,325	299,325	30,510	16,198	(89,505)	(997)	(248,935)	(15,527)	2,502,827	2,096

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

The following table provides the changes in the institution's stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

29 Template EU CR2-A: Changes in stock of general and specific credit risk adjustments

in RON thousands		Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
1	**Opening balance**	(1,219,448)	-
2	Increases due to amounts set aside for estimated loan losses during the period	(262,408)	-
3	Decreases due to amounts reversed for estimated loan losses during the period	107,587	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	61,719	-
5	Transfers between credit risk adjustments	(54,106)	-
6	Impact of exchange rate differences	(7,401)	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	-	-
9	**Closing balance**	(1,374,056)	-
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	236,901	-
11	Specific credit risk adjustments recorded directly to the statement of profit or loss	(13,123)	-

The following table provides the changes in the institution's stock of defaulted and impaired loans and debt securities.

30 Template EU CR2-B: Changes in stock of defaulted and impaired loans and debt securities

in RON thousands		Defaulted exposures	Comments
1	Opening stock	2,109,809	BoP = previous EOP
2	Exposures that have defaulted since the last reporting period	615,143	EOP figure
3	Returned to non-defaulted status	(81,097)	EOP figure
4	Amounts written off	(75,061)	
5	Other changes	(333,293)	all other
6	Closing stock	2,235,501	EOP stock

Note: Opening balance is as of 01.01.2020

Defaulted loans and debt securities subject to the credit risk framework (opening stock vs closing stock) increased by 6.0% in H1 2020.

DISCLOSURE REQUIREMENTS COVERED: EBA GL/2020/07 Guideline on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis and NBR Instructions / 03.08.2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis

Template 1 presented below provides an overview of the credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis. The gross carrying amount and the related accumulated impairment or accumulated changes in fair value due to credit risk are disclosed broken down by counterparty, by performing / non-performing status and by forbearance status. Separate presentation is required for performing exposures with significant increase in credit risk since initial recognition (Stage 2) and for non-performing exposures that are unlikely to pay and that are not past-due or past-due <= 90 days. Inflows to non-performing exposures are also highlighted.

31 Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

		Gross carrying amount						
			Performing			Non performing		
in RON thousands				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
1	**Loans and advances subject to moratorium**	**4,012,697,879**	**3,494,853,221**	**217,964,821**	**1,638,236,376**	**517,844,658**	**89,714,346**	**517,436,698**
2	of which: Households	1,830,292,212	1,746,939,671	9,346,514	636,260,094	83,352,541	35,948,127	83,261,192
3	of which: Collateralised by residential immovable property	985,681,059	925,255,619	5,640,029	377,891,603	60,425,440	26,219,255	60,425,440
4	of which: Non-financial corporations	2,081,988,226	1,647,496,109	202,311,835	980,251,464	434,492,117	53,766,218	434,175,506
5	of which: Small and Medium-sized Enterprises	680,139,826	633,034,709	19,558,934	403,686,069	47,105,117	40,866,832	47,105,117
6	of which: Collateralised by commercial immovable property	1,299,784,386	1,059,250,351	185,359,970	713,426,482	240,534,035	42,055,806	240,534,035

		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing			
in RON thousands				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	**Loans and advances subject to moratorium**	**(497,419,126)**	**(188,141,592)**	**(24,340,544)**	**(175,040,985)**	**(309,277,534)**	**(53,144,423)**	**(309,101,260)**	**382,764,325**
2	of which: Households	(138,577,897)	(94,441,736)	(1,173,723)	(88,082,306)	(44,136,161)	(18,026,555)	(44,070,675)	6,364,931
3	of which: Collateralised by residential immovable property	(79,832,547)	(47,758,583)	(319,598)	(45,614,811)	(32,073,964)	(14,320,937)	(32,073,964)	3,085,502
4	of which: Non-financial corporations	(358,481,231)	(93,339,858)	(23,026,335)	(86,667,341)	(265,141,373)	(35,117,868)	(265,030,585)	376,399,393
5	of which: Small and Medium-sized Enterprises	(83,030,555)	(47,521,010)	(3,584,902)	(44,872,183)	(35,509,545)	(32,302,882)	(35,509,545)	5,906,528
6	of which: Collateralised by commercial immovable property	(208,402,984)	(59,964,286)	(19,894,030)	(57,493,970)	(148,438,698)	(27,249,930)	(148,438,698)	198,998,769

Legislative and Non-legislative Moratorium

In light of the spread of COVID-19, a variety of measures have been taken by the Romanian government aimed at addressing the economic consequences of the outbreak on individuals, households and businesses. Such measures include legislative / public moratorium on repayment of loans, overdraft facilities and mortgages. Further, BCR is offering renegotiations of repayment schedules and payment deferrals to customers facing liquidity shortages as part of the non-legislative / private moratorium at the level of the Romanian Banking Association.

The legislative moratorium addressed through GEO 37/ 30.03.2020, applicable during 30th of March – 15th of June 2020, offered borrowers affected directly or indirectly by the COVID-19 lockdown the possibility to opt-in for full payment postponement – principal, interest and fees – for a period up to 9 months, however the last suspended instalment cannot exceed the 31st of December 2020. The public moratorium is applicable to both, Retail and Corporate customers and to all types of loans granted by banks and non-banking financial entities. For mortgage loans the accrued interest is covered 100% by state guarantee and is repayable in 60 equal amounts after the moratorium ends; the accrued interest for mortgage loans is not capitalized. For all other loan types, the accrued interest is capitalized at the end of the suspension period, resulting amount being rescheduled until the new maturity (adding the suspension period, if the case).

According to EBA GL/2020/07 exposures covered by the moratorium should not automatically be classified as forborne under Article 47b of Regulation (EU) No 575/20133 (Capital Requirements Regulation – CRR) and, consequently, would not have to be automatically assessed as distressed restructuring under the definition of default. However, BCR continued to monitor the development of the portfolio affected by COVID-19 lockdown and ensured that credit issues, both in the prudential, but also accounting framework, were recognised.

In March 2020, risk management function together with business divisions started a joint initiative aiming to quickly provide a harmonised guidance for a focused industry approach within BCR, reflecting the changed economic environment. Industries and sub-industries were categorised into high, medium and low expected impacts due to COVID-19 based on a combination of research material, feedback collected from client meetings and single name analyses.

Main drivers for assigning corresponding low, medium and high risk industry classification was the assessment of both, short-term as well as medium-term impacts of the crisis on the specific sub-industry. A respective business and risk strategy for the sub-industries was formulated based on the assessment.

Effect on Expected Credit Loss (ECL)

An increase of the expected credit losses (ECL) might result from a reassessment of the credit risk parameters and a migration to worse stages either via significant increase in credit risk (SICR - significant increase in credit risk since initial recognition) or a default.

Reliefs offered to credit owners in form of payment deferrals under public and private moratorium did not result in an automatic transfer from Stage 1 to Stage 2. However, BCR continues to perform individual assessments whether there are other circumstances that would lead to forbearance or default classification.

Additional credit losses were recognized as BCR applied updated forward looking information shifts due to the COVID-19 macroeconomic situation to the point-in-time risk parameters used in ECL calculation.

BCR has addressed expected SICR by introducing COVID-19 portfolio overlays. The portfolio subject to public and private moratorium was treated separately based on the client's segment: private individuals (PIs) and non-private individuals (non-PIs). The customers were assessed by taking into account any COVID-19 related relieve measure granted as well as the internal industry heat-map and corresponding probabilities of default (PD) levels. Based on this assessment and individual reviews, customers were migrated to stage 2, i.e. lifetime ECL measure. The industry heat map and the portfolio overlays are subject to regular reviews.

32 Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
in RON thousands						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	**Loans and advances for which moratorium was offered**	**321,930**	**5,704,780,703**							
2	**Loans and advances subject to moratorium (granted)**	**319,344**	**5,688,784,644**	**3,102,883,337**	**1,676,086,765**	**1,252,847,574**	**2,391,210,560**	**341,556,320**	**27,083,425**	**-**
3	of which: Households		3,496,710,219	1,405,623,076	1,666,418,007	948,388,186	875,968,740	5,935,286	-	-
4	of which: Collateralised by residential immovable property		1,838,758,246	1,104,040,513	853,077,187	305,723,704	675,135,273	4,822,082	-	-
5	of which: Non-financial corporations		2,091,656,984	1,696,156,199	9,668,758	304,179,965	1,442,187,228	335,621,034	-	-
6	of which: Small and Medium-sized Enterprises		687,088,977	574,543,370	6,949,151	102,391,594	472,223,814	105,524,418	-	-
7	of which: Collateralised by commercial immovable property		1,303,318,616	959,002,755	3,534,230	224,785,849	818,259,348	256,739,189	-	-

Note: Out of total exposure presented above, approximately RON 832mn (294,961 clients) represent payments deferrals for 3 month on credit cards and overdraft products, implemented at Bank's initiative in order to alleviate the impact of COVID19 epidemic considering the restrictions on mobility imposed by the emergency state.

COVID-19 **Template 2** provides details on EBA-compliant moratorium (legislative and non-legislative) for loans and advances that meet the requirements described in paragraph 10 of the EBA Guidelines on moratorium. The template provides information on the number of obligors and gross carrying amount of loans and advances subject to different statuses of EBA-compliant moratorium (requested/granted). In addition, the template contains a breakdown by the residual maturity of EBA-compliant moratorium and information on the gross carrying amount of legislative moratorium as per the definition of the EBA Guidelines on moratorium.

The legislative moratorium was applicable between 30th of March 2020 and 15th of June 2020. The non-legislative moratorium was initially applicable until 30th of June 2020 and subsequently the Romanian Banking Association extended the applicability of the Code of Conduct in line with EBA guideline until the 30th of September 2020. BCR adhered as well to the extended period of applicability for private moratorium with unchanged eligibility criteria for borrowers affected by COVID-19 pandemic.

33 Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
	in RON thousands		of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**11,562,695**	**-**	**10,752,758**	**-**
2	of which: Households	-			-
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	11,562,695	-	**10,752,758**	-
5	of which: Small and Medium-sized Enterprises	11,562,695			-
6	of which: Collateralised by commercial immovable property	-			-

COVID-19 **Template 3** provides details on newly originated loans and advances as referred to in paragraph 15 of EBA GL 2020 07 that are subject to public guarantee schemes that the Romanian State introduced in response to the COVID-19 crisis. In the case of refinancing of previous debt with a new loan or of repackaging of several debts into a new loan, the new loan recognised in the financial statements is reported in this template provided that it is covered by a public guarantee scheme related to the COVID-19 crisis (not the case for BCR as of 30th of June 2020). The template provides a breakdown of the gross carrying amount, the forbearance measures and the amount of public guarantees related to loans and advances and the inflows to non-performing exposure.

The Romanian Government issued in June 2020 the "SME Invest Program" allowing the SME clients significantly affected by COVID-19 crisis to secure their necessary liquidity to perform the current activities or for investment needs by accessing one or more loans for investment and/or one or more loans/credit lines for working capital, guaranteed by FNGCIMM on behalf of and the account of the Romanian State, through the Ministry of Public Finance. For 2020, the total ceiling of guarantees that can be granted under the program in Romania is 20 billion RON.

The state can cover up to 90% of the value of the loans access through one of the partner banks. The borrowers will not pay any interest, guarantee fees or other granting costs. Financing costs are subsidised 100% from the state budget for 8 months from the date of loan origination. The borrowers are also exempted from any early repayment fee. The maximum amount that can be granted through this program is capped at 10,000,000 RON for investment loans and 5,000,000 RON for working capital.

The borrowers applying for SME Invest Program are treated under the business as usual approval flow for new lending, therefore no exceptions from the Bank's lending policies regarding the eligibility criteria of the customers is performed.

8 Market Risk

DISCLOSURE REQUIREMENTS COVERED: ART. 435

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 interest rates, foreign exchange rates, stock prices and commodity prices.

Governance

In the following paragraphs the stakeholders in the risk management process are described.

The role of the **Management Board and the Supervisory Board** and its committees is of particular importance, since key elements, like the definition of a risk tolerance which is appropriate to the business strategy, and the role of the entity in the financial system, have to be decided.

Assets and Liabilities Management Committee (ALCO) is a key executive body with the responsibility for overseeing all balance sheet management activities.

Risk Committee of the Management Board is responsible for the definition and implementation of a sound market risk analysis framework for identifying, measuring, monitoring, limiting and controlling market risk types.

Strategic Risk Management (SRM) is responsible for the group wide coordination of credit, operational, market, liquidity risk management and ICAAP management.

Strategic Risk Management Division through Market and Liquidity Risk Management Department (MLRM) is responsible for market risk management and reporting.

With regard to market risk, MLRM is performing the following main functions:

- Identification of market risks: identification of all possible risk drivers and their potential impact;
- Risk limits: definition, proposal, monitoring and escalation of the risk limits;
- Market risk monitoring and reporting: measurement, analysis, timely and accurate reporting of all indicators;
- Model development in the area of valuation methods and calibration.

Balance Sheet Management Division (BSM) is responsible for steering liquidity and interest rate risk in the banking book and carrying out investments.

Identification of market risks

The market risks can be identified from the proposal phase of a new product within the Product Approval Process (PAP), but also through the lifetime of the product under the periodic (annual) Risk Materiality Assessment Process.

The identification of all market risks (interest rate risk, credit spread risk, FX risk, equity risk, commodity risk, volatility risk) performed under PAP is essential for the investment operations and for new products and ensure that these are subject to adequate procedures and controls before these are implemented or undertaken.

The Risk Materiality Assessment Process in BCR identifies possible risk drivers classified by potential impact (low, moderate, high) for all types of market risks. In case a risk was considered immaterial may be reclassified as significant if there are evidence that the potential impact has changes.

Market risk management strategies and processes

BCR Group strategic goals with respect market risk are set through the BCR Group Risk Strategy and are in line with the Group's Risk Appetite Statement, and address the following:

- BCR's market risk profile, defined based on the Risk Materiality Assessment Process.
- BCR's strategic objectives regarding the management of market risk, in accordance with the Group's risk tolerance and regulatory requirements.

The risk measurement process for market risk includes calculation of market risk exposures using specific measures, such as: value-at-risk (VaR), sensitivities and stress testing.

Market risk reporting, monitoring and mitigation

The market risk control process includes development of a comprehensive limit system, limit allocation and limit breach reporting, including escalation process.

BCR market risk limit system includes:

- VaR Limits: Trading Book portfolio, Banking Book portfolio.
- Position Limits represents the upper limit admitted for the size of the exposure. BCR has specific position limits for foreign exchange risk.
- Present Value of a Basis Point (PVBP) limit which is defined for bucket maturities on Trading Book Portfolio. Total PVBP is defined as the sum of all sensitivities per bucket, while the curve limit is the maximum between (i) the absolute value of all negative sensitivities and (ii) all positive sensitivities.
- Stop/Loss (S/L) limit is set to stop the loss registered in a transaction. BCR has defined S/L limits for total Trading Book Portfolio.
- MVoE limit is defined in BCR as a regulatory limit in compliance with NBR Regulation no. 5/2013 on prudential requirements for credit institutions.
- NII warning level is defined for the change in net interest income over a time horizon of one year due to standard interest rate shocks based on 1st / 99th percentile of the Hull-White model for EUR and USD and a sudden +/-200 bps parallel shift for RON.
- EVE limit for the worst change in economic value after applying the 6 scenarios, reported to Tier 1.

MLRM monitors the bank's exposure to market risk, reporting the observance of regulatory and internal limits, to the management structures of BCR.

In the monthly meetings of the ALCO, a standard analysis of the bank's exposure to market risk and a report with the utilization of market risk limits are presented. In case of any limit breach, the ALCO has to approve action plans developed in order to come back into compliance with the respective limit.

DISCLOSURE REQUIREMENTS COVERED: ART. 445

Exposure to market risk

According to CRR BCR calculates the capital requirement to cover market risk generated by position risk and foreign exchange risk, according to the approach method standard.

34 Template EU MR1 – Market risk under the standardized approach

	in RON thousands	RWA	Capital requirement
	Outright products	182,476	14,598
1	Interest rate risk (general and specific)	182,476	14,598
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	**182,476**	**14,598**

As of June 2020 the capital requirement for market risk reached a level of RON 14,598 thousands in comparison with RON 18,713 thousands recorded as of 31 December 2019. The decrease has been determined by the elimination of the open FX position, in line with Article 351 CRR establishing the 'de minimis' criteria by which institutions are required to calculate own funds requirements for FX risk if the institution's overall net foreign-exchange position exceeds 2% of own funds. All the limits for TB portfolio are monitored on a daily basis and their utilization degree is presented in the daily Market Risk report.

9 Liquidity Risk

DISCLOSURE REQUIREMENTS COVERED: ART. 435 CRR

Liquidity risk management strategies and processes

BCR Bank has implemented an Internal Liquidity Adequacy Assessment Process in accordance with regulatory requirements and guidelines as set out by the Basel Committee on Banking Supervision ("BCBS"), the European Commission and the European Banking Authority. This is formalized as a key component of the Supervisory Review and Evaluation Process ("SREP") which provides a description of BCR's Internal Liquidity Adequacy Assessment Process, summarizing the liquidity and funding risk management framework, methodologies and processes and providing links to more detailed information on individual components of the ILAAP.

BCR Group's strategic goals with respect to liquidity risk are set in line with the BCR Group Risk Strategy. The responsibility for defining the Liquidity Risk Strategy for BCR lies with Market and Liquidity Risk Management Department and it is included in BCR Group's Risk Strategy. It contains the following information:

- BCR's liquidity risk profile, defined based on the Risk Materiality Assessment Process;
- BCR's strategic objectives regarding the management of liquidity risk, in accordance with the Group's risk tolerance and regulatory requirements.

In order to limit liquidity risk, Balance Sheet Management Division draws up for each financial exercise the BCR's Group Liquidity Strategy, which includes the main objectives of the bank related to the maintenance of adequate levels of liquidity buffers, both under normal and stressed conditions in accordance with the institution's short and medium-term liquidity needs over different time horizons.

Also, for managing liquidity in crisis situations, BCR has developed a contingency funding plan that clearly sets out the strategies for addressing liquidity shortfalls in emergencies. The contingency funding plan comprises sets of specific measures and liquidity enhancing actions required to successfully overcome a potential crisis. To permanently improve bank's capacity to promptly react in cases of crises, the contingency funding plan is updated annually and tested periodically.

Liquidity risk management structure and organization

The governance framework ensures the distinction between liquidity management (first line of control) and liquidity risk management, a 'second line of defence/control' for liquidity risk.

The governance framework also covers the responsibilities of committees involved in analysing and endorsement / decision regarding the liquidity management (Operative Liquidity Committee - OLC, Asset and Liability Committee – ALCO) or the liquidity risk management (Risk Committee of the Management Board, Management Board), as well as responsibilities of other departments involved in the internal control framework and independent review of components of the liquidity risk management framework.

The roles and responsibilities of Supervisory Board, Management Board, Assets and Liability Management Committee are specified in their organizational and operational rules.

The organizational structure has to provide the segregation of duties between:

i) Liquidity management function – performed by Balance Sheet Management Division with support from Erste Bank Global Capital Markets Division (GCM). Thus, BSM is responsible for:

- Strategic liquidity management including coordinating the activity of BCR subsidiaries with respect to management of liquidity, funding needs, FX positions and investments;
- Operational Liquidity Management;

- Crisis Liquidity Management;
- Pricing.

GCM overall acts as the external face to the wholesale capital markets for both sourcing and placing of liquidity across the group. GCM provides BSM, Market & Liquidity Risk Management and Senior Management with regular information through various channels (Operative Liquidity Committee - OLC, Asset and Liability Committee etc.) regarding the bank's ability to access capital and money markets and the general market dynamics.

ii) Liquidity risk management function – performed by Strategic Risk Management Division – Market and Liquidity Risk Management Department. For the purpose of liquidity risk management, MLRM performs the following activities:

- Development of methods and models;
- Measurement/ Monitoring/ Reporting;
- Liquidity risk limits proposal.

MLRM reports on a regular basis to SB, MB, ALCO and OLC.

Liquidity risk reporting, monitoring and mitigation

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 (Management Board, Risk Committee of the Management Board, Executive Director of Strategic Risk Management 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 and Assets and Liabilities Management Committee.

The liquidity risk monitoring system of BCR includes (but is not limited to) the following indicators:

Regulatory:

- Monthly liquidity indicator reported to the NBR;
- Immediate liquidity indicator;
- Liquidity Coverage Ratio;
- Net Stable Funding Ratio;
- Additional Liquidity Monitoring Metrics.

Internal:

- Survival Period Analysis;
- Structural Liquidity Ratio.

The above section, 'Liquidity risk management strategies and processes', describes the principal policies for mitigating risk and the strategies and processes for monitoring the continuing effectiveness of mitigants regarding liquidity risk.

Other policies implemented by BCR in order to mitigate the liquidity risk:

- Internal Liquidity Adequacy Assessment Process (ILAAP) – this policy provides a description of BCR's Internal Liquidity Adequacy Assessment Process, summarizing the liquidity and funding risk management framework, methodologies and processes and providing links to more detailed information on individual components of the ILAAP.
- Methodology Handbook for Survival Period Analysis: - The Survival Period Analysis 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.
- BCR Funds Transfer Pricing (FTP) Policy: - The BCR Group's FTP system covers all liquidity-relevant pricing components to ensure all liquidity risks are adequately transfer-priced to business lines across major subsidiaries and currencies.
- BCR Group Asset Encumbrance Management Policy: - The primary objective of the BCR Group Asset Encumbrance Management Policy is to provide an overarching framework on governance, responsibilities and principles for managing, monitoring and reporting asset encumbrance in BCR Group. This policy shall ensure that within the process of steering asset encumbrance in BCR Group all risks related to the encumbering of assets are adequately assessed and monitored.
- BCR Group Liquidity Management Policy: - The main objective of this policy is to describe requirements that would ensure an appropriate liquidity management by establishing a robust liquidity management framework and requirements that should be applied to all entities within its scope. The document was created in compliance with the local regulatory requirements set out in the local legislation (e.g. NBR Regulation nr. 5/2013 on prudential requirements for credit institutions, as further amended and completed) and standards/ principles defined in Group Liquidity Management Policy, which is the master policy document for establishing the liquidity management framework in Erste Group (EGB).

Also, in BCR Group Policy for Limit Management, the Bank defines a comprehensive and accurate limit management framework, which must ensure the proper implementation of BCR's limit system in the day to day business. Thus, BCR has established a comprehensive liquidity risk limits framework which are monitored on a regular basis (weekly, monthly or quarterly) and reported to the management structure.

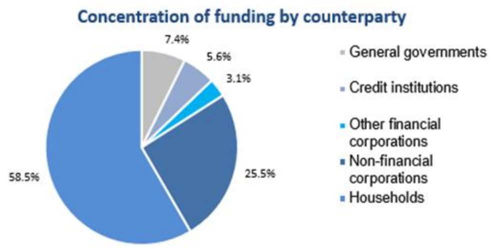
Template on qualitative information on LCR

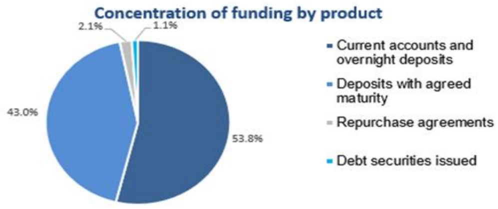
Concentration of funding:

- By counterparty and by product:

Compared with December 2019, the percentage of funding from households increased in June 2020 from 55.4% to 58.5%, while the funding provided by non-financial corporations decreased from 27.9% to 25.5%. We may note that funding from credit institutions contracted from 7.0% in December 2019 down to 5.6% in June 2020. Also, in the same period, the percentage of funding from deposits with agreed maturity decreased from 44.9% to 43.0% while funding received from current accounts and overnight deposits increased from 51.4% up to 53.8%.

35 Concentration of funding sources (as of 30 June 2020 for BCR Bank)

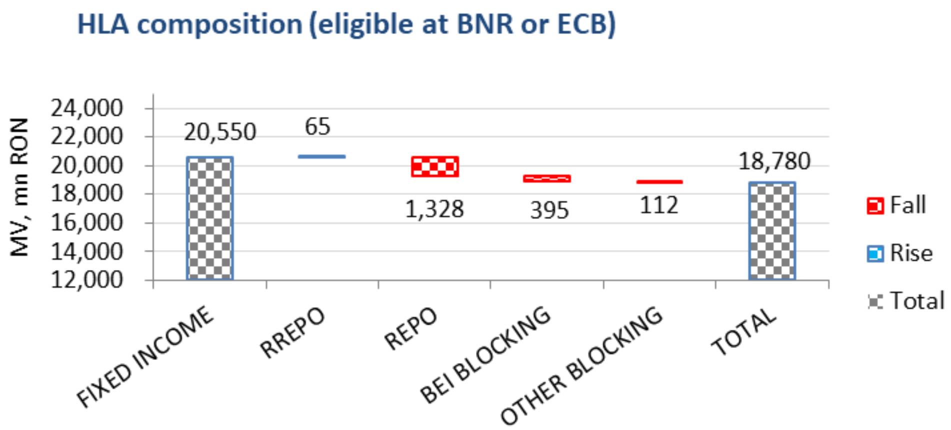




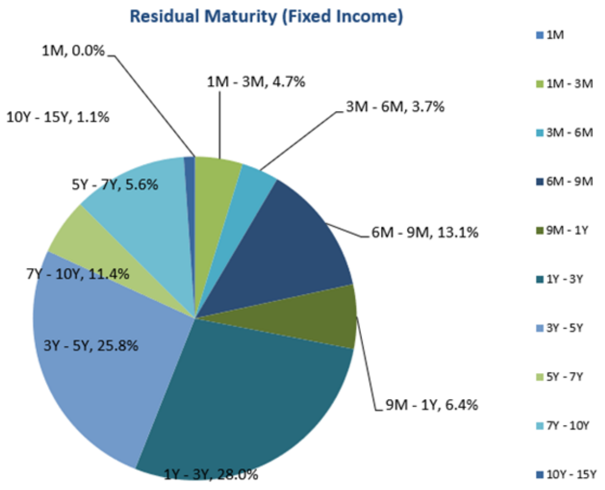
- By top 10 funding providers: - the weight of first 10 funding providers in total funding is equal to 12.6%.
  Concentration of liquidity sources:

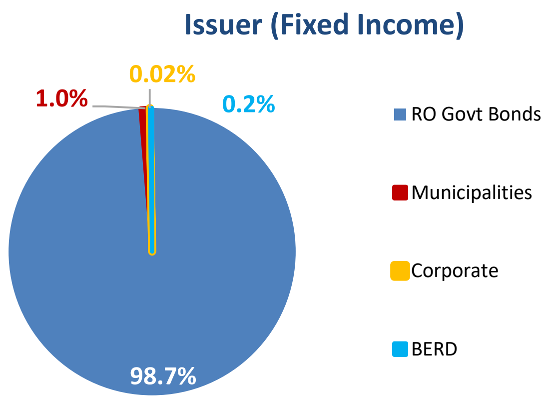
Compared with December 2019, the total eligible fixed income portfolio decreased from RON 19,174,653 thousands to RON 18,779,792 thousands.

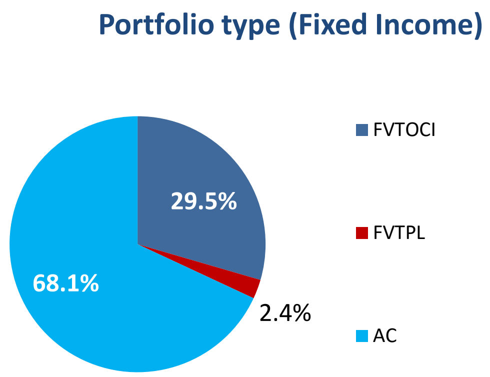
36 HLA Composition for BCR Standalone



37 Portfolio split based on residual maturity, issuer and type (accounting) as of 30 June 2020 for BCR Standalone







In addition to fixed income portfolio in amount of RON 18,779,792 thousands, the liquidity buffer contains a stock of cash in amount of RON 3,569,595 thousands.

Derivative exposures and potential collateral calls

Derivatives in Trading Book (Sales) are closed back-to-back with Erste Group Bank. In June 2020, there was an open position of RON -14,595.70 thousands, coming from mainly transactions for liquidity management purposes (Banking Book positions).

In LCR, the outflows related to derivative exposures are offset by inflows related to derivative exposures.

Currency mismatch in the LCR

In BCR, the LCR is calculated in all major currencies that exceed 5% of the institution's total liabilities (EUR and RON). Thus, the liquidity buffer requirements have to be determined for different currencies.

The distribution of the liquidity buffer in foreign currency is monitored monthly in order to ensure that net cash outflows in significant currencies (RON and EUR) are fully covered by liquid assets denominated in the same currency.

A description of the degree of centralization of liquidity management and interaction between the BCR group's units

BCR ensures an appropriate liquidity management by establishing a robust liquidity management framework and requirements that should be applied to and by all entities which are part of BCR Group. Additionally, a coordination function of the liquidity management and funding strategy of BCR Group is set in BCR and has clear governance and reporting rules.

Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

The bank considers that all the relevant information for its liquidity profile was already presented in this report.

38 Composition of liquidity buffers as of 30 June 2020

	Scope of consolidation (consolidated)	Total unweighted value				Total weighted value			
	Currency and units (RON million)								
	Quarter ending on (DD Month YYY)	30-Sep-2019	31-Dec-2019	31-Mar-2020	30-Jun-2020	30-Sep-2019	31-Dec-2019	31-Mar-2020	30-Jun-2020
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					24,343	23,685	23,863	24,115
	CASH-OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	37,476	37,733	37,997	38,828	2,871	2,878	2,887	2,959
3	*Stable deposits*	21,165	21,259	21,352	21,688	1,058	1,063	1,068	1,084
4	*Less stable deposits*	16,311	16,474	16,645	17,140	1,812	1,815	1,820	1,875
5	Unsecured wholesale funding	16,357	17,674	18,867	18,897	7,265	7,867	8,445	8,418
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	16,344	17,657	18,847	18,876	7,252	7,850	8,424	8,398
8	*Unsecured debt*	13.17	17.04	20.25	20.25	13.17	17.04	20.25	20.25
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	2,673	2,170	1,941	2,292	1,931	1,675	1,703	2,263
11	*Outflows related to derivative exposures and other collateral requirements*	1,785	1,578	1,648	2,244	1,785	1,578	1,648	2,244
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	888	592	293	49	146	97	56	19
14	Other contractual funding obligations	462	387	341	317	214	200	148	176
15	Other contingent funding obligations	11,344	11,858	12,473	12,809	497	553	603	613
16	**TOTAL CASH OUTFLOWS**					12,778	13,173	13,785	14,429
	CASH-INFLOWS								
17	Secured lending (eg reverse repos)	1,672	1,350	1,403	1,116	18	29	49	36
18	Inflows from fully performing exposures	1,005	1,149	1,264	1,785	684	783	870	1,349
19	Other cash inflows	1,799	1,588	1,655	2,247	1,799	1,588	1,655	2,247
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	4,476	4,087	4,323	5,149	2,502	2,401	2,575	3,633
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	4,476	4,087	4,323	5,149	2,502	2,401	2,575	3,633
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					24,343	23,685	23,863	24,115
22	**TOTAL NET CASH OUTFLOWS**					10,276	10,772	11,210	10,796
23	**LIQUIDITY COVERAGE RATIO (%)**					237%	220%	213%	223%

10 Leverage

DISCLOSURE REQUIREMENTS COVERED: ART. 451 CRR

Information about leverage ratio

The leverage ratio represents the relationship between core capital (Tier 1) and leverage exposure according to Article 429 CRR. Essentially, the leverage exposure represents the sum of on- and off-balance sheet positions considering valuation and risk adjustments as defined within the CRR.

Based on Article 499 (2) CRR, the information presented below on a consolidated level, uses 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 decrease of the Leverage ratio in the first half of 2020 as compared with December 2019 is due to decrease in Tier 1 capital and increase in leverage ratio exposure.

39 LRSum: Summary reconciliation of accounting assets and leverage ratio exposures BCR Group

RON thousands		Applicable Amounts
1	Total assets as per published financial statements	75,993,289
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	99,784
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)	4,486,087
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	(330,719)
8	**Total leverage ratio exposure**	80,248,442

40 LRCom: Leverage ratio common disclosure BCR Group

RON thousands		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)	75,867,695
2	(Asset amounts deducted in determining Tier 1 capital)	(333,548)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	75,534,148
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	65,611
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	97,792
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)	163,403
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	64,805
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)	64,805
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	14,093,904
18	(Adjustments for conversion to credit equivalent amounts)	(9,607,817)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	4,486,087
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	7,574,759
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	80,248,442
Leverage ratio		
22	Leverage ratio	9.44%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Final
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

41 LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) BCR Group

RON thousands		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	75,867,695
EU-2	Trading book exposures	503,888
EU-3	Banking book exposures, of which:	75,363,807
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	26,878,307
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	3,001,394
EU-7	Institutions	1,678,856
EU-8	Secured by mortgages of immovable properties	10,891,519
EU-9	Retail exposures	14,120,474
EU-10	Corporate	12,145,579
EU-11	Exposures in default	578,295
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	6,069,383

BCR Group manages the risk of excessive leverage through its Risk Appetite Statement and limit framework, which are used to provide quantitative direction for the overall risk-return steering. The leverage ratio is a core Risk Appetite metric monitored through a traffic light system to provide early warnings signals for potential management actions with a formalized escalation mechanism in case of any breaches. Additionally, the Group proceeds to evaluate the risk of excessive leverage through the Risk Materiality Assessment (RMA). The RMA is an annual process with the purpose of systematically identifying new and assessing existing material risks for the Group. The RMA determines the materiality of risk types and consequently the risk profile across BCR Group by assigning them risk grades to individual risk drivers and identifying those risks which are significant and have to be addressed within the ICAAP framework.

Furthermore, as part of the planning process, risk relevant key indicators, including the leverage ratio, are forecasted in order to ensure the adequate reflection of risks and capital within the steering and management process of the Group.

11 Credit Risk Mitigation Techniques

DISCLOSURE REQUIREMENTS COVERED: ART. 453 CRR

Policies and processes for collateral valuation and management

The netting agreements concluded by the bank are not used in the scope of regulatory credit risk mitigation.

In order for an asset to be accepted as collateral for a loan it is necessary for that asset to fulfil the provisions of the NBR regulations, EU regulations, as well the national, legal and internal requirements. In that perspective an asset must be valuated to determine the market value and the Bank's accepted value beforehand.

The market value is estimated through valuation undertaken by a specialized external company or the value is internally estimated according to internal standards.

The collateral valuation is important for the identification of the secured and unsecured parts of the exposure of a client or group of clients according to the norms and standards internally regulated.

The valuation is performed in accordance with the International Standards of Valuation, ANEVAR Guide and internal procedures, when the loan is granted, during the lifetime of the loan and in case of foreclosure of the respective collateral.

The valuation report for BCR clients must observe the models elaborated by the bank, sent to the external valuator when the collaboration agreement was signed. The valuation approaches used in the valuation report for BCR clients are:

- market approach;
- income approach (capitalization or DCF);
- costs approach.

The market value is the estimated amount for which a good should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The accepted value is an internal view on collateral risk, which serves to show the most probable recovery amount of the collateral in case of its liquidation. The accepted value is calculated by applying haircut rates to the market value. The valuation report is the document in which the market value is estimated.

Description of the main types of collateral taken by BCR

The main types of collateral taken by BCR are presented in the table below:

42 Main types of collateral

1 Real estate collateral	
	1.1. Residential real estate
	1.2. Commercial and industrial real estate
	1.3. Agricultural and forestry real estate
	1.4. Real estate with other uses
2 Movables	
	2.1. Furniture and equipment
	2.2. Computers and communication equipment
	2.3. Plants and equipment
	2.4. Transportation means/special vehicles
	2.5. Stock
3 Personal guarantees	
	3.1. Private individuals
	3.2. Legal entities
	3.3. Public sector
	3.4. Financial institutions
4 Financial guarantees	
	4.1. Credit balance of the account, deposit certificates and other collateral
	4.2. Insurance companies
	4.3. Gold
5 Claims and rights	
	5.1 Receivables
	5.2 Renting lands and buildings
	5.3 Receivables from letters of guarantee and letters of credit
	5.4. Equity interests (unlisted shares) of companies' share capital
	5.5. Rights

Market or credit risk concentrations within the credit mitigation taken

BCR registers credit risk concentrations in its risk mitigation operations towards the Romanian state. At June 30th 2020, the total collaterals received from the Romanian state used for credit risk mitigation purposes amounted to 4,257,100 thousands RON (out of which "Prima Casa" is 89.8 %).

The table below provides the extent of the use of CRM techniques:

43 Template EU CR3: Credit risk mitigation techniques – overview (TOTAL IRB AND STA)

	in RON thousands	Exposure unsecured	Exposure secured	Exposure secured by collateral	Exposure secured by financial guarantees	Exposure secured by credit derivatives
1	Total loans	43,376,324	4,624,023	357,417	4,266,606	-
2	Total debt securities	21,127,725	-	-	-	-
3	Total exposures	83,428,982	5,706,582	1,421,193	4,285,389	-
4	of which defaulted	598,520	30,089	6,889	23,200	-

in RON thousands		Exposure unsecured	Exposure secured	Exposure secured by collateral	Exposure secured by financial guarantees	Exposure secured by credit derivatives
1	Central governments or central banks	26,852,455	-	-	-	
2	Regional government or local authorities	4,046,020	214,123	-	214,123	
3	Public sector entities	376,519	229,473	229,473	-	
4	Multilateral development banks	58,516	-	-	-	
5	International organisations	-	-	-	-	
6	Institutions	2,306,598	-	-	-	
7	Corporates	20,758,330	1,252,660	1,086,100	166,560	
8	Retail	12,354,443	3,435,005	96,612	3,338,393	
9	Secured by mortgages on immovable property	10,355,939	545,231	2,119	543,113	
10	Exposures in default	598,520	30,089	6,889	23,200	
11	Higher-risk categories	3,604	-	-	-	
12	Covered bonds	-	-	-	-	
13	Institutions and corporates with a short term credit assessment	-	-	-	-	
14	Collective investment undertakings	-	-	-	-	
15	Equity	116,931	-	-	-	
16	Other items	5,601,106	-	-	-	
17	**Total**	**83,428,982**	**5,706,582**	**1,421,193**	**4,285,389**	

The table below provides the effect of all CRM techniques applied in accordance with Part Three, Title II, Chapter 4 of the CRR, including the financial collateral simple method and the financial collateral comprehensive method in the application of Article 222 and Article 223 of the same regulation on standardized approach capital requirements' calculations. RWA density provides a synthetic metric on the riskiness of each portfolio.

44 Template EU CR4: Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

in RON thousands		Exposures before CCF and CRM		Exposure post CCF and CRM		RWA and RWA density	
	Asset classes	On balance	off balance	On balance	off balance	RWA	RWA density
1	Central governments or central banks	26,852,455	-	31,092,495	8,230	1,116,200	4%
2	Regional government or local authorities	2,830,246	1,429,897	2,616,122	706,384	818,643	25%
3	Public sector entities	171,149	434,843	171,149	101,265	272,414	100%
4	Multilateral development banks	51,446	7,070	328,253	82,540	-	0%
5	International organisations	-	-	-	-	-	-
6	Institutions	1,678,856	627,742	1,682,549	161,698	518,999	28%
7	Corporates	12,145,579	9,865,411	11,717,037	1,705,565	13,210,978	98%
8	Retail	14,120,474	1,668,975	10,710,789	667,964	8,466,246	74%
9	Secured by mortgages on immovable property	10,891,519	9,652	10,346,375	4,863	3,634,110	35%
10	Exposures in default	578,295	50,314	551,767	10,053	611,835	109%
11	Higher-risk categories	3,604	-	3,604	-	5,407	150%
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short term credit assessment	-	-	-	-	-	-
14	collective investment undertakings	-	-	-	-	-	-
15	Equity	116,931	-	116,931	-	159,899	137%
16	**Other items**	5,601,106	-	5,704,589	436,606	1,888,535	31%
17	**Total**	**75,041,660**	**14,093,904**	**75,041,660**	**3,885,169**	**30,703,266**	**39%**

12 Abbreviations

ALCO Committee	Asset and Liability Management
AMA	Advanced Measurement Approach
ANEVAR Evaluators	The National Association of Authorized
AT1	Additional Tier 1 capital
BB	Banking Book
BCBS	Basel Committee on Banking Supervision
BCR	Banca Comerciala Romana
BEI	European Investment Bank
BSM	Balance Sheet Management Division
BOP	Beginning of period
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CET1	Common Equity Tier-1
CIRS	Cross-currency Interest Rate Swap
CRD	Capital Requirement Directive
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirement Regulation
CVA	Credit Valuation Adjustment
DCF	Discounted Cash Flow
DTA	Deferred Tax Assets
DPD	Day-past-due
EAD	Exposure At Default
EBA	European Banking Authority
EC	Economic Capital
ECAI	External Credit Assessment Institution
EGB	Erste Group Bank
EOP	End of period
EU	European Union
FS	Financial Statements
FTP	Funds Transfer Pricing
FV	Held at Fair Value
FX	Foreign Exchange
GCM	Global Capital Markets Division
GL	Guideline
G-SII	Global Systemically Important Institution
HLA	High Liquidity Assets
IAS	International Accounting Standard
ICAAP Process	Internal Capital Adequacy Assessment
IFRS Standards	International Financial Reporting
ILAAP Process	Internal Liquidity Adequacy Assessment
IR	Interest Rate
IRB	Internal Rating-based Approach
IRRBB	Interest rate risk in the banking book
IRS	Interest Rate Swap
IT	Information Technology
ITS	Implementing Technical Standards
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default

LR	Leverage Ratio
MB	Management Board
MDB	Multilateral Development Banks
MLRM Department	Market and Liquidity Risk Management
MR	Market Risk
MtM	Mark to Market
MVoE	Market Value of Equity
NBR	National Bank of Romania
NII	Net Interest Income
NPL	Non-performing Loans
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OLC	Operative Liquidity Committee
O-SII	Other Systemically Important Institutions
PAP	Product Approval Process
PD	Probability of Default
POCI	Purchased or Originated Credit Impaired
PSE	Public Sector Entities
PVBP	Present Value of a Basis Point
RAS	Risk Appetite Statement
RCC	Risk bearing Capacity Calculation
RMA	Risk Materiality Assessment
RREPO	Reverse repo
RWA	Risk Weighted Assets
RW	Risk weight
S/L	Stop/Loss
SA or STA	Standardized Approach
SB	Supervisory Board
SFT	Securities Financing Transactions
SME	Small and medium-sized enterprises
SPA	Survival Period Analysis
SREP Process	Supervisory Review and Evaluation
SRM	Strategic Risk Management Division
STD	Standard
SVaR	Stressed VaR
T2	Tier 2 capital
TB	Trading book
VaR	Value at Risk

13 List of annexes