

Deloitte Audit S.R.L.
48 Nicolae Titulescu Road
East Entry
2nd Floor – Deloitte Area and 3rd Floor
1st District, 011141, Bucharest
Romania
Tel.: +40 21 222 16 61
Fax: +40 21 222 16 60
www.deloitte.ro

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of
Banca Comerciala Carpatica S.A.
Bucharest, Romania

Opinion

We have audited the consolidated and standalone financial statements of Banca Comerciala Carpatica S.A. (the Bank) and its subsidiaries (the Group), which comprise the consolidated and standalone statement of financial position as of December 31 2016, the consolidated and standalone statement of comprehensive income, the consolidated and standalone statement of changes in equity and the consolidated and standalone cash flow statement for the financial year then ended, explanatory information on the consolidated and standalone statements and a summary of significant accounting policies.

In our opinion, the accompanying consolidated and standalone statements present fairly, in all material respects, the consolidated and standalone statement of the financial position of the Group and of the Bank as of December 31, 2016, and their consolidated and standalone financial performance and consolidated and standalone cash flows for the year then ended, in accordance with International Financial Reporting Standards adopted by the European Union and Order no. 27/2010 of the National Bank of Romania as subsequently amended (“Order 27/2010”).

The basis of the opinion

We conducted our audit in accordance with the Auditing Standards adopted by the Chamber of Financial Auditors of Romania, which are the International Standards on Auditing (ISA). Our responsibilities based on these standards are detailed in the section “Auditor’s Responsibilities during a financial statements audit” in our report. We are independent of the Group, in accordance with the Code of Ethics for Professional Accountants (the IESBA Code) issued by the International Ethics Standards Board for Accountants and we have fulfilled our other ethical responsibilities, in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated and standalone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key matter
Continuing as a going concern	
<p>According to Notes 1, 2.2 and 44 in the consolidated and standalone financial statements, the net losses registered by the Group and the Bank for the year ended on December 31, 2016 amount to RON 44,149 thousands, and RON 44,928 thousands respectively, and the cumulated losses as of that date amount to RON 151,490 thousands for the Group, and RON 153,492 thousands for the Bank respectively. Also, the level of loans and advances to customers suffered a significant decrease by 26.8% compared to the previous period.</p> <p>The Bank is currently undergoing a process of merger by acquisition with the parent entity Patria Bank. Following the merger, Patria Bank S.A. will be acquired by Banca Comerciala Carpatica S.A. The Bank Management acknowledged that these requirements must be met in order to increase the level of credit operations in the near future. Nonetheless, as detailed in the consolidated and standalone financial statements, the Bank Management has reasonable expectations regarding the fact that the Bank and its Shareholders command sufficient resources as to continue as a going concern in the near future.</p> <p>The Bank's ability to continue as a going concern depends on its capability to generate sufficient profit in the future, to successfully finalise the merger and on its creditors and shareholders' continued financial support.</p> <p>Considering the significance of these matters and the high level of estimates based on professional judgement, continuing as a going concern is a key audit matter.</p>	<p>We analysed the Bank Management's assessment on its ability to continue as a going concern for 12 months from the balance sheet date, namely from December 31, 2016.</p> <p>We analysed the increase in equity made by the major shareholder, who made a cash contribution in amount of RON 98,765 thousand and we have also analysed whether the Bank complied with the capital adequacy requirements as of December 31, 2016.</p> <p>We analysed the reorganisation process for the Bank and its subsidiaries' operations, which contributed to a decrease in operating costs for the Bank.</p> <p>We also assessed the approval of the merger by the Bank's shareholders in the General Shareholders' Assembly.</p> <p>We analysed the approval granted by the National Bank of Romania on the submitted documentation regarding the merger and the subsequent court resolution to deny the merger.</p> <p>We discussed with the Bank Management the implications of the court decision and the measures required to address this matter.</p> <p>We analysed whether the information presented by the Bank on the applicability of the going concern principle are thorough and compliant with the requirements of "IAS 1 Presentation of Financial Statements".</p>

Key audit matter	How our audit addressed the key matter
<p>Impairment of loans and advances to customers</p>	
<p>According to Note 24 in the consolidated and standalone financial statements, as of December 31 2016, the Bank registered provisions for impairment in amount of RON 193,554 thousands for the loans and advances granted to customers in amount of RON 752,792 thousands.</p> <p>The provisions for impairment represent the Management’s estimations on the loan portfolio losses at the balance sheet date, based on complex hypotheses and professional judgements.</p> <p>The provisions for impairment are calculated in aggregate for similar loan portfolios and individually for loans that are significant or show indications of depreciation.</p> <p>The aggregate provisions for impairment are calculated based on certain risk parameters deriving from the Group’s internal models and historical data.</p> <p>For individually assessed loans, professional judgement is required to identify the moment when the impairment event happened and to determine the estimated future cash flow to reimburse the credit exposure.</p> <p>Considering the significance of these professional judgements and the volume of loans and advances granted to customers, the impairment assessment thereof is a key audit matter.</p>	<p>We analysed the provisioning methodology applied by the Bank and assessed whether it complies with the IFRS and the National Bank of Romania requirements.</p> <p>We analysed whether the key processes and corresponding internal controls implemented by the Management to support the calculation of the aggregate and specific impairment are adequate, assessing the controls’ method of preparing, implementing and efficiency.</p> <p>For provisions calculated collectively, we assessed the internal models used and implemented by the Bank, the historical data used for these models and the comparative assessments made at the banking system level.</p> <p>For provisions calculated individually, we selected a sample of loans and we followed specific procedure to determine whether there are any loss generating events and whether they were identified in a timely manner. In reviewing the sample, we looked at the recent evolution of the debtor’s situation and we assessed whether the main professional judgements were appropriate to the debtor’s condition. We independently searched for indications to potential financial difficulties, such as failure to comply with the financial indicators and delayed payments.</p> <p>For a sample of loans taken from the portfolio of nonperforming loans individually assessed by the Bank, we have analysed the Management’s estimations of amounts to collect and compared them to our estimates and the market practices.</p>

Report on the consistency between the Directors' Report and the consolidated and standalone financial statements

In accordance with Order no. 27/2010 of the National Bank of Romania, article 40, letter e) and article 16.1, letter e), we read the Directors' Report accompanying the consolidated and standalone financial statements. The Directors' Report is not part of the consolidated and standalone financial statements. In the Directors' Report, we didn't identify any historical financial data significantly inconsistent with the information presented in the accompanying consolidated and standalone financial statements.

Responsibilities of Management and Directors for the Consolidated and Standalone Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards adopted by the European Union and Order no. 27/2010, and for such internal control as management determines is necessary to enable the preparation of consolidated and standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and standalone financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Bank or to cease operations, or has no realistic alternative but to do so.

The directors are responsible with overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and standalone financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and standalone financial statements, including the disclosures, and whether the consolidated and standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with all relevant ethical requirements regarding independence, and that we will communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the consolidated and standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ahmed Hassan.

Ahmed Hassan, Audit Partner

Illegible signature

Registered with the Chamber of Financial Auditors of Romania with certificate no. 1529/25.11.2003

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors of Romania with certificate no. 25/25.06.2001

Bucharest, Romania

April 12th 2017

The present English version is an unaudited translation of the official Romanian version of the Independent Auditor's Report. In case of any discrepancy, misunderstanding or difference of interpretation, between the English and Romanian version, the Romanian version shall prevail.