

**Proposal
to Reduce the Share Capital of
Patria Bank SA, in order to cover the Losses
Resulted from the Previous Financial Years**

No. 10008

Date 19.06.2017

FROM:	Board of Directors
TO:	Extraordinary General Assembly of the Shareholders
CONCERNING:	Proposal to reduce the share capital, in order to cover the losses
FOR:	Approval

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I. Executive Summary

The post-merger share capital of Patria Bank SA results from the merger between the former Banca Comercială Carpatica SA (as absorbing company) and the former Patria Bank SA (as absorbed company); the number of shares reflects the result of converting the shares issued by the former Patria Bank SA into shares of the new Patria Bank SA, resulted from the merger (the former Banca Comercială Carpatica, listed on the Bucharest Stock Exchange, with the Exchange symbol 'BCC'), based on the share exchange ratio set in the Merger Project approved by the shareholders; the legality of the ratio was ascertained by the court of law, according to the applicable legal provisions.

The share capital of the former Banca Comercială Carpatica SA was of RON 220,274,280.20, before the merger.

The share capital of the new Patria Bank SA, resulting from the merger, is the following at the date of the present proposal:

Share capital: RON 376,239,921.3

Number of shares: 3,762,399,213

Nominal value: RON 0.1/share

At the date of the present proposal, the equity of Patria Bank SA includes a total accumulated accounting loss worth of RON 157,800,088, as shown in the following section, resulting entirely from the accounting loss recorded in the years 2015 and 2016, included in the audited financial statements of Banca Comercială Carpatica, before the merger.

The individual accumulated accounting loss of Patria Bank SA (the absorbed bank), as a distinct position, were not taken over during the merger, therefore the equity of the new Patria Bank SA resulted from the merger does not include individualized separate accounting losses, recorded by the absorbed bank (former Patria Bank SA); therefore, the present proposal does not refer to the cancellation of the accounting losses associated with the absorbed bank, but only to the accumulated losses recorded by the absorbing bank (former Banca Comercială Carpatica SA).

The last operation of share capital reduction to cover the losses was performed by Banca Comercială Carpatica SA, in 2015, based on the Resolution of the Extraordinary General Assembly of the Shareholders, dated June 18th 2015.

Patria Bank SA has the possibility to reduce the accounting losses accumulated during the previous fiscal years, by reducing the share capital; the share capital reduction is performed by cancelling a number of shares proportional to each shareholder of Patria Bank SA, for the nominal value of the share capital to be closer to the net accounting value displayed by the financial statements.

The Patria Bank SA management considers that the operation proposed as follows will not have an impact on the stock exchange capitalization of the bank, since the proposed operation of share capital reduction does not affect the equity of the bank (which remains unchanged) and will only represent a compensation between the two positions of equity, with no influence on the net *accounting value* of the bank (book value).

II. Proposal to reduce the share capital, in order to cover the losses

Banca Comercială Carpatica SA recorded losses carried forward, between 2014 and 2016, according to the audited financial statements, as follows:

Equity element	Impact of hyperinflation	Annual amounts		Total balance as of 31.Dec.2016
		2015	2016	
Result carried forward, from adjustments to hyperinflation	-8,681,898			-8,681,898
Losses reflected directly in the result carried forward		-30,804,049	2,061,907	-28,742,142
Current loss		-75,448,352	-44,927,696	-120,376,048
Losses carried forward	-8,681,898	-106,252,401	-42,865,789	-157,800,088

Following the merger, the losses of the former Patria Bank SA were not taken over as a distinct position in the equity of the merged bank; only its net assets were added.

We propose that the losses be covered by reducing the share capital of Patria Bank SA by RON 149,118,190, cancelling a number of shares proportional to each shareholder of Patria Bank SA; thus, the equity structure of Patria Bank SA will no longer reflect the previous accumulated losses of Banca Comercială Carpatica, for the 2015-2016 period. Therefore, the proposal is to cancel a number of 1,491,181,900 shares, which will lead to a reduction in the number of Patria Bank issued shares in circulation, from 3,762,399,213 shares to 2,271,217,313 shares.

The difference between the total accumulated losses, worth of RON 157,800,088, recorded in the audited financial statements of Banca Comercială Carpatica S.A., for the year 2016, presented in the table above, and the accumulated loss proposed to be covered by the capital represents elements of result carried forward, associated with the absorbed bank, from its consolidated results.

The reduction of share capital to cover losses entails the following stages:

- Determining the amount by which the share capital is reduced (value of losses to be covered by the share capital) – summoning the Extraordinary General Assembly of Shareholders of Patria Bank SA (EGAS), to approve the reduction of share capital;
- Approval of the reduction of share capital, by the EGAS;

- Publication of the EGAS Resolution in the Official Gazette of Romania, Part IV;
- Expiry of the 2-month period since publication of the EGAS Resolution in the Official Gazette of Romania, Part IV – for appeals submitted by the creditors/shareholders against the EGAS Resolution to reduce the share capital;
- The share cancellation ratio (set as a ratio between the total number of shares to be cancelled/total number of shares issued by Patria Bank SA) is used to determine the number of shares maintained by each of the shareholders impacted by the EGAS Resolution;
- The NBR approval is requested for the reduction of share capital;
- The reduction of share capital is recorded at the Trade Register;
- The reduction of share capital of is recorded at the Financial Supervisory Authority, as well as the Central Securities Depository.

Thus, we propose that the accumulated losses **be firstly covered from other equity structure elements**, following that the uncovered losses from other equity elements be covered by reducing the share capital.

The equity structure of the Bank and the impact of the capital reduction performed to cover the losses are presented in the following table:

	Balance at May 1st 2017	Reduction of share capital	The impact of reducing the share capital on the equity elements
1. Share capital	381,929,296	-152,557,406	229,371,890
Capital paid in	376,239,921	-149,118,190	227,121,731
Adjustments of capital			0
Impact of the hyperinflation	8,681,898	-3,439,216	5,242,682
Adjustments of the share capital, by amounts representing revaluation differences	-2,992,523		-2,992,523
Share premiums	2,049,596		2,049,596
3. Total reserves	104,139,268		104,139,268
4. Merger premiums	-67,568,691		-67,568,691
5. Reported result	-143,580,197	152,557,406	8,977,209
Impact of the hyperinflation	-8,681,898	3,439,216	-5,242,682
Losses carried forward	-134,898,299	149,118,190	14,219,891
6. Current result	-11,846,094		-11,846,094
EQUITY	265,123,178	0	265,123,178

The reduction of share capital by the amount of RON 149,118,190, to cover the losses, does not bring changes to the total equity of Patria Bank SA; instead, it results in a restructuring of the equity elements. The shareholding structure of Patria Bank SA does not change following the reduction of share capital, performed to cover the losses; after the reduction of share capital, each shareholder will have the same participate share in the share capital as before the operation of share capital reduction.

Patria Bank SA can partially cover the accumulated loss, as follows:

- The amount of RON 152,557,406 from the capital can be used to cover a part of the total accumulated loss, which amounts to RON 157,800,088, as follows:
 - ❖ Reduction of the share capital by the amount of RON 149,118,190 (by reducing the number of shares issued by Patria Bank SA and currently in circulation), from 3,762,399,213 shares to 2,271,217,313 shares (a number of 1,491,181,900 shares

will be cancelled, which represents 39.63% of the total number of shares issued by Patria Bank SA).

- ❖ The amount of RON 3,439,216 will be covered from Share capital adjustments to inflation.

	RON	No. of shares
Share capital - RON	376,239,921.30	3,762,399,213
Reduction of share capital - RON	(149,118,190)	1,491,181,900
Share capital after reduction – RON	227,121,731.3	2,271,217,313

III. Other aspects

Considering the fact that prior to the merger of the two banks, there have been withdrawal requests from shareholders of both the former Banca Comercială Carpatica SA, and the former Patria Bank SA, for which the shares subject to withdrawal have not been paid until the date of the present proposal, because the legal applicable conditions were not fulfilled, the operation of share capital reduction described in this proposal will have no impact on the rights of the respective shareholders; Patria Bank SA will fulfil its payment obligations towards them, according to the Withdrawal Procedures published by the two banks.

To this end, the following procedure will be applied to each shareholder who exercised the right to withdraw, the Entitled Shareholder, according to the Withdrawal Procedures published:

- a) The number of shares held by the respective shareholder will be reduced in the present procedure of share capital reduction, by cancelling a number of shares for each such shareholder, calculated according to the process described below (process applicable to all shareholders), at the date when the reduction of capital is finalized;
- b) At the moment when Patria Bank SA announces the operation of share buyback from the shareholders who exercised their right to withdraw, the following procedure will be applied:
 - i. At the Share Freezing Date, the number of Eligible Shares for which the shareholder exercised the right to withdraw is divided by the 165.66% ratio, determined by dividing the number of shares resulting from the merger (3,762,399,213 shares) by the number of shares resulted from the proposed reduction of capital (2,271,217,313 shares), which results in the 'Number of New Eligible Shares', which the Entitled Shareholder has the right to withdraw;
 - ii. The number of shares held by the shareholder at the Share Freezing Date, in the Entitled Shareholder account, Section 1, is compared to the Number of New Eligible Shares obtained under item (i) above; the number of New Frozen Shares is determined as the lower of the two numbers;
 - iii. The Number of New Frozen Shares, determined according to item (ii) above, is multiplied by the 165.66% ratio (described under item (i) above), to determine the number of Frozen Shares;
 - iv. The Bank will pay the Entitled Shareholder for the Number of Frozen Shares, determined under item (ii) above, multiplied by the Withdrawal Price of RON 0.0896/share, specified in the Withdrawal Procedure.

All the provisions stipulated above have the purpose to preserve the withdrawal rights of the Entitled Shareholders, according to the procedure described in article 2.2.3 of the Withdrawal Procedure and all the terms written in caps in this paragraph will have the meaning established in the Withdrawal Procedures published by the two banks.

Thus, we propose that the Patria Bank SA EGAS be summoned for all the shareholders registered in the Patria Bank SA shareholder register, at the reference date of July 18th 2017, for July 28th 2017, 11:30 a.m., at the registered office of Patria Bank, in Bucharest, District 1, 31 BREZOIANU ION, ACTOR Street, 1st, 2nd and attic floor, room E, for the first assembly. In case the quorum conditions are not met for the EGAS assembly following the first summon, we propose that the Patria Bank EGAS be summoned for July 29th 2017, 11:30 a.m., in the same location, with the following agenda, in both cases:

1. Reduction of the Patria Bank SA share capital by RON 149,118,190, from RON 376,239,912.30 to RON 227,121,731.30, by cancelling a number of 1,491,181,900 shares, with a nominal value of RON 0.1, proportionally to the participation share of each shareholder in the share capital of the bank, at the registration date, as well as setting a price of RON 0 (zero) for the compensation of share fractions resulted from applying the algorithm and rounding the results, according to the legal provisions in force. The reduction of share capital is performed to partially cover the accumulated losses of the bank, in the amount of RON 149,118,190, recorded on December 31st 2016.
2. Changing the Articles of Association of Patria Bank SA, as follows:
Chapter II – Capital and Funds of the Bank, Art. 4 (*Share Capital and Shares*), item 4.1 is modified and will have the following content:
'4.1. The share capital of the Bank, fully subscribed and paid in by the shareholders, is of RON 227,121,731.30, divided into 2,271,217,313 nominative shares, each with a nominal value of RON'.
3. Approval to grant power of attorney to any member of the Management Committee, to sign the updated Articles of Association of Patria Bank S.A., according to the modifications approved under item 2, above.
4. According to Article 129^{2*}) of the National Securities Commission Regulation no. 1/2006, regarding the issuers and operations with securities, the approval of:
 - (i) The date of October 24th 2017, *as Registration Date*, in order to identify the shareholders impacted by the EGAS Resolution to reduce the share capital, according to the provisions of art. 86, paragraph (1) of Law no 24/2017 regarding the issuers of financial instruments and market operations;
 - (ii) The date of October 23rd 2017, *as Ex Date*, according to art. 2 and 5, item 11, of the National Securities Commission Regulation no. 6/2009, regarding the exercise of certain rights of the shareholders, at the general assemblies of the companies.
 - (iii) The date of October 25th 2017, *as Payment Date*, according to the provisions of art. 129^{2*}) (4) of the National Securities Commission Regulation no. 1/2006 regarding the issuers and operations with securities.
5. Approval to partially cover the accounting loss accumulated on December 31st 2016, with a value of RON 152,557,406, from the following elements:
 - ❖ Share capital: RON 149,118,190;
 - ❖ Share capital adjustments to inflation: RON 3,439,216.
6. Approval to grant power of attorney to any member of the Management Committee, in order to go through the legal formalities required to fulfil the publication conditions for the Resolutions passed by EGAS on July 28th 2017 and/or July 29th 2017, as well as granting them the right to delegate the power of attorney to another person, in order to go through the above-mentioned formalities.

IV. Proposals

We submit the following proposals, for approval by the Extraordinary General Assembly of Shareholders:

1. Reduction of bank's share capital by the amount of RON 149,118,190, from RON 376,239,912.30 to RON 227,121,731.30, by cancelling a number of 1,491,181,900 shares, with a nominal value of RON 0.1, proportionally to the participation share of each shareholder in the share capital of the bank, at the registration date, as well as setting a price of RON 0 (zero) for the compensation of share fractions resulted from applying the algorithm and rounding the results, according to the legal provisions in force. The reduction of share capital is performed to partially cover the accumulated losses of the bank, in the amount of RON 149,118,190, recorded on December 31st 2016.
2. Changing the Articles of Association of the Bank, as follows:
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3. Approval to grant power of attorney to any member of the Management Committee, to sign the updated Articles of Association of Patria Bank S.A., according to the modifications approved under item 2, above.
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 - i) The date of October 24th 2017, as *Registration Date*, in order to identify the shareholders impacted by the EGAS Resolution to reduce the share capital, according to the provisions of art. 86, paragraph (1) of Law no 24/2017 regarding the issuers of financial instruments and market operations;
 - ii) The date of October 23rd 2017, as *Ex Date*, according to art. 2 and 5, item 11, of the National Securities Commission Regulation no. 6/2009, regarding the exercise of certain rights of the shareholders, at the general assemblies of the companies.
 - iii) *The date of October 25th 2017*, as *Payment Date*, according to the provisions of art. 129^{2*)} (4) of the National Securities Commission Regulation no. 1/2006 regarding the issuers and operations with securities.
5. Approval to partially cover the accounting loss accumulated on December 31st 2016, with a value of RON 152,557,406, from the following elements:
 - ❖ Share capital: RON 149,118,190;
 - ❖ Share capital adjustments to inflation: RON 3,439,216.
6. Approval to grant power of attorney to any member of the Management Committee, in order to go through the legal formalities required to fulfil the publication conditions for the Resolutions passed by EGAS on July 28th 2017 and/or July 29th 2017, as well as granting them the right to delegate the power of attorney to another person, in order to go through the above-mentioned formalities.

BOGDAN MERFEA
MEMBER OF THE BOARD OF DIRECTORS
GENERAL MANAGER