

BCR GROUP DISCLOSURE REPORT 2020 Q1

*Pursuant to Part
Eight of the Capital
Requirements
Regulation (EU) no.
575/2013 on
prudential
requirements for
credit institutions and
investment firms*

*Incorporated in
Romania*

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J40/90/1991*

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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 is presented as of March 31st 2020 unless otherwise stated.

Following an overall frequency assessment of all Pillar 3 disclosures this quarterly 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 quarterly disclosures be provided:

- 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 pertaining to total RWA forming the denominator of the risk-based capital requirements calculated in accordance with Article 92 of the CRR. As per EBA/GL/2016/11, version 2, Template "EU OV1 – Overview of RWAs" will be used in order to disclose the information required.

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/2019>)

2 Overview of Non-applicable Disclosures

The following table provides an overview of the CRR Articles which are not covered by the quarterly Disclosure Report 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. | The BCR Group does not apply the internal credit risk model. | Template EU CR8, Template EU CCR7 |
| 444 | Use of ECAs | Information related to ECAs used for calculation of the RWA exposure amounts. | BCR does not use ECAs for computing risk weighted exposure amounts. | Template EU CR5 |
| 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 |
| 455 | Use of Internal Market Risk Models | Information to be disclosed in accordance with Article 363 for capital requirement calculation. | The BCR Group does not apply the internal market risk model. | Template EU MR2-A, Template EU MR2-B |

3 Own Funds

DISCLOSURE REQUIREMENT COVERED BY: ART. 437 CRR

Group Own Funds

Based on the requirements defined by the European Bank Authority in EBA/GL/2016/11, version 2, the information listed below must be provided quarterly:

- Total amount of Common Equity Tier 1 capital, which amounts to 8,028,018 thousands RON before regulatory adjustments and 7,682,490 thousands RON after regulatory adjustments;
- Total amount of Additional Tier 1, which amounts to 0 thousands RON;
- Total amount of Tier 1 capital, which amounts to 7,682,490 thousands RON;
- Total amount of Tier 2 capital, which amounts to 389,943 thousands RON;
- Total amount of capital, which amounts to 8,072,433 thousands RON;
- Total regulatory adjustments to each capital aggregate 345,529 thousands RON and 0 thousands RON;
- Common Equity Tier 1 ratio, which is equal to 17.56%;
- Tier 1 ratio, which is equal to 17.56%;
- Total capital ratio, which is equal to 18.45%

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 from CRR;
- Accounting consolidation perimeter in accordance with IFRS 10 Consolidated Financial Statements.

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

2 Template EU L13 – 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 Comercială Română | Full consolidation | X | | | | | Credit institution |
| BCR Chisinau | Full consolidation | X | | | | | Credit institution |
| BCR Banca pentru Locuitorii | 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 - Operational Leasing |
| 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

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, March 31st 2020 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.

Please find below, the information relating to own funds required to be disclosed:

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3 Own funds disclosure template

| | Mar-20 | Regulation (EU) No 575/2013 Article Reference |
|---|-------------------|--|
| In RON thousands | | |
| Common equity Tier 1 (CET1) capital: instruments and reserves | | |
| 1 Common equity Tier 1 (CET1) capital: instruments and reserves | 3,348,049 | 26 (1), 27, 28, 29 |
| of which: ordinary shares | 3,348,049 | EBA list 26 (3) |
| 2 Retained earnings | 3,477,673 | 26 (1) (c) |
| 3 Accumulated other comprehensive income (and any other reserves) | 1,202,296 | 26 (1) |
| 6 Common Equity Tier 1 (CET1) capital before regulatory adjustments | 8,028,018 | |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | |
| 7 Additional value adjustments (negative amount) | (19,977) | 34, 105 |
| 8 Intangible assets (net of related tax liability) (negative amount) | (325,524) | 36 (1) (b), 37 |
| 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 |
| 14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | (27) | 33 (1) (b) |
| 28 Total regulatory adjustments to Common Equity Tier 1 (CET1) | (345,529) | |
| 29 Common Equity Tier 1 (CET1) capital | 7,682,490 | |
| 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 | - | |
| 44 Additional Tier 1 (AT1) capital | - | |
| 45 Tier 1 capital (T1 = CET1 + AT1) | 7,682,490 | |
| Tier 2 (T2) capital: instruments and provisions | | |
| 46 Capital instruments and the related share premium accounts | 389,943 | 62, 63 |
| 51 Tier 2 (T2) capital before regulatory adjustment | 389,943 | |
| Tier 2 (T2) capital: regulatory adjustments | | |
| 57 Total regulatory adjustments to Tier 2 (T2) capital | - | |
| 58 Tier 2 (T2) capital | 389,943 | |
| 59 Total capital (TC = T1 + T2) | 8,072,433 | |
| 60 Total risk-weighted assets | 43,746,497 | |
| Capital ratios and buffers | | |
| 61 Common Equity Tier 1 (as a percentage of total risk exposure amount) | 17.56% | 92 (2) (a) |
| 62 Tier 1 (as a percentage of total risk exposure amount) | 17.56% | 92 (2) (b) |
| 63 Total capital (as a percentage of total risk exposure amount) | 18.45% | 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, 130, 131, 133 |
| 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% | |
| 68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) | 10.45% | 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) | 67,661 | 36 (1) (h), 45, 46, 56 (c), 59, 60, 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) | 23,724 | 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) | 256,185 | 36 (1) (c), 38, 48 |

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.

4 Capital Requirements

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

BCR Group computes its regulatory capital adequacy ratio based on Regulation No. 575/2013 of the European Parliament and of the Council of 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 March 31st 2020, for the credit risk, market risk and operational risk were as follows:

4 Template EU OV1 – Overview of RWAs

| RON thousands | | RWAs | | Minimum capital requirements | |
|---|---|---------------|---------------|------------------------------|------------|
| | | 31.03.2020 | 31.12.2019 | 31.03.2020 | 31.12.2019 |
| | 1 Credit risk (excluding CCR) | 35,794,908.27 | 32,414,493.30 | 2,863,593 | 2,593,159 |
| Article 438(c)(d) | 2 Of which the standardised approach | 35,794,908 | 32,414,493 | 2,863,593 | 2,593,159 |
| 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 | 128,035 | 170,565 | 10,243 | 13,645 |
| Article 438(c)(d) | 7 Of which mark to market | 89,615 | 68,661 | 7,169 | 5,493 |
| Article 438(c)(d) | 8 Of which original exposure | - | - | - | - |
| | 9 Of which the standardised approach | 17,715 | 85,205 | 1,417 | 6,816 |
| | 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 | 20,704 | 16,699 | 1,656 | 1,336 |
| 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 | 138,894 | 233,924 | 11,112 | 18,714 |
| | 20 Of which the standardised approach | 138,894 | 233,924 | 11,112 | 18,714 |
| | 21 Of which IMA | - | - | - | - |
| Article 438(e) | 22 Large exposures | - | - | - | - |
| Article 438(f) | 23 Operational risk | 7,684,660 | 7,674,054 | 614,773 | 613,924 |
| | 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 | 7,331,836 | 7,321,230 | 586,547 | 585,698 |
| 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 | 43,746,497 | 40,493,037 | 3,499,720 | 3,239,443 |



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As of March 31th 2020, the total RWA for BCR Group was 43,746,497 thousand RON, with 3,253,460 thousands RON higher as compared to December 31st 2019 (40,493,037 thousands RON). The increase in credit risk RWA by 3,337,885 thousands RON was mainly driven by the increase in RW for sovereign exposure denominated in EUR from 25% to 50% in January 2020, corroborated with an increase in sovereign exposure denominated in EUR.

RWA equivalent for market risk decrease with 95,030 thousand RON mainly due to not considering any capital requirement for FX risk (total FX and gold position under 2% of total consolidated own funds as of March 2020).

RWA equivalent for operational risk increase with 10,606 thousand RON mainly due to recalibration of severity parameters in AMA calculation for Execution risk category.

5 Leverage

DISCLOSURE REQUIREMENTS COVERED: ART. 451 CRR

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.

The scope of consolidation for financial purposes is the same as the regulatory scope of consolidation used for determine the leverage ratio.

Based on the requirements defined by the European Bank Authority as per EBA/GL/2016/11, version 2, the information listed below must be provided quarterly:

- Amount of Tier 1 capital used as a numerator, which amounts to 7,682,490 thousands RON (row 20, with the specification required in row EU-23);
- Amount of total exposure used as a denominator, which amounts to 82,406,156 thousands RON (row 21);
- Resulting leverage ratio, which is equal to 9.3% (row 22).

5 LRCom: Leverage ratio common disclosure

RON thousands

| Capital and total exposures | |
|--|-----------------|
| 20 Tier 1 capital | 7,682,490 |
| 21 Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b) | 82,406,156 |
| Leverage ratio | |
| 22 Leverage ratio | 9.3% |
| Choice on transitional arrangements and amount of derecognised fiduciary items | |
| EU-23 Choice on transitional arrangements for the definition of the capital measure | Fully phased-in |
| EU-24 Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013 | |

6 Abbreviations

| | |
|------|---|
| AIRB | Advanced Internal Rating-based Approach |
| AMA | Advanced Measurement Approach |
| AT1 | Additional Tier 1 capital |
| CCP | Central Counterparty |
| CCR | Counterparty Credit Risk |
| CET1 | Common Equity Tier-1 |
| CRR | Capital Requirement Regulation |
| CRD | Capital Requirement Directive |
| CVA | Credit Valuation Adjustment |
| EBA | European Banking Authority |
| ECAI | External Credit Assessment Institution |
| EU | European Union |
| FIRB | Foundation Internal Rating-based Approach |
| GL | Guideline |
| IAA | Internal Assessment Approach |
| IFRS | International Financial Reporting Standards |
| IMA | Internal Model Approach |
| IAA | Internal Assessment Approach |
| IMM | Internal Model Method |
| IRB | Internal Rating-based Approach |
| NBR | National Bank of Romania |
| RW | Risk Weight |
| RWA | Risk Weighted Assets |
| T1 | Tier 1 capital |
| T2 | Tier 2 capital |
| LR | Leverage Ratio |