BCR GROUP DISCLOSURE REPORT 2018 Q3

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

Trade Register J40/90/1991

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www.bcr.ro

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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 is presented as of September 30th 2018 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 2017" which is available on the BCR Group website (https://www.bcr.ro/en/investors/transparency-and-public-disclosure).

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 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
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 7,119,712 thousands RON before regulatory adjustments (row 6) and 6,740,237 thousands RON after regulatory adjustments (row 29);
- Total amount of Additional Tier 1, which amounts to 0 thousands RON (rows 36 and 44);
- Total amount of Tier 1 capital, which amounts to 6,740,237 thousands RON (row 45);
- Total amount of Tier 2 capital, which amounts to 715,975 thousands RON (rows 51 and 58);
- Total amount of capital, which amounts to 7,456,213 thousands RON (row 59);
- Total regulatory adjustments to each capital aggregate 379,475 thousands RON (row 28) and 0 thousands RON (rows 43 and 57);
- Common Equity Tier 1 ratio, which is equal to 17.72% (row 61);
- Tier 1 ratio, which is equal to 17.72% (row 62);
- Total capital ratio, which is equal to 19.60% (row 63).

CRR Statement of financial position

At September 30th 2018 the IFRS scope of consolidation and the regulatory scope of consolidation were the same.

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

The amounts used for the calculation of the own funds are derived from the statement of the financial position according to IFRS. The financial and regulatory consolidations have the same scope. 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, September 30th 2018, 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 required by the Guideline mentioned above:

BCR

2 Own funds disclosure template

Own funds disclosure template in RON thousands	September 2018	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 tables
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)	-	a
2 Retained earnings	2,559,793	26 (1) (c)	-	b
3 Accumulated other comprehensive income (and any other reserves)	1,211,870	26 (1)	-	c1+c2
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	**7,119,712**		-	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7 Additional value adjustments (negative amount)	(10,641)	34, 105	-	
8 Intangible assets (net of related tax liability) (negative amount)	(321,956)	36 (1) (b), 37	-	-(f+g)
9 Empty set in the EU	-		-	
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)	(3,039)	36 (1) (c), 38	-	-h
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(45)	33 (1) (b) (c)	-	
15.1 Other deductions	(43,794)		-	
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(379,475)**		-	
29 Common Equity Tier 1 (CET1) capital	**6,740,237**		-	
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)	**6,740,237**		-	
Tier 2 (T2) capital: instruments and provisions				
46 Capital instruments and the related share premium accounts	715,975	62, 63	-	j
51 Tier 2 (T2) capital before regulatory adjustment	**715,975**		-	
Tier 2 (T2) capital: regulatory adjustments	**-**			
57 Total regulatory adjustments to Tier 2 (T2) capital	**-**		-	
58 Tier 2 (T2) capital	**715,975**		-	
59 Total capital (TC = T1 + T2)	**7,456,213**		-	
60 Total risk-weighted assets	**38,039,667**		-	
Capital ratios and buffers				
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	**17.72%**	**92 (2) (a)**	-	
62 Tier 1 (as a percentage of total risk exposure amount	**17.72%**	**92 (2) (b)**	-	
63 Total capital (as a percentage of total risk exposure amount	**19.60%**	**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)	7.38%	CRD 128, 129, 140	-	
65 of which: capital conservation buffer requirement	1.88%		-	
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	1.00%	CRD 131	-	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.72%	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)	65,028	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)	20,263	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)	226,557	36 (1) (c), 38, 48	-	k

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.

Note: Row 15.1 was introduced to cover other adjustments to CET1 capital. They pertain to specific credit risk adjustments which are to be deducted from CET1 in the case of unaudited P&L results in line with Regulatory Technical Standard of the Commission delegated Regulation No 183/2014.

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 September 30th 2018, for the credit risk, market risk and operational risk were as follows:

3 Template EU OV1 – Overview of RWAs

			RWAs		Minimum capital requirements	
RON thousands			**30.09.2018**	**30.06.2018**	**30.09.2018**	**30.06.2018**
	1	**Credit risk (excluding CCR)**	**28,732,764**	**27,374,768**	**2,298,621**	**2,189,981**
Article 438(c)(d)	2	Of which the standardised approach	28,732,764	27,374,768	2,298,621	2,189,981
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**	**353,155**	**336,595**	**28,252**	**26,928**
Article 438(c)(d)	7	Of which mark to market	58,569	63,682	4,686	5,095
Article 438(c)(d)	8	Of which original exposure	-	-	-	-
	9	Of which the standardised approach	274,875	249,512	21,990	19,961
	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	19,711	23,401	1,577	1,872
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**	**251,220**	**223,499**	**20,098**	**17,880**
	20	Of which the standardised approach	251,220	223,499	20,098	17,880
	21	Of which IMA	-	-	-	-
Article 438(e)	**22**	**Large exposures**	**-**	**-**	**-**	**-**
Article 438(f)	**23**	**Operational risk**	**8,702,529**	**8,707,307**	**696,202**	**696,585**
	24	Of which basic indicator approach	410,791	410,791	32,863	32,863
	25	Of which standardised approach	-	-	-	-
	26	Of which advanced measurement approach	8,291,738	8,296,516	663,339	663,721
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**	**38,039,667**	**36,642,168**	**3,043,173**	**2,931,373**

As this template has a quarterly frequency the T-1 period for this template is June 30th 2018.

As of September 30th 2018, the total RWA for BCR Group was 38,039,667 thousands RON, with 1,397,499 thousands RON higher as compared to June 30th 2018 (36,642,168 thousands RON). The increase in credit risk RWA by 1,374,556 thousands RON was mainly driven by the increase in loans to customers.

In addition, Market Risk RWA contributed to the overall RWA increase (27,721 thousands RON) and was mainly driven by the FX position. Operational Risk RWA decreased by 4,778 thousands RON, triggered by BCR AMA capital charge decrease.

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 6,740,237 thousands RON (row 20, with the specification required in row EU-23);
- Amount of total exposure used as a denominator, which amounts to 77,349,692 thousands RON (row 21);
- Resulting leverage ratio, which is equal to 8.71% (row 22).

4 LRCom: Leverage ratio common disclosure

RON thousands			
Capital and total exposures			
	20	Tier 1 capital	6,740,237
	21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	77,349,692
Leverage ratio			
	22	Leverage ratio	8.71%
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
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
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