

Quarterly report under C.N.V.M. Regulation No. 1/2006
For Q3, 2014

A. General information

CARPATICA COMMERCIAL BANK

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

Report Date: 10/31/2014

Name of Issuer: Carpatica Commercial Bank

Headquarters: Sibiu, No. 1, Autogării St.

Phone / Fax No.: 0269/233985, 0269/233371

Unique Registration Code with the Trade Register: RO11447021

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

Capital subscribed and paid: 314,629,049.40 lei

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

1. IMPORTANT EVENTS TO REPORT 07/01 – 09/30/2014

- There were no important events to report within the reporting period.

2. GENERAL DESCRIPTION OF FINANCIAL POSITION

In the first nine months of 2014, Carpatica Commercial Bank registered a **net loss** of RON 21.7M, compared to the RON 19.3M profit achieved during the similar period of 2013.

At the end of September, 2014, **net interest income** declined by 1.3% compared to the end of September, 2013 to RON 52,9M.

Carpatica's **total banking income** decreased by 2% due to a weaker *net trading income* (RON 155.5M as at September 30th 2014 vs. RON 158.7M at the end of September, 2013).

Operating expenses increased slightly (0.5%, from RON 119.5M at the end of September, 2013 to RON 120M in Q3 2014). However, compared to the first nine months of 2013, the expenses with salaries and related items dropped by 9.3%, to RON 51.9M as the number of employees decreased by 11%.

The RON 35.5M **operating profit** recorded at the end of September 2014 indicates a 9.5% decrease compared to the similar period of 2013 (Q3 2013: RON 39.2M).

The **gross result** for Q3, 2014 was negatively influenced by KPMG's recommendation to record over RON 28M in *additional provisions*. Therefore, additional provisions were registered in July, for: the reevaluation of repossessed assets worth RON 7.2M, the evaluation of retirement benefits for employees and other debtors worth RON 2M, the voluntary liquidation of Imobiliar Invest: 1.8M, and the remaining RON 17.7M for loans were recorded in September.

Bank's **total assets** amounted RON 3.3 BN as at 09/30/2014, down 18.9% on YE 2013. This was due to the decrease in *Financial assets available for sale*, from RON 1.5 BN on YE 2013 to RON 1.2 BN at the end of Q3, 2014 (-25%), together with the reduction of due from reverse repo operations.

As of September 30th, 2014, the **net loans balance** amounted to RON 1.9 BN, -2.8% compared to YE 2013 (RON 1.23 BN), as a result of write-off operations. Thus, following NBR's recommendations, the Bank proceeded to writing off loans in the amount of RON 121.4M, fully covered by depreciation adjustments. Written off loans represent 19% of Bank's non-performing loan portfolio.

New loans granted during the first nine months of 2014 reached RON 332.2 M.

The value of **non-bank customer deposits** decreased by 2.9% compared to YE 2013, from RON 2.82 BN as of 12/31/2013 to RON 2.74 BN on 09/30/2014. After a decline due to reputational matters from the beginning of 2014, retail deposits returned to the value registered at the end of 2013. Compared to the same period of 2013, retail deposits rose by 3% (RON 2.472 BN as at 09/30/2014, compared to RON 2.404BN as at 09/30/2013).

During the first nine months of 2013, Bank's **equity** decreased by 4.4%, from RON 396M (YE 2013), to RON 379M as of September 30th, 2014.

The **solvency Ratio** as at September 30th, 2014 was 12.43%, compared to 10.41% at the end of September 2013, well above the limit set by the National Bank of Romania.

Immediate liquidity (quick ratio) computed at the end of September, 2014 was 50.8%, compared to 40.2% at the end of September, 2013.

The **number of cards** issued in the first nine months of 2014 was 318,962, up from 304,149 at the end of September, 2013. At the end of September, 2014, 13,926 clients were using **the internet banking service** provided by Carpatica.

At the end of September 2014, the Bank had a network of 129 **units** and 975 **employees**.

STATEMENT OF FINANCIAL POSITION	December 31 st ,	September 30 th ,	ΔQ3/YE
	2013	2014	2014/2013
ASSETS			
Cash in hand	112,219,647	87,222,371	-22.3%
Accounts with the Central Bank	271,030,463	377,753,659	39.4%
Due from banks	64,838,713	24,085,657	-62.9%
Due from reverse repo operations	395,125,392	-	-
Financial assets held for trading	22,542,891	20,673,900	-8.3%
Financial assets available for sale	1,544,968,787	1,157,900,976	-25.1%
Equity investments	13,827,042	12,034,133	-13.0%
Loans, net	1,226,135,328	1,191,841,140	-2.8%
Tangible assets	149,380,809	144,678,602	-3.1%
Investment properties	115,223,154	126,266,028	9.6%
Intangible assets	7,956,784	7,795,835	-2.0%
Deferred tax assets	6,248,090	3,452,775	-
Other assets	133,568,892	141,107,013	5.6%
Total ASSETS	4,063,065,992	3,294,812,089	-18.9%
LIABILITIES			
Due to banks	46,686,087	3,075	-100.0%
Due to repo operations and securities lent	693,493,892	55,545,571	-92.0%
Due to customers	2,820,299,850	2,737,831,483	-2.9%
Borrowings	77,473,760	73,443,161	-5.2%
Other liabilities	28,788,515	49,163,189	70.8%
Total Liabilities	3,666,742,104	2,915,986,479	-20.5%
Share capital	314,629,049	314,629,049	0.0%
Share premium	1,950,930	1,950,930	0.0%
Surplus from share capital revaluation	21,809,077	21,809,077	0.0%
Retained earnings	-58,223,335	-77,914,460	33.8%
Reserve for financial investments available for sale	15,557,690	19,280,800	23.9%
Revaluation reserve	73,413,133	71,882,870	-2.1%
Other reserves	27,187,344	27,187,344	0.0%
Total equity	396,323,888	378,825,610	-4.4%
Total LIABILITIES AND EQUITY	4,063,065,992	3,294,812,089	-18.9%

PROFIT AND LOSS ACCOUNT	September 30 th ,	September 30 th ,	-RON- Δ Q3 2014/2013
	2013	2014	
Interest income	159,017,358	126,484,050	-20.5%
Interest expenses	-105,415,551	-73,557,082	-30.2%
Net interest income	53,601,807	52,926,968	-1.3%
Commission income	26,480,823	23,163,011	-12.5%
Commission expenses	-5,156,592	-4,613,268	-10.5%
Net commission income	21,324,231	18,549,743	-13.0%
Net trading income	15,260,816	12,549,190	-17.8%
Net gain from investments available for sale	62,308,815	61,791,917	-0.8%
Other operating income	6,189,481	9,681,445	56.4%
Total operating income	158,685,150	155,499,263	-2.0%
Expenses with salaries and related items	-57,180,400	-51,864,803	-9.3%
Amortization and depreciation of tangibles and intangibles	-8,211,889	-7,985,589	-2.8%
Other operating expenses	-54,099,217	-60,187,798	11.3%
Total operating expenses	-119,491,506	-120,038,190	0.5%
Operating Profit	39,193,644	35,461,073	-9.5%
Credit loss expense	-14,503,418	-52,803,400	264.1%
Expenses with adjustments of long term financial investments	-10,284,189	-1,792,909	-82.6%
Net operating income	133,897,543	100,902,954	-24.6%
Profit /(loss) before tax	14,406,037	-19,135,236	-232.8%
Income tax	4,971,581	-2,613,783	
Net profit/(loss) for the period	19,377,618	-21,749,019	-212.2%

The financial statements prepared for Q3 2014 were not audited.

Attachments

A. Financial statements for Q3, 2014.

3. SIGNATURES

General Manager

Johan Gabriëls

Deputy General Manager

Ion Dobrică

B. Aggregate Indicators for Credit Institutions

Indicator	M/U	09/30/2013	12/31/2013	09/30/2014
Return on Assets(ROA)¹	%	0.70	1.05	-0.83
Return on Equity(ROE)²	%	6.64	9.80	-7,22
Capital Adequacy Ratio	%	10.41	12.32	12.43
Loan(Gross)-to-Deposit Ratio	%	59.79	55.26	52.90
Quick Ratio³	%	40.16	44.01	50.81

Note

¹Annualized net profit / Total average assets

²Annualized net profit / Average own capital

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

The Liquidity Ratio for 09/30/2014 computed under rules applicable to banking and financial institutions is as follows:

Liquidity Indicator calculated to total RON equivalent:

Date	<= 1 M	1 -3 M	3-6 M	6-12 M	>12 M
09/30/2014	3.78	9.27	19.66	7.47	7.07
NBR Limits	>= 1	>= 1	>= 1	>= 1	-