ACTIVITY AND BUDGET PLAN FOR THE YEAR 2017

Patria Bank individual (IFRS)

June 2017

Patria Bank, hereinafter referred to as "the Bank", prepared the present Activity and Budget Plan for 2017, based on its business strategy as well as the evolution of the Romanian banking market and the economic context.

Patria Bank in 2017

The first part of 2017 meant for Patria Bank the completion, within only 12 months, of the merger with Banca Carpatica on the effective date of May 1, 2017, and the renaming of the resulting bank with the name "Patria Bank".

The merger implied a ***significant turn-around***, within which the resulting new bank completely redefined its organizational structure, sales force, territorial network, operational costs, and reinvented its products, processes and systems **to enter a new stage of profitable growth.** Thus, the main objective is to return the Bank's profitability to a positive territory within 12 months after the completion of the merger, by increasing the bank's productive assets, while preserving at reasonable levels the risks that will be generated by the increased lending activity.

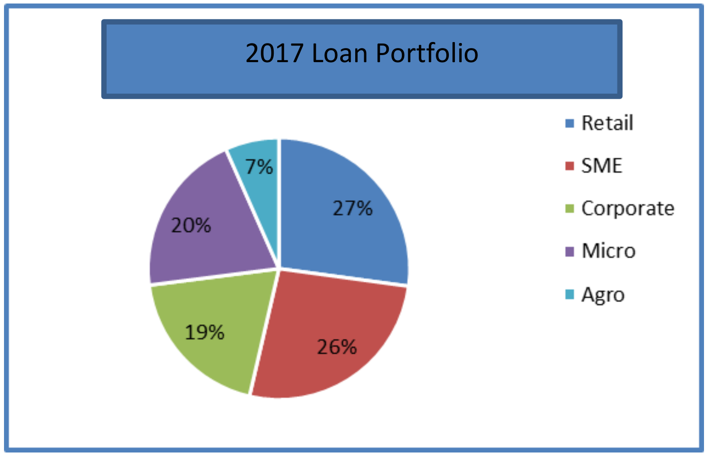
To achieve this important goal, the Bank aims this year for:

- An organic growth by 50% compared to previous year, by activating the extended territorial network after the merger and the base of more than 200,000 clients through lending products and sales programs taken over from the former Patria Bank;
- Intensifying the recovery of non-performing loans (on/off balance sheet), as well as capitalizing on assets taken over for the account of the receivables;
- Completion in September 2017 of the cost reduction program started last year and streamlining the territorial units network, thus, achieving the anticipated synergies after the merger by reducing with -27% the annualized operating expenses at year-end 2017 compared to 2016.

The presented Activity Plan was prepared by Patria Bank, as the resulting bank after the merger between Banca Carpatica (the absorbing bank) and Patria Bank (ex Nextebank, the absorbed bank), a merger that became effective on 1st of May 2017. In order to ensure a relative comparability of the budgeted values, the comparative data presented for 2016 and the first part of 2017 refer to the consolidated situation of the two banks before the merger, Patria Bank as parent-bank and Banca Carpatica as a subsidiary. The presented Activity Plan, for both the forecasted period and the prior periods, does not consolidate the other subsidiaries of Patria Group (Patria Credit IFN, SAI Carpatica Asset Management, SAI Patria Asset Management), which are preparing their own budgets.

Commercial strategy

Following the merger, the Bank expanded its banking offer with new and competitive banking products to serve individuals, microenterprises, farms and SMEs. For 2017 Patria Bank has embarked on an ambitious sales plan, with growing results on all business lines, capitalizing on extending its product offer, increasing the sales force and territorial units network further to the merger. Thus, in the context of the sales plan undertaken by the bank, the structure of the loan portfolio as at year-end 2017 is estimated to reside on three strong business segments:



- ***Retail***: will be the core-engine in 2017, given that the Bank's offer for retail banking products has significantly improved over the past years. As a result of the merger, is expected a 130% sales increase in retail loans compared to previous year's consolidated results of the two banks. The Bank's retail products target mass-market and low-mass market clients. Considering the financial analysts' forecasts for a significant growth in consumption, the Bank estimates that a significant upward retail exposure is possible in the next years.
- ***SMEs***: represents another core-line in 2017 and over the next 2 years, with a dedicated sales force towards SME customers and providing a competitive lending products' offer. Besides SMEs lending, the Bank will retain a lower corporate lending component as well and will continue managing its existing exposures towards local public authorities.

  As well, the Bank is handling with a distinct, specialized sale force and a full range of products for the **Agro segment** (companies and entities active in the agricultural field), including loans with guarantees provided by the Rural Guarantee Credit Fund (FGCR).

- ***Micro-entreprises***: Patria Bank aims to keep this segment as its hallmark and to continue expanding its credit sales and non-credit products to micro-companies, using the bank's territorial units network, which doubled after the merger, capitalizing on the 8-year expertise in micro-lending and its dedicated sales force. This segment has consistently proved to be profitable in the past 5 years, with a low and predictable credit risk due, mainly, to the specific technology lending of this segment and due to Patria Bank's expertise gained for this segment. Thus, the Bank provides lending products with EU guarantees (through the EaSI program), guarantees offered at no additional cost, and guarantee schemes provided together with local guarantee funds (FNGCIMM).

As from Q3 2017, the Bank will conduct promoting actions of the new „Patria Bank" brand and communication campaigns dedicated to promote the new brand, the new bank's position and its products.

Economic environment scenario

The economic growth in Romania accelerated in 2016, the real increase of GDP gaining 4.8% yoy, with private consumption acting as the main growth engine. The lending dynamics didn't keep the same level of growth in 2016. In this context, the expectations for 2017 are that the private sector's credit apetite to increase, boosted by the economic growth and rising incomes of the population.

Drafting the Budget for 2017, the Bank used an assumption of a stable exchange rate. For 2017 the increase of GDP is expected to reach 3.75% and 3.5% in 2018. It is estimated that the unemployment rate will fall to 5.3%.

Inflation is expected to gradually increase during 2017, influenced by a sustained level of consumption, by the continuing wages increasing and by the mitigation of the effect of past haircuts of indirect taxes. For 2017 the expected level of inflation is 0.9%. These perspectives of an increased inflation combined with a growing budgetary deficit, are expecte to generate some growthing pressures over the interest rates.

The Loans/Deposits ratio (L/D) at banking system level fell from 82% in 2015 to 77% in 2016. Bank asset quality improved at aggregate level, with NPLs recording a downward trend from 13.5% in 2015 to 9.6% in 2016. The banking system's profitability was adversely affected in 2016 by the Law regarding "Darea in Plata", its application being limited by the Constitutional Court. In 2016, the bank was affected to a very limited extent by this law and without expecting a significant future impact.

With the return of the banking system profitability to a positive territory in the last two years (RoA 1.1% in 2016), Romania posting a GDP / capita of 8,575 Euro and growth expectations over 9,000 Euro / capita in the following years, as well as one of the lowest levels in lending of only 29% of GDP (total credits / GDP) compared to the other CEE countries, it is expected that the Romanian banking sector to perform in the next two years, inclusive as an effect of the profitability and efficiency increasing obtained through consolidation (mergers & acquisitions).

Organization and structure of branches network

The reorganization process of the territorial network, started at the end of 2016 by closing of 18 territorial units will be finalized by the end of Q3 2017 and provides the closure of some non-profitable or redundant units, based on the economic potential of the cities where these are located.

The purpose of the network optimization plan is to provide a balanced bank presence all around the country and to support the development plans for the next 2 years in terms of total assets growthing, especially of the loan portfolio, as well as development through alternative channels or acquisitions of new portfolios.

The efficiency, the processes optimization, the consolidation need and the synergies implementation estimated after the merger have been also taken into consideration for the Bank's Head Office & support departments.

Financial forecasts for 2017

Patria Bank, as a result of the merger, takes over the following advantages from the banks it has been formed:

• from the former Patria Bank (pre-merger) takes a sales force of over 100 specialized officers, dedicated to the main business segments of the bank, as well as a support structure dedicated to each business line: SMEs, Micro, Agro and Retail. Together, the four mentioned business lines generated in 2016 in Patria Bank sales of Lei 420 million, through a network of branches twice as low as that of the bank resulting from the merger. In 2017, Patria Bank aims to expand its approach based on focus and specialization at the level of the entire network of 85 units;

• from Carpatica Bank takes a network of banking agencies estimated to reach 85 agencies by the end of the year, in order to build a double retail loan portfolio as well as a stable deposit base that provides the bank with a high level of liquidity;

Following the main objectives set out in previous sections for 2017:

i. Increasing the loan portfolio and expanding lending activity across the network of agencies;
ii. Continuing balance-sheet writting-offs of non-performing loans and intensive recovery of amounts from non-performing loans (on/off balance sheet)
iii. Finalizing the efficiency process in Q3 2017 and achieving the synergies related to the operational costs, proposed through the merger process,

Patria Bank aims to recover part of the loss of Lei 20 million already made in the first 4 months of 2017 caused by the 4 months delay of the merger, so that 2018 will start under profitable conditions.

Patria Bank's Budget for the year 2017 of has been prepared based on the following:

- For the first 4 months of 2017, consolidated results of the two pre-merger banks and
- As from May 2017, forcasted results of post-merger Patria Bank.

The comparative data for the year 2016 represent the consolidated position of the two pre-merger banks (the audit of the Consolidated Financial Statements of Patria Bank is not finalized by the date of approval of the current budget, the deadline being August 2017).

Banca Carpatica is part of Patria Bank Group since March 2016, this being the date of acquisition (the date of taking-over the control) for the purpose of applying the acquisition method in the consolidated financial statements of Patria Bank. In conclusion, the positions in the P&L Statement presented for 2016 ("Acuals*") include the results of the Banca Carpatica for the period following the control taking-over, namely April-

December 2016. Where necessary for a better understanding, we also present the normalized values for the entire year 2016 (including Banca Carpatica results within the Group's 2016 financial results as if the acquisition had taken place at the beginning of the year).

Balanche-sheet structure and liquidity

(values in K EUR)	*2017*	*2016*	*Evolution*
Activity Indicators	**Budget**	**Actual ***	**17/16**
Liquid Assets	1,245,287	2,010,059	-38%
Loans, net	1,788,575	1,199,882	49%
Deposits	2,937,435	3,220,882	-9%
Equity	350,282	282,175	**24%**

	2017	***2016***
Key Indicators	**Budget**	**Actuals**
Net Loans / Total Assets	52%	33%
Liquid Assets / Total Assets	36%	55%
Loans / Deposits	65%	40%
Capital Adequacy Ratio (%)	14.2%	12.7%
* Cost-to-Income	112%	120%

**** in 2016 the ratio includes the normalised results of Banca Carpatica***

- **The increase in the Bank's productive assets** is the main balance sheet objective of the present Budget and is forecast by increasing the loan portfolio in two scenarios (simultaneously):
  i. The organic loan growth scenario by 11% compared to the consolidated portfolio of the two pre-merger banks at the end of the previous year;
  ii. The scenario comprising growth opportunities through acquisitions (performing loan portfolios, other banking or financial institutions), in the current Budget being estimated such a scenario for the acquisition of a portfolio of performing loans for the last quarter of 2017, in order to use the liquidity surplus that the Bank has at this very moment. Management will seek to identify those acquisition opportunities that will allow the Bank to make better use of surplus liquidity and capital.

- The increase in acquisitions will also contribute to balancing the balance-sheet structure in the sense of increasing the Credits / Deposits ratio to a closer level (65%) than the average of the banking system by 77%.

- **Total assets** - a decrease of 5% compared to the previous year, due to the decrease of the liquid assets as a result of the decrease of the deposits by 9% in the context of the efficiency and consolidation of the territorial network.

- **Equity funds** have been budgeted to provide a medium-term capital adequacy in order to support the organic growth plans outlined above. To this end, in view of the completion of the turn-around period and the balance sheet write-offs, as well as the management's plans to start an ambitious growth project, both through organic growth and asset purchases or other banking institutions, the actual financial projections include the possibility of a capital increase anticipated to be implemented during the period of Q4 2017 - Q1 2018, which, for the purpose of the budgetary exercise, was estimated at the end of 2017. Even if the budget projections are made in the context of a possible portfolio acquisition, those do not include the possible consequences over the Bank's position and financial performance, and over an additional capital increase that may be needed in the event of a potential acquisition of a banking entity.

It is estimated that under such a capital increase, the subordinated loan offered by the majority shareholder could be converted under the same conditions as the attraction of new investors. Anticipating a future capital increase process, the Bank will also initiate a process of reducing its share capital by incorporating accumulated accounting losses in order to bring the nominal value of the share capital into a net book value reflected in the financial statements.

At the same time in the estimations regarding the budgetary exercise are also taken into account the possible effects of the redemption shares transactions implementation from the minority shareholders who exercised their right of withdrawal further to the merger, but which can only be conditional implemented upon obtaining the prior approval of the Bank National Bank of Romania for this operation, in accordance with applicable banking regulations.

Evolution of profitability

In the table below is also included the comparison with the normalized consolidated results, in a presentation that comprises the revenues of Banca Carpatica for the full year 2016 and eliminates one-off incomes or reclassifications made in the base year (2016) in both banks, in order to emphasize a comparability of the budgeted figures over the previous year.

(thousand RON)	*2017*	*2016*	*Evolutie*	*2016*	*Evolutie 17/16*
Financial Results	Budget	Actual *	17/16	Normalizat**	*Normalizat*
Net Banking Income	**154,369**	**208,142**	**-26%**	**164,311**	**-6%**
Impairment of loans and advances to customers	-2,039	-65,197	-97%	-11,095	-82%
Net Banking Income after Provisions	**152,329**	**142,945**	**7%**	**153,216**	**-1%**
Operational Expenses	-169,335	-169,459	0%	-205,272	-18%
Net Financial Result	**-19,995**	**-38,190**	**-48%**		

**consolidated values based on the audited standalone financial results of the two Banks pre-merger*
(is not included the entire Patria Bank Group, only the two Banks that merged)
The Loss of Banca Carpatica is included in consolidation since March 2016 (2016 Year: April-December)
***2016 Normalised for considering income/expenses for the full year (excluding non-recurrent incomes: VISA, dividends)*

• A decrease of -1% in **Operating Income** is expected **after the cost of risk** compared with the normalized values for 2016, amid the reduction in the net cost of risk, in the context of the non-performing loan portfolio writting-off achieved in the previous year and the intensification of the out of balance non-performing loans recovery activity.

• **The net banking income** estimated in the Budget for 2017, before depreciation adjustments, is estimated at a level of -6% lower than the revenues achieved by the two banks in the previous year, so the Bank proposes for 2017 the reversal of the revenues reduction trend recorded in the last two years in Banca Carpatica by the significant increase of productive assets. The prospects for the year 2018 and the following years are greatly improved and even in the organic growth scenario the Bank will stop the decline in the loan portfolio and will rebound on a positive trend.

• **The effort to reduce operational expenses** started in 2016 in Banca Carpatica has already resulted in a 15% decrease in BCC operational expenses by 2016 compared to 2015 and in 2017 a new reduction of -18% in operational expenses of the new Patria Bank over the previous year is proposed, as a result of the merger synergies. The present Budget includes an amount of 2 million lei for the expenses related to the implementation of the merger, of which 50% have already been made in the first 4 months of 2017.

The Investment Budget for 2017 has been drafted to meet the post-merger development and optimization needs of the Bank, taking into account the size and structure of the new bank, as well as changes in the bank's online applications to ensure compliance with the legal and regulatory framework. Thus, at the level of this Investment Plan, the following categories were provided:

- ❑ Lei 10 Millions Acquisitions and software developments / IT applications and other intangible assets
- ❑ Lei 11.4 Millions of Tangible assets (branch endowments/ rebranding post-merger / HQ and IT equipment)

Considering the 4-months delay in completing the merger as against its original plans, Patria Bank posted losses of 19 million lei in the first half of 2017, losses intended to be limit at this level for 2017. Thus, following the intensification of commercial activity (especially the increase in lending activity) and the recovery of non-performing loans, the management expects the return of the Bank’s net result to positive territory in order to prepare a profitable year 2018 with ROA approaching the average figures of the banking system. It is an ambitious objective and Patria Bank’s management aims, by reorganizing the bank within less than 12 months further the merger, to build a profitable bank resulted from two banks didn’t gain a profitability level before the merger.

Achieving this ambitious goal depends both on reaching commercial objectives, in the context of preserving the current trend of economic growth and financial stability for the next period and on identifying opportunities for profitable investment of the Bank’s liquidity surplus as well as strengthening the capital base of the Bank needed to capitalize on such opportunities. In the past, Patria Bank (in its pre-merger form) and its management have set ambitious targets that they have reached in a significant manner, this being the main reason why the new Patria Bank resulting from the merger proposes to its shareholders an ambitious growth plan with a very short turn-around period after the merger, in order to become in the shortest time a profitable investment with good growth perspectives.

Signed on behalf of the Board of Directors of Patria Bank by:

Horia Manda
Chairman of the Board of Directors

Bogdan Merfea
CEO

Diana Kallos
Deputy CEO – Financial Area

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Budget 2017 - Financial Performance - k RON	2016 Consolidated*	2017 Budget
Interest income	170,702	138,535
Interest expense	(32,940)	(32,299)
Net Interest Income	**137,762**	**106,236**
Net commission Income	18,889	23,505
Net Gains from AFS and other income	51,491	24,628
Net Banking Income before Provisions	**208,142**	**154,369**
Impairment loan (loss)/recovery	(65,197)	(2,039)
Net Banking Income	***142,945***	***152,329***
Staff Costs	(84,757)	(83,188)
Non-Staff Costs	(71,139)	(70,090)
Amortisation Fixed Assets	(13,563)	(16,058)
General administrative expenses	**(169,459)**	**(169,335)**
Other Provisions (litigation, credit commitments)	(9,995)	(1,149)
Result before income tax	**(36,508)**	**(18,156)**
Current Income Tax	(1,681)	0
Deferred Tax	0	(1,839)
Net Financial Result	**(38,190)**	**(19,995)**
Indicators:		
Cost-to-Income	81%	110%
Return on Assets	-0.98%	-0.58%
Return on Equity	-12.39%	-7.27%

**2016 Consolidated Result Patria Bank and Banca Carpatica*

Budget 2017 - Financial Position - k RON	2016 Consolidat*	2017 Budget
Total Assets, out of which:	**3,639,250**	**3,455,264**
Financial Assets AFS & HTM & Trading	1,328,166	900,751
Net loans and advances to customers	1,199,882	1,788,575
Equity investment and goodwill	50,859	48,251
Fixed and intangible assets	293,583	287,041
Other Assets	84,868	86,111
Total Liabilities, out of which:	**3,336,921**	**3,087,437**
Due to Banks	38,139	60,554
Due to customers	3,220,882	2,937,435
Borrowings from Banks and IFIs	15,934	53,371
Other liabilities	42,212	36,077
Subordinated Debt	19,754	-
Equity	**282,175**	**350,282**
Loans / Deposits	40%	65%
Capital Adequacy Ratio	**12.7%**	**14.2%**

**2016 consolidated figures Patria Bank and Banca Carpatica*