



CARPATICA
BANCA OPORTUNITATILOR

The Report of the Supervisory Board

2015

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Statement by the President of the Supervisory Board

“In the past year, Banca Comerciala Carpatica functioned under the restrictions of the National Bank of Romania. The purpose of the Supervisory Board was, on the one hand to propose restructuring measures, and on the other hand to support the streamlining measures of the Executive Board. All of these in trying to maintain our solvency ratio within the acceptable area of liquidity and to preserve the existing liquidity without being affected by the market rumors.

Customer trust is the underlying asset of any bank, more so for Banca Comerciala Carpatica, inside which fundamental changes have occurred. The important result of 2015 is attracting a new investor for the Bank to move forward with, for the benefit of all the stakeholders: customers, employees, shareholders, regulators.”

Ionut Patrahau, Chairman of the Supervisory Board

The Structure of the Supervisory Board

◇ **The Composition of the Supervisory Board**

As part of the AGOA of 28/04/2015, events with significant impact on composition and functioning of the Supervisory Board took place, as follows:

- The resignation of the President of the Supervisory Board of the Bank, Mr. Nicolae Petria;
- The resignation of a member of the Supervisory Board and Chairman of the Audit Committee of the Bank, Mrs. Doina Toader;
- Withdrawal of the candidacy of a member of the Supervisory Board of the Bank, Mr. Ioan Trenca;
- Approval of a new member of the Supervisory Board, Mr. Giaime Marzo.

To ensure the functioning of the regulatory as required by the framework agreement in force, during the month of June 2015, the Supervisory Board approved the appointment of Mr Ioan Trenca as interim member of the Supervisory Board.

Thus, during 2015, the Supervisory Board is comprised of the following:

- Between January - May 2015:
 - **Nicolae Petria – Chairman of the Board**
 - **Doina Toader – Independent Member**
 - **Ioan Trenca – Independent Member**
 - **Silviu Popa – Independent Member**
 - **Ionut Patrahau – Independent Member**

- Between June - December 2015
 - **Ioan Trenca** – **Independent Member**
 - **Silviu Popa** – Independent Member
 - **Ionut Patrahau** – **Independent Member**

Starting with May 2015, the function of President of the Supervisory Board of Banca Comerciala Carpatica was provisionally exercised alternately by Mr. Silviu Ionut Popa and Mr. Patrahau.

According to the applicable legislation, the members of the Supervisory Board do not hold executive positions within Banca Comerciala Carpatica. At the end of the reporting period, all three members of the Supervisory Board were independent members, providing balance in decision-making.

◇ **The composition of the Advisory Committees**

In 2015, by decision of the Supervisory Board, the Remuneration and Nomination Committee and the Committee of Strategies and Policies have been dissolved, and the duties and responsibilities of the Audit Committee, respectively the Risk Management Committee have been taken over by the Supervisory Board.

Until the date of dissolving, respectively the taking over specific duties and responsibilities of the Advisory Committees by the Supervisory Board, their composition was as follows:

The Audit Committee

The Audit Committee consists of 3 members of the Supervisory Board. Between January - May 2015 the committee was composed of:

- **Doina Toader** – President of the Committee - independent
- **Nicolae Petria** – Member of the Committee
- **Silviu Popa** – Member of the Committee – independent

Since July 2015, the duties and responsibilities of the Audit Committee were taken over by the Supervisory Board.

The Risk Management Committee

The Risk Management Committee consisted of 3 members of the Supervisory Board. Between January - May 2015 the committee was composed of:

- **Ioan Trenca** – Chairman of the Committee - independent
- **Nicolae Petria** – Member of the Committee
- **Silviu Popa** – Member of the Committee – independent

Since July 2015, the duties and responsibilities of the Risk Management Committee were taken over by the Supervisory Board.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee consisted of 3 members of the Supervisory Board. Between January - May 2015 the committee was composed of:

- **Silviu Popa** – President of the Committee – independent
- **Nicolae Petria** – Member of the Committee
- **Doina Toader** – Member of the Committee - independent

Starting with June 2015, the Remuneration and Nomination Committee was dissolved and the specific duties and responsibilities were taken over by the Supervisory Board.

The Strategy and Policy Committee

The Strategy and Policy Committee consisted of 5 members, of which 2 members of the Supervisory Board and three members of the Executive. Between January - May 2015 the committee was composed of:

- **Ionut Patrahau** – Chairman of the Committee - independent
- **Ioan Trenca** – Member of the Committee - independent
- **Johan Gabriëls** – Member of the Committee
- **Cosmin Bucur** – Member of the Committee
- **Elena Badeanu** – Member of the Committee

Starting with June 2015, the Remuneration and Nomination Committee was dissolved and the specific duties and responsibilities were taken over by the Supervisory Board.

The activity of the Supervisory Board in 2015

The Supervisory Board is the governing body with supervisory function and monitoring of the decision-making process exercised by the Executive.

In 2015, the Supervisory Committee held 18 meetings of which 4 ordinary and 14 extraordinary). During 2015, the Supervisory Board of Directors addressed a total of 17 recommendations and adopted 103 resolutions.

The main recommendations were referred to the strategy for 2015, the work plan for the current year, the income and expenses budget, remodeling the organizational structure, improving internal control environment aiming to reduce significant risks for the bank and to insure that the annual strategic indicators are met.

The Supervisory Board supervised the activity of the bank for meeting the strategic objectives set during the Annual General Assembly of Shareholders in April 2015. The

actions of the Board were mainly aimed at ensuring business continuity and creating the perspectives for future development.

At the beginning of 2015, considering that Banca Comerciala Carpatica needed a change in the governance structure, needed to strengthen the shareholding structure, and needed a capital injection, it was necessary to update the Bank's development strategy for 2015. Together with the executive team, the Consolidated Strategy of the Bank for 2015 was created and adopted, as a component part of the Continuity Strategy of the Bank for the period of 2014 – 2017.

The updated strategy's main objectives were attracting new capital to support the growth plans, creating a customer-oriented organization, simplifying business model, ensuring sustainable growth, and transforming into a reliable partner for the employees.

Also, the Supervisory Board examined how the AGA decisions were met, as well as the manner of implementation of the austerity measures approved by the AGA on 16.06.2015.

The members of the Board monitored the achievement of the indicators in the budget of revenues and expenditure of 2015, the implementation of the measures ordered by the National Bank of Romania, and other institutions of the state, as well as the implementation of the recommendations of the Supervisory Board and of the corrective measures resulting from the activity of internal control.

The priorities of the Supervisory Board included monitoring the Bank's activity based on the reports included in the Scoreboard of the Supervisory Board, thus providing a permanent character to the supervisory activity.

The Supervisory Board reviewed the quarterly activity reports of the Deputy CEO's, and the quarterly report and the annual report of the Executive.

The Board supervised the compliance of the activity of the Executive with the strategies and policies of the Bank and ensured that the Executive properly implements and manages the policies and strategies for the identification and management of risks related to the activity of the Bank.

Also, the Supervisory Board regularly monitored the financial results and the financial risk indicators; monitored the implementation of the process of reduction and increasing the share capital of the Bank, and achieving the investment plan for 2015; analyzed the viability plan of the branch network; has reviewed and approved the Bank's revised policy on market risk management, credit, operational, liquidity, country and transfer, of interest from non-trading portfolio; analyzed the business continuity plan in the structures of central and local units, as well as the plan for contingencies; reviewed and approved the capital plan for 2015; monitored the portfolio of programs and projects of the Bank.

In 2015 the Supervisory Board has revised its Rules of organization and operation as a result of dissolving the Remuneration and Nomination Committee and the Strategy and Policy Committee, the specific responsibilities of the two committees being taken over by the

Supervisory Board. Also, due to the decision of AGA to reduce the number of Supervisory Board members from 5 to 3, and resignation of Mrs Doina Toader, the President of the Audit Committee, the Supervisory Board of the Bank decided to take over all the duties and responsibilities of both the Audit Committee and the Risk Management Committee.

The Board supervised on a regular basis the activity of the Executive in connection with how it insures the proper and effective operation of the internal control system of the Bank. In this regard, the Supervisory Board analyzes the integrated activity report of the internal control system, including the manner to achieve the internal audit, compliance and risk objectives.

The activity of the Advisory Committees in 2015

◇ The audit committee

The Audit Committee plays an advisory role and is subordinated to the Supervisory Board. Until the takeover by the Supervisory Board of the specific duties, the Audit Committee was convened in six sessions. The main subjects that have been discussed focused on the activity of the internal control structures throughout 2015.

- The Reports of the internal control structures, namely Audit, Risk and Compliance, were reviewed, and also the Annual report of the Internal Control System;
- The Audit Committee monitored the fulfillment of the measures taken by the NBR through the NBR Orders and the Supervision Reports;
- The implementation status of the recommendations issued after the inspection missions carried out by the Compliance Department and the Internal Audit Department have been reviewed, as well as the implementation of flow monitoring and reporting the measures to remedy deficiencies identified by the audit and compliance functions;
- The main aspects of the Bank's financial audit on 31.12.2014 have been analyzed through meetings with the representatives of the external auditor KPMG;
- The Executive's reports - consolidated and individual and The corporate governance report have been analyzed;
- The Audit Committee examined the state of liquidation of Carpatica Invest and Imobiliar Invest.

◇ The Remuneration and Nomination Committee

The Remuneration and Nomination Committee, as a structure subordinated to the Supervisory Board, analyzed during the 6 meetings from 2015 the following matters related to the recruitment and remuneration of the management personnel:

- Evaluation of performance indicators for the Executive Board members for 2014;
- Analysis of proposals on the Succession plan for the management structure;
- Analysis of the Human Resources Plan for 2015;

- The analysis of expenditure on human resources and productivity for each division / business line for the period 2013 - 2014;
- Endorsement for employment of 8 proposals on the key management positions, including Deputy General Manager and Member of the Executive Board;

◇ ***The Risk Management Committee***

Given the significant events that have influenced the structure and composition of the Supervisory Board, the specific duties and responsibilities of the Risk Management Committee were taken over by the Supervisory Board.

◇ ***The Strategy and Policy Committee***

Given the significant events that have influenced the structure and composition of the Supervisory Board, The Strategies and Politics Committee was dissolved by decision of the Supervisory Board.

Until the date of dissolving, the topics debated during committee sessions focused on business restructuring of the branch network of the Bank.

Annual Financial Statements - 2015

The Supervisory Board approved the individual Financial Statements for 2015, the Executive's Report and the Corporate Governance Report. The Supervisory Board agrees to the materials subject to review and submits them for debate and approval to the General Shareholder Assembly that will meet on 27.04.2016 or 28.04.2016.

The Supervisory Board appreciates the work of the executive management and of the bank's employees performed in 2015 to ensure good results in a difficult economic environment and thanks the shareholders for their support and confidence in the management structure of the bank in developing all the necessary steps of identifying a capital investor.

President of the Supervisory Board
Ionut Patrahau