Half Year Report

PATRIA BANK SA

June 30, 2017

- **According to the FSA Regulation no. 1/2006 -**

This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views and opinions, the original language version of our report takes precedence over this translation.

Report date: **31.08.2017**

Company name: **PATRIA BANK S.A. (the former Banca Comerciala Carpatica SA)**

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

Phone/fax: **0269-803771 / 021-3133044**

Tax identification number: **RO 11447021**

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

Issued and paid-in share capital: **RON 376,239,921.30**

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

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 the context of the above merger, the statement of financial position of Patria Bank SA presented in this report (as of 30th of June 2017) are separate interim financial statements of the bank resulting from the merger for the first half of 2017 and, from the perspective of the statement of comprehensive income, these separate financial statements are prepared as if the merger were performed from the beginning of the reporting period (sem. I 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 in the statement of Comprehensive income for to the same period of the previous year (1st half of 2016) and to the Balance Sheet comparatives as of the end of 2016, they were prepared as consolidated[1] amounts for the two banks for periods before before the merger, using carrying amounts from the highest level of consolidated financial statements. In this report the comparatives as of June 2016 in the statement of Comprehensive income incorporate a consolidation of the financial result of the former Patria Bank SA for the first 6 months of 2016 with the financial result of the former Banca Comerciala Carpatica for the 3 months period starting March 31st, 2016 (the date of the acquisition of control by former-Patria Bank SA over former-Banca Comercial Carpatica SA) and ending June 30th, 2016.

I. Financial Position as of 30.06.2017

1.1. Presentation of the actual economic and financial situation analysis compared with the same period of the previous year:

[1] Patria Bank Group prior to the merger was controlled by EEAF, the majority shareholder of Patria Bank SA, and the consolidation perimeter 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, Imobiliar Invest SRL, SAI Globinvest, as well as 3 other entities in voluntary dissolution. The highest level of consolidated financial statements are Patria Bank's consolidated financial statements, with Patria Bank being the highest parent of the Group, given that the Group's controlling entity, EEAF, is an investment firm that does not consolidate its investments according to IFRS 10.
In order to comply with the Bank's accounting policy and to ensure the comparability of the financial position and financial performance of Patria Bank SA resulting from the merger, for the periods prior to the merger comparatives figures were prepared using carrying amounts from the highest level of consolidated financial statements prepared at Patria Bank's level. However the comparatives do not include the entire Patria Bank Group as per the consolidation perimeter, they only include the two banks involved in the merger. This level, which aggregates the book values for the two banks from the highest level of consolidation of Patria Bank (for the periods prior to the merger in both 2016 and 2017) is referred to in this report as the "*sub-consolidated level*" of the two banks before the merger.

PATRIA BANK

a) Balance sheet items:

Half year 2017 Financial position of the Bank (compared to YE 2016 and to the budget) is presented below:

All amounts in RON thousands

Assets	30-Jun-2017	31-Dec-2016	Previous year comparison		Budget Sem.I 2017	Actual vs. Budget comparison	
Liquid assets	1,750,875	1,905,383	(154,508)	-8%	1,756,831	(5,956)	0%
Equity investments	2,575	2,568	7	0%	2,575	0	0%
Loans and advances to customers, net	1,212,083	1,199,507	12,576	1%	1,200,021	12,062	1%
Other assets	502,433	511,634	(9,201)	-2%	511,988	(9,555)	-2%
Total ASSETS	**3,467,966**	**3,619,092**	**(151,126)**	**-4%**	**3,471,416**	**(3,450)**	**0%**

Liabilities	30-Jun-2017	31-Dec-2016	Previous year comparison		Budget Sem.I 2017	Actual vs. Budget comparison	
Due to customers	3,148,269	3,263,714	(115,445)	-4%	3,146,469	1,800	0%
Loans and other liabilities	61,020	73,205	(12,185)	-17%	67,430	(6,410)	-10%
Total LIABILITIES	**3,209,289**	**3,336,919**	**(127,630)**	**-4%**	**3,213,900**	**-4,611**	**0%**
Total Equity	**258,677**	**282,173**	**(23,496)**	**-8%**	**257,516**	**1,161**	**0%**
Total LIABILITIES AND EQUITY	**3,467,966**	**3,619,092**	**(151,126)**	**-4%**	**3,471,416**	**(3,450)**	**0%**

- On June 30, 2017, two months after the completion of the merger, **the total assets** of the merged bank reached **RON 3,468 million,** showing a slight decrease (-4%) compared to the consolidated balance sheet of the two banks as of the 31st of December 2016, with the 8% decrease in liquid assets explaining most of the balance sheet decrease, while the loan portfolio shows an increased share of the total assets, from 33% to 35%. The decline in the **liquid assets** in the merged balance sheet, compared to the comparatives for the end of the prior year, was a normal evolution driven by: (i) the decrease of money market deposits (RON -31.5 million) considering the Bank's post-merger high level of liquidity, which reduces the need for interbank financing, a slightly different situation as compared to the former Patria Bank before merger; (ii)decrease of deposits attracted from the non-bank customers (RON 84 million) as the effect of the branch network optimization in December 2016, which produced effects mainly in the first half of 2017, and also (iii) financing of the increased lending activity with a loan portfolio increase of 13 mil. lei.
- **The net Loan portfolio** increased by RON 13 million (+1%) as of June 30th, 2017, as compared to the begining of the year. The growth rate of lending activity accelerated after the merger, the new bank having an extended branch network and sales force that can insure the organic growth targeted in the approved budget for the current year.
- The Bank keeps a **high level of liquid assets in balance sheet (50%)**. The Loans/Deposits ratio of 49% as of June 2017 was far bellow the banking system average of 81% (NBR, March 2017).
- **Capital adequacy** as of June 2017 was **12.09%**, a slight decrease from the 12.80% recorded at the end of the previous year, in line with the budget for the first half of 2017, due to losses recorded in the first half of 2017.
- On all balance sheet items the variations from the budget are not significant.

- The opening balance as of the 1st of May 2017 (merger date) shows an equity (NAV) of the new PBK resulting from the merger of RON 265.12 million. A trend of reducing losses is observable over the past few months compared to the period prior to the merger, with a rithm of decrease of only 2% in the two months post-merger of the reporting period, compared to 6% decrease versus the consolidated equity at the end of 2016 in the first four months of 2017 prior to the merger. The Equity incorporates starting with the merger date the value of the capital that in the periods prior to the merger was attributable to the non-controlling interests as presented in the Statement of Changes in Equity in the interim financial statements attached to this report.

b) Profit and Loss:

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 the first 6 months of 2016 and the former Banca Comerciala Carpatica SA financial result for the 3 months period starting March 31st, 2016 (the date of control of former Patria Bank SA over the former Banca Comerciala Carpatica SA) and ending June 30th ,2016.

Main developments of the separate interim Profit and Loss statement, compared with the same period of the prior year and with the Budget, are presented bellow:

All amounts in RON thousands

FINANCIAL PERFORMANCE STATEMENT	30-Jun-2017	30-Jun-2016	Previous year comparison		Budget Sem.I 2017	Actual vs. Budget comparison	
Net interest income	**47,480**	**39,004**	**8,476**	**22%**	**46,606**	**874**	**2%**
Net fee and commission income	**10,779**	**7,001**	**3,778**	**54%**	**10,205**	**574**	**6%**
Net income from HFT, AFS and derivatives	2,544	11,192	(8,648)	-77%	5,596	**(3,052)**	**-55%**
Net FX income	4,756	3,964	792	20%	1,278	3,478	272%
Other net operating income	4,991	2,907	2,084	72%	3,599	1,392	39%
Total operating income	**70,550**	**64,068**	**6,482**	**10%**	**67,283**	**3,267**	**5%**
Provisions with loan agreements and financial guarantees	415	-116	531	-458%	1,642	(1,227)	-75%
Net impairment of financial assets	-10,665	-26,317	15,652	-59%	-8,256	(2,409)	29%
Net operating income	**60,300**	**37,635**	**22,665**	**60%**	**60,669**	**(369)**	**-1%**
Salaries and related expenses	-41,592	-34,443	(7,149)	21%	-43,041	1,449	-3%
Depreciation and amortization	-7,779	-4,994	(2,785)	56%	-8,146	367	-5%
Other operating expenses	-37,074	-28,310	(8,764)	31%	-40,451	3,377	-8%
Total operating expenses	**-86,445**	**-67,747**	**(18,698)**	**28%**	**-91,638**	**5,193**	**-6%**
Gross Profit/(Gross Loss)	**-26,145**	**-30,112**	**3,967**	**-13%**	**-30,969**	**4,824**	**-16%**
Income tax	0	-212	212	-1	-1,839	1,839	-100%
Net Profit/(Net Loss)	**-26,145**	**-30,324**	**4,179**	**-14%**	**-32,807**	**6,662**	**-20%**

- **The net banking income** is in line with the budget for the first half of 2017 with only a slight deviation of -1% and, considering the 6% savings in OPEX versus the budget, **the net loss for the first half of 2017 of RON 26.15 million LEI, is with RON 6.7 million (-20%) lower than the budgeted level of the loss for this period.**

Considering the fact that for the comparative period of the prior year, as described in the first paragraph of this report, in the above P&L statement presentation and in the interim separate financial statements attached, the comparative figures as of June 2016 of the Profit or Loss incorporate financial result for the first 6 months of

2016 of the former-Patria Bank and financial result only for the 3 months of the 2nd quarter of 2016 (after the acquisition date) of former Banca Comerciala Carpatica SA, we are presenting below a more relevant comparison of the financial results for the half year of 2017 compared to the sub-consolidated results of the two banks for the entire 1st half of 2016, as follows:

All amounts in RON thousands

FINANCIAL PERFORMANCE STATEMENT	30-Jun-2017	30-Jun-2016 6M PBK +3M BCC	Previous year comparison		30-Jun-2016 6M PBK +3M BCC	Previous year comparison*	
Net interest income	**47,480**	**39,004**	**8,476**	**22%**	**50,057**	**-2,577**	**-5%**
Net fee and commission income	**10,779**	**7,001**	**3,778**	**54%**	**11,683**	**-904**	**-8%**
Net income from HFT, AFS and derivatives	2,544	11,192	-8,648	-77%	16,487	-13,943	-85%
Net FX income	4,756	3,964	792	20%	6,730	-1,974	-29%
Other net operating income	4,991	2,907	2,084	72%	5,032	-41	-1%
Total operating income	**70,550**	**64,068**	**6,482**	**10%**	**89,989**	**-19,439**	**-22%**
Provisions with loan agreements and financial guarantees	415	-116	531	-458%	11	404	3673%
Net impairment of financial assets	-10,665	-26,317	15,652	-59%	-26,391	15,726	-60%
Net operating income	**60,300**	**37,635**	**22,665**	**60%**	**63,609**	**-3,309**	**-5%**
Salaries and related expenses	-41,592	-34,443	-7,149	21%	-49,047	7,455	-15%
Depreciation and amortization	-7,779	-4,994	-2,785	56%	-7,316	-463	6%
Other operating expenses	-37,074	-28,310	-8,764	31%	-46,294	9,220	-20%
Total operating expenses	**-86,445**	**-67,747**	**-18,698**	**28%**	**-102,657**	**16,212**	**-16%**
Gross Profit/(Gross Loss)	**-26,145**	**-30,112**	**3,967**	**-13%**	**-39,047**	**12,902**	**-33%**
Income tax	0	-212	212	-1	-212	212	-100%
Net Profit/(Net Loss)	**-26,145**	**-30,324**	**4,179**	**-14%**	**-39,259**	**13,114**	**-33%**

• ***Total operating income (net banking income)*** decreased by RON 19.4 million (-22%) compared to the same period of the previous year, mainly driven by a ***decrease in net interest income by -5%*** and ***net fee and commission income of -8%*** in the context of the reduction of the branch network of the former Banca Comerciala Carpatica SA performed in the last months of 2016, which generated effects mainly in the 1st semester of 2017.

• An important factor in the decrease of the net interest income in the 1st semester of 2017 compared to the same period of the previous year is the ***decrease of the commission income from transactions and net income of the AFS portfolio of TBills***, representing the largest part of the decrease, namely RON 13.9 mil. out of the RON 19.4 million decrease in the total banking income. These were generated by the decline of the government securities portfolio by -18 % on the one hand as well as by the decrease of the market returns during the analysed period and by the policy taken by the Bank to restructure the TBills portfolio, in order to reduce the interest rate risk.

• ***Operating expenses*** decreased by -16%, by RON 16.2 million compared to the first half of 2016 year, in the context of ***personnel reductions by -22%*** (294 headcount reduction, end of period) compared to the same period of the previous year, reduction that leads to a ***decrease of the staff costs by -15%***, that we expect to exceed 24% cost savings on an annualised basis, considering that in the 2017 the Bank incured costs with compensatory measures for layed off personnel and with retention packages paid to ensure the continuity until the merger date (the merger being postponed by 4 months compared to the initially expected completion date).

• The Bank is currently finalising **the last part of the network optimization and operational streamline program** post-merger**,** which will be completed by the end of Sept.2017 and which is expected to generate a further reduction in the level of the total operational expenditures in order to reach a level of 27% reduction of OPEX in 2018 compared to the full year 2016 on consolidated basis. In the first half of 2017 the OPEX reduction was 15% versus the same period of the previous year (on comparable consolidated basis) and 17% if we eliminate the non-recurring costs incurred due to the merger during the reporting period.

• ***Net impairment of financial assets*** decreased significantly by RON 15.7 million, compared to the same period of the previous year, due to the favorable evolution of the loan portfolio as a result of intensified NPL workout. The recoveries from off-balance-sheet loans in the first half of 2017 amounted to RON 7.2 million.

Based on 30.06.2017 reported interim financials, the following Bank's indicators improved compared to the last year comparable period (still remaining in the negative area):

Indicator		30.06.2017	30.06.2016
Return on assets (ROA) [1]	%	(1.48)	(2.00)
Return on equity (ROE) [2]	%	(19.34)	(53.52)

Indicator		30.06.2017	31.12.2016
Total Own Funds Rate	%	12.09	12.80
Loans (gross) / Customer deposits	%	43.61	39.47
Immediate Liquidity [3]	%	54.76	58.28

[1]Annualised net profit / Total assets at average value

[2]Annualised net profit net/ Own equity at average value

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

c) Cash-flow:

The statement of changes in cash flows from operating, investing and financing activities, as compared to the same period last year, are presented in table below:

All amounts in RON thousands

	30.06.2017	31.12.2016
Cash flow at the beginning of period	**676,497**	**215,508**
± Cash flow from operating activities	(110,979)	(180,924)
± Cash flow from investing activities	170,981	682,706
± Cash flow from financing activities	(4,877)	(40,793)
Cash flow at the End of Period	**731,622**	**676,497**

II. Analysis of the company's activity - economic and financial indicators

2.1. Presenting and analysing the trends, elements, events or uncertainty factors that affect or could affect the company's liquidity

The context of the economic environment:

- The intern economy environment showed mixed evolutions in the first half of 2017, the favourable export and consumption climate being counterbalanced by the difficult moment in the investment area and the accumulation of macroeconomic imbalances and political tensions.
- Following a significant change in fiscal policy, there are risks to face the excessive deficit procedures, with negative consequences on the sovereign rating.
- Uncertainties and associated risks come from the internal and external environment; on the external side, uncertainties and risks related to economic growth in the Euro area and globally remain relevant, having the main sources the negotiations for Brexit and the economic policies of the United States administration; on the internal side they are mainly generated by the fiscal and income policy behaviour in the context of legislative initiatives in the wage and tax areas.
- The annual inflation rate slowly increased during the second quarter, with 0.67%, reaching 0.85% in June 2017. Considering the annual inflation rate still far below those prevailing in the European countries, as well as the risks to the medium-term perspective for inflation, NBR decided on August 4, 2017 to keep the monetary policy rate at 1.75% .
- There is a significant potential for growth in corporate lending.
- The banking sector is adequately capitalized and has sufficient liquidity resources.
- The rate of non-performing loans continued to decline.

The liquidity indicators on 30.06.2017, calculated according to the norms applicable to the financial-banking institutions, is comfortably above the statutory 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
Statutory limit	>= 1	>= 1	>= 1	>= 1	-

**Liquidity indicator calculated for all values, in RON equivalent*

2.2. Presenting and analyzing the effects on the financial position of the company of all capital expenditures, current or anticipated (specifying the purpose and sources of financing of these expenditures), compared to the same period of the last year.

Capital expenditures were made in accordance with the approved income and expenses budget.

EUR thousands

Actual 01.01.2017 - 30.06.2017	Budgeted 01.01.2017 - 30.06.2017
1,550	1,641

2.3. Presenting and analyzing events, transactions, and economic changes that significantly affect income from core business

The details were presented in Chapter I, point b. Profit and loss account.

We mention that the core business was performed under normal conditions. The legal obligations regarding the correct and up-to-date organization and management of accounting, compliance with the accounting principles, accounting rules and methods provided by the regulations in force have been fulfilled.

The individual financial statements of the bank were prepared in accordance with the International Financial Reporting Standards adopted by the European Union, in force on the reporting date, June 30, 2017. The presented data regarding the closure of the first semester of 2017 concern the organization and management of accounting according to the Law No. 82/1991 republished with subsequent modifications and completions, in accordance with the NBR Order no. 27/2010 for the approval of the accounting regulations in compliance with the International Financial Reporting Standards adopted by the European Union, modified and completed by the NBR Order no. 29 / 29.12.2011, Order no. 2 / 07.03.2013, Order 7 / 30.10.2014, Order 7 / 20.07.2015 and other NBR instructions in this area.

III. Changes that affect the capital and the management of the company

3.1. Description of cases in which the company was unable to meet its financial obligations during that period.

The Bank was not in the position to meet its financial obligations in no way during the first half of 2017.

3.2. Description of any change in the rights of the securities' holders issued by the company

During the reporting period there were no changes regarding the rights of the securities' holders.

On June 30, 2017, the shareholders whose voting rights were suspended under the NBR orders held a total of 406,669,498 shares representing 10.81% of the total number of shares and of the total number of voting rights.

3.3. Changes in the company's management

- On 1st of May 2017, became effective the merger between Banca Comerciala Carpatica S.A. - as an absorbing company, registered in the Trade Register under J40/9252/2016, fiscal code 11447021 and Patria Bank S.A. - as an absorbed company, registered in the Trade Register under J23/2563/2016, fiscal code 4786360. Simultaneously with the implementation of the merger, the absorbing company, Banca Comerciala Carpatica S.A., changed its name into Patria Bank S.A.
- In the context of the merger, starting with 01.05.2017 the management of the bank is ensured as follows:

  A) The Board of Directors:
  - Mr. Horia Dragos Manda - president
  - Mrs. Daniela Elena Iliescu - member
  - Mr. Bogdan Merfea - executive member
  - Mr. Nicolae Surdu - member
  - Mr. Vasile Iuga - independent member (under BNR authorization)

  B) The Management Committee:
  - Mr. Bodgan Merfea - General Director
  - Mrs. Diana Maria Kallos - Deputy General Director - Financial Division

- Mr. Valentin Vancea - Deputy General Director - Operations and IT Division
- Mr. Bogdan Constantin Neacsu - Deputy General Director - Risk Division (authorized by BNR on 06.07.2017)

IV. Significant transactions

There were no significant contracts concluded by Patria Bank S.A. during the first half of 2017 regarding acquisitions, mergers, divisions etc. There was no information on major significant transactions made by PBK with persons with whom they would act concertedly or in which such persons were involved in the first half of 2017.

V. Important event to be reported in the period 01.01.2017 – 30.06.2017

- Following the merger's approval implemented on 01.05.2017, on 05.07.2017 it was completed the share capital increase process, respectively the registration in the shareholders register of Patria Bank SA held by the Central Depository of the new shares issued as a result of the merger between Banca Comerciala Carpatica SA (as absorbing company) and Patria Bank SA (as an absorbed company).
- Thus, the share capital of Patria Bank SA, subscribed and paid, amounts to 376,239,921.3 lei, divided into 3,762,399,213 nominative shares, ordinary, dematerialized, each having a nominal value of RON 0.1 / share.
- The consolidated synthetic structure of the holders of financial instruments holding at least 10% of the bank's share capital on 05.07.2017 is the following:

Name	Shares	%
EEAF FINANCIAL SERVICES BV	2,867,168,282	76.2058
CARABULEA ILIE	406,669,498	10.8088
Individuals	352,848,863	9.3783
Companies	135,712,570	3.6071
TOTAL	3,762,399,213	100

- On 21 June 2017, the bank's Board of Directors decided to change the Bank's registered office, considering its powers delegated by the General Meeting of Shareholders. Thus, the new actual bank's office is located on 42 Pipera Road, Globalworth Plaza, 7th, 8th and 10th floors, District 2, Bucharest, and the Bank's registered office is located on 31 Ion Brezoianu Street, 1st and 2nd floors and attic, District 1, Bucharest.

VI. Subsequent events after 30.06.2017

- On July 13, 2017, the trading symbol of the merged Bank's shares from "BCC" to "PBK" was changed at the Bucharest Stock Exchange.
- In the Extraordinary General Meeting of Shareholders dated July 28, 2017, the proposal of the Board of Directors to reduce the share capital of the bank with 149,118,190 lei, from RON 376,239,921.30 to RON 227,171,731.30 lei was approved, by cancellation of 1,491,181,900 shares with a nominal value of 0.1 lei / share. The reduction of the share capital will be made for

the partial coverage of the accumulated losses of Banca Comerciala Carpatica before the merger, registered on December 31, 2016, amounting of 149,118,190 lei.

ANNEXES:

- **Individual interim financial statements as at 30.06.2017:**
  - **The position of the financial position;**
  - **The overall result statement;**
  - **The statement of changes in equity;**
  - **Cash Flow Statement;**
  - **Explanatory notes.**
- **Statement of the Director General regarding the assumption of responsibility for the preparation of the financial statements for the first half of 2017.**

NOTE: The financial statements for the first six months of 2017 have not been audited by an independent financial auditor.

General Director	Depty General Director – Financial Division,
Bogdan Merfea	Diana Kallos

ANNEXES

Statement

I, the undersigned, Bogdan Merfea - General Director, acting as legal representative of PATRIA BANK S.A, according to the provisions of art. 30 of the Accounting Law no. 82/1991 republished and art. 113 lit. D) alin. (1) lit. c) of the ASF Regulation no. 1/2006, as subsequently amended and supplemented, I assume responsibility for the preparation of interim interim financial statements on 30.06.2017 and certify that to my knowledge:

A) The accounting policies used for the preparation of the financial statements on 30.06.2017 are in accordance with the accounting regulations applicable to credit institutions, based on the NBR Order no. 27/2010 approving the accounting regulations in line with the International Financial Reporting Standards adopted by the European Union;

B) the interim financial statements as at 30.06.2017 present a true and fair view of the financial position, financial performance and other information regarding the activity performed by PATRIA BANK SA;

C) PATRIA BANK SA operates in terms of continuity;

D) the above-mentioned half-yearly financial statement includes a precise analysis of the Bank's performance and performance, as well as a description of the main risks and uncertainties specific to the business.

GENERAL DIRECTOR,

BOGDAN MERFEA

PATRIA BANK SA

SEPARATE INTERIM FINANCIAL STATEMENTS - unaudited
For the period ended on 30 June 2017

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views and opinions, the original language version of our report takes precedence over this translation.

PATRIA BANK®

INDIVIDUAL INTERIM FINANCIAL STATEMENTS – unaudited

For the period ended on 30 June 2017

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PATRIA BANK®

STATEMENT OF COMPREHENSIVE INCOME

For the period ended on 30 June 2017

(All amounts are in thousand RON)

Thousands RON	Note	30 June 2017	30 June 2016
Interest income	6	63,529	54,106
Interest expense	6	(16,049)	(15,102)
Net interest income		47,480	39,004
Net impairment of financial assets	10	(10,665)	(26,317)
Net interest income after provision for loan impairment		36,815	12,687
Fee and commission income	7	13,516	9,177
Fee and commission expense	7	(2,737)	(2,176)
Net fee and commission income		10,779	7,001
Gains /(losses) from financial assets held for trading	8	957	(113)
Gains /(losses) from financial derivatives	8	(177)	(286)
Gains /(losses) from disposals of investment securities available for sale	8	1,764	11,591
Foreign exchange translation gains /(losses)		4,756	3,964
Provisions for loan commitments and financial guarantees		415	(116)
Other operating income	9	4,991	2,907
Staff costs	11	(41,592)	(34,443)
Depreciation and amortization		(7,779)	(4,994)
Other operating and administrative expenses	12	(37,074)	(28,310)
Loss before income tax		(26,145)	(30,112)
Expense from deferred tax	13	-	(212)
Loss for the period		(26,145)	(30,324)
Attributable loss:			
Loss attributable to Parent		-	(19,456)
Loss attributable to non-controlling interests		-	(10,868)
Non-controlling interests		-	**(30,324)**

PATRIA BANK®

STATEMENT OF COMPREHENSIVE INCOME

For the period ended on 30 June 2017

(All amounts are in thousand RON)

Thousands RON		**30 June 2017**	**30 June 2016**
Loss for the period		(26.145)	(30.324)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale assets:			
- Gains /(losses) arising during the year		888	(6.513)
Income tax recorded directly in other comprehensive income		(218)	1,759
Items that will not be reclassified to profit or loss:			
Revaluation of properties		-	(1.299)
Income tax recorded directly in other comprehensive income		-	193
Other comprehensive income for the period, net of income tax		670	(5,860)
Total comprehensive loss for the period		(24,475)	(36,184)
Comprehensive income statement:			
Comprehensive income statement attributable to Parent		-	(23.216)
Comprehensive income statement attributable to non-controlling interests		-	(12.968)
Comprehensive income statement for the period		-	(36.184)
Loss per share (basic and diluted)	**33**	(0,0081)	(0,0078)

The financial statements were approved by the Board of Directors on 30th of August 2017 and were signed on its behalf by:

Bogdan Merfea
General Manager

Diana Kallos
Deputy General Manager

PATRIA BANK®

STATEMENT OF FINANCIAL POSITION

For the period ended on 30 June 2017
(All amounts are in thousand RON)

Thousand RON	Note	30 June 2017	31 December 2016
Assets			
Cash and cash equivalents	**14**	731,622	676,497
Due from other banks	**15**	5,192	6,939
Financial assets, available-for-sale	**16**	991,694	1,171,727
- Debt securities		989,119	1,169,159
- Equity investments		2,575	2,568
Financial assets held for trading	**17**	24,942	52,788
Investments held to maturity	**18**	106,168	109,860
Loans and advances to customers	**20**	1,212,083	1,199,507
Investment in subsidiaries		28,833	28,832
Deferred tax assets	**13**	20,412	19,023
Investment property	**21**	75,119	75,206
Tangible assets	**22**	171,538	175,444
Intangible assets	**23**	43,711	43,025
Other financial assets	**24**	2,948	1,720
Other assets	**25**	53,704	58,524
Total assets		3,467,966	3,619,092
Liabilities			
Due to other banks	**26**	10,593	42,023
Customer deposits	**27**	3,137,676	3,221,691
Loans from banks and other financial institutions	**28**	10,724	15,933
Other financial liabilities	**29**	2,448	4,375
Other liabilities	**30**	27,793	33,143
Subordinated debt	**31**	20,055	19,754
Total liabilities		3,209,289	3,336,919
Equity			
Share capital	**32**	383,979	199,218
Merger premium	**32**	(67,569)	-
Accumulated losses		(162,607)	(62,476)
Revaluation reserve	**34**	63,009	18,440
Other reserves	**34**	41,865	65,476
Non-controlling interests		-	61,515
Total equity		258,677	282,173
Total liabilities and equity		3,467,966	3,619,092

The financial statements were approved by the Board of Directors on 30th of August 2017 and were signed on its behalf by:

Bogdan Merfea
General Manager

Diana Kallos
Deputy General Manager

PATRIA BANK®

STATEMENT OF CHANGES IN EQUITY

For the period ended on 30 June 2017
(All amounts are in thousand RON)

Thousand RON	Share capital	Merger premium	Revaluation reserves AFS securities	Revaluation reserve for Premises	Legal Reserves	Reserved Banking Risks	Other reserves	Accumulated loss	Total equity attributable to the entity that controls	Non-controlling interests	Total Equity
Balance at 1st of January 2017	199,218	-	(2,934)	21,374	23,503	11,683	30,290	(62,476)	220,658	61,515	282,173
Loss for the financial year pre-merger	-	-	-	-	-	-	-	(14,311)	(14,311)	(4,246)	(18,556)
Decrease of reserve from revaluation of available-for-sale assets	-	-	(212)	-	-	-	-	-	(212)	(261)	(473)
Transfer between Equity items	-	-	-	(524)	-	-	-	524	-	-	-
Other changes in Equity	-	-	-	-	-	-	-	1,269	1,269	710	1,979
Balance at 1st of May 2017 absorbed company	**199,218**	**-**	**(3,146)**	**20,850**	**23,503**	**11,683**	**30,290**	**(74,994)**	**207,406**	**57,718**	**265,124**
Dissolution of the absorbed company	(199,218)	-	156	(22,416)	(23,503)	(11,683)	(30,290)	54,353	(232,601)	-	(232,601)
Capital of the absorbing company attributable to the controlling entity	146,293	-	2,809	41,703	7,627	9,817	15,038	(79,081)	144,206	-	144,206
Capital of the absorbing company attributable to non-controlling interests	81,720	-	(102)	22,420	4,260	5,484	(360)	(55,704)	57,718	-	57,718
Merger effect (share issuance)	155,966	(67,569)	-	-	-	-	-	-	88,397	-	88,397
Initial balance after merger	**383,979**	**(67,569)**	**(283)**	**62,557**	**11,887**	**15,301**	**14,678**	**(155,426)**	**265,123**	**-**	**265,12**
Loss for the financial year after merger	-	-	-	-	-	-	-	(7,589)	(7,589)	-	(7,589)
Comprehensive income statement of financial year, net of tax:											
Increase of the reserves from revaluation of available-for-sale assets			1,143	-	-	-	-	-	1,143	-	1,143
Other items of comprehensive income, net of tax:	-	-	1,143	-	-	-	-	-	1,143	-	1,143
Transfer between Equity items	-	-	-	(408)	-	-	-	408	-	-	-
Balance at 30th of June 2017	383,979	(67,569)	860	62,149	11,887	15,301	14,678	(162,607)	258,677	-	258,677

PATRIA BANK®

STATEMENT OF CHANGES IN EQUITY

For the period ended on 30 June 2017
(All amounts are in thousand RON)

Thousands RON

	Share capital	Revaluation reserves AFS securities	Revaluation reserve Premises & Land	Legal Reserves	Reserved Banking Risks	Other reserves	Accumulated loss	Total equity attributable to the entity that controls	Non-controlling interests	Total Equity
Balance at 1st January 2016	268,351	7,487	22,314	23,503	11,683	30,290	(139,752)	223,876	-	223,876
Net loss for the year	-	-	-	-	-	-	(29,385)	(29,385)	(8,805)	(38,190)
Comprehensive income, net of tax:										
Decrease of reserve from reevaluation of assets available-for-sale	-	(10,421)	-	-	-	-	-	(10,421)	(1,409)	(11,830)
Decrease of the reserve from the reevaluation of tangible assets	-	-	(940)	-	-	-	-	(940)	(583)	(1,523)
Comprehensive income statement of financial year, net of tax:	-	(10,421)	(940)	-	-	-	-	(11,361)	(1,992)	(13,353)
Share capital decrease	(105,709)	-	-	-	-	-	105,709	-	-	-
Share capital increase from subordinated debt conversion into shares	36,576	-	-	-	-	-	-	36,576	-	36,576
Other modification in share equity	-	-	-	-	-	-	952	952	519	1,471
Business combination	-	-	-	-	-	-	-	-	71,793	71,793
Balance at 31 December 2016	199,218	(2,934)	21,374	23,503	11,683	30,290	(62,476)	220,658	61,515	282,173

PATRIA BANK®

STATEMENT OF CHANGES IN CASH FLOWS

For the period ended on 30 June 2017
(All amounts are in thousand RON)

Thousands RON	Note	30 June 2017	31 December 2016
Cash flows from operating activities			
Interest received	**6**	59,136	180,477
Interest paid	**6**	(17,366)	(38,190)
Fees and commissions received	**7**	13,516	24,549
Fees and commissions paid	**7**	(2,737)	(5,672)
Loss from financial derivatives	**8**	75	(530)
Net trading and other income	**8,10**	11,945	34,001
Recoveries on loans previously written off	**10**	9,579	30,944
Cash payments to employees	**11,12,25**	(48,085)	(81,617)
Cash payments to suppliers	**11,12,25**	(37,074)	(74,697)
Current income tax expense		-	1,053
Net cash-flow from operating activities before changes in operating assets and liabilities		(11,011)	70,318
Changes of operating assets			
(Increase)/Decrease of:			
- due from other banks	**15**	1,756	(526)
- financial assets held for trading	**17**	27,846	3,986
- loans and advances to customers	**20**	(17,831)	41,418
- other financial assets	**24**	3,218	35,380
Total changes of operating assets		14,989	80,258
Changes of operating liabilities			
(Increase)/Decrease of:			
- due to other banks	**26**	(31,430)	27,058
- deposits from customers	**27**	(82,729)	(351,244)
- other financial liabilities	**29**	(798)	(7,239)
Total changes of operating liabilities		(114,957)	(331,425)
Net cash flow used in operating activities		(110,979)	(180,849)
Cash flows from investing activities			
Acquisition of investment securities available for sale	**16**	(422,990)	(2,296,203)
Sale of investment securities available for sale	**16**	598,532	2,567,875
Investment securities held to maturity	**18**	1,058	1,595
Acquisition of equity investment securities	**16**	80	8,000
Dividend income received	**9**	285	10,305
Acquisition of real estate investments	**21**	(1,389)	7,606
Acquisition of tangible and intangible assets	**22,23**	(4,595)	(16,614)
Investments in subsidiaries, net of cash and balances with the Central Bank at the acquisition date		-	400,142
Net cash used in investing activities		170,981	682,706

PATRIA BANK®

STATEMENT OF CHANGES IN CASH FLOWS

For the period ended on 30 June 2017
(All amounts are in thousand RON)

Thousands RON	**Note**	**30 June 2017**	**31 December 2016**
Cash flows from financing activities			
Drawdowns from loans from other financial institutions	**28**	353	(46,916)
Repayments of loans from other financial institutions	**28**	(5,531)	(27,688)
Drawdown subordinated loan	**31**	301	19,754
Issuance of shares	**32,33**	-	14,057
Net cash used in financing activities		(4,877)	(40,793)
Effect of exchange rate changes on cash and cash equivalents		-	(75)
Net increase/(decrease) in cash and cash equivalents		55,125	460,989
Cash and cash equivalents at 1st of January	**14**	676,497	215,508
Cash and cash equivalents at 31st of December		**731,622**	**676,497**

1 REPORTING ENTITY

Patria Bank S.A. ("The Bank") is the result of the merger by absorption between the former Banca Comerciala Carpatica S.A. (as an absorbing entity) and former Patria Bank S.A. (as an absorbed entity), which took place on 1st of May 2017.
According to the decision of the General Meeting of Shareholders regarding the approval of the merger, the decision to change the name of the absorbing company from Banca Comerciala Carpatica S.A. in Patria Bank S.A. was implemented at the same time with the merger date.

The shares of the new merged Bank, Patria Bank S.A. are traded on the Bucharest Stock Exchange in the premium category.

The Bank provides banking services and other financial services to SMEs, microenterprises and individual clients. These services include: deposit accounts, domestic and international payments, foreign exchange transactions, working capital loans, medium term lending, bank guarantees, letters of credit.

The Bank operates through its registered headquarter in Str. Brezoianu Ion, actor, no. 31, floors 1, 2 and attic, Bucharest, the real headquarter on Pipera Road, no. 42, Globalworth Plaza Building, floors 7, 8 and 10 and of the operational headquarters in the Targul Mures and of a network of 121 agencies/work points (31 December 2016: 41 branches / agencies / work points).

2 BASIS OF PREPARATION

a) Statement of compliance

In order to be compliant with the National Bank of Romania Order no 27/16.12.2010, the financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The Bank carries out the accounting records in Romanian RON ("RON") in accordance with the Accounting and Reporting Regulations issued by the National Bank of Romania ("NBR") and the Ministry of Public Finance. These accounts of the Bank and subsidiaries are defined hereafter as the statutory accounts.

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 the context of the above merger, the present financial statements of Patria Bank SA are separate interim financial statements of the bank resulting from the merger for the first half of 2017 and, from the perspective of the statement of comprehensive income, these separate financial statements are prepared as if the merger were performed from the beginning of the reporting period (sem. I 2017), this being the Bank's accounting policy choice adopted for accounting for the merger and for the presentation of the financial statements of the entity resulting from this merger.

With respect to comparatives in the statement of Comprehensive income for to the same period of the previous year and with respect to the Balance Sheet comparatives as of the end of 2016, they were prepared as consolidated amounts for the two banks for periods prior to the merger, using carrying amounts from the highest level of consolidated financial statements. The comparatives as of June 2016 in the statement of Comprehensive income incorporate a consolidation of the financial result of the former Patria Bank SA for the first 6 months of 2016 with the financial result of the former Banca Comerciala Carpatica for the 3 months period starting March 31st, 2016 (the date of the acquisition of control by former-Patria Bank SA over former-Banca Comercial Carpatica SA) and ending June 30th, 2016.

Patria Bank Group prior to the merger was controlled by EEAF, the majority shareholder of Patria Bank SA, and the consolidation perimeter 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, Imobiliar Invest SRL, SAI Globinvest, as well as 3 other entities in voluntary dissolution. The highest level of consolidated financial statements are Patria Bank's consolidated financial statements, with Patria Bank being the highest parent of the Group.

Patria Bank SA as the entity resulted from the merger adopted as accounting policy applied to the merger process between Patria Bank SA and Banca Comerciala Carpatica SA the method of *Predecessor accounting*, according to which the separate financial statements of the entity resulted from the merger represent a continuation of the consolidated financial statements of the two pre-merger entities, resulting from the application of IFRS 3 which identifies the acquisition date as March 2016 and the buyer as Patria Bank SA, in other words the Consolidated Financial Statements of Patria Bank SA *) represents the Predecessor of the Separate Financial Statements (Individual) of Patria Bank post-merger.
*) at a sub-consolidated level including only the consolidation of Patria Bank and Banca Comerciala Carpatica and excluding other Patria Bank Group subsidiaries as shown in the next paragraph.

In order to comply with the aforementioned accounting policy and to ensure the comparability of the financial position and financial performance of Patria Bank SA resulting from the merger, for the periods prior to the merger comparatives figures were prepared using carrying amounts from the highest level of consolidated financial statements prepared at Patria Bank's level, but including only the two banks involved in the merger (* the sub-consolidated level mentioned in the previous paragraph).

b) Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of properties and equipment, available-for-sale financial assets, and financial instruments at fair value through profit or loss. The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

The Bank prepared these financial statements in accordance with NBR Order No. 27/2010 and The Accounting Law No. 82/1991 republished, with subsequent modifications.

Users of these interim financial statements should read them together with the Bank's financial statements for the year ended 31 December 2016 in order to obtain full information on the financial position, results of operations and cash flows of the Bank.

c) Use of estimates and judgments

The preparation of interim financial statements according to IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

Subsidiaries are those investees that the Bank controls because the Bank (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Bank has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made.

Investments in subsidiaries are measured at cost less any impairment loss. The investments are tested for impairment whenever there are indicators that the carrying amount of an investment may not be recoverable. If the recoverable amount of an investment (the higher of its fair value less cost to sell and its value in use) is less than its carrying amount, the carrying amount is reduced to its recoverable amount.

The carrying amount of an investment is derecognized on disposal. The difference between the fair value of the sale proceeds and the disposed share of the carrying amount of the investment is recognized in profit or loss as gain or loss on disposal. The same applies if the disposal result in a step down from subsidiary to joint venture or an associate measured at cost.

In April 2016, the Bank acquired 1,154,999 shares, representing 99, 99991342% of capital and voting rights at SAI Patria Asset Management SA, a corporation licensed as a Romanian investment management company by the National Financial Surveillance Authority (FSA). Details of these transactions are presented in Note 21 Investment in Subsidiaries.

Associates

Associates are entities over which the Bank has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted and recognized at cost.

Classification of financial assets and liabilities

The Bank classifies its financial assets and liabilities in the following categories:

Financial assets or financial liabilities at fair value through profit or loss.

The financial assets or liabilities held for trading are recorded in the consolidated statement of financial position at fair value. Changes in the fair value are included in „Net trading income". The interest and dividend income or costs are recorded in „Net trading income" according to the contractual terms or when the right to payment is established. This classification may include the government bonds, other bonds, shares and short positions in bonds and shares, including fund units, that were purchased for the purpose of sale or repurchase in the near future.

The financial assets or liabilities are included in the assets held for trading if those assets or liabilities are purchased in order to be traded in the short term (a period of maximum 6 months) and have the following characteristics:

- the Group intends to obtain short-term benefits from the price movements;
- they are free of encumbrances (are not subject to any guarantee, contract, etc.);
- are assessed at fair value;
- are actively managed/ administered;
- there is an active market for them.

Subsequent to the initial recognition, the financial assets and liabilities held for trading are measured at fair value. The favourable or unfavourable differences in the monthly measurement of the financial assets and liabilities held for trading, are recorded in designated accounts of gains or losses from revaluation and related transfer, as the case may be.

The fixed and variable income financial instruments held for trading are derecognised upon sale using the weighted average cost method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

a. those that the Bank intends to sell immediately or in the near term, those that the Bank, upon initial recognition, designates as at fair value through profit and loss,

b. those that the Bank, upon initial recognition, designates as available for sale or

c. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and receivables comprise loans and advances to banks and customers, net investments in finance lease, trade receivables and other receivables.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

This prohibition is not applicable if that sale or reclassification is in one of the following situations:

- it is so close to the maturity of the financial assets (for example less than three months before maturity) that the changes in the interest rate on the market could not have had a significant effect on the fair value of the financial asset;
- it occurs after the value of the principal financial asset is substantially recovered by scheduled payments or prepayments;
- is attributed to a separate event, that is not repetitive, outside the control of the Group and which could not have been reasonably foreseen.

On initial recognition, the assets held-to-maturity are measured at fair value comprising the purchase price and the transaction costs.

Subsequent to initial recognition, the assets held-to-maturity are measured at amortised cost using the effective rate method less the impairment allowance.

The amortised cost is calculated considering any discount or premium upon purchase and fees and costs that should be part of the effective interest rate. The amortization is included in "Interest income" in the consolidated statement of profit or loss and other comprehensive income. Impairment allowances are recorded if impairment losses occur.

The financial instruments held-to-maturity are derecognised by using the specific identification method (asset-by-asset).

The gains or losses from derecognition of held-to-maturity financial assets are recorded in the consolidated statement of profit or loss and other comprehensive income under "Gains/ losses from held-to-maturity assets".

Available-for-sale financial assets are those financial assets that the Bank intends to keep for an indefinite period of time and which can be sold according to liquidity needs, interest rate changes, foreign exchange or share price which form the equity. These assets are designated as available for sale or are not classified as loans and advances, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale instruments include treasury bonds and other bonds eligible for discounting with central banks, investments in unit funds and other investment securities that are not at fair value through profit and loss or held-to-maturity.
Available for sale financial assets sale are measured at fair value.

Financial instruments - key measurement terms

Depending on their classification financial instruments are carried at fair value, cost, or amortized cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
(iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and

duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses.

Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates.

Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments

Derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other

purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets

The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Interim financial statements are prepared and presented in Romanian Lei ("RON"), which is the Bank's functional and presentation currency, rounded to the nearest thousand.

Monetary assets and liabilities are translated into RON currency at the official exchange rate of the National Bank of Romania ("NBR") at the end of the respective reporting period.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into RON at the official exchange rates of year-end, are recognized in profit or loss (as foreign exchange translation gains less losses). Translation at the official exchange rate does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The exchange rates of major foreign currencies were:

Currencies	30 June 2017	31 December 2016	% Increase/(Decrease)
Euro (EUR)	1: RON 4,5539	1: RON 4,5411	0.28%
US Dollar (USD)	1: RON 3,9915	1: RON 4,3033	(7,81)%

	30 June 2017		31 December 2016		% Increase/(Decrease)	
	EUR	USD	EUR	USD	EUR	USD
At 31 December	1: RON 4,5539	1: RON 3,9915	1: RON 4,5411	1: RON 4,3033	0,28%	(7,81)%
Average for the period	1: RON 4,5362	1: RON 4,4161	1: RON 4,4908	1: RON 4,0592	1,00%	8,08%
Maximum for the period	1: RON 4,5702	1: RON 4,2615	1: RON 4,5411	1: RON 4,3033	0,37%	(0.98)%
Minimum for the period	1: RON 4,5038	1: RON 3,9915	1: RON 4,4523	1: RON 3,9348	1,03%	1.42%

(*)Average for the period is calculated based on monthly average rates.

Income tax expense

Income taxes have been provided for in the interim financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The tax rate used to calculate the current and deferred tax position at 30 June 2017 and 31 December 2016 is 16%.

Investment property

On recognition in the balance sheet, an investment property is accounted at cost or fair value in the case of those acquired free of charge. The investment property cost includes the trading costs and any expenses directly attributable to the investment property. Subsequent to initial recognition, investment property is measured using the revaluation model (fair value based model). The gains or losses from the change in the fair value of the investment property are included in the consolidated statement of profit or loss and other comprehensive income for that year.

If a property held by the owner becomes an investment property, the Group will treat that property in accordance with the policy established for tangible assets, until the date when the use is changed.

In the case of assets that were originally earmarked for lease and that subsequently change their destination, and are to be used for a long period or they are intended to be realized by sale, a transfer from investment property to tangible assets or inventory, as the case may be, will be accounted for accordingly. The transfer is made at the date when the destination is changed, at the asset value booked in the accounting records.

The investment property is derecognized when they were either sold or permanently withdrawn from use and no economic benefit is expected from their sale. The difference between the cash obtained from the sale and the carrying amount of the asset is recognized in the consolidated statement of profit or loss and other comprehensive income for the period of derecognition.

For the investment property resulting from repossessed assets, the Group adopted a new business model that involves identifying among the repossessed assets those assets considered by the Group to be investment property and that ensure the value recovery in time from future lease income, as an alternative more profitable than the sale.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount.
They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Income and expense recognition

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the Bank relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- interest on available-for-sale investment securities calculated on an effective interest basis.
- interest income on impaired loans is recognized using the interest rate used in the discounted cash flows in order to determine impairment.

Interest income and expense on all trading assets and liabilities are considered to be adjacent to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Accounting treatment of interest income on impaired loans and advances to customers

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Dividends

Dividend income is recognized in profit or loss when the right to receive dividends payment is established. Dividends are reflected as a component of other operating income.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Cash and cash equivalents include mandatory reserve deposits with the National Bank of Romania, all interbank placements.

Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost.

Loans and advances to banks

Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Loans and advances to banks are carried at amortized cost.

Loans and advances to customers

Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Identification and measurement of impairment

At each balance sheet date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the variable interest rate at reporting date.

When a subsequent event causes the amount of impairment to decrease, the impairment loss is reversed through profit and loss.

The Bank considers the identification and measurement of impairment for loans and advances to customers at individual and collective level.

The Bank, based on its internal impairment assessment methodology, has included observable data on the following loss events that comes to its attention as objective evidence that loans to customers or groups of loans to customers are impaired:

(a) significant financial difficulty of the borrower such as breach of contract, default or delinquency in interest or principal payments of the borrowers (individually and in the same group of borrowers);

(b) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that the lender would not otherwise consider such as the rescheduling of the interest or principal payments;

(c) is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(d) observable data indicating that there are economic or social conditions that can influence adversely the industry in which the borrower operates and that affect these borrowers.

The Bank first assesses whether objective evidence of impairment exists as described above, individually for loans to customers that are individually significant, and individually or collectively for loans that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the loans to customers in a group of loans with similar credit risk characteristics and collectively assesses them for impairment.

Loans to customers that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, loans to customers are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (e.g. on the basis of customer type or collateral held).

Management considers that these characteristics chosen are the best estimate of similar credit risk characteristics relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans to customers that are collectively assessed for impairment are estimated on the basis of historical loss experience for loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The loan impairment assessment considers the observable effects on current market conditions on the individual / collective assessment of loans and advances to customers' impairment.

Write-off of loans

According to IAS 39, if there is objective evidence that an impairment loss on loans has been incurred, the amount of the loss is measured as the difference between the loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the loans can be reduced either directly or through use of an allowance account. The carrying

amount of impaired loans is reduced through an allowance account for loans that are not 100% provisioned.

The Bank writes off a loan (and any related allowances for impairment losses) when Bank's Risk Committee/ Board of Directors determines that the loans / securities are uncollectible. This decision is made after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standard loans, charge off decisions generally are based on a product specific past due status.

For the loans that are provisioned 100%, the Bank offsets the provision (the allowance account) directly against the carrying amount of the loans. Subsequently, the Bank records any amounts recovered from such previously written-off loans directly in the profit or loss as a revenue, presented net against "Provision for impairment of loans and advances".

Restructured loans

Restructured loans are considered impaired for at least 6 months from the restructuring date. Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring for a period of minimum 2 years called *probation period*.

Investment securities available for sale

This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Investment securities available for sale are carried at fair value.

Treasury bills issued by the Ministry of Public Finance of Romania are classified as available-for-sale assets and measured at fair value using bid market quotations from active markets. Securities such as investments in mutual funds are classified as available-for-sale assets and are carried at their market prices.

Interest income on available-for-sale debt securities is calculated using the effective interest method, and recognized in profit or loss for the year.

Dividends on available-for-sale equity instruments are recognized in profit or loss for the year when the Bank's right to receive payment is established and it is probable that the dividends

will be collected. All other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognized in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale.

A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognized in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss for the year.

Repossessed assets

Repossessed assets represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets, and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

The Bank applies its accounting policy for non-current assets held for sale to repossessed collateral where the relevant conditions for such classification are met at the end of the reporting period.

Credit related commitments

The Bank issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable commitment to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received.

This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending

arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if necessary. The Bank tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Bank monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Property and equipment

Premises are carried at revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required. The equipment are stated and revalued at cost less accumulated depreciation and provision for impairment, where required.

Reevaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. If an item of property and equipment is revalued, the entire class of property and equipment to which that asset belongs shall be revalued.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss.

However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The Bank recognizes in the carrying value of a tangible cost of replacing it when that cost is incurred or is likely that future economic benefits embodied in the asset will be transferred to the Bank and the cost of this asset can be measured reliably. All other costs are recognized as an expense in the profit or loss account as incurred.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalized, and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity.

An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss for the year (within other operating income or expenses).

Depreciation

The lands and constructions in progress are not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method and charged to profit and loss of the year to allocate their cost or revalued amounts over their estimated useful lives:

	Useful lives in years
Buildings	48 - 60 years
Equipment's	4 years
Motor vehicles	5- 6 years
Other tangible fixed assets	3 – 30 years

Leased assets are depreciated over the shorter of the lease term and their useful lives.

When premises and land are revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. Depreciation methods, useful lives and residual values are reassessed at each financial year and adjusted if appropriate.

Intangible assets

The Bank's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalized costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalized computer software is amortized on a straight line basis over expected useful lives of three to five years.

Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment test, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU").

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Bank's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Deposits from customers and from banks, loans from banks and other financial institutions, subordinated liabilities

Deposits from customers, loans from banks and subordinated liabilities are initially measured at fair value plus incremental directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method.

Employee benefits

i) Short term service benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are measured on an un-discounted basis and recognized as expense when services are rendered.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Provisions for employees' benefits

The Bank assesses the cost of employees' benefits (performance bonuses, prizes in cash or kind, retirement benefits, severance package) based on algorithms that take into consideration historic data for such benefits. For the estimated amount, the Bank sets a provision for the employees' benefits.

The Bank assess the cost of the employees' untaken holiday related to the previous periods as the amount payable according to the standard pay scheme. For the estimated amount, the Group sets a provision for the untaken holiday.

iii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense as incurred in the profit or loss account of the year. The Bank does not have any further obligations.

The Bank has no legal or constructive obligation to make pension, post retirement or similar benefit payments beyond the payments to the statutory defined contribution scheme.

iv) Other long-term employee benefits

The Bank's net defined benefit obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Operating leases

Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Finance lease liabilities

Where the Bank is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Bank, the assets leased are capitalised in premises and equipment at the commencement of the lease at the lower of the fair value of the leased asset, and the present value of the minimum lease payments. Minimum lease payments under finance leases are divided proportionally between lease expense and lease reduction. Each lease payment is allocated between the liability and finance charges so as to achieve a constant

rate on the finance balance outstanding.

The corresponding rental obligations, net of future finance charges, are included in other borrowed funds. The interest cost is charged to profit or loss for the year over the lease period using the effective interest method.

The assets acquired under finance leases are depreciated over their useful life, or the shorter lease term if the Bank is not reasonably certain that it will obtain ownership by the end of the lease term.

Fixed Assets classified as held for sale

The Bank's treatment for an asset previously classified as held for sale and for which the criteria are no longer met (IFRS 5, 26) is to reclassify the respective asset in other assets category until the management reassess the available options: selling the asset, keeping the asset until the real estate market appreciation, etc.

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Bank does not apply hedge accounting. Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the framework contract.

Other financial and non-financial liabilities

Other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital

Ordinary shares are classified as equity. Share capital represents the total shares subscribed and paid by the shareholders. The share capital is recorded separately in accounting, based on the constitution and supporting documents relating to the payments of capital.

The capital increase is done through subscription and issue of new shares, incorporation of reserves and other operations, according to the law. The capital decrease is achieved mainly by reducing the number of shares or reducing their nominal value following the withdrawal of shareholders, accounting losses from previous years or other operations, according to the law. In all cases of change in capital, this is done based on the decision of the General Assembly of Shareholders.

Gains or losses related to the issuance or cancellation of shares are not recognized in the income statement. Consideration paid or received after such operations are recognized directly in equity.

Accounting for the effects of hyperinflation

Prior to 31 December 2003, the Romania met the definition of a hyperinflationary economy as defined by International Accounting Standard ("IAS") 29, "Financial Reporting in Hyperinflationary Economies". IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%. IAS 29 requires that financial statements prepared on a historical cost basis be adjusted to take into account the effects of inflation, for entities reporting in hyperinflationary economies.

The Bank has utilized the general price index reported by the Statistics National Institute of Romania in the application of IAS 29 restating non-monetary items from the date of acquisition or contribution.

Effective 1 January 2004, the economy of Romania ceased to meet the criteria of hyperinflationary economy. Accordingly, beginning 1 January 2004, the Bank ceased to apply IAS 29 on a prospective basis. As a result of this change, the carrying amounts of non-monetary assets expressed in the RON current at 31 December 2003 formed the basis for the respective assets from 1 January 2004 onwards.

The Bank has restated its share capital in accordance with the requirements of IAS 29.

Standards and Interpretations in force as adopted by the European Union

Standards or interpretations effective for the first time for year ended 31 December 2016:

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014

The amendment allows entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of

attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Bank is currently evaluating the impact of the new standard on its financial situation.

Annual Improvements to IFRSs 2012 (issued on 12 December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below,). The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Bank is currently evaluating the impact of the new standard on its financial situation.

Clarification of Acceptable Methods of Depreciation and Amortization - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has

clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Bank is currently evaluating the impact of the new standard on its financial situation.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Bank is currently evaluating the impact of the new standard on its financial situation.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Bank is currently evaluating the impact of the new standard on its financial situation.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued on 18 December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The Bank is currently evaluating the impact of the new standard on its financial situation.

Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Prior to the amendments, there was no specific guidance on transfers into, or out of, investment properties under construction in IAS 40. The amendment clarifies that there was no intention to prohibit transfers of a property under construction or development, previously classified as inventory, to investment property when there is an evident change in use. IAS 40 was amended to reinforce the principle of transfers into, or out of, investment property in IAS 40 to specify that a transfer into, or out of investment property should only be made when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. Such a change in use should be supported by evidence. The Bank is currently evaluating the impact of the new standard on its financial situation.

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Bank is currently evaluating the impact of the new standard on its financial situation.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Bank is currently evaluating the impact of the new standard on its financial situation.

Annual Improvements to IFRSs 2014-2016 cycle - amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017). The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5. The Bank is currently assessing the impact of the amendments on its financial statements.

IASB Standards or interpretations effective from 1 January 2018 or later

New Standard/ Interpretation
IFRS 9 "Financial Instruments" (issued on 24 July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Bank is currently assessing the impact of the new standard on its financial statements.

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of the new standard on its financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Bank is currently assessing the impact of the amendments on its financial statements.

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as

either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Bank is currently assessing the impact of the amendments on its financial statements.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Bank is currently assessing the impact of the amendment on its financial statements.

Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety.

Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognized upon the modification, (c) the equity-settled share-based payment is recognized to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date is recorded in profit or loss immediately. The Bank is currently assessing the impact of the amendment on its financial statements.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach). The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. In addition, the amended Standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard—IAS 39. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility. The Bank is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The improvements impact three standards. The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5. IFRS 1 was amended and some of the short-term exemptions from IFRSs in respect of disclosures about financial instruments, employee benefits and investment entities were removed, after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organization, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis. The Bank is currently assessing the impact of the amendments on its financial statements.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related

asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognizes a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Bank is currently assessing the impact of the amendments on its financial statements.

4. FINANCIAL RISK MANAGEMENT

The Bank's regulatory capital is analyzed on two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings, reserve after deductions intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities.

At 30 June 2017 and 31 December 2016 the own fund calculated as per statutory regulations and capital requirement are presented below:

Thousand RON	**30 June 2017**	**31 December 2016**
Tier 1 capital	186,151	157,609
Ordinary share capital(*)	381,929	199,218
Share premium	2,050	-
Merger premium	(67,569)	-
Reserves	101,815	80,871
Retained earnings	(136,463)	(31,099)
Current year loss	(26,145)	(29,385)
Less: Intangible assets & Goodwill	(43,711)	(43,026)
Less: Prudential Filter (**)	(7,242)	(12,228)
Less: Equity Investment (***)	(10,654)	(6,742)
Less: Deferred tax asset	(6,845)	(4,121)
Non-controlling interests	-	54,991
Other prudential deductions	(1,014)	(1,222)

Thousand RON	**30 June 2017**	**31 December 2016**
Tier 2 capital	5,837	-
Subordinated debt included in Tier 2 capital	17,529	19,437
Less: Subordinated loan	(4,450)	(4,450)
Less: Prudential Filter (**)	(7,242)	(12,228)
Total regulatory capital	191,988	157,609
Exposure value to credit risk	1,229,839	875,313
Exposure value to currency risk	9,256	7,525
Exposure value to operational risk	348,866	348,866
Exposure value to credit valuation adjustment	-	6
Total Risk Exposure	1,587,961	1,231,710
Total capital requirement	127,037	98,537
Capital adequacy ratio	12.09%	12.80%

(*) Capital considered in the calculation of own funds at June 2017 represents the share capital subscribed and paid.

(**) As per NBR Regulation 11/2011 and NBR Regulation 16/2012, a "Prudential filter" deduction was applied starting 1 January 2012. According NBR Regulation 5/2013, starting 1 January 2014 transitional provisions apply to this deduction from regulatory capital, from 80% in 2014 to 0% in 2018. As of 2017 a 20% deduction is applicable for prudential filters (40% as of 2016).

(***) As per EU Regulation no. 575 /2013 and in accordance with NBR Regulation 5/2013, the Bank deducts part of its investment in subsidiaries acting in the financial sector and the remaining part is considered with 250% in risk weighted assets.

During the reporting period and also in the previous period, the Bank complied with all of the externally imposed capital requirements to which the Bank is subject.

5. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following tables provides a reconciliation of financial assets with these measurement categories as of 30 June 2017 and as of 31 December 2016:

30 June 2017

Thousand RON	Loans and receivables	Available-for-sale assets	Trading assets	Held to maturity	Total
Financial assets					
Cash and cash equivalents	731,622	-	-	-	731,622
Placements with banks having short term maturity	5,192	-	-	-	5,192
Loans and advances to customers:	1,212,083	-	-	-	1,212,083
- Corporate loans	749,350	-	-	-	749,350
- loans to individuals – consumer loans	160,464	-	-	-	160,464
- loans to individuals – entrepreneurs	102,299	-	-	-	102,299
- Mortgage loans	133,259	-	-	-	133,259
- State and municipal organizations	66,711	-	-	-	66,711
Financial assets, available-for-sale	-	991,694	-	-	991,694
- Treasury bills	-	985,067	-	-	985,067
- Investments in unit funds	-	4,052	-	-	4,052
- Equity investments	-	2,575	-	-	2,575
Financial assets held for trading	-	-	24,942	-	24,942
Investments held to maturity	-	-	-	106,168	106,168
Other Financial assets	2,948	-	-	-	2,948
- Other debtors	2,025	-	-	-	2,025
- Amounts to be recovered from banks and customers	923	-	-	-	923
Total financial assets	1,951,845	991,694	24,942	106,168	3,074,649

31 December 2016 **Thousand RON**	**Loans and receivables**	**Available-for-sale assets**	**Trading assets**	**Financial instruments designated at fair value through profit or loss**	**Held to maturity**	**Total**
Active financiare						
Cash and cash equivalents	676,497	-	-	-	-	676,497
Placements with banks having short term maturity	6,939	-	-	-	-	6,939
Loans and advances to customers:	1,199,507	-	-	-	-	1,199,507
- Corporate loans	762,042	-	-	-	-	762,042
- loans to individuals – consumer loans	135,542	-	-	-	-	135,542
- loans to individuals – entrepreneurs	84,801	-	-	-	-	84,801
- Mortgage loans	142,860	-	-	-	-	142,860
- State and municipal organizations	74,262	-	-	-	-	74,262
Financial assets, available-for-sale	-	1,171,727	-	-	-	1,171,727
- Treasury bills	-	1,165,518	-	-	-	1,165,518
- Investments in unit funds	-	3,641	-	-	-	3,641
- Equity investments	-	2,568	-	-	-	2,568
Financial assets held for trading	-	-	52,788	-	-	52,788
Investments held to maturity	-	-	-	-	109,860	109,860
Other Financial assets	1,551	-	-	169	-	1,720
- Financial assets	241	-		169		410
- Other debtors	767	-	-	-	-	767
- Amounts to be recovered from banks and customers	543	-	-	-	-	543
Total financial assets	1,884,494	1,171,727	52,788	169	109,860	3,219,038

	31 June 2017		31 December 2016	
Thousand RON	**Items measured at amortised cost**	**Financial instruments at fair value through profit or loss**	**Items measured at amortised cost**	**Financial instruments at fair value through profit or loss**
Financial liabilities				
Deposits from banks	10,593	-	42,023	-
Deposits from customers	3,137,676	-	3,221,691	-
- Current accounts and transitory amount of municipalities	-	-	327	-
- Current accounts and transitory amount of companies	226,279	-	276,497	-
- Deposits of companies	548,282	-	457,344	-
- Current accounts and transitory amount of private individuals	213,184	-	229,402	-
- Deposits of private individuals	2,149,931	-	2,258,121	-
Loans from banks and other institutions	10,724	-	15,933	-
Other financial liabilities	2,317	131	3,632	743
Subordinate liabilities	20,055	-	19,754	-
Total financial liabilities	3,181,365	131	3,303,033	743

6. NET INTEREST INCOME

Thousand RON	30 June 2017	30 June 2016
Interest and similar income		
Loans and advances to customers	56,930	45,131
Financial assets available-for-sale	4,567	7,859
Investments held to maturity	1,546	769
Due from other banks	486	347
Total interest and similar income	63,529	54,106
Interest and similar expense		
Customer deposits	15,767	13,937
Loans from banks and other financial institutions	282	1,165
Total interest and similar expense	16,049	15,102
Net interest income	47,480	39,004

(*)Interest income includes RON 13,127 thousand (2016: RON 13,681 thousand) interest income recognized on impaired loans to customers and an expense representing unwinding of interest adjustment for the impaired loans to customers amounting to RON 6,714 thousand (2016: RON 8,473 thousand).

7. NET FEE AND COMMISSION INCOME

Thousand RON	30 June 2017	30 June 2016
Fee and commission income		
Cards activity (VISA & MC)	2,360	2,703
Non-cash transactions	4,014	(853)
Non-deferrable commissions related to loans	1,353	57
Cash transactions	4,213	5,103
Income from other financial services	746	1,461
Issuing financial guarantees	101	97
Interbank settlements	729	609
Total fee and commission income	13,516	9,177
Fee and commission expense		
Cards activity (VISA & MC)	821	1,022
Interbank settlements	993	811
Financial guarantees	-	(74)
Other	923	417
Total fee and commission expense	2,737	2,176
Net fee and commission income	10,779	7,001

Non-deferrable commissions related to loans represent fees and commissions that are not subject of amortization according to the Effective Interest Rate methodology and consist mainly on fees charged for services provided (administration fees) that are recognized in the period when they were incurred, fees for credit commitments when the probability of disbursement is not certain, fees charged for early repayments, etc. The Group has internal procedures that classifies all commission types and specifies the accounting treatment to be applied for each class.

8. GAIN / (LOSS) FROM FINANCIAL ACTIVITIES

a) Gain /(loss) from financial assets held for trading:

Thousand RON	**30 June 2017**	**30 June 2016**
Gains/(losses) from financial assets held for trading	957	(113)
Net trading income	957	(113)

b) Gain/ (losses) on financial derivatives:

Thousand RON	**30 June 2017**	**30 June 2016**
Gains from financial derivatives	1,771	5,545
Losses from financial derivatives	(1,948)	(5,831)
Gain/ (losses) on financial derivatives	(177)	(286)

c) Gains/(losses) from disposals of investment securities available for sale:

Thousand RON	**30 June 2017**	**30 June 2016**
Gains from disposals of investment securities available-for-sale	2,574	14,282
Losses from disposals of investment securities of available-for-sale financial assets	(810)	(2,691)
Gains/(losses) from disposals of investment securities available for sale	1,764	11,591

9. OTHER OPERATING INCOME

Thousand RON	30 June 2017	30 June 2016
Dividend income	1,176	1,244
Other operating income	3,642	3,392
Gain / (Losses) from disposal of premises and equipment sales	173	(1,729)
Total	4,991	2,907

10. NET IMPAIRMENT OF FINANCIAL ASSETS

Thousand RON	30 June 2017	30 June 2016
Net impairment of financial assets		
Charge for impairment of loans and advances to customers	(108,128)	(99,130)
Release of impairment of loans and advances to customers	90,260	56,607
Loans written off	(45)	(217)
Recoveries from loans previously written off	7,248	16,423
Net impairment of financial assets	(10,665)	(26,317)

11. STAFF COSTS

Thousand RON	30 June 2017	30 June 2016
Wages and salaries	38,945	28,726
Social security taxes	8,973	6,500
Net charge staff costs provision	(6,493)	(957)
Other staff expenses	167	174
Total	41,592	34,443

Included in staff costs are the statutory pension contributions of RON 6,303 thousand (2016: RON 6,515 thousand).

The number of employees of the Bank on June 30, 2017 was 1,020 employees (30 June 2016: 1,314 employees, of which 554 ex-PBK and 760 ex-BCC).

12. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Thousand RON	30 June 2017	30 June 2016
Third parties services	22,030	16,256
Rent	6,049	5,081
Materials and small inventories	844	773
Annual contribution to Guarantee Fund	1,987	1,079
Other taxes	3,963	1,820
Advertising and publicity	576	602
Net gain/(loss) on other assets	(478)	1,587
Net charge/(gain) on disposal of fixed assets	(221)	14
Net charge/(recovery) on provisions for litigations	248	263
Net charge/(recovery) on provisions with disposal of fixed and similar assets	-	(18)
Other operating expense	2,076	853
Total	37,074	28,310

13. DEFFERED TAX EXPENCE

Expense from deferred tax recorded in profit or loss for the financial year, comprises the following:

Thousand RON	30 June 2017	30 June 2016
Deferred tax	-	(212)
Net deferred tax	-	(212)

14. CASH AND CASH EQUIVALENTS

Thousand RON	30 June 2017	31 December 2016
Cash on hand	70,574	120,251
Cash in ATMs	25,104	21,094
Mandatory minimum reserve	484,578	486,973
Correspondent accounts and overnight placements with other banks	78,034	43,876
Placements with other banks with original maturities of less than three months	73,332	4,303
Total	731,622	676,497

(i) The mandatory minimum reserve is maintained in accordance with Regulation no. 6/2002 issued by the National Bank of Romania and the subsequent changes and amendments. According to this regulation, the Bank is required to maintain a minimum average balance of mandatory reserve throughout the reporting period (monthly basis). The amounts from the mandatory reserve accounts are readily available for the use of the Bank according to the liquidity needs and strategy, subject to achieving the minimum reserve as an average for the reporting period.

As of 30 June 2017 the mandatory minimum reserve requirement was 8% (31 December 2016: 8%) for RON funds attracted from customers and 10 % (31 December 2016: 14%) for foreign currency denominated funds attracted.

The interest rate granted by the National Bank of Romania for the current accounts in RON during the first semester of 2017 ranged between 0.10% and 0.08% p.a. (2016 between 0.12% and 0.10% p.a.). For the current account in EUR, the National Bank of Romania granted during 2017 first semester an interest between 0.05% and 0.03 % p.a. (2016 between 0.08% and 0.05% p.a.). For the current account in USD, the National Bank of Romania granted during 2017 first semester an interest between 0.06 % and 0.07 % p.a. (2016 between 0.06% and 0.07% p.a.).

As of 30 June 2017 and 31 December 2016 the amounts presented in the statement of financial position of cash and equivalents and cash at Central Banks are neither past due no impaired.

15. DUE FROM OTHER BANKS

Thousand RON	30 June 2017	31 December 2016
Placements with other banks with original maturities of more than three months:		
- Mastercard Collateral Deposits	-	6,030
- Visa Collateral Deposits	-	454
- Banca Transilvania SA Collateral Deposits	399	430
- Unicredit Tiriac Bank S.A. Collateral Deposi	-	25
- U.S. Bank Collateral Deposits	4,793	-
Total	5,192	6,939

16. FINANCIAL ASSETS AVAILABLE-FOR-SALE

Thousand RON	30 June 2017	31 December 2016
Debt securities available-for-sale		
Treasury bills issued by the Ministry of Public Finance of Romania (i)	985,067	1,165,518
Capital instruments available-for-sale		
Investments in unit funds	574	521
Visa	3,478	3,120
Total	989,119	1,169,159
Equity investments, available-for-sale		
Equity investments (ii)	2,575	2,568
Total Equity investments	2,575	2,568
Total financial assets available-for-sale	991,694	1,171,727

i) Treasury bills are issued by the Ministry of Public Finance of Romania and include listed discount notes and bonds denominated in RON. Bonds denominated in RON bear fixed coupons. RON discount certificates have maturities under 12 months.

ii) The Bank held the following equity investments available-for-sale at 30 June 2017 and at 31 December 2016:

		30 June 2017		31 December 2016	
Thousand RON	**Nature of business**	**Carrying amount**	**Effective holding %**	**Carrying amount**	**Effective holding %**
Transfond SA	Clearing house	1,404	5.69	1,404	5.69
Casa de Compensare Bucuresti	Clearing house	21	3.13	21	3.13
Bursa Romana de Marfuri S.A.	Commodity stock exchange	42	0.29	42	0.29
Globinvest	Investments fund administrator	1,062	20.00	1,062	20.00
SWIFT	Payment activities	7	-	7	-
Biroul de credit S.A.	Collection and processing of customer data	32	0.32	32	0.32
BIOFARM S.A.		7	0.0069	-	-
Total equity investments		2,575	-	2,568	-

17. FINANCIAL ASSETS HELD FOR TRADING

Thousand RON	**30 June 2017**	**31 December 2016**
Units Fund	6,895	6,195
Debt instruments (i)	18,047	46,593
Total financial assets held for trading	24,942	52,788

(i) Debt instruments includes:
- bonds issued in RON, EUR and USD by banking and non-banking financial institutions, as well as central and local public authorities;
- securities issued by the Romanian Government.

18. INVESTMENTS HELD TO MATURITY

Thousand RON	**30 June 2017**	**31 December 2016**
Treasury bills issued by the Ministry of Public Finance of Romania	106,168	109,860
Total investments held to maturity	106,168	109,860

19. INVESTMENT IN ASSOCIATES

Entity name	Nature of business	30 June 2017	31 December 2016
SC Delta Asigurari SA	Insurance company	718	718
Total investment in associates		718	718
Impairment loss		(718)	(718)
Total		-	-

20. LOANS AND ADVANCES TO CUSTOMERS

The structure of the Bank's loan portfolio classified per main business lines is as follows:

Thousand RON	30 June 2017	31 December 2016
Corporate loans	749,350	762,041
Loans to individuals - consumer loans	160,464	135,542
Loans to individuals – entrepreneurs	102,299	84,802
Mortgage loans	133,259	142,860
State and municipal organizations	66,711	74,262
Total net loans and advances to customers	1,212,083	1,199,507

Risk concentrations by economic sectors within the customer loan portfolio as at 30 June 2017 and 31 December 2016 were as follows:

Thousand RON	30 June 2017	31 December 2016
Retail	293,725	282,605
Corporate customers:	851,648	842,658
Agriculture	205,578	196,481
Trade	210,142	209,608
Industry	213,847	217,051
Hotels and restaurants	29,888	30,185
Constructions	57,199	59,394
Transport	40,977	38,353
Professional Services	18,640	18,334
Services	35,612	30,631
Financial and real estate activities	31,277	32,253
Others	3,282	6,678
IT, research and development	5,206	3,690
Public Administration and Defence	66,710	74,244
Total net loans and advances to customers	1,212,083	1,199,507

21. INVESTMENT PROPERTY

Thousand RON	30 June 2017	31 December 2016
Balance at the beginning of the period	75,206	82,812
Reclassifications from other assets and tangible assets	-	(8,056)
Gain from revaluation of real estate investments	(87)	450
Balance at the end of the period	75,119	75,206

22. PROPERTY AND EQUIPMENT

30 June 2017 Thousand RON	Land and buildings	Furniture and equipment	Means of transport	Assets in the course of construction	Total
Cost					
Balance at the beginning of the period	176,522	74,044	7,470	1,010	259,046
Acquisitions	-	-	-	446	446
Transfer	-	216	184	(400)	-
Disposals	(1,827)	(11)	(1,224)	(65)	(3,128)
Balance at the end of the period	174,695	74,249	6,429	991	256,364
Cumulative amortisation					
Balance at the beginning of the period	17,548	59,235	6,819	-	83,602
Amortisation charge	5,200	-	123	-	5,323
Disposals	(1,979)	(774)	(1,345)	-	(4,098)
Balance at the end of the period	20,769	58,461	5,597	-	84,827
Net carrying amount					
Balance at the beginning of the period	158,974	14,809	651	1,010	175,444
Balance at the end of the period	153,926	15,788	832	991	171,538

31 December 2016

Thousand RON	Land and buildings	Furniture and equipment	Means of transport	Assets in the course of construction	Total
Cost					
Balance at the beginning of the period	176,865	69,097	7,132	576	253,670
Acquisitions	724	6,782	554	7,743	15,803
Revaluation	(39)	-	-	-	(39)
Transfer	295	55	-	(350)	-
Disposals	(1,323)	(1,890)	(216)	(6,959)	(10,388)
Balance at the end of the period	176,522	74,044	7,470	1,010	259,046
Cumulative amortisation					
Balance at the beginning of the period	13,194	57,440	6,551	-	77,185
Amortisation charge	5,365	3,367	350	-	9,082
Disposals	(1,011)	(1,572)	(82)	-	(2,665)
Balance at the end of the period	17,548	59,235	6,819	-	83,602
Net carrying amount					
Balance at the beginning of the period	163,671	11,657	581	576	176,485
Balance at the end of the period	158,974	14,809	651	1,010	175,444

The Bank's management considers that the value of land and buildings as at 30 June 2017 represents an accurate estimation of their fair value at the reporting date.
The Bank had no finance leases in the reported period (respectively in the first half of 2017 and in 2016).

23. INTANGIBLE ASSETS (INCLUDING GOODWILL)

Thousand RON	30 June 2017	31 December 2016
Goodwill	20,103	20,103
Other intangible assets	23,608	22,922
Total intangible assets	43,711	43,025

Movements in the cost of intangible assets and depreciation are shown below:

Thousand RON	**30 June 2017**	**31 December 2016**
Cost		
Balance at the beginning of the period	69,907	36,172
Acquisitions	2,713	4,577
- transfers from intangible assets in progress	141	730
Purchase customer list and brand	-	13,478
Disposals	-	(3)
Goodwill	-	15,683
Balance at the end of the period	72,620	69,907
Cumulative amortisation		
Balance at the beginning of the period	26,882	22,409
Amortisation and depreciation charge	2,027	2,871
Depreciation expense list of customers and brand	-	1,605
Disposals	-	(3)
Balance at the end of the period	28,909	26,882
Net carrying amount		
Balance at the beginning of the period	43,025	13,763
Balance at the end of the period	43,711	43,025

24. OTHER FINANCIAL ASSETS

Thousand RON	**30 June 2017**	**31 December 2016**
Amounts to be recovered from banks and clients	7,697	7,207
Other financial assets	-	410
Other debtors	2,025	767
Provisions for impairment losses	6,774	6,664
Total net other financial assets	2,948	1,720

The main factors taken into account by the Bank to determine whether a claim is impaired are the delay and the extent of recovery of the collateral, if any.

At the 30 June 2017 and 31 December 2016 there were no outstanding amounts to be recovered from banks.

Other financial assets are not guaranteed on 30 June 2017 and 31 December 2016.
Values submitted on June 30, 2017 will be settled in 2017.

25. OTHER ASSETS (NON-FINANCIAL)

Thousand RON	30 June 2017	31 December 2016
Repossessed collateral	63,350	65,296
Sundry debtors	19,075	15,778
Other income to be received	59	57
Prepayments	4,832	2,302
Income tax expense	272	272
Other assets	11,022	20,714
Total other financial assets (gross)	98,610	104,419
Less provision for impairment	44,906	45,895
Total other assets (net)	53,704	58,524

The repossessed / recovered guarantees represents the properties purchased by the Bank through the enforcement process of overdue loans. The Bank is expecting to sell them in the near future. The assets don't meet the definition of assets held for sale and are classed as stocks in accordance with the provisions of IAS 2, Inventories. At the time of purchase they were booked at fair value.

26. DUE TO OTHER BANKS

Thousand RON	30 June 2017	31 December 2016
Current accounts	9	5
Sight deposits	-	30,001
Term deposits	-	2,648
Collateral deposits	453	454
Transitory amounts	10,131	8,915
Total	10,593	42,023

27. DEPOSITS FROM CUSTOMERS

Thousand RON	30 June 2017	31 December 2016
Retail customers:		
Current accounts	213,184	229,402
Term deposits	2,143,371	2,251,854
Collateral deposits	6,560	6,267
	-	-
Corporate customers:		
Current accounts	223,348	274,215
Sight deposits	5,197	8,434
Term deposits	501,187	400,407
Collateral deposits	41,898	48,503
Amounts in course of settlement	2,931	2,609
Total	3,137,676	3,221,691

Economic sector concentrations within customer accounts are as follows:

Thousand RON	30 June 2017		31 December 2016	
	Amount	(%)	Amount	(%)
Retail customers	2,363,115	75.31	2,487,524	77.21
Corporate customers	774,561	24.69	734,167	22.79
Financial and real estate activities	308,890	9.84	220,791	6.85
Industry	70,696	2.25	128,783	4.00
Others	36,839	1.17	68,428	2.12
Constructions	35,390	1.13	58,731	1.82
IT, research and development	29,672	0.95	19,401	0.60
Trade	67,164	2.14	75,152	2.33
Transport	46,151	1.47	38,090	1.18
Professional Services	22,489	0.72	31,992	0.99
Services	95,707	3.05	28,720	0.89
Agriculture	52,429	1.67	56,232	1.75
Hotels and restaurants	4,298	0.14	5,241	0.16
Public Administration and Defense	4,836	0.15	2,606	0.08
Total	3,137,676	100	3,221,691	100

28. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Thousand RON	**30 June 2017**	**31 December 2016**
IBRD (International Bank for Reconstruction and Development (i)	3,731	8,902
FIDA (i)	100	147
Fermierul (MARD)(ii)	59	70
European Investment Bank(iii)	6,834	6,814
Total	10,724	15,933

(i) Subsidiary Loan Agreements concluded with the Ministry of Public Finance

During 2005, the Bank entered into two loan agreements with IBRD (International Bank for Reconstruction and Development) and with IFAD (International Fund for Agricultural Development).

(ii) Fermierul (MARD)

On 27 August 2008, the Bank signed with the Ministry of Agriculture and Rural Development a working agreement in amount of RON 19,822 thousand for a period of 10 years. The funds are aimed at funding the loans granted by Bank to economic operators for financing investments in agriculture, for co-financing of investment projects which do not benefit from funding from European funds or the state budget. The funds were drawn in part. The agreement is in force with final maturity date on 27 August 2018.

(iii) European Bank for Investments

On 29 June 2009, the Group signed with the European Bank for Investments an open rate financing agreement in amount of EUR 10,000 thousand. The funds are aimed at funding small and medium-sized enterprises. The financing agreement is secured by a Pledge Agreement which on 7 February 2013, was amended by the Addendum no. 1 (including EU sovereign bonds with rating below BBB-, in order to allow the Romanian state securities to be included among the eligible financing instruments). The agreement is in force with the final maturity on 21 December 2017.

Compliance with covenants

The Group is subject to certain covenants primarily relating to its borrowings, as described above. Non-compliance with such covenants may result in negative consequences such as declaration of

default. Group was in compliance with covenants at 30 June 2017 (31 December 2016) and over the periods.

29. OTHER FINANCIAL LIABILITIES

Thousand RON	30 June 2017	31 December 2016
Provision for credit commitments and financial guarantees	2,317	2,733
Other financial liabilities	131	1,642
Total other financial liabilities	2,448	4,375

30. OTHER LIABILITIES

Other liabilities comprise non-financial liabilities, as follows:

Thousand RON	30 June 2017	31 December 2016
Other liabilities	18,814	17,287
Provision for staff cost	3,309	9,801
Provision for litigations	2,576	2,330
State budget debts	2,897	3,585
Other income to be received	197	140
Total other liabilities	27,793	33,143

Provision related to credit commitments represents specific provisions created for losses incurred on financial guarantees and commitments to extend credit to borrowers whose financial conditions deteriorated.

Staff costs provision relates to accruals for untaken holidays, restructuring, performance bonus and the related payroll taxes.

Movements in the staff costs provision is as follows:

Thousand RON	30 June 2017	30 December 2016
Balance at the beginning of the period	9,801	3,944
Provision release	(8,786)	(4,816)
Additional charge	2,294	10,673
Balance at the end of the period	3,309	9,801

31. SUBORDINATED LOANS

The Bank's subordinated debt to its major shareholder, EEAF Financial Services BV, amounts RON 20,055 thousand (31 December 2016: RON 19,754 thousand) with the maturity date of 31 March 2023.

32. SHARE CAPITAL

Thousand RON

	30 June 2017	31 December 2016
Share capital according to the Trade Register at 01 January	**199,218**	**194,530**
Dissolution of the absorbed entity	(199,218)	-
The capital of the absorbing entity	220,274	-
Effect of hyperinflation until December 31, 2003	8,682	4,688
Merger effect (share issuance)	155,966	-
Share premium	2,050	
Other adjustments to the share capital	(2,993)	
Merger premium	(67,569)	-
Share capital under IFRS at the end of the period	**316,410**	**199,218**

The Bank's shareholders on 30 June 2017 (post-merger) and former Patria Bank S.A. (Bank of the Pre-merger Group) as at 31 December 2016 are:

	30 June 2017		31 December 2016	
Shareholder's name	**Number of shares post - merger**	**(%)**	**Number of shares pre-merger**	**(%)**
EEAF Financial Services B.V.	2,867,168,282	76.21	960,205,470	98.72
Carabulea Ilie	406,669,498	10.81	-	-
Individuals	352,848,863	9.38	9,596,407	0.99
Legal entities	135,712,570	3.61	2,845,660	0.29
Total	3,762,399,213	100.00	972,647,537	100.00

Amount of share capital as of 30 June 2017 (post-merger):

	30 June 2017		
Shareholder's name	**Number of shares post - merger**	**Nominal value/share (RON)**	**Share capital (RON)**
EEAF Financial Services B.V.	2,867,168,282	0.10	286,716,828
Carabulea Ilie	406,669,498	0.10	40,666,950
Individuals	352,848,863	0.10	35,284,886
Legal entities	135,712,570	0.10	13,571,257
Total	3,762,399,213	0.10	376,239,921

Share capital of former Patria Bank S.A. (the Parent of the Pre-merger Group) at 31 December 2016 is:

	31 December 2016		
Shareholder's name	**Number of shares pre - merger**	**Nominal value/share (RON)**	**Share capital (RON)**
EEAF Financial Services B.V.	960,205,470	0.20	192,041,094
Carabulea Ilie	-	0.20	-
Individuals	9,596,407	0.20	1,919,281
Legal entities	2,845,660	0.20	569,132
Total	972,647,537	0.20	194,529,507

33. LOSS PER SHARE

Thousand RON	**30 June 2017**	**31 December 2016**
Balance at the beginning of the period	972,647,537	789.767.357
Dissolution of the absorbed entity	(972,647,537)	-
The capital of the absorbing entity	2,202,742,822	-
Merger effect (share issuance)	1,559,656,391	-
Capital increase	-	182.880.180
Balance at the end of the period (paid in full)	**3.762.399.213**	**972,647,537**

Basic earnings/(loss) per share are calculated by dividing the net result of the first half of 2017 and the first half of 2016 attributable to owners of the Parent by the weighted average number of ordinary shares issued in the first half of 2017 and the first half of 2016, as follows:

30 June 2016	**No of shares**	**No of days**
Average no of shares of the absorbed bank in the first half of 2016	816,897,933	182
Conversion ratio from PBK shares in BCC shares at merger	**3.0566**	
Average no of shares (i)	2,496,930,222	
Loss of the period at 30 June 2016	(19,455,878)	
Loss per share (RON/share) (ii)	**(0.0078)**	

Note:

(i) the average number of shares of the Parent for the comparative period (first half 2016) is multiplied by the conversion ratio of PBK shares into BCC shares used in the merger to determine the average number of shares for the previous period adjusted for merger that took place during the current period;

(ii) to obtain the adjusted loss per share for the comparative period (first half 2016) when the bank resulted from the merger does not exist, the loss attributable to the entity controlling the Patria Bank Group for the first half of 2016 shall be divided by the average number of shares adjusted according to paragraph (i) from above.

30 June 2017	**No of shares**	**No of days**
No of shares of the absorbed bank between 01.01.2017 - 01.05.2017 (merger date) (i)	972,647,537	121
Conversion ratio from PBK shares in BCC shares at the merger	**3.0566**	
Adjusted average no of shares pre-merger (i)	2,972,994,462	121
Average no of shares post-merger (ii)	3,762,399,213	60
Average no of shares resulted from the merger (iii)	3,234,675,595	181
Loss of the period at 30 June 2017	(26,144,898)	
Loss per share (RON/share) (iii)	**(0.0081)**	

Note:

(i) the average number of shares of the Parent (Patria Bank SA-absorbed bank) for the current period (first half 2017) before the merger date is multiplied by the conversion ratio of the PBK shares into BCC shares used in the merger, used for calculating the average number of shares for the current pre-merger period adjusted to the merger operation that took place during the current period on 1 May 2017;

(ii) for the current post-merger period, from 01 May 2017 to the end of the reporting period (30 June 2017),it is used the average number of shares of the PBK resulted from the merger.

(iii) In order to obtain both the pre-merger and the post-merger loss for the current period (first half 2017), the loss for the first half of 2017 shall be divided by the average number of PBK shares for the whole first half of 2017, adjusted in accordance with point (i) And (ii) above.

34. RESERVES

Thousand RON	30 June 2017	31 December 2016
Revaluation reserve from assets available-for-sale	860	(2,934)
Revaluation reserve for premises	62,149	21,374
Statutory legal reserve	11,887	23,503
Reserves for general banking risks	15,301	11,683
Other Reserves	14,677	30,290
Total	104,874	83,916

Statutory legal reserves

Statutory reserves represent accumulated transfers from retained earnings in accordance with relevant local regulations. These reserves are not distributable. Local legislation requires 5% of the Bank's and its subsidiaries net statutory profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the statutory share capital.

Reserves for general banking risks include amounts set aside in accordance with the Banking legislation and are separately disclosed as appropriations of statutory profit. These reserves are not distributable. According to the Romanian legislation in force the reserves for general banking risks were set aside starting with 2004 financial year until the end of the 2006 financial year.

35. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Bank entered into a number of transactions with its related parties in the normal course of business. These transactions were carried out in the normal course of business on commercial terms and conditions and at market rates.

The Bank performed related party transactions during year ended 30 June 2017 with EEAF Financial Services B.V. (immediate parent), the members of the Board of Directors, the members of the Executive Management and Bank's employees that hold *key-functions* at 30 June 2017

EEAF Financial Services B.V.(EEAFSBV) is owned and fully controlled by Emerging Europe Accesion Fund Cooperatief UA.

The Bank's income and expense items with related parties are, for 30 June 2017, as follows:

	30 June 2017			
Thousand RON	**Immediate parent company**	**Subsidiaries**	**Key management personnel**	**Other related parties**
Interest and similar income	-	111	1	417
Interest and similar expense	544	67	1	4
Fee and commission income	-	333	1	123
Foreign exchange rate gains less losses	-	-	-	-
Other operating expenses	-	3	-	-
Dividends income	-	-	-	1,176

	30 June 2016			
Thousand RON	**Immediate parent company**	**Subsidiaries**	**Key management personnel**	**Other related parties**
Interest and similar income	-	294	16	17
Interest and similar expense	443	19	41	8
Fee and commission income	-	13	1	1
Foreign exchange rate gains less losses	-	-	-	-
Other operating expenses	-	5	-	-
Dividends income	-	9,000	-	1,244

Balances and summary of related party transactions are as follows:

	30 June 2017				31 December 2016			
Thousand RON	**Immediate parent**	**Subsidiaries**	**Key management personnel**	**Other related parties**	**Immediate parent**	**Subsidiaries**	**Key management personnel**	**Other related parties**
Asset								
Financial assets available for sale	-	-	-	574	-	-	-	521
Loans and advances to customers	-	4,571	1	8,553	-	4,485	624	92
Liabilities								
Deposits from customers	-	15,535	1,562	11,520	-	6,140	3,346	5,206
Loan and advances from bank and other financial institutions	-	-	-	-	19,797	-	-	-
Subordinated debt	20,055	-	-	-	-	-	-	-
Commitments	-	-	37	-	-	-	37	-

36. COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Bank as lessee

a) The Bank concluded rental agreements for commercial premises. The future value of the minimum operating leasing operations is presented in the table below:

Thousand RON	30 June 2017	31 December 2016
Not later than 1 year	8,230	9,800
Later than 1 year and not later than 5 years	22,078	28,974
More than 5 years	5,397	6,926
Total operating lease commitments	35,705	45,700

b) The Bank has under development operating leasing contracts for car rental.

The future value of the minimum operating leasing operations is presented in the table below:

Thousand RON	30 June 2017	31 December 2016
Not later than 1 year	2,240	1,752
Later than 1 year and not later than 5 years	1,680	1,360
Total operating lease commitments	3,920	3,112

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused

commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period.

The Bank provides also letter of guarantees and letters of credit on behalf of the customers. The contractual amounts of commitments and contingent liabilities are set out in the following table by category. Many of the contingent liabilities and commitments expire without being funded in whole or in part, therefore, the amounts do not represent expected future cash flows.

The amounts reflected in the table as commitments assume that amounts are fully advanced. The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted.

Thousand RON	**30 June 2017**	**31 December 2016**
Letter of guarantees	9,653	13,445
Loan commitments	219,092	222,963
Total commitments and contingencies	228,745	236,408

The provision for loan commitments as at 30 June 2017 amounts RON 2,317 thousand (December 31, 2016: RON 2,734 thousand)

Transfer pricing

Romanian tax legislation includes the arm's length principle according to which transactions between related parties should be carried out at market value. Local taxpayers engaged in related party transactions have to prepare and make available upon the written request of the Romanian Tax Authorities their transfer pricing documentation file.

Failure to present the transfer pricing documentation file, or presenting an incomplete file, may lead to non-compliance penalties; additionally, notwithstanding the contents of the transfer pricing documentation, the tax authorities may interpret the facts and transactions differently from management and impose additional tax liabilities resulting from transfer price adjustments. Despite the fact that the tax authorities might challenge the implementation of

the transfer pricing requirements by the Bank, the Bank's management believes that the Company will not suffer losses in case of a fiscal inspection on the subject of transfer prices. However, the impact of any change of the tax authorities can't be estimated reliably. It may be significant for the financial situation and / or the overall operations of the entity.

Litigations

At 30 June 2017, the provision for litigation, in which the bank is involved as defendant is in amount of RON 2,576 thousand (31 December 2016: RON 2,401 thousand).

The management of the Bank considers that they will have no material adverse effect on the results and the financial position of the Bank.

The provision for litigations can be further analyzed as follows:

Thousand RON	**30 June 2017**	**31 December 2016**
Balance at the beginning period	2,401	3,045
Effect of foreign exchange differences	5	1
Charge for the year	721	1,363
Release for the year	(551)	(2,008)
Balance at the end of the period	2,576	2,401

Provisions for litigations are made mainly for disputes that concern the actions of borrower's private individuals, by requesting cancellation of clauses deemed unfair in credit agreements. Of the total provision for litigations of RON 2,576 thousand, the highest amount: RON 276 thousand refers to the following case:

- as a result of one fraud case, detected in lending activity in the period from November 2006 to June 2007, a criminal record was brought to the Court, against a company's employees and 3 former employees of the Bank. Initially, the Bank suspended their labor contracts, according to the national labor code. For one of the former employees, the Court found that the defendant is not guilty, and the Bank paid the compensation amount, corresponding to the period of its contract has been suspended. For the other two former Bank's employees, the period for which they could be held responsible.
- The Bank maintains the provisions related to any claim which may be raised by these two employees.

In the course of 2017 were canceled litigation provisions amounting to RON 551 thousand, which relates to the cases resolved favorably to the Bank.

Contingent debt towards minority shareholders

In the context of the merger process between Patria Bank and Banca Comerciala Carpatica, it was published on the 4 October 2016 the "Withdrawal procedure of Banca Carpatica's shareholders in the context of the merger with Patria Bank" according to which any shareholder who: (a) did not vote in favour of the merger in the General Shareholders Meeting („GSM") from the 5 October 2016, respectively (i) voted against the merger, (ii) has refrained from voting or (iii) was not present, either in person, or through representative or through mail voting, at the GSM and (b) was a shareholder of Banca Carpatica both as of the reference date (26 September 2016), and as of 30 December 2016, could opt to exit the shareholding of Banca Carpatica during the opting period between 5 October 2016 and 7 November 2016.

The established price/action through the withdrawal procedures was determined by an independent evaluator appointed by a judge according to the requirements of the Companies Law (Law 31/1990) at the request of the two banks as follows:

(i) for BCC purchase obligation at 0.0896 RON/ share
(ii) for Patria Bank purchase obligation at 0.2702 RON/ share

Under the above mentioned shareholders' retention procedures, three of the minority shareholders of the Banca Comerciala Carpatica and two of the minority shareholders of Patria Bank exercised their right of withdrawal for a number of shares, representing 18.83% of the Banca Comerciala Carpatica pre-merger share capital and 0.0003% of Patria Bank pre-merger share capital.
Patria Bank resulting from the merger, as the legal successor of both banks involved in the merger, took over the redemption obligations mentioned above, under the conditions specified in the withdrawal procedures applicable to each bank's shareholders, the total withdrawal rights being RON 37,239,190.58.

This redemption operation of its own shares represents in fact a distribution of the capital to the minority shareholders, and its realization is conditioned by the prior approval of this distribution operation by the National Bank of Romania according to art. 15^{1a} corroborated with art. 3 letter j) of the NBR Regulation no. 6/2008 and according to art. 77 and 78 of EU Regulation 575/2013 and 126^{2} of Emergency Ordinance 99/2006, approval which was not issued until the date of these interim financial statements.

37. SUBSEQUENT EVENTS

- **Change of the stock exchange symbol**

According to the decision of the General Shareholders Meeting, the decision regarding the change of the name of the absorbing company from Banca Comerciala Carpatica to Patria Bank was implemented as at the date of the merger. After changing the name of the Banca Comerciala Carpatica on 13 July 2017, the stock exchange symbol of the Bank's merged shares was changed from "BCC" in "PBK".
The shares of the new merged Bank, Patria Bank, are traded on the Bucharest Stock Exchange in the premium category

- **Establishing the bank's real head quarter in Bucharest**

On June 21, 2017, the Board of Directors of the Bank adopted the decision to change the Bank's registered office, based on the powers delegated by the General Shareholders Meeting. Thus, the new operational headquarters of the Bank are located in Pipera Road no. 42, Globalworth Plaza Building, 7th, 8th and 10th, Sector 2, Bucharest, while the Bank's registered office is located in 31, Ion Brezoianu Street, 1st floor, 2 floor and mansard, District 1, Bucharest.

- **Reduction of the Share capital to cover the losses accumulated by Banca Comerciala Carpatica before the implementation of the merger**

During the Extraordinary General Shareholders Meeting held on 28 July 2017, it was approved the Board of Directors proposal to reduce the new Bank's share capital by RON 149,118,190, from RON 376,239,912.30 to RON 227,121,731.30, by cancelling of 1,491,181,900 shares having a nominal value of RON 0.1. The reduction of the share capital is made for the partial coverage of the accumulated losses of Banca Comerciala Carpatica prior to the merger and already registered as at 31 December 2016 in the amount of RON 149,118,190.

- **Changes in the members of the Board of Directors and Directors Committee**

On 18 April 2017, Mr. Bogdan Neacsu was appointed by the Board of Directors of Banca Comerciala Carpatica as Executive Director of the Risk Division; starting 01 May 2017 the position was changed to Deputy General Manager, Risk Division, member of the Management Committee. On 6 July 2017, the Bank was notified by the National Bank of Romania regarding the prior approval of Mr. Bogdan Neacsu on this position.

On 27 April 2017 the General Shareholders Meeting of Banca Comerciala Carpatica SA, appointed Mr. Vasile Iuga as member of the Board of Directors, subsequently Mr. Iuga being designated as independent member of the Board of Directors, as per General Shareholders Meeting decision dated 28 July 2017. At the time this consolidated financial statements were prepared the Bank was not notified by the National Bank of Romania regarding the prior approval of Mr. Vasile Iuga on this position and he was not active in this role up to date.