2017 Preliminary Financial Report

PATRIA BANK SA

Report date: **15.02.2018**

Company name: **PATRIA BANK S.A.**

Registered office: **Bucharest, District 1, 31 Ion Brezoianu Actor Street, floors 1, 2 and attic**

Actual office: **42 Pipera Road, Globalworth Plaza, floors 7, 8 and 10, district 2, Bucharest**

Phone/fax: **0372538725 / 0213133044**

Tax identification number: **RO 11447021**

Trade Register number: **J40/9252/2016**

Issued and paid-in share capital: **RON 227,121,731.30**

Regulated market on which the issued shares are traded: **Bucharest Stock Exchange - Premium category**

I. Executive summary

The year 2017 was for Patria Bank, the bank resulted from the merger concluded in May 2017 between the former Banca Comerciala Carpatica and the former Patria Bank, a financial exercise in which the two banks operated separately 4 months before the merger and 8 months together, as merged bank.

Through the merger, Patria Bank SA became a bigger and stronger bank with a national spread wide network and a portfolio of over 180,000 active clients. The new Patria Bank S.A. is present in 63 cities with 85 banking units, being an active and innovative participant in areas as agro, microenterprises and SMEs and developing the retail segment in urban areas and especially in small towns and rural areas.

Patria Bank SA is now a completely different entity as compared with the two banks involved in the merger, both in terms of strategy, size, products and market approach, as well as from the perspective of the new management and shareholding having a solid expertise and reputation. Being one of the few listed Romanian banks listed on the stock market - premium section, Patria Bank SA wants to become an active issuer on the capital market. In order to mark this new approach, on 13 July 2017 there was a change in the trading symbol from ‚BCC' in ‚PBK'.

The new bank pursues the use of varied distribution channels and strategic partnerships to penetrate niches that are not covered by the market, allowing them to fulfil the established strategic direction of being a significant presence in the segment of less banked customers in the urban and rural areas and in supporting the local entrepreneurs.

In this context, between October and December 2017, Patria Bank has taken important steps for brand consolidation by implementing an image campaign under the slogan "PATRIA BANK. FOR ALL ROMANIANS" and the creative concept "You do a lot for the country, it's time Patria to do something for you too!" meant to support the Bank's desire to become an active and innovative participant in the banking market for retail, SME and microfinance.

During this period of 8 months after the merger, Patria Bank SA pursued and managed to accomplish its main strategic post-merger objectives, namely:

(i) Implementation of the former Patria Bank's commercial model and its extension to the entire territorial network (including the branch network of ex-Banca Comerciala Carpatica), a model that has already relaunched the bank lending activity, forecasted through its business strategy and annual budget, by achieving of the very ambitious annual budget of new credits sales of 694 million LEI, out of which RON 520 million represents new loans granted after merger;

(ii) Highlighting the first effects of the synergies and cost savings as a result of the merger and restructuring process which led to a reduction (on an annual basis) of operational expenditures of 21.7% in 2017 compared to 2016;

(iii) **Implementation of the Bank's Restructuring Plan, finalized in September 2017 and whose final impact on the reduction in operational expenditures will be visible in 2018 (when a 10% annualized reduction is expected as compared with 2017);**

(iv) **Achievement of the Budget by almost 100% in case of the net interest incomes and net fees and commissions incomes as well as a 3% reduction of the operational expenditures compared with the budgeted.**

The Bank aims to improve its financial performance and expects to become profitable in 2018, as long as it will be executed the efficient placement of the liquidity excess (more than RON 700 million) and which for strategic reasons was maintained during 2017, realizing the objectives for organic growth and acquisitions, which we believe will give confidence to investors in the bank and will stimulate the participation in the bank's future operations at capital market.

Preliminary Financial Results - 8 months after merger

Total operating income of RON 142.5 million is 7.8% below the budgeted level, mainly due to not realizing the placement of a portion from the liquidity excess through a portfolio acquisition. Compared to the same period of the previous year, operating income is down 30% due to i) the decline of the TBonds portfolio revenues on the basis of declining interest rates in the market and (ii) the favorable fair value adjustments to the credit portfolio of Banca Comerciala Carpatica lower in 2017 compared to 2016, considering a low commission income decrease despite the reduction of the branch network with 27 branches compared to the same period of the previous year.

Operational expenditures of RON 165 million, are 2.9% down versus the budget, due to the reorganization process and to the optimization of the branch network.

Net result at the bank level: The net cumulative loss for 2017 is RON 42 million versus the budgeted amount of RON 20 million, the deviation from the budget being mainly due to some delays occurred in the recovery process of some important non-performing transactions as a result of the complexity and legal issues involved and which are estimated to be completed in 2018.

Lending activity has been relaunched, the credit portfolio registering a 10.5% advance from to the beginning of the year, thus creating the conditions for an increase of net interest income.

Capital adequacy rate as of December 2017 was of 10.66%, on a decreasing trend from 13.32% at the end of the previous year, in the context of the losses registered in 2017 due to the increase of the risk-weighted assets from commercial activity (the new loan production) and the negative impact from mark to market process of the TBills portfolio generated by the changes of the market yields. In order to strengthen the bank's capital base in February 2018, a general meeting of shareholders was convened for raising the capital base by RON 60 million, of which the amount that will contribute to the incremental capital base is up to RON 40 million.

II. Analysis of the Bank's financial position

Presentation of financial statements - particularities during the year of the merger

Patria Bank S.A. is the result of the merger by absorption between the former Banca Comerciala Carpatica SA (as the absorbing entity) and the former Patria Bank S.A. (as the absorbed entity), merger which was implemented on the 1st of May 2017.

In this context, the statement of financial position of Patria Bank SA presented in this report (as of 31.12.2017) represents the separate financial statements of the bank resulting from the merger and, with regards to the Income Statement, these separate financial statements are prepared as if the merger were performed from the beginning of the reporting period (January 2017), this being the Bank's accounting policy choice adopted for the presentation of the financial statements of the entity resulting from this merger.

With respect to comparatives for the Income Statement and to the Balance Sheet for the end of 2016, they were prepared as consolidated[1] amounts for the two banks for the periods before the merger. In this report the comparatives as of December 2016 in the Income Statement incorporate a consolidation of the financial result of the former Patria Bank SA for 2016 with the financial result of the former Banca Comerciala Carpatica for the 9 months period starting with March 31st, 2016 (the date of the acquisition of control by former-Patria Bank SA over former-Banca Comercial Carpatica SA) and ending December 31, 2016.

The below financial analysis is made for the Bank's separate financial statements prepared in accordance with International Financial Reporting Standards prepared for the period ending at December 31, 2017 and for the comparative period of the previous year. The preliminary financial statements as of 31.12.2017 are not audited or revised.

[1] Patria Bank Group prior to the merger, controlled by EEAF - the majority shareholder of Patria Bank SA, included the two banks: Patria Bank SA and Banca Comerciala Carpatica SA, as well as their subsidiaries Patria Credit IFN, SAI Patria Asset Management, SAI Carpatica and the 3 Investment funds controlled by SAI Carpatica, SAI Globinvest, as well as other entities in voluntary dissolution (which are not significant in the assets and the results of the Group). The highest level of consolidated financial statements before the merger were Patria Bank's consolidated financial statements, given that the Group's controlling entity, EEAF, is an investment fund that does not consolidate its investments according to accounting procedures in place.

In order to ensure the comparability of the position and financial performance of PBK resulting from the merger, the accounting policy adopted by the bank is that for the periods prior to the merger, to use as comparative the accounting values recorded in the highest consolidated financial statements prepared at the level of Patria Bank, but not for the entire Patria Bank Group as it was defined in the accounting consolidation perimeter, but only for the two banks involved in the merger. This level, which aggregates the book values of the two banks in the highest consolidated financial statements prepared by Patria Bank (for the periods prior to the merger of the financial years 2016 and 2017) is referred to in this report as the "sub-consolidated level" or "sub-consolidated statement" of the two banks before the merger.

FINANCIAL POSITION
-thousands RON-

ASSETS	**31.dec.17**	**31.dec.16**	Δ 2017/ 2016 (abs.)	Δ 2017/ 2016 (%)	**Budget 31.dec.17**	Actual / Budget	Actual / Budget (%)
Liquid assets	1,872,845	2,015,243	(142,398)	(7.1%)	1,245,287	627,558	50.4%
Equity investments	30,059	31,400	(1,341)	(4.3%)	30,705	(646)	(2.1%)
Loans and advances to customers, net	1,325,216	1,199,589	125,627	10.5%	1,788,575	(463,359)	(25.9%)
Other assets	365,850	372,691	(6,841)	(1.8%)	373,151	(7,301)	(2.0%)
Total ASSETS	**3,593,970**	**3,618,923**	**(24,953)**	**(0.7%)**	**3,437,718**	**156,252**	**4.5%**

0

LIABILITIES	**31.dec.17**	**31.dec.16**	Δ 2017/ 2016 (abs.)	Δ 2017/ 2016 (%)	**Budget 31.dec.17**	Actual / Budget	Actual / Budget (%)
Due to customers	3,256,296	3,221,691	34,605	1.1%	2,937,435	318,861	10.9%
Borrowings and other liabilities	105,748	115,059	(9,311)	(8.1%)	150,001	(44,253)	(29.5%)
Total Liabilities	**3,362,044**	**3,336,750**	**25,294**	**0.8%**	**3,087,436**	**274,608**	**8.9%**
Total Equity	**231,926**	**282,173**	**(50,247)**	**(17.8%)**	**350,282**	**(118,356)**	**(33.8%)**
Total LIABILITIES AND EQUITY	**3,593,970**	**3,618,923**	**(24,953)**	**(0.7%)**	**3,437,718**	**156,252**	**4.5%**

- As of 31 December 2017, ***the total assets*** remained at a similar level as recorded on December 31, 2016, but showed positive developments in the structure→ due to the increase of the loans' weight in total assets.
- ***Liquid assets*** (cash in hand, accounts with the Central Bank, credit institutions, portfolio of financial assets - held for trading, available for sale and held-to-maturity investments) decreased by 7.1% compared to the level recorded on December 31, 2016, due to the redirection of the liquidity surplus in the commercial activity (The budget of new loans being achieved by 126% in 2017).
- Net value of ***Loans and advances to customers*** increased by 10.5% compared to the beginning of the year, the positive evolution being the result of the sales force's efforts on all business lines: Retail, MICRO, Agro and SMEs, which generated new loans of RON 694 million in 2017. Compared to the budget there is a deviation explained by the budgetary hypothesis of considering a loans portfolio purchasing worthing EUR 100 million. During the year, the bank actively participated in several acquisitions process, without being executed.
- ***The deposits attracted from non-banking clientele*** recorded an increase of 1.1% as of December 31, 2017 compared to the beginning of the year, being with 11% over the budget, this level not being negative influenced by the network optimization process through the bank closed 27 units during 2017.

Liquidity position of the bank

The liquidity indicator as of December 31, 2017 is comfortably above the regulated limits as follows:

Date	<= 1 month	1 -3 months	3-6 months	6-12 months	>12 months
30.06.2017	3.37	12.81	15.97	13.06	35.62
30.09.2017	3.07	11.62	14.10	13.91	21.61
31.12.2017	2.59	10.87	13.26	16.04	16.99
Statutory limit	>= 1	>= 1	>= 1	>= 1	-

** The liquidity indicator calculated for all currencies, in RON equivalent*

The bank keeps **a high level of liquid assets on the balance sheet (52%)**.

PATRIA BANK

The Loan / Deposits ratio recorded in 2017 the level of 44.5%, well below the average of the banking system of 80.3% (according to data provided by the National Bank of Romania for September 2017), which indicates that the liquidity reserves needed for lending increase are still very high, well above the market level.

III. The financial performance of Patria Bank SA for 2017

Comparative statements for the same period of the last year (2016) presented in Profit or Loss incorporate the former Patria Bank SA financial results for 2016 and the former Banca Comerciala Carpatica SA financial result for 9 months period starting at March 31st, 2016 (the date of control of former Patria Bank SA over the former Banca Comerciala Carpatica SA) and ending at December 30, 2016.

III.1. The main elements of the individual Income Statement compared to the same period of the last year and the Budget

FINANCIAL PERFORMANCE STATEMENT -thousands RON-	**31.dec.17**	**31.dec.16** 12 months PBK +9 months BCC	Δ 2017/ 2016 (%)	**Budget 31.dec.17**	Actual / Budget (abs.)	Actual / Budget (%)
Net interest income out of wich:	104,502	137,778	(24.2%)	106,415	(1,913)	(1.8%)
Net interest income	*86,969*	*83,840*	*3.7%*	*87,287*	*(318)*	*(0.4%)*
Income from the release of fair value adjustments	*17,533*	*53,938*	*(67.5%)*	*19,128*	*(1,595)*	*(8.3%)*
Net fees and commission income	22,787	18,888	20.6%	23,544	(757)	(3.2%)
Net gains from financial activity & other income	15,253	46,906	(67.5%)	24,670	(9,417)	(38.2%)
Total operating income	**142,542**	**203,572**	**(30.0%)**	**154,629**	**(12,087)**	**(7.8%)**
Net impairment of financial assets	**(19,992)**	**(64,304)**	**(68.9%)**	**(3,212)**	**(16,780)**	**522.4%**
Salaries and related expenses	(81,055)	(88,309)	(8.2%)	(83,360)	2,305	(2.8%)
Depreciation and amortisation	(15,617)	(14,087)	10.9%	(16,091)	474	(2.9%)
Other operating expenses	(68,047)	(73,381)	(7.3%)	(70,238)	2,191	(3.1%)
Total operating expenses	**(164,719)**	**(175,777)**	**(6.3%)**	**(169,688)**	**4,969**	**(2.9%)**
Loss before tax	**(42,169)**	**(36,509)**	**15.5%**	**(18,271)**	**(23,898)**	**130.8%**
Expense from deffered tax	-	(1,681)	(100.0%)	(1,839)	1,839	(100.0%)
Loss for the year	**(42,169)**	**(38,190)**	**10.4%**	**(20,110)**	**(22,059)**	**109.7%**

Considering the fact that for the same period of the previous year, as described in the second paragraph of this report ("*Presentation of interim financial statements - particularities during the year of the merger*"), for both actual and budgeted figures, it is presented the sub-consolidated statement on 31.12.2016 of the Profit or Loss Account, a statement that incorporates the financial result of the former Patria Bank SA for 2016 and the financial result of former Carpatica Commercial Bank SA *only for 9 months of 2016 (after the date of Patria Bank SA's takeover)*, we consider relevant to present the evolution of the main items of the Profit or Loss Account for 31 December 2017 compared to the sub-consolidated figures of the two banks involved in the merger *for the entire year 2016 to provide a relevant comparison as of December 31, 2017 results* compared to the same period of the previous year, as presented below.

III.2. Comparative analysis with the same period of the last year

FINANCIAL PERFORMANCE STATEMENT -thousands RON-	31.dec.17	31.dec.16 12 months PBK +9 months BCC	Δ 2017/ 2016 (%)	31.dec.16 12 months PBK +12 months BCC	Δ 2017/ 2016 (%)
Net interest income out of wich:	104,502	137,778	(24.2%)	148,831	(29.8%)
Net interest income	*86,969*	*83,840*	*3.7%*	*83,840*	*3.7%*
Income from the release of fair value adjustments	*17,533*	*53,938*	*(67.5%)*	*53,938*	*(67.5%)*
Net fees and commission income	22,787	18,888	20.6%	23,570	(3.3%)
Net gains from financial activity & other income	15,253	46,906	(67.5%)	56,795	(73.1%)
Total operating income	**142,542**	**203,572**	**(30.0%)**	**229,196**	**(37.8%)**
Net impairment of financial assets	**(19,992)**	**(64,304)**	**(68.9%)**	**(64,251)**	**(68.9%)**
Salaries and related expenses	(81,055)	(88,309)	(8.2%)	(103,022)	(21.3%)
Depreciation and amortisation	(15,617)	(14,087)	10.9%	(16,409)	(4.8%)
Other operating expenses	(68,047)	(73,381)	(7.3%)	(90,958)	(25.2%)
Total operating expenses	**(164,719)**	**(175,777)**	**(6.3%)**	**(210,389)**	**(21.7%)**
Loss before tax	**(42,169)**	**(36,509)**	**15.5%**	**(45,444)**	**(7.2%)**
Expense from deffered tax	-	(1,681)	(100.0%)	(1,681)	(100.0%)
Loss for the year	**(42,169)**	**(38,190)**	**10.4%**	**(47,125)**	**(10.5%)**

Operating income (Net banking income) decreased by 37.8% compared to the same period of the previous year, the reasons for the decrease being the following:

- ***Net interest income*** declined by 29.8% (RON 44.3 million) compared to the same period of 2016, due to the decrease of 26.4% in loans interest income and the decrease of 39.5% (RON 9.5 million) of the interest rates on the TBonds portfolio, which were offset by a reduction of 22% in interest expenses paid to customers (considering an increasing by only 1% of the volume of deposits attracted in the same period).
- The decrease of the loans interest income is also influenced by the difference between the fair value adjustments related to the former Banca Comerciala Carpatica's portfolio, adjustments which were resumed on revenues in 2016 in a higher proportion than in 2017, the difference materialised in a decreasing of the interest income in 2017 compared to the same period of the previous year.
- As regards to the decrease of interest income on TBonds, this occurred in the context of the TBonds portfolio restructuring by reducing the residual maturity in order to reduce the interest rate risk of the bank (IRRBB indicator).
- The Bank managed to keep **the net commission income** level at only 3.3% lower than the same period of the previous year, in terms of reducing the number of territorial units during 2017.

The operating expenses decreased by 21.7% (RON 45.7 million) compared with the same period of the previous year, as a result of the bank's process reorganizing both at the bank's headquarter and the operational centers, as well as from the optimization of the territorial coverage through the network of agencies as well as due to synergies resulting from the merger process.

Net adjustments for impairment of credits and advances to customers registered a decrease of 72% (RON 45.2 million), due to the favorable evolution of the collection and recovery process.

III.3. Economic & Financial ratios of Patria Bank SA

Main indicators - Bank		31.12.2017	31.12.2016
Total Own Funds Rate	%	10.66	13.32
Loans (gross) / Customer deposits	%	44.54	46.59
Liquid Assets / Total Assets	%	52.11	55.69
Liquidity Coverage Ratio (LCR)	%	379	719
Immediate Liquidity[1]	%	51.56	58.28

[1] Cash and deposit to banks (net values) + free T-bills / sources attracted and borrowed

IV. ANNEXES:

Statement of Financial Position and Financial Performance for the period ending at 31.12.2017 for Patria Bank SA – preliminary separate results

Patria Bank S.A. Head Office: 31 Brezoianu, Actor str, floors 1, 2, and attic, Bucharest, Romania, postal code 010131; Actual office: 42 Pipera Road, Globalworth Plaza, floors 7, 8 and 10, district 2, Bucharest Participant to the Bank Deposit Guarantee Fund in the Banking System (FGDB);: J40/9252/2016, Fiscal Code 11447021, No. RB-PJR-32-045/15.07.1999; Share capital (paid up and subscribed) RON 227,121,731.30; Operator code for personal data Register of ANSPDCP no. 753; Tel: 0800 410 310, Fax: 40 372 148 273, info@patriabank.ro; www.patriabank.ro

About Patria Bank and Patria Bank Group

Patria Bank Group is owned by the Investment Fund Emerging Europe Accession Fund (EEAF), a private equity fund whose main investors are the EBRD (European Bank for Reconstruction and Development), the EIF (European Investment Fund, part of the European Banking Group Investments), DEG Development Bank, part of the KFW BSTDB (Black Sea Development Bank) Banking Group. Patria Bank Group includes Patria Bank, Patria Credit IFN and SAI Carpatica Asset Management.

Investors are cautioned that the financial data included in this report are preliminary and provisional. The financial statements included in this report may be amended until the financial statements are approved by the competent corporate bodies, changes that may be generated by the audit procedures as well. We remind you that the financial statements that will be subject to shareholders approval will be published at least 30 days before the date of the ordinary general meeting of the shareholders that will have on the agenda the approval of the financial statements for the financial year 2017.

General Director,	Director Finance and Accounting,
Bogdan Merfea	Georgiana Stanciulescu

PRELIMINARY

Statement of Financial Position

-thousands RON-

Assets	**31.dec.17**	**31.dec.16**	**Δ 2017/ 2016 (%)**
Cash and cash equivalents	633,500	676,497	(6.4%)
Financial assets held for trading	28,635	52,788	(45.8%)
Financial assets, available-for-sale	1,100,480	1,171,727	(6.1%)
Loans and advances to banks	5,076	6,939	(26.8%)
Loans and advances to customers ,net	1,325,216	1,199,589	10.5%
Investments held to maturity	107,708	109,860	(2.0%)
Investment property	72,681	75,206	(3.4%)
Investment in subsidiaries	27,505	28,832	(4.6%)
Other assets	59,136	59,993	(1.4%)
Deffered tax assets	22,936	19,023	20.6%
Intangible assets	43,211	43,025	0.4%
Tangible assets	167,886	175,444	(4.3%)
Total assets	**3,593,970**	**3,618,923**	**(0.7%)**

	31.dec.17	**31.dec.16**	**Δ 2017/ 2016 (%)**
Liabilities			
Due to other banks	45,383	42,023	8.0%
Customer deposits	3,256,296	3,221,691	1.1%
Loans from banks and other financial institutions	59	15,933	(99.6%)
Provisions for liabilities and charges	10,565	17,094	(38.2%)
Other liabilities	20,152	20,255	(0.5%)
Subordinated debt	29,589	19,754	49.8%
Total liabilities	**3,362,044**	**3,336,750**	**0.8%**
Equity			
Share capital	231,418	199,218	16.2%
Merger premium	(67,569)	-	100.0%
Accumulated losses	(24,851)	(62,476)	(60.2%)
Revaluation reserve	51,063	18,440	176.9%
Other reserves	41,865	65,476	(36.1%)
Non-controlling interests	-	61,515	(100.0%)
Total equity	**231,926**	**282,173**	**(17.8%)**
Total liabilities and equity	**3,593,970**	**3,618,923**	**(0.7%)**

PRELIMINARY

Statement of Comprehensive Income			
-thousands RON-	**31.dec.17**	**31.dec.16**	**Δ 2017/ 2016 (%)**
Interest income	137,148	170,665	(19.6%)
Interest expense	(32,646)	(32,887)	(0.7%)
Net interest income	**104,502**	**137,778**	**(24.2%)**
Fee and commission income	27,278	24,541	11.2%
Fee and commission expense	(4,491)	(5,653)	(20.6%)
Net fee and commission income	**22,787**	**18,888**	**20.6%**
Gains /(losses) from financial trading, derivatives and foreign exchanges	10,545	10,846	(2.8%)
Gains from disposals of investment securities available for sale	468	17,220	(97.3%)
Other operating income	4,240	18,840	(77.5%)
Total operating income	**142,542**	**203,572**	**(30.0%)**
Staff costs	(81,055)	(88,309)	(8.2%)
Depreciation and amortization	(15,617)	(14,087)	10.9%
Other operating and administrative expenses	(68,047)	(73,381)	(7.3%)
Total operating expense	**(164,719)**	**(175,777)**	**(6.3%)**
Net impairment of financial assets	**(17,589)**	**(62,762)**	**(72.0%)**
Provisions for credit commitments and financial guarantees	(1,056)	(1,542)	(31.5%)
Impairment adjustments for equity securities	(1,347)	-	100.0%
Loss before tax	**(42,169)**	**(36,509)**	**15.5%**
Expense from deffered tax	-	(1,681)	(100.0%)
Loss for the year	**(42,169)**	**(38,190)**	**10.4%**