

Quarterly report under the FSA Regulation no. 1/2006

Q1 2016

A. General information

BANCA COMERCIALĂ CARPATICA S.A.

Quarterly report under FSA Regulation no. 1/2006

Report date: 09/05/2016

Issuer's name: Banca Comerciala Carpatica (the "Bank")

Headquarters: Sibiu, 1 Autogarii St.

Phone / fax: 0269/233985, 0269/233371

Unique Registration Code with the Trade Register: RO11447021

Trade Register Number: J32/80/1999

Subscribed and paid-up capital: RON 220,274,282.2 RON

Regulated market on which the issued securities are traded: Bucharest Stock Exchange

1. IMPORTANT EVENTS TO REPORT: 01/01 – 31/03/2016

- ✓ On 31/12/2015 Patria Bank (formerly Nextebank) expressed its interest in subscribing the newly issued BCC shares within a private placement, conditioned by conducting a due diligence process, whose results are satisfactory;
- ✓ During 31/12/2015 - 28/01/2016 the due diligence process took place; consequently Patria Bank (formerly Nextebank) submitted on 28/01/2016 the unconditional binding offer to subscribe the newly issued BCC shares within a private placement;
- ✓ On 28/01/2016 Patria Bank (formerly Nextebank) acquired from the secondary market a total of 220,274,282 BCC shares from those shareholders having suspended voting rights;
- ✓ On 29/01/2016 Patria Bank (formerly Nextebank) acquired in a private placement a total of 986,663,916 new BCC shares at the price of 0.1001 RON/share, equivalent to the subscribed and paid capital and of the issue premium of RON 98,765,058;
- ✓ Between 29/01 - 18/02/2016 the following actions took place: the process of share capital increase registration with the Trade Register, obtaining the Certificate of Registration of the Securities from the FSA, the updating of the BCC's list of shareholders; thus starting with 18/02/2016 Patria Bank holds 54.7925% of the share capital of Banca Comerciala Carpatica;
- ✓ Considering that Patria Bank (formerly Nextebank) holds more than 33% of the share capital of the Bank, it started running the mandatory public takeover bid, under the Document of mandatory public takeover bid approved by ASF by Decision 465-25/02/2016;
- ✓ Between 02/03/2016 - 22/03/2016 took place the mandatory public takeover bid for Banca Comerciala Carpatica shares, initiated by Patria Bank (formerly Nextebank); based on this, Patria Bank acquired 206,400,818 shares of Banca Comerciala Carpatica, representing 9.37% of the total shares of the issuer, the settlement of transactions occurring on 25/03/2016; thus, after conducting this offer, Patria Bank holds 64.16% of the share capital of Banca Comerciala Carpatica.

2. Subsequent events for the reporting date (March 31st, 2016):

- ✓ The Extraordinary General Shareholders' Meeting of Banca Comerciala Carpatica S.A. from 02/04/2016 approved the new Articles of Association of the Bank, corresponding to a single-tier management system, according with the EGSM Resolution no. 5 / 18.06.2015, to be entering into force at the approval date of the Bank's Management Board members by the National Bank of Romania;
- ✓ The Extraordinary General Shareholders' Meeting of Banca Comerciala Carpatica S.A. from 02/04/2016 approved also the initiation of the merger by absorption between Banca Comerciala Carpatica S.A. and Patria Bank S.A. In this context, the administrators of Banca Comerciala Carpatica SA and Patria Bank SA will have to design a merger project, according to the legal provisions in place. The Bank's administrators have been empowered to perform all the economic, financial, operational and legal operations needed for or on relation with preparation and / or publication of the merger project and its implementation, for contracting of the independent professional consultants, for signing the confidentiality agreements and any other documents needed for carrying on the related merger procedures; the administrators are entitled to appoint any another persons to carry on those operations.
- ✓ The Ordinary General Shareholders' Meeting of Banca Comerciala Carpatica S.A. from 02/04/2016 appointed Mr. Gabriëls Johan Patrick Gerard, Mrs. Iliescu Elena Daniela, Mr. Manda Horia Dragos, Mr. Merfea Bogdan and Mr. Patrahau Ionut as members of the Bank's Management Board, for a mandate of 4 years, starting from their approval by the National Bank of Romania.
- ✓ On 26/04/2016, Mr. Johan Gabriëls informed the Supervisory Board and the Executive Board of Banca Comerciala Carpatica about his withdrawal from the position of elected member of Bank's Management Board.
- ✓ On 26/04/2016, the National Bank of Romania sent to Banca Comerciala Carpatica SA its prior approval for the following persons as members of Banca Comerciala Carpatica's Management Board: Mr. Horia Dragos Manda, Mr. Bogdan Merfea and Mrs. Daniela Elena Iliescu.
- ✓ The Ordinary General Shareholders' Meeting of Banca Comerciala Carpatica S.A. from 27/04/2016 rejected the proposal related to the Revenues and Expenses Budget for the financial year 2016.
- ✓ Following these events, Banca Comerciala Carpatica SA will convene a new General Shareholders Meeting for the approval of the Revenues and Expenses Budget for 2016.
- ✓ On 28/04/2016, the Bank Management Board nominated the Executive Management of the Bank (Bank's Committee Directors) the following persons:
 - Mr. Ionut Patrahau has been appointed as General Director of the Bank;
 - Mrs. Diana Kallos has been appointed as Deputy General Director – Financial and Risk Division;
 - Mr. Valentin Vancea has been appointed as Executive Director – Operations and IT Division.

The mandate of the above mentioned persons appointed by the Bank's Management Board will enter into force upon their approval by the National Bank of Romania.

3. General description of the financial position

2016 Results in brief

- ✓ **Solvency ratio** computed by the Bank was 13.9%, up from de 4.9% as of 31 December 2015; the returning of the solvency ratio level over the minimum regulated level was due to the share capital increase registered in February 2016;
- ✓ **The cost of funds significantly decreased** (-50%) compared to the similar period of 2015; these effects will continue in 2016.

- ✓ RON 8.9M **net loss** as of 31 March 2016 compared to a 0.65M net profit as of 31 March 2015, result partially influenced by the full recognition of the FGDSB¹ contribution in Q1 2016, compared to the pro-rata recognition of this contribution all over the year, applied in the previous years; the new capital raised by the Bank will allow the restarting of the lending activity in the coming quarters;
- ✓ **Loan (gross)/due to customers ratio** of 39.8% as of March 2016 compared to 36.9% as of December 2015;
- ✓ **Immediate liquidity ratio** computed for the end of March 2016 of 63.1% compared to 61.8% as of December 2015;
- ✓ Optimization of the branch network and the business model.

Individual statement of financial position as of 31 March 2016

The comparative situation of Bank's assets is as follows:

ASSETS	31 December 2015	31 March 2016	Δ Q1 2016/ 2015
Cash in hand	139,796	138,586	-1%
Accounts with Central Bank	420,862	297,604	-29%
Due from banks	18,706	113,142	505%
Financial assets held for trading	58,808	56,774	-3%
Financial assets available for sale	1,177,944	1,111,319	-6%
Financial assets held to maturity	111,971	112,203	0%
Equity participations	7,026	7,026	0%
Loans and advances to customers, net	793,973	764,022	-4%
Property and equipment	133,445	131,817	-1%
Investment properties	104,044	104,044	0%
Intangibles	8,826	8,622	-2%
Assets from deferred tax	16,537	16,162	-2%
Other assets	64,054	97,278	52%
Total ACTIV	3,055,993	2,958,599	-3%

Values expressed in thousand RON

As of 31 March 2016 the Bank's **total assets** decreased BY 3% compared to 31 December 2015 (a decrease from RON 3,056M to RON 2,959M).

Accounts with the Central Bank and the financial assets portfolio (held for trading, available for sale and investments held to maturity) declined with RON 192M compared to the 31 December 2015 level, in correlation with the decreased recorded in **due to customers** (a variation of RON -202M compared to 31 December 2015).

Net Loans and advances to customers, decreased by 4% as of 31 March 2016 compared to 31 December 2015, given the constraints related to capital from the first two months of 2016. According to its internal policies, in 2016 the Bank also conducted operations of writing off for a part of the loans fully

¹ The Fund for Guaranteeing the Deposit in the Banking System

covered by provisions and with reduced chances of recovery. The balance of the loans written off as of 31 March 2016 was RON 361M (RON 353M at 31 December 2015).

The largest shares in total assets are still represented by **Financial assets** and **loans and advances to customers**, respectively 43% and 26% of total assets.

The comparative situation of Bank's liabilities is as follows:

LIABILITIES	31 December 2015	31 March 2016	Δ Q1 2016/ 2015
Due to banks	8	5	-31%
Derivative financial instruments	0	111	
Due to customers	2,853,542	2,651,345	-7%
Borrowings	63,353	61,230	-3%
Other liabilities	25,865	40,278	56%
Total Liabilities	2,942,768	2,752,970	-6%
Share capital	121,608	220,274	81%
Share premium	1,951	2,050	5%
Surplus from share capital revaluation	5,689	5,689	0%
Retained earnings/(accumulated loss)	(110,625)	(118,948)	8%
Reserve for financial investments available for sale	1,901	4,379	130%
Revaluation reserve	65,514	64,998	-1%
Other reserves	27,187	27,187	0%
Total equity	113,225	205,629	82%
Total LIABILITIES AND EQUITY	3,055,993	2,958,599	-3%

Values expressed in thousand RON

At the end of March 2016 the **Bank total liabilities** amounted to RON 2,753M, down 6% compared to 31 December 2015 (RON 2,943M).

The Bank still has an important liquidity surplus (43% of total assets is represented by financial assets) that was mainly invested in government bonds, in order to preserve its value. At the end of March 2016, the Bank had borrowings of RON 61.2M with the Ministry of Agriculture and Rural Development, respectively with the Ministry of Public Finance for rural finance programs and with the European Investment Bank for the implementation of special programs for customer financing.

The Bank's equity as of 31 March 2016 increased by 82% compared to 31 December 2015.

The Bank's nominal share capital increased with RON 98.7M, further to the acquisition made by Patria Bank S.A. (former Nextebank S.A.) of a number of 986,663,916 new BCC shares, within a private placement, equivalent of RON 98.8M subscribed and paid share capital and issue premium.

Individual statement of profit and loss

PROFIT AND LOSS ACCOUNT	31 March 2015	31 March 2016	Δ Q1 2016/ T1 2015
Interest income	29,228	20,024	-31%
Interest expenses	(17,957)	(8,971)	-50%
Net interest income	11,271	11,053	-2%
Commission income	7,862	6,397	-19%
Commission expenses	(2,494)	(1,715)	-31%
Net commission income	5,368	4,682	-13%
Net trading income	3,186	3,939	24%
Net gain from financial assets available for sale	10,330	4,122	-60%
Other operating income	5,914	3,607	-39%
Total operating income	36,070	27,403	-24%
Net expense related to impairment of loans	769	161	-79%
Net operating income	36,839	27,564	-25%
Expenses with salaries and related items	(17,299)	(15,547)	-10%
Amortization and depreciation of tangibles and intangibles	(2,535)	(2,322)	-8%
Other operating expenses	(16,355)	(18,629)	14%
Total operating expenses	(36,188)	(36,498)	1%
Profit (loss) before tax	651	(8,935)	-1472%
Income tax	-	-	
Net profit (loss) for the period	651	(8,935)	-1472%

- Values expressed in thousand RON -

At the end of Q1 2016, the Bank reported a RON 8.9M net loss, compared to a 0.65M net profit as of 31 March 2015, result partially influenced by the full recognition of the FGDSB contribution in Q1 2016, compared to the pro-rata recognition of this contribution all over the year, applied during the previous years.

Net interest income decreased by 2% in the analyzed period compared to 2015 (RON 11M in Q1 2016 compared to RON 11.3M in Q1 2015).

Interest income on loans decreased with RON 7.3M compared with the previous year, due to a reduced loan portfolio and the accelerated deleveraging process for large exposures, caused by the lack of capital registered by the Bank in 2015 and the first two months of 2016.

Interest income on the securities portfolio registered a RON 1.9M decrease compared to 2015 in the context of two concurrent trends: i) the reduction of the government bonds yields and ii) based on the increasingly low own funds levels in 2015, in order to be compliant with the interest rate risk requirements, starting with August 2015 a part of the amount invested in securities was placed in money market instruments with lower yields and low residual maturities.

Interest expenses decreased by 50% (RON 9M) compared to 2015, due to the reduction of the interest paid for customers' deposits, and the slight decreasing of the deposits levels for non-banking customers.

Net commission income decreased by 13% in 2016, respectively from RON 5.4M in 2015 to RON 4.7M. The decrease is correlated with the deleveraging process, which also significantly influenced the commercial transactions area.

Net revenues from financial assets available for sale was down 60% compared with EOY 2015, due to Bank's lower appetite on exposure to interest rate risk than previous years.

Based on all the above, the **total banking income** fell by 24% compared to 2015, to RON 27.4M.

As a result of reducing the number of active employees (from 954 as of 31 March 2015 to 827 as of 31 March 2016) **Personnel expenses** fell by 10%.

Bank's **operating expenses (non salary)**, excluding the contribution owed by the Bank to the FGDSB, recorded a RON 2.4M decrease, following the implementation of some cutting costs measures (elimination of physical guards within the territorial network, reduction of expenses related to consumables and protocol, streamlining and rationalization of the cars fleet). The contribution owed by the Bank to the FGDSB increased by RON 4.8M in 2016 compared to 2015 (RON 6.9M in Q1 2016, respectively RON 2.1M in Q1 2015), as a result of the full recognition during Q1 2016 of the contribution to FGDSB (in the previous years, the annual FGDSB contribution was recorded pro-rata, monthly basis, all over the year).

	31 March 2015	31 March 2016	Δ 2016/ 2015
Expenses with salaries and related items	(17.299)	(15.547)	-10%
Amortization and depreciation of tangibles and intangibles	(2.535)	(2.322)	-8%
Other operating expenses	(15.549)	(17.944)	15%
Total recurring expenses	(35.383)	(35.813)	1%
Other expenses (*)	(806)	(685)	-15%
Total operating expenses	(36.188)	(36.498)	1%

- Values expressed in thousand RON -

(*) extraordinary expenses representing loss from the disposal/revaluation of assets or adjustments for as impairment.

At the end of March 2016, the Bank had a network of 110 branches (113 units at the end of December 2015).

The financial statements for Q1 2016 were not audited by an independent financial auditor.

Annexes

- A. The Balance sheet, the Profit and loss account as of 31/03/2016.

Horia Manda

Chairman of the Management Board

B. Aggregate indicators for credit institutions

Main indicators		31/12/2014	31/12/2015	31/12/2016
Return on Assets (ROA) ¹	%	(5.9)	(2.4)	(1.2)
Return on equity (ROE) ²	%	(55.9)	(37.9)	(16.0)
Solvency	%	10.8	4.9	13.9
Loans (gross)/ due to customers	%	51.7	36.9	39.8
Immediate liquidity (Quick ratio) ³	%	53.9	61.8	63.1

Note

¹ Annualized net profit / Total average assets

² Annualized net profit / Average own capital

³ Cash and cash equivalents (net) + pledge-free T-bills/total obligations

The Liquidity Ratio for 31/03/2016 computed under rules applicable to banking and financial institutions is over the regulated limit of 1, as follows:

Date	<= 1 month	1 -3 month	3-6 month	6-12 months	>12 months
31/12/2014	3.91	10.64	18.04	7.58	7.48
31/12/2015	4.01	11.74	20.68	17.87	8.45
31/03/2016	4.48	12.81	20.61	18.10	8.16

* Liquidity indicator computed to total, in RON equivalent