

Quarterly report under C.N.V.M. Regulation No. 1/2006 For Q3, 2015

A. General information

BANCA COMERCIALĂ CARPATICA S.A.

Quarterly report under C.N.V.M. Regulation No. 1/2006

Report Date: 10/30/2015

Name of Issuer: Carpatica Commercial Bank

Headquarters: Sibiu, No. 1, Autogării St.

Phone / Fax No.: 0372/494.918, 0269/233371

Unique Registration Code with the Trade Register: RO11447021

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

Capital subscribed and paid: 110,137,141.10 lei

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

1. IMPORTANT EVENTS TO REPORT DURING 01.07 – 30.09.2015

The capital decrease operation (approved by the 18 June 2015 EGMS) was finalized on 01 October 2015. Banca Comerciala Carpatica's new share capital is of RON 110,137,141.10, consisting of 1,101,371,411 shares with a nominal value of RON 0,1.

At the same time, in relation to the capital increase process, the Prospectus for new shares issuance has been approved by FSA through Decision 3227/29.10.2015, the preference rights exercising period being scheduled for the period between 3rd of November – 3rd of December 2015. More details will be available on the Bank website and on the broker website.

2. GENERAL DESCRIPTION OF FINANCIAL POSITION

In the first nine months of 2015, Banca Comerciala Carpatica's registered a **net loss** of RON 26.5M, compared to the RON 21.7M loss during the similar period of 2014.

Net interest income decreased by 33% compared to the end of September 2014 (RON 35.6M).

Total operating income declined by 43% (RON 88.4M as at 30 September 2015 vs. RON 155.5M as at 30 September 2014) due to a weaker gain from *net interest income* and *financial assets available for sale*.

Bank's **recurring operating expenses** decreased by 4%, from RON 106.7M at the end of September 2014 to RON 102.9M as at 30 September 2015 (see details in the table below). Compared to the end of the first nine months of 2014, *expenses with salaries and related items* dropped by 4%, to RON 50M, while the number of employees declined by 8%.

- Values expressed in thousand RON -

	9 months to 30 September 2014	9 months to 30 September 2015	Q III 2015/ Q III 2014
Expenses with salaries and related items	(51,865)	(49,974)	-4%
Amortization and depreciation of tangibles and intangibles	(7,986)	(7,560)	-5%
Other operating expenses	(46,811)	(45,387)	-3%
Total recurring expenses	(106,661)	(102,921)	-4%
Other expenses (*)	(13,377)	(4,827)	-64%
Total operating expenses	(120,038)	(107,748)	-10%

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

As a conclusion, the RON 26.5M **gross loss** recorded in the first 9 months of 2015 is mainly due to the decrease of net interest income impacted by lower loans volumes due to the capital shortage. Other elements which negatively impacted the net result of the bank were generated by provisions for loans adjustments and the volatile yields on Tbonds market, which determined a lower profitability as compared with the same period of last year.

Bank's **total assets** amounted to RON 3.1 BN as at 09/30/2015, down 5% compared to YE 2014.

The net loan balance at the end of September 2015 was RON 863M, 17% lower compared to YE 2014 (RON 1,040.5M), due to the cumulative effects of loans write-off and of loan repayments which neutralized new loans granted in the first nine months of 2015.

Loans to clients, net, represent 28% of Bank's total net assets.

Due to customers decreased by 4% compared to YE 2014, relatively stable given the successive reductions of interest rates performed by the bank, in line with the market trend.

In the first nine months of 2015, **Bank's equity** declined by 16% compared to 31 December 2014, under the negative effect of the loss recorded in the first nine months, available for sales reevaluation reserves at lower levels as compared with 9m 2014, under a volatile environment of Tbonds market.

Bank's Solvency ratio at the end of September 2015 was 8.6%, compared to 10.8% at the end of December 2014.

Immediate liquidity (quick ratio) computed at the end of September 2015 was 57.8%, compared to 53.9% at the end of December 2014.

The **total number of cards** issued as at 30 September 2015 was **340,847**, up 6.9% compared to 30 September 2014 (318,962 cards). At the end of September 2015, a number of 13,501 customers were using the **internet banking** service provided by Carpatica.



During the first nine months of 2015, Bank's customers performed 8% more **card payments** compared to the same period of 2014; **internet banking transactions** increased by 8%, while **POS collections** increased by 31% compared to the similar period of 2014.

In addition, the Bank continued its efforts to strengthen the partnership with Euronet, providing for bank's clients access to a network of over 466 Euronet ATMs at the end of September 2015.

At the end of September 2015, the Bank had a network of 115 units and a number of de 898 **active employees**.

- Values expressed in thousand RON -

PROFIT AND LOSS ACCOUNT	9 months to 30 September 2014	9 months to 30 September 2015	Q III 2015/ Q III 2014
Interest income	126,484	82,691	-35%
Interest expenses	(73,557)	(47,066)	-36%
Net interest income	52,927	35,625	-33%
Commission income	23,163	20,030	-14%
Commission expenses	(4,613)	(3,785)	-18%
Net commission income	18,550	16,245	-12%
Net trading income	12,549	11,369	-9%
Net gain from financial assets available for sale	61,792	11,225	-82%
Other operating income	9,681	13,916	44%
Total operating income	155,499	88,380	-43%
Net expense related to impairment of loans	(52,803)	(7,114)	-87%
Expenses with adjustments of long term financial investments	(1,793)	-	-100%
Net operating income	100,903	81,266	-19%
Expenses with salaries and related items	(51,865)	(49,974)	-4%
Amortization and depreciation of tangibles and intangibles	(7,986)	(7,560)	-5%
Other operating expenses	(60,188)	(50,214)	-17%
Total operating expenses	(120,038)	(107,748)	-10%
Profit (loss) before tax	(19,135)	(26,481)	38%
Income tax	(2,614)	-	-100%
Net profit (loss) for the period	(21,749)	(26,481)	22%

- Values expressed in thousand RON -

STATEMENT OF FINANCIAL POSITION

	31 December 2014	30 September 2015	30.09.2015/ 31.12.2014
ASSETS			
Cash in hand	110,376	101,476	-8%
Accounts with Central Bank	313,996	338,515	8%
Due from banks	6,598	22,579	242%
Financial assets held for trading	48,782	61,264	26%
Financial assets available for sale	1,279,517	1,111,980	-13%
Investments held to maturity	0	111,169	-
Investments in equity securities	12,029	12,029	0%
Loans, net	1,040,457	863,400	-17%
Property and equipment	144,770	140,168	-3%
Investment properties	121,412	123,816	2%
Intangibles	8,364	9,228	10%
Deferred tax assets	21,143	36,480	73%
Other assets	143,010	149,576	5%
Total ASSETS	3,250,454	3,081,680	-5%
LIABILITIES			
Due to banks	42,622	10	-100%
Derivative financial instruments	0	456	-
Due to customers	2,884,460	2,769,238	-4%
Borrowings	71,205	65,795	-8%
Liabilities from deferred tax	0	13,343	-
Other liabilities	28,550	44,138	55%
Total LIABILITIES	3,026,837	2,892,981	-4%
Share capital	314,629	110,137	-65%
Share premium	1,951	1,951	0%
Surplus from share capital revaluation	21,809	5,689	-74%
Retained earnings (accumulated loss)	(224,984)	(28,790)	-87%
Reserve for financial investments available for sale	11,375	2,613	-77%
Revaluation reserve	71,650	69,911	-2%
Other reserves	27,187	27,187	0%
Total Equity	223,617	188,699	-16%
Total LIABILITIES and EQUITY	3,250,454	3,081,680	-5%

The financial statements for the third quarter of 2015 were not audited by an independent financial auditor.

Annex

A. Balance sheet, profit and loss account as at 09/30/2015.

3. SIGNATURES

General Manager

Johan Gabriëls

Finance and Accounting Manager

Marin Ban

B. Aggregate Indicators for Credit Institutions

Ratio	U/M	09/30/2014	12/31/2014	09/31/2015
ROA ¹	%	(0.8)	(4.9)	(1.1)
ROE ²	%	(7.2)	(46.3)	(16.9)
Solvency	%	12.4	10.8	8.6
Loans/Deposits	%	52.9	51.9	40.5
Immediate liquidity (Quick ratio) ³	%	50.8	53.9	57.8

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 09/30/2015 computed under rules applicable to banking and financial institutions is as follows:

Liquidity indicator computed to total RON equivalent

Date	<= 1 month	1 -3 months	3-6 months	6-12 months	>12 months
09/30/2015	3.87	10.86	18.59	17.33	8.02
NBR Limits	>=1	>=1	>=1	>=1	-