

## Quarterly Report for Q1 2019

**PATRIA BANK S.A.**

**March 31, 2019**

- According to the FSA Regulation no. 5/2018 -

*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: **15.05.2019**

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

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

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

Phone/fax: **+40 372 538 725 / +40 21 206 39 02**

Tax identification number: **RO 11447021**

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

Issued and paid-in share capital: **RON 311,533,057.50**

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

Main characteristics of the securities issued by the trading company: **nominal value of RON 0.1**

**Patria Bank S.A.**

Sediu Social: Str. Brezoianu Ion, actor, nr. 31, Et. 1, 2 și mansardă, București, România, cod poștal 010131;

Sediul real: Bd. Pipera, nr. 42, Cladirea Globalworth Plaza, et. 7, 8, 10, sector 2, Bucuresti

Bancă participantă la Fondul de Garantare a Depozitelor in Sistemul Bancar (FGDB); ORC: J40/9252/2016, C.I.F. RO 11447021, Nr. RB-PJR-32-045/15.07.1999;

Capital social (subscris și vărsat) 311.533.057,50 RON; Cod operator date personale Registrul ANSPDCP: nr. 753; Tel: 0800 410 310, Fax: +40 372 148 273,

info@patriabank.ro; [www.patriabank.ro](http://www.patriabank.ro)

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## 1. Disclosure requirements

This Report meets the disclosure requirements of Law no. 24/2017 on issuers of financial instruments and market operations, Regulation of the Financial Supervisory Authority (FSA) no. 5/2018 on issuers of financial instruments and market operations and Bucharest Stock Exchange Code.

## 2. Executive Summary

**The result for the first three months of 2019 is 88% better than the same period of 2018 (from a loss of RON 19 million in Q1 2018 to a loss of RON 2 million in Q1 2019). These results were backed by a positive evolution of the net banking income by 28% (based on an improvement of the net interest income of 29% and of the net commissions income of 21%) amid continuing actions aimed at consolidating an optimal balance sheet structure with an improvement of the Loan to Deposit Ratio (from 56.61% as at December 31, 2018 to 60.72% as at March 31, 2019) and an increase of the share of the net loans in total assets (from 45% as at December 31, 2018 to 47% as at March 31, 2019). Also, the operating cost base has decreased by 5.6% (if the impact of the increase in the contribution to FGDB of RON 3 million is excluded).**

**The Bank has started the restructuring program scheduled for 2019 with the aim of optimizing the cost base in direct correlation with providing a viable business model and an internal structure appropriate to it.**

## 3. Commercial and Operational aspects

**On Commercial level:** during Q1 2019 the lending activity generated new loans amounting to RON 180 million, with a higher dynamics recorded in the area of legal entities. Even if the sales budget was achieved in proportion of only 88%, this volume of new loans provided an increase of the gross balance of commercial loans of approx. RON 50 million in the area of performing loans, in particular by improving the use of financing lines.

**Retail lending activity** focused on the mortgage area, following the bank's strategy of balancing the secured and unsecured products portfolio and increasing the volume of long-term exposures in the retail sector. Also, the optimization of sales channels was pursued, both in the direction of increasing sales through "own banking units" channel, as well as by signing new collaboration agreements with the main mortgage brokers.

In the **corporate loans segment**, the new loans production had a usual dynamics in all business sub-segments, both in the Micro and Agro area (approx. RON 70 million) and in the SME & Small Corporate area (approx. RON 95 million).

The increase in the **non-default loans** portfolio is of approx. RON 50 million (+4%) and for the **loans in default** a decrease was registered mainly due from the settlement of the transactions of selling non-performing loan portfolios for which binding offers were concluded in December 2018 (please see details provided in the published IFRS Financial Statements).

As far as the **Micro Sub-segment** is concerned, the strategy to increase the number of small value vouchers and to spread the risk to a large number of customers has been strengthened. Thus, approx. 92% of all Micro funding in the first quarter are loan applications worth less than EUR 50,000. At the same time, expanding the collaboration with the European Investment Fund (EIF) through the EU guarantee for EaSI loans and the diversification of alternative sales channels provide the premises for continued development in this direction. Specifically, in 2018, the second EaSI loan guarantee facility for micro-enterprises worth EUR 20 million was accessed, loan ceiling to be consumed in full in 2019 (2 years earlier than the initial plan).

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Since the start of the program, 63% of the EaSI loans have been contracted by small and very small businesses and around 37% have been contracted by agricultural producers. Most beneficiaries are entrepreneurs with an annual turnover of less than EUR 500,000. Agriculture (37%), trade (around 22%), services (around 16%) and transport (around 13%) are the areas of activity that benefited most from this guarantee scheme.

**In the Agro sub-segment**, an important pillar of funding is the financing of EU Funds projects.

The Bank's interest in financing companies operating in the field of agriculture is reiterated through the financing provided through the APIA program and by the financing provided for acquisition of equipment and agricultural land.

In the area of SMEs and Mid-Market and Small Corporates, the Bank is constantly focusing on the significant development of the customer base through personalized offers and the development of the quality of the customer management relationship, as the main differentiator.

In the transactional area, non-risk income consolidation activities continued, both in the operating commissions income area (+ 12% vs. the budget) as well as in the currency exchange income area (+ 6% vs. the budget).

On the operational level, in Q1 2019, the Bank continued to improve its lending flows to individuals by automating the end-to-end process and modifying the IT support flows to comply with the provisions of the EU Directive no. 92/2014 and EU Directive 2366/2015 – PSD II. At the same time, the new contactless cards have been issued.

For the next period, the Bank intends to continue its strategy of streamlining processes and significantly reducing operational costs by implementing several strategic projects (such as: implementing a new Internet Banking and Mobile Banking solution dedicated to both individual and corporate clients, finalization of the implementation of a transactional platform according to PSD II standards etc.)

#### 4. Economic and financial ratios (individual level – the Bank)

No.	Main ratios	31.03.2019	31.12.2018
1	Total Own Funds Ratio	15.20%	15.78%
2	Loans (gross value) / Customer deposits	61%	57%
3	Loans (gross value)/Total assets	52%	50%
4	Liquidity Coverage Ratio (LCR)	444%	632%
5	Liquid Assets / Total Assets	41%	45%
6	Debt securities and equity instruments/Total assets	29%	30%
7	Return on Assets ratio (ROA)	- 0.3%	-0.01%

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No.	Main ratios	31.03.2019	31.12.2018
8	Return on Equity ratio (ROE)	-3.4%	-0.10%
9	Non Performing Loans (NPL)	15%	18%
11	Non Performing Exposures (NPE)	13%	15%
12	Coverage NPL	46%	44%

Note: RoA and RoE are calculated on March 31, 2019 by annualized result recorded in Q1 2019. According to the approved budget, the level of indicators mentioned above for the year 2019 is: RoA 0.2% and RoE 2%.

## 5. Financial Results

### a) Balance sheet items: The Bank's financial position at the end of Q1 2019 compared with end of Q1 2018 and respectively with December 31, 2018, is as follows:

FINANCIAL POSITION								
-thousands RON-								
ASSETS	31.mar.19	31.mar.18	$\Delta$ Q1-19/ T1-18 (abs.)	$\Delta$ Q1-19/ Q1-18 (%)	31.12.2018	mar.19/ dec.18 (abs.)	mar.19/ dec.18 (%)	
Cash and cash equivalents	388,659	596,410	(207,751)	(34.8%)	510,747	(122,088)	(23.9%)	
Loans and advances to banks	5,868	5,000	868	17.4%	5,613	255	4.5%	
Securities	950,150	1,249,586	(299,436)	(24.0%)	1,026,814	(76,664)	(7.5%)	
Investments in subsidiaries	31,628	26,691	4,937	18.5%	31,725	(97)	(0.3%)	
Loans and advances to customers, net	1,555,548	1,380,929	174,619	12.6%	1,543,019	12,529	0.8%	
Other assets	361,246	366,040	(4,794)	(1.3%)	335,550	25,696	7.7%	
<b>Total ASSETS</b>	<b>3,293,099</b>	<b>3,624,656</b>	<b>(331,557)</b>	<b>(9.1%)</b>	<b>3,453,468</b>	<b>(160,369)</b>	<b>(4.6%)</b>	
-								
LIABILITIES	31.mar.19	31.mar.18	$\Delta$ Q1-19/ Q1-18 (abs.)	$\Delta$ Q1-19/ Q1-18 (%)	31.12.2018	mar.19/ dec.18 (abs.)	mar.19/ dec.18 (%)	
Due to banks & REPO	42,532	144,414	(101,882)	(70.5%)	6,951	35,581	511.9%	
Due to customers	2,831,083	3,183,281	(352,198)	(11.1%)	3,064,601	(233,518)	(7.6%)	
Borrowings and other liabilities (including subordinated loans)	100,171	84,153	16,018	19.0%	64,042	36,129	56.4%	
<b>Total Liabilities</b>	<b>2,973,786</b>	<b>3,411,848</b>	<b>(438,062)</b>	<b>(12.8%)</b>	<b>3,135,594</b>	<b>(161,808)</b>	<b>(5.2%)</b>	
<b>Total Equity</b>	<b>319,313</b>	<b>212,808</b>	<b>106,505</b>	<b>50.0%</b>	<b>317,874</b>	<b>1,439</b>	<b>0.5%</b>	
<b>Total LIABILITIES AND EQUITY</b>	<b>3,293,099</b>	<b>3,624,656</b>	<b>(331,557)</b>	<b>(9.1%)</b>	<b>3,453,468</b>	<b>(160,369)</b>	<b>(4.6%)</b>	

The present financial statements for Q1 2019 are not audited/ revised by the independent financial auditor.

- As a result of the restructuring program, which the Bank provided for in the budget for 2019 (remodeling of the territorial network from 81 units to 46 units with a corresponding decrease of the costs base), a resizing of the balance sheet is noticeable; thus the **total assets** on March 31, 2019 registered a decrease of approx. 10% as compared to March 31, 2018 and a decrease of 4.6% as compared to December 31, 2018, corresponding to the reduction of current accounts and deposits due to customers);

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- **The credit portfolio (net worth)** registered an increase of 13% compared with March 2018 and a marginal increase of 0.8 % compared to December 31, 2018;
- **The Total Capital Ratio (individual level) as at March 31, 2019 is of 15.20%**, exceeding the legal requirements.

**b) Profit and Loss Account (individual level): The main elements compared to the same period of last year, are as follows:**

<b>FINANCIAL PERFORMANCE STATEMENT</b> -thousands RON-	<b>31.mar.19</b>	<b>31.mar.18</b>	<b>Δ 2019/ 2018</b> <i>(abs.)</i>	<b>Δ 2019/</b> <b>2018 (%)</b>
Net interest income	27,899	21,658	6,241	28.8%
Net fees and commission income	6,347	5,252	1,095	20.9%
Net gains from financial activity & other income	5,353	3,966	1,387	35.0%
<b>Net banking Income</b>	<b>39,599</b>	<b>30,877</b>	<b>8,722</b>	<b>28.2%</b>
Staff costs	(18,261)	(19,727)	1,466	(7.4%)
Depreciation and amortization	(5,920)	(3,790)	(2,130)	56.2%
Other operating and administrative expenses	(17,113)	(17,055)	(58)	0.3%
<b>Total operating expense</b>	<b>(41,294)</b>	<b>(40,572)</b>	<b>(722)</b>	<b>1.8%</b>
<b>Operating Result</b>	<b>(1,695)</b>	<b>(9,695)</b>	<b>8,000</b>	<b>(82.5%)</b>
<b>Net impairment of financial assets</b>	<b>(598)</b>	<b>(9,319)</b>	<b>8,721</b>	<b>(93.6%)</b>
<b>Loss before tax</b>	<b>(2,293)</b>	<b>(19,014)</b>	<b>16,721</b>	<b>(87.9%)</b>
Expense from deferred tax	-	-	-	0.0%
<b>Loss for the year</b>	<b>(2,293)</b>	<b>(19,014)</b>	<b>16,721</b>	<b>(87.9%)</b>

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- **Net banking income** registered a 28% increase compared with the same period of 2018 (RON 8.7 million), a positive evolution being recorded on all income categories and being supported by the growth of loan portfolios, the diversification of the commission income range (launching of transactional packages), as well as from the earnings coming from the foreign exchange transactions performed for customers. Also, the accelerated actions started in Q2 2018 for the capitalization of the non-productive assets that the Bank holds, continued in Q1 2019;
- **Operating expenses** decreased by 5.6% compared to the same period of 2018. (if the impact of the increase in the contribution to FGDB of RON 3 million is excluded).
- **Net Cost of Risk** registered a decrease compared with the same period of 2018 on the back of recovery operations, as well as on the actions implemented by the Bank to reduce the portfolio of non-performing loans through portfolio sales operations.

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## 6. Annexes

- Statement of Financial Position as of 31.03.2019 for Patria Bank SA (individual)
- Statement of Financial Performance for the period ended 31.03.2019 for Patria Bank SA (individual)

**NOTE: The financial statements for Q1 2019 are not audited/revised by the independent financial auditor.**

**Deputy General Manager - CFO**

**Lucica Pitulice**

**Financial – Accounting Director**

**Georgiana Stanciulescu**

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## ANNEXES

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**STATEMENT OF FINANCIAL POSITION**  
**RON Thousand**

	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>Assets</b>		
Cash and cash equivalents	388,659	510,747
Financial assets held for trading	6,955	6,785
Financial asset measured at fair value through other items of comprehensive income	571,922	651,914
Due from other banks	5,868	5,613
Loans and advances to customers	1,555,548	1,543,019
Investments held to maturity	371,273	368,115
Investment property	77,333	77,326
Repossessed assets	20,090	20,090
Investment in subsidiaries	31,628	31,725
Other financial assets	9,651	13,026
Other assets	21,438	17,525
Deferred tax assets	22,997	23,215
Intangible assets	41,166	41,049
Tangible assets	168,571	143,319
<b>Total assets</b>	<b>3,293,099</b>	<b>3,453,468</b>
<b>Liabilities</b>		
Due to other banks	42,532	6,951
Customer deposits	2,831,083	3,064,601
Other financial liabilities	45,361	8,015
Provisions for other risks, credit commitments and financi	10,249	9,964
Other liabilities	20,370	22,690
Subordinated debt	24,191	23,373
<b>Total liabilities</b>	<b>2,973,786</b>	<b>3,135,594</b>
<b>Equity</b>		
Share capital	315,829	315,829
Merger premium	(67,569)	(67,569)
Redeemed own shares	-	-
Accumulated losses	(21,553)	(21,890)
Revaluation reserve	50,740	49,639
Reserves for general banking risks	15,301	15,301
Statutory legal reserve	11,887	11,886
Other reserves	14,678	14,678
<b>Total equity</b>	<b>319,313</b>	<b>317,874</b>
<b>Total liabilities and equity</b>	<b>3,293,099</b>	<b>3,453,468</b>

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**STATEMENT OF COMPREHENSIVE INCOME**  
**RON Thousand**

	31 March 2019	31 March 2018
Interest income	37,109	29,981
Interest expense	(9,210)	(8,724)
<b>Net interest income</b>	<b>27,899</b>	<b>21,256</b>
Fee and commission income	7,492	6,393
Fee and commission expense	(1,145)	(1,141)
<b>Net fee and commission income</b>	<b>6,347</b>	<b>5,252</b>
Net trading income	2,254	2,367
Net gain from disposal of investment securities at fair value through other comprehensive income	333	(487)
Other operating income	2,766	2,087
<b>Net Operating income</b>	<b>39,599</b>	<b>30,474</b>
Staff costs	(18,261)	(19,727)
Administrative and other operating expenses	(17,113)	(17,024)
Depreciation and amortization	(5,920)	(3,821)
<b>Operating expenses</b>	<b>(41,294)</b>	<b>(40,572)</b>
<b>Operational Result</b>	<b>(1,695)</b>	<b>(10,097)</b>
(Charge) / Release with adjustments for impairment of financial assets	(598)	(8,916)
<b>Loss before tax</b>	<b>(2,293)</b>	<b>(19,014)</b>
Income tax charge for the year	-	0
<b>Net loss for the period</b>	<b>(2,293)</b>	<b>(19,014)</b>

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