

No. 1787 -/01/29/2016

To: FINANCIAL SUPERVISORY AUTHORITY- Financial instruments and investments sector
BUCHAREST STOCK EXCHANGE

Ref: Current report – Status of compliance with the provisions of BSE’s new Code of Corporate Governance

Current report according to FSA Regulation no 1/2006

Report date: 01/29/2016

Name of Issuer: Banca Comerciala Carpatica

Headquarters: Sibiu, No. 1, Autogării St.

Phone / Fax No: 0269/233.985; 0269/233.371

Unique Registration Code with the Trade Register: RO 11447021

Order number in the Trade Register: J32/80/1999

Subscribed and paid-in share capital: RON 110,137,141.10

1. Important events

e) Other events

In accordance with Art. 87¹ par. (1) and (2), Book I, Title II-Issuers and financial instruments of BSE’s Rulebook, Banca Comerciala Carpatica presents in Annex 1 the status of compliance with the provisions of BSE’s new Corporate Governance Code on December 31st, 2015.

Yours sincerely,

Deputy General Manager,

Elena Bădeanu

Provision to comply with		Complies	Does not comply or complies partially	Explanations
A.1	All companies should have internal regulation of the Board which includes terms of reference/ responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	x		
A.2	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	x		
A.3	The Board of Directors or the Supervisory Board should have at least five members.		x	The 18 June 2015 GSM decided to reduce the number of Supervisory Board members from 5 to 3 and the transition to the one tier management system.
A.4	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice (A 4.1-4.9)	x		
A.5	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	x		

A. 6	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	x		
A.7	The company should appoint a Board secretary responsible for supporting the work of the Board.	x		
A.8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		x	The Bank has a Policy on the Adequacy Assessment of governing body members and persons holding key management positions and a Policy for Nomination and Succession of governing body members and persons holding key management positions that addresses all these issues. Assessments were made at the time of nomination and subsequent events did not intervene in order to determine the need for revaluation. There will be steps towards compliance.
A. 9	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	x		
A. 10	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	x		
A.11	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		x	The duties of the Remuneration and Nomination Committee were fulfilled until 18 June 2016, and subsequently they were taken over by the Supervisory Board, considering the GSM resolution from 18 June 2015 to reduce the number of members from 5 to 3 and the transition to the one tier management system.
B.1	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee		x	The duties of the Audit Committee were fulfilled until 18 June 2016, and subsequently they were taken over by the Supervisory Board, considering the GSM resolution from 18 June 2015 to reduce the number of members from 5 to 3 and the transition to the one tier management system. Currently, none of the Supervisory Board members of has the specific professional experience.

	should be composed of at least three members and the majority of the audit committee should be independent.			
B.2	The audit committee should be chaired by an independent non-executive member.		x	The duties of the Audit Committee were fulfilled until 18 June 2016, and subsequently they were taken over by the Supervisory Board, considering the GSM resolution from 18 June 2015 to reduce the number of members from 5 to 3 and the transition to the one tier management system. Currently, none of the Supervisory Board members of has the specific professional experience.
B.3	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.		x	The duties of the Audit Committee were fulfilled until 18 June 2016, and subsequently they were taken over by the Supervisory Board, considering the GSM resolution from 18 June 2015 to reduce the number of members from 5 to 3 and the transition to the one tier management system. Currently, none of the Supervisory Board members of has the specific professional experience.
B.4	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		x	The duties of the Audit Committee were fulfilled until 18 June 2016, and subsequently they were taken over by the Supervisory Board, considering the GSM resolution from 18 June 2015 to reduce the number of members from 5 to 3 and the transition to the one tier management system. Currently, none of the Supervisory Board members of has the specific professional experience.
B.5	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		x	The duties of the Audit Committee were fulfilled until 18 June 2016, and subsequently they were taken over by the Supervisory Board, considering the GSM resolution from 18 June 2015 to reduce the number of members from 5 to 3 and the transition to the one tier management system. Currently, none of the Supervisory Board members of has the specific professional experience.
B.6	The audit committee should evaluate the efficiency of the internal control system and risk management system.		x	The duties of the Audit Committee were fulfilled until 18 June 2016, and subsequently they were taken over by the Supervisory Board, considering the GSM resolution from 18 June 2015 to reduce the number of members from 5 to 3 and the transition to the one tier management system. Currently, none of the Supervisory Board members of has the specific professional experience.

B. 7	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.		Complies partially	The duties of the Audit Committee were fulfilled until 18 June 2016, and subsequently they were taken over by the Supervisory Board, considering the GSM resolution from 18 June 2015 to reduce the number of members from 5 to 3 and the transition to the one tier management system. Currently, none of the Supervisory Board members of has the specific professional experience.
B. 8	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.		Complies partially	The duties of the Audit Committee were fulfilled until 18 June 2016, and subsequently they were taken over by the Supervisory Board, considering the GSM resolution from 18 June 2015 to reduce the number of members from 5 to 3 and the transition to the one tier management system. Currently, none of the Supervisory Board members of has the specific professional experience.
B. 9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	x		
B.10	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		x	BCC did not adopt such a policy.
B. 11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	x		
B.12	To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		Complies partially	The duties of the Audit Committee were fulfilled until 18 June 2016, and subsequently they were taken over by the Supervisory Board, considering the GSM resolution from 18 June 2015 to reduce the number of members from 5 to 3 and the transition to the one tier management system. The Internal Audit Department report directly to the Supervisory Board, via the Audit Committee.

C.1	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		x	The Bank has a remuneration policy, approved and periodically reviewed by the Supervisory Board. It is not published on the BCC website, but the notes to the annual financial statements provide information on allowances and benefits provided to members of the Board.
D. 1	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	x		
D.1.1	Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	x		Information on conducting the GMS is available in the Bank's Constitutive Act that can be found here: https://www.carpatica.ro/despre-noi/quvernanta-corporativa/
D.1.2	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	x		This information is available to shareholders/investor on BCC's website: https://www.carpatica.ro/despre-noi/echipa-de-conducere/
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	x		
D.1.4	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure	x		

	approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;			
D.1.5	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	x		
D.1.6	The name and contact data of a person who should be able to provide knowledgeable information on request;		x	The Bank will take the necessary measures in order to comply with this provision.
D.1.7	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	x		
D.2	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.		x	Since its establishment, the Bank used its profit to strengthen the financial position of the institution. In this regard, the Bank's policy was to increase the share capital by incorporating profits obtained and issuing bonus shares. The profit earned in 2012 and 2013 was used to cover losses from previous years.
D.3	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.		x	At the moment the bank has not adopted a forecast policy.
D.4	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	x		
D.5	The external auditors should attend the shareholders' meetings when their reports are presented there.	x		

D.6	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.		x	The Supervisory Board does not present this information to the GMS.
D.7	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		x	At the GMS are entitled to attend only shareholders registered in the Shareholders Register at the reference date, Bank's Supervisory and Executive Board members, bank's employees involved in the meeting and consultants/external auditors invited by management.
D.8	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.		Complies partially	This information is included in the semi-annual and annual reports. BCC is currently analysing the possibility of presenting such information in its quarterly reports.
D.9	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/ conference calls.		Complies partially	In 2015 BCC held a single conference call with analysts and investors. It will work towards organizing at least two such events during 2016.
D.10	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.		Complies partially	Currently BCC hasn't defined a specific policy. However, all social responsibility events BBC was actively involved in are listed within the Annual Corporate Governance Report.

Deputy General Manager,

Elena Bădeanu