

Breakeven: achieved. What's next?

Investors' Presentation
April 4th, 2019



After achieving breakeven, the plan for 2019-2021 is to generate increasing levels of profitability through more efficient operations

2018

- Commercially and financially ambitious, after a 2017 in which we recorded a EUR 9.3 million net loss
- Objectives achieved to a high degree by the management team:
 - Recorded a **breakeven result**, on the back of increased Net Banking Income and aided by several one-off transactions
 - Fulfilled the budget for sales of new loans due to extensive growth but also (and especially) due to increased efficiency of the salesforce

2019 and
future

- For 2019 and beyond, **our commitment is to reach acceptable and increasing returns for investors**
- 2019 is marked by the stabilization of the sales volume with focus on the redesign of our operational model, with due attention and care to the risk profile
- Our **distribution model is bound to become leaner, with stronger accent on the mobile salesforce** targeting our key growth drivers, i.e. the AGRO, MICRO and SME & Corporate segments



1.

PBK Overview



Patria Group is currently comprised of Patria Bank, Patria Asset Management and Patria Credit, serving over 217 000 customers



- EUR 740 million in total assets
- Targeting cities (both 1st and 2nd tier) as well as local small communities, currently serving over 215,000 customers
- Key products offered include deposits as well as lending products including mortgages and consumer loans (retail) as well as working capital and investment loans
- Mixed distribution model (brick and mortar, mobile salesforce)



- Asset Manager with 3 investment funds under management, i.e.:
 - Patria Stock – invests in publicly listed companies in Romania
 - Patria Obligatiuni – invests in bonds and T-Bills
 - Patria Global – invests via a mixed strategy including stocks and bonds
- Uses PBK's network as a sales channel
- Launched a mixed investment product including banking depots and exposure to Patria Global
- Shall have a module in PBK's Internet Banking

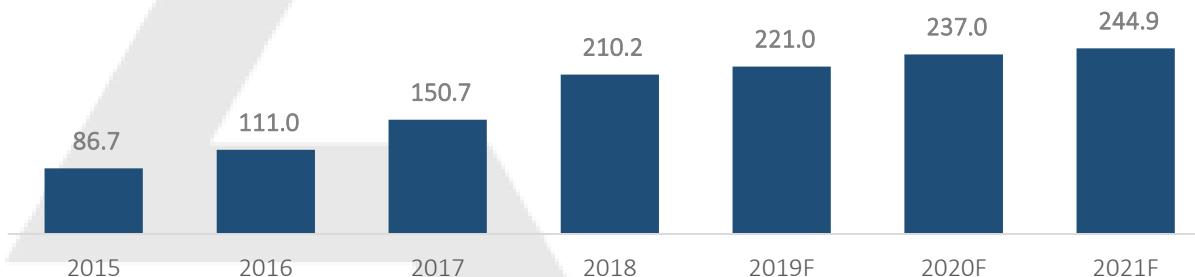


- Microfinance NBFI specialized in small agro-producers and small rural business financing
- EUR 15 million in total assets and over 2,500 active customers
- Boasts a specialized sales force with a long lasting presence on rural markets
- Processes and products designed and tested for small rural areas

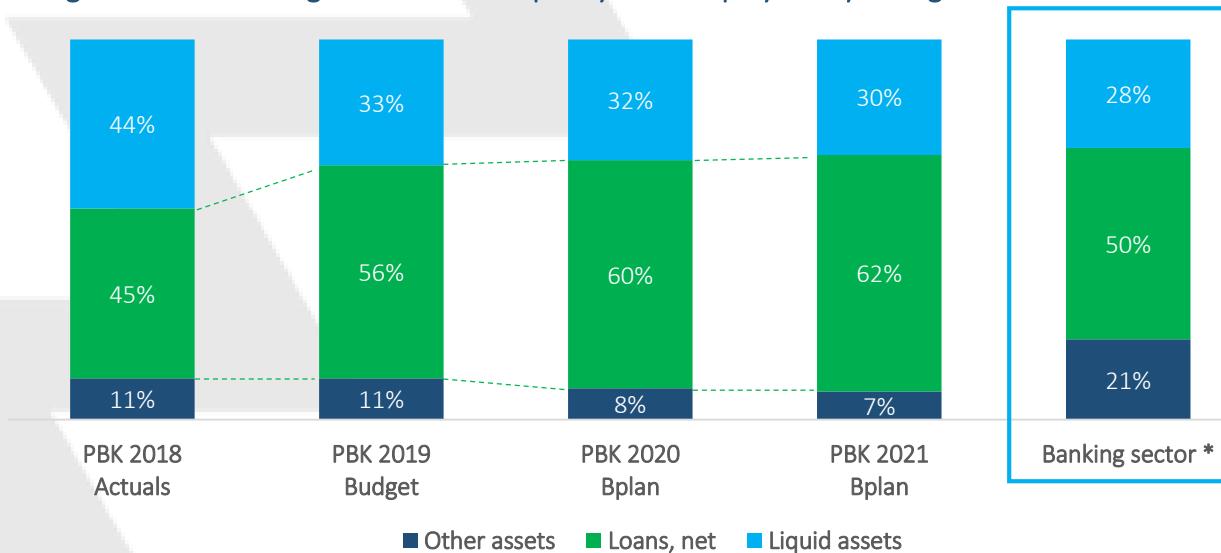
Following a breakeven result in 2018, Patria's medium term efforts shall focus on profitability by reaching the KPIs of a healthy balance sheet



Accelerating lending growth [EUR M]



Strong asset base with significant excess liquidity to be deployed in yielding assets

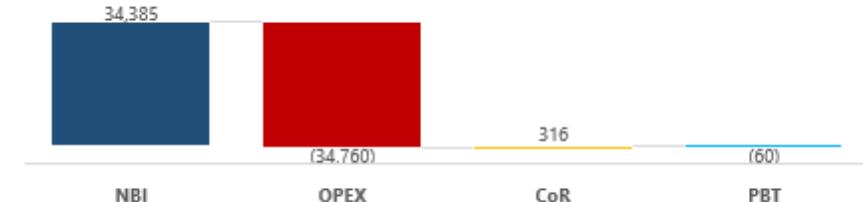


Source: NBR, Patria Bank

*Banking sector data as of September 2018

PBT = profit before tax; NBI = Net banking income

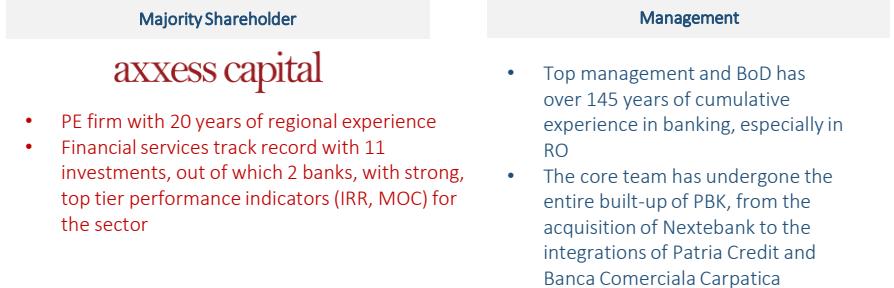
Achieved break-even in 2018 [EUR 000]



On its way to increasing profitability [EUR M]



Experienced shareholder & mgmt. team





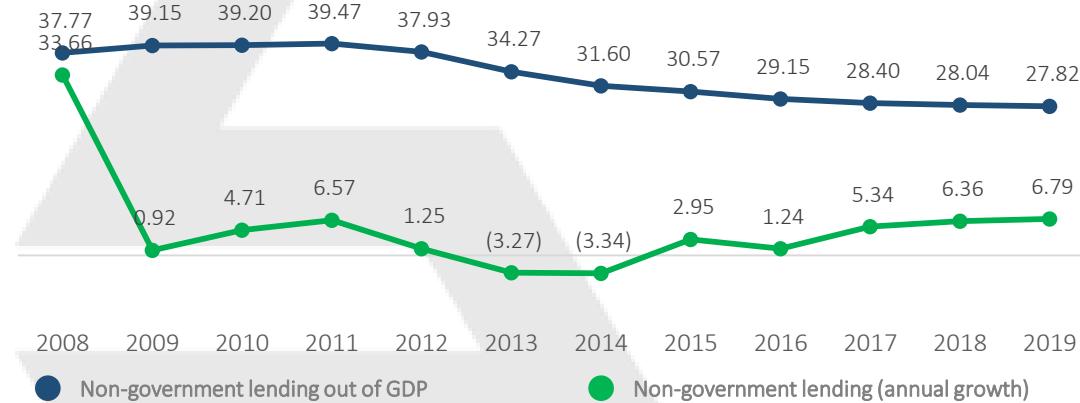
2.

2018 results

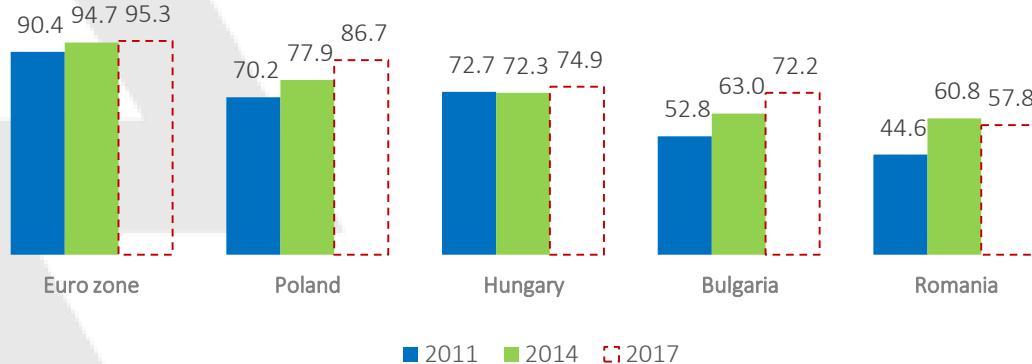


Romania still has the highest financial services market potential, given the low penetration of lending and savings products

Non-governmental lending as share of GDP and annual evolution



Share of people with a bank account out of total population



TARGETED SEGMENTS



SME



AGRO



MICRO



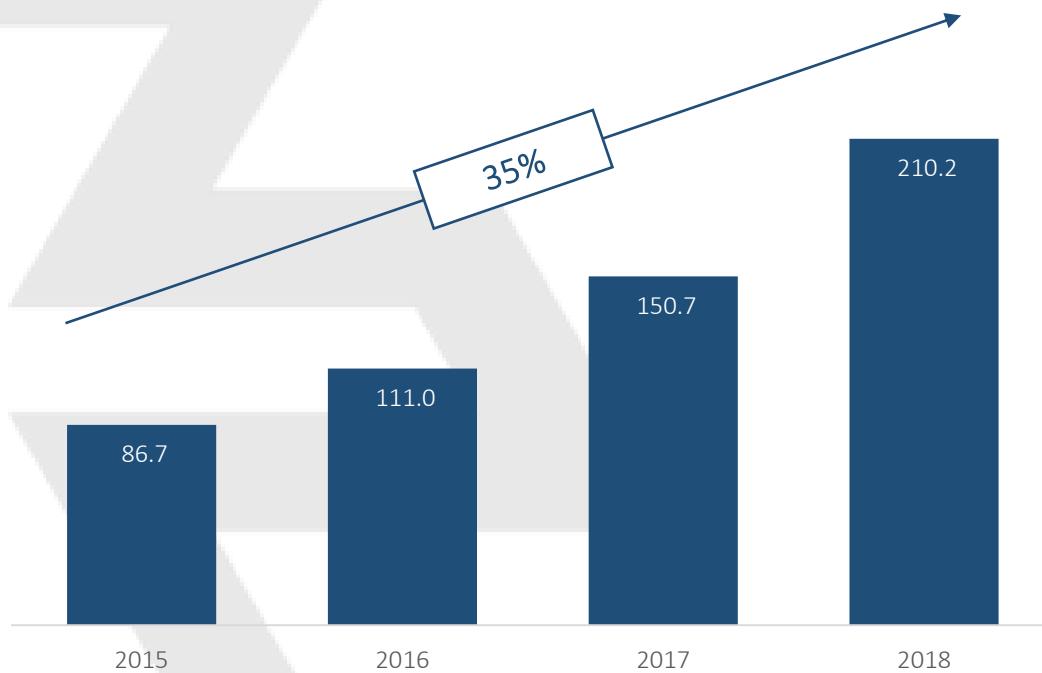
RETAIL

- Patria Bank has historically focused on agro, micro, SME and retail, especially in geographies where it is competitive and where its pricing can rise above market, eliminating large corporations and public administration entities from its target due to the overcrowded market
- Our distribution model, based on partnerships and a highly mobile salesforce of specialized relationship managers, has enabled Patria Bank to grow on the back of credit demand from these 3 key sectors



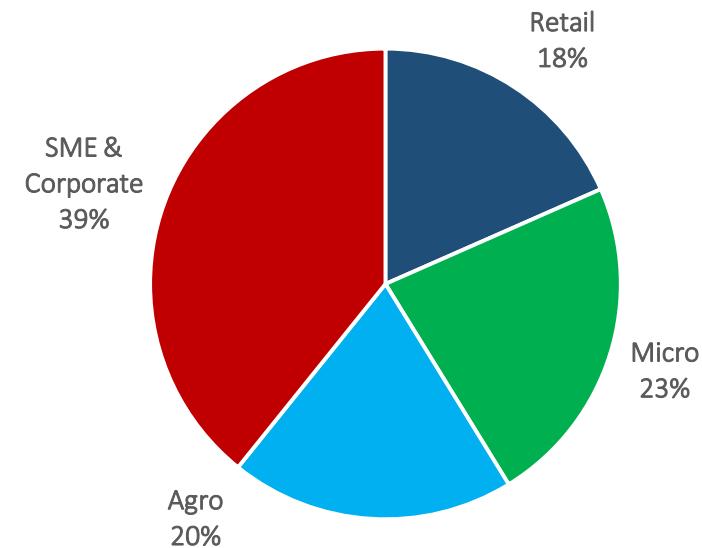
PBK recorded a growth of the new loans by CAGR of 35% since 2015, fulfilling the budgeted expectations for '18

Loans sold per year [EUR M]



- Patria Bank's sales operations have improved significantly in the past years, as sold loans per year grew by a CAGR of 35% in the past 3 years
- Future growth plans for the portfolio imply stabilizing of the sales volumes, in order to facilitate the reshape of the business model, including distribution model

2018 sales of new loans, breakdown by line of business



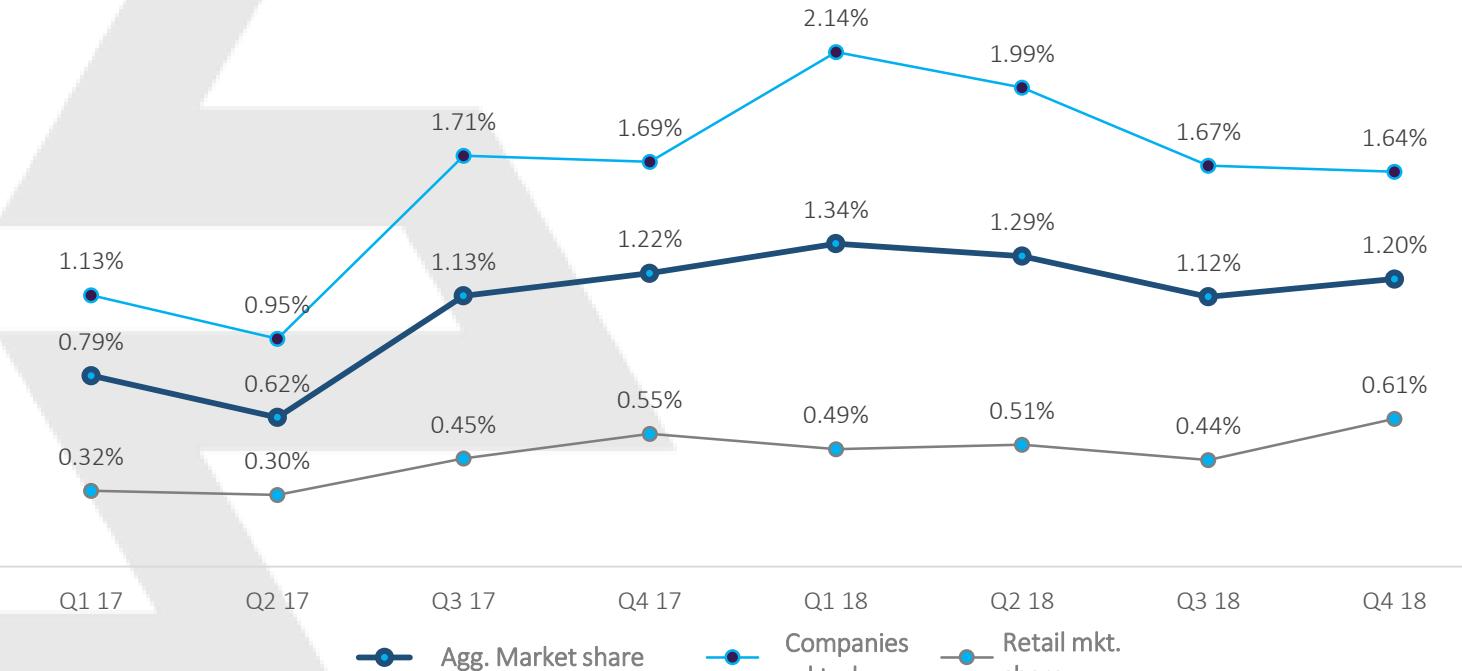
**Total loans sold in 2018:
EUR 210 million**

- PBK sold 39% more loans in 2018 Y/Y, largely fulfilling budget expectations and growing in key market segments including SME, Agro and Micro



PBK punches above its weight in sales of loans, exceeding its market share by assets considerably, while loans outstanding grow considerably

PBK Market share: sales of loans per quarter/total new issued loans



Real market share in retail is HIGHER, considering PBK entered the mortgage segment in 2018

Real market share for companies is HIGHER since PBK is not financing large companies, multinationals & public entities

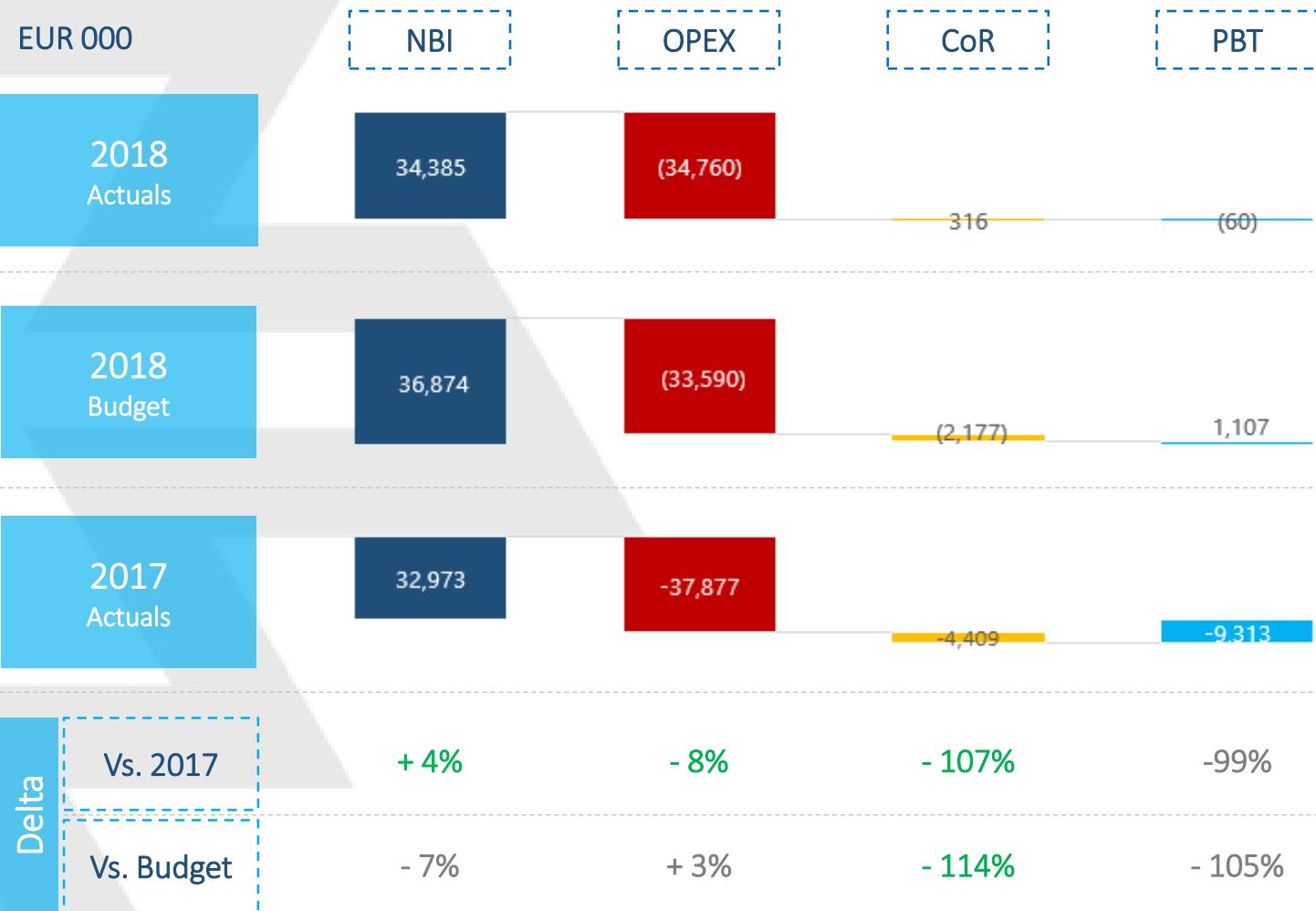
- Despite a market share by loans outstanding of 0.6%, Patria Bank manages to capture a significant size of new loans, especially in the companies' segment, selling 1.83% of all loans sold in 2018
- Overall, Patria Bank has generated **1.23% of new loans sold in 2018**, allowing for an increase of the portfolio of loans outstanding by 15%, almost double the market growth rate, while the portfolio of gross performing loans increased by 24% y/y

*Companies includes everything that is not retail (SME, small corporate, agro, etc.)

Source: National Bank of Romania



Following the EUR 9.3 million loss in 2017, the key objective for 2018 has been to reach the breakeven point, which was fulfilled

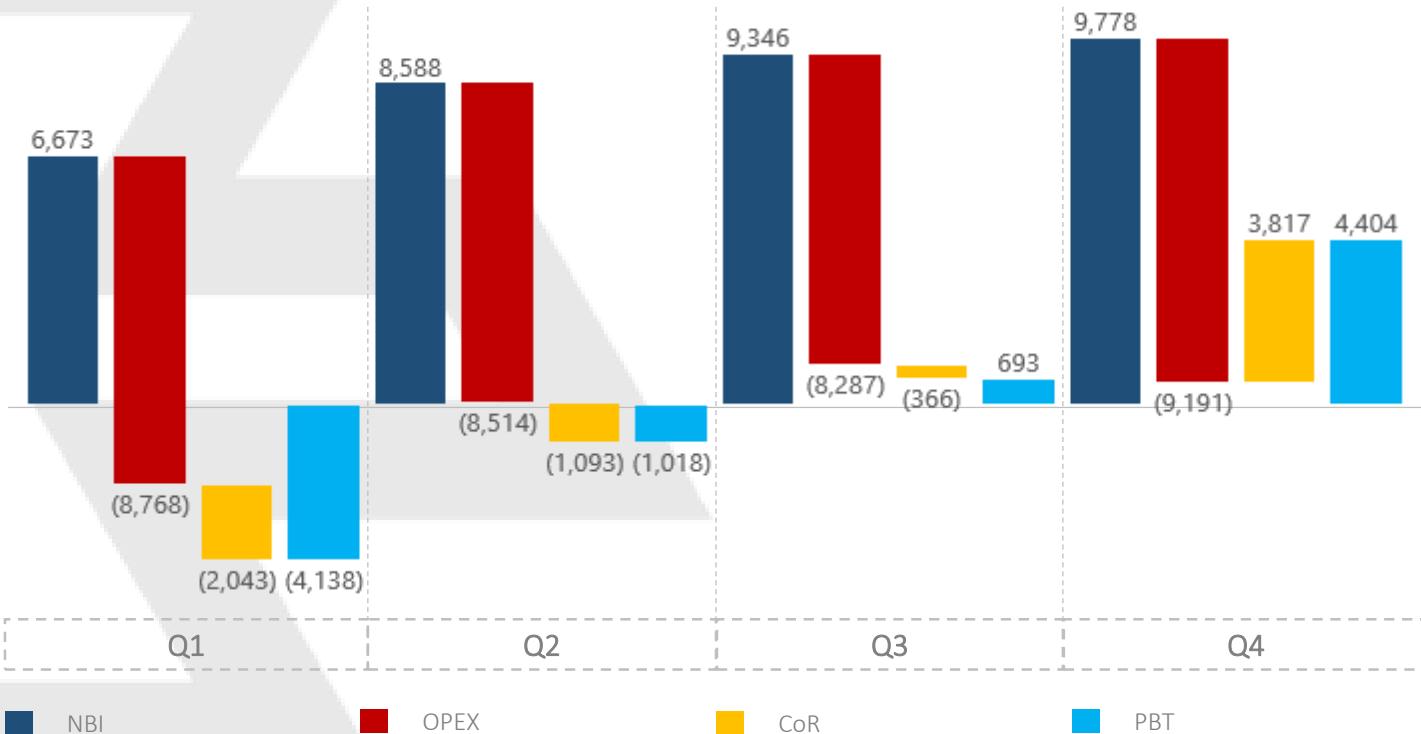


- In spite of a very ambitious plan, Patria Bank has managed to deliver a breakeven result, also helped by non-recurring items reported during 2018 (dividends, NPL loans portfolio sale, sale of real estate assets)
- The operational status of the Bank as of the end of 2018 enables PBK to grow further into a profitable operation, yet below initially set parameters

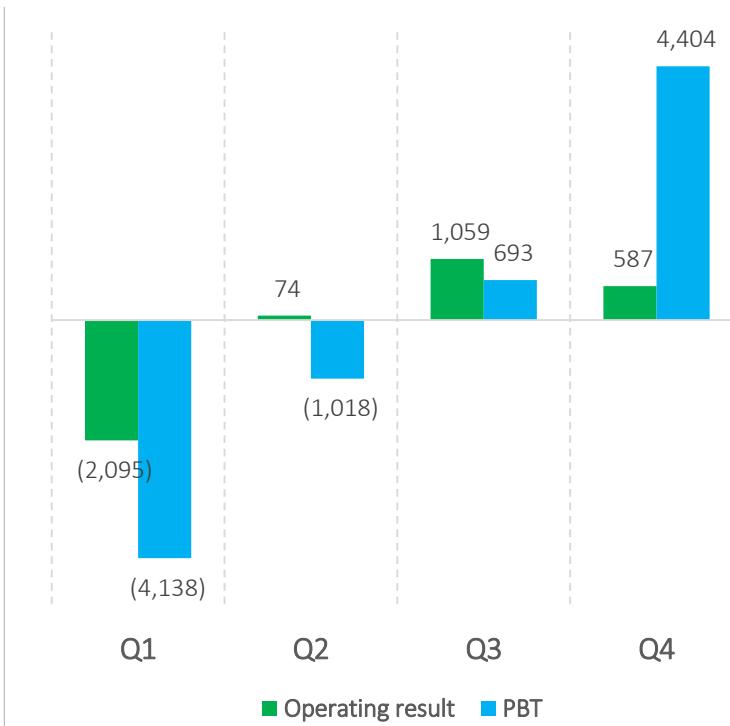
PBK maintained a steady growth for net banking income and operated in an increasingly effective manner, ending 2018 by reaching breakeven



Quarterly P&L [EUR 000]



Operating result and PBT, quarterly [EUR 000]



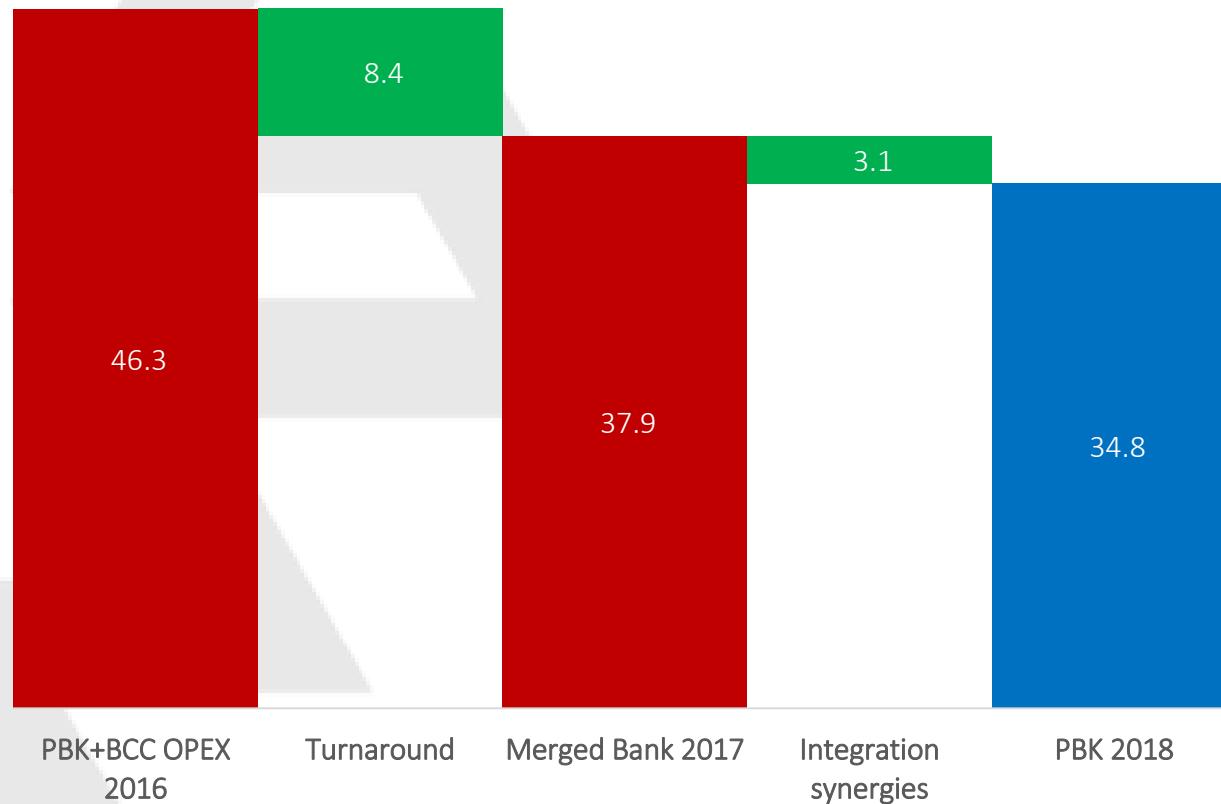
- PBK's end of year performance has been improved based on steady growth of the NBI, on the basis of growth of Interest income for the Loan Portfolio

- PBK registered 3 consecutive quarters of positive operational results due to increasingly efficient operations, event at normalized level (excl. non-recurring)



A significant driver behind the operational performance of the bank lies with the cost optimizations that have taken place in the past years

OPEX evolution and cost optimization efforts [EUR M]

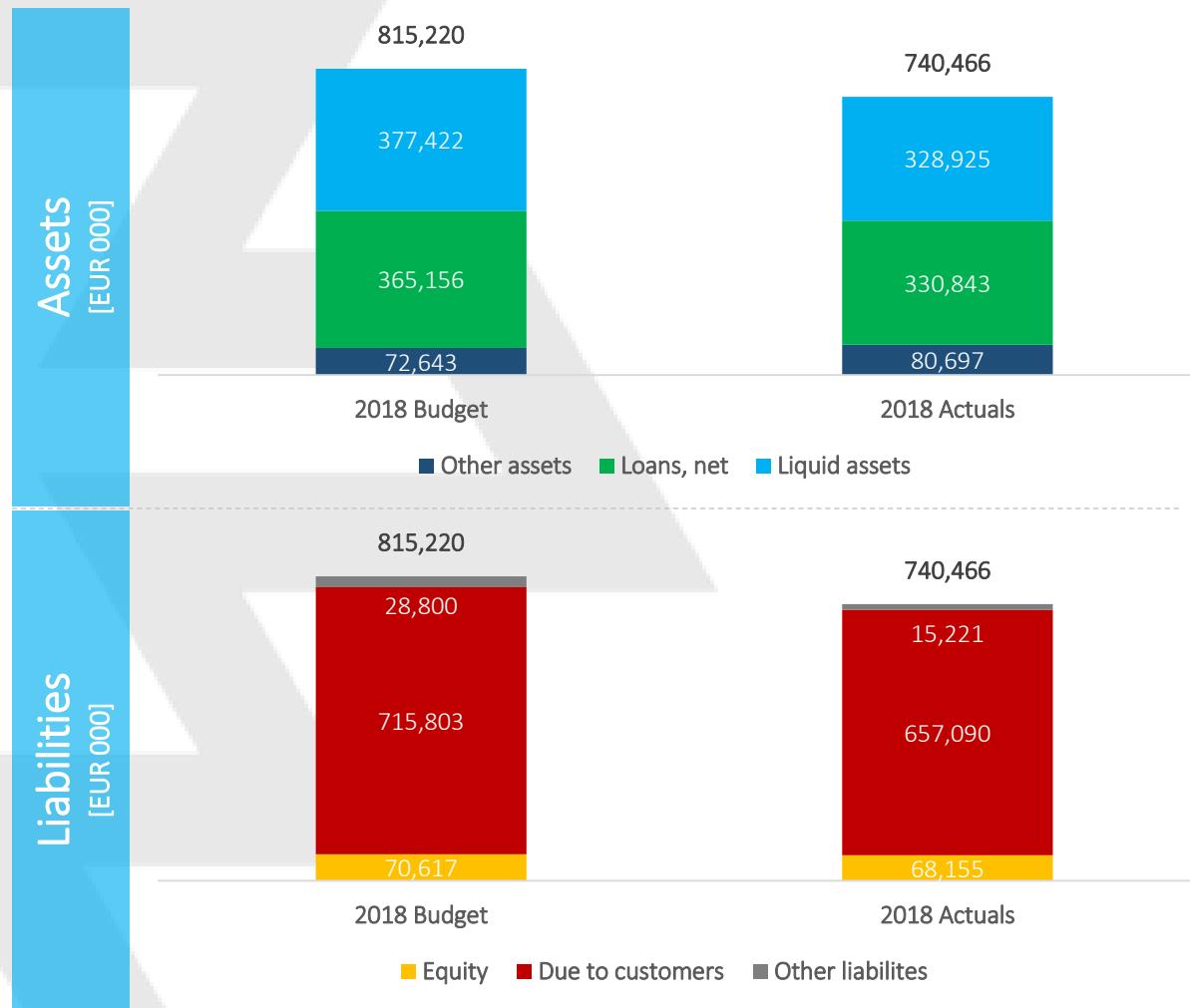


EUR 12m in cost optimizations achieved in the past 2 years

- Following the acquisition of BCC, Patria Bank has managed to optimize its operating architecture by cutting 25% of OPEX relative to the consolidated basis from 2016
- This cost optimization has been materialized through synergies at HQ level
- This result does not mean that Patria has reached a normalized OPEX structure, as it shall continue to further implement efficiency measures in the short and medium term



2018 has meant a significantly improved balance sheet structure via a reduction of excess liquidity and growth of the loans portfolio

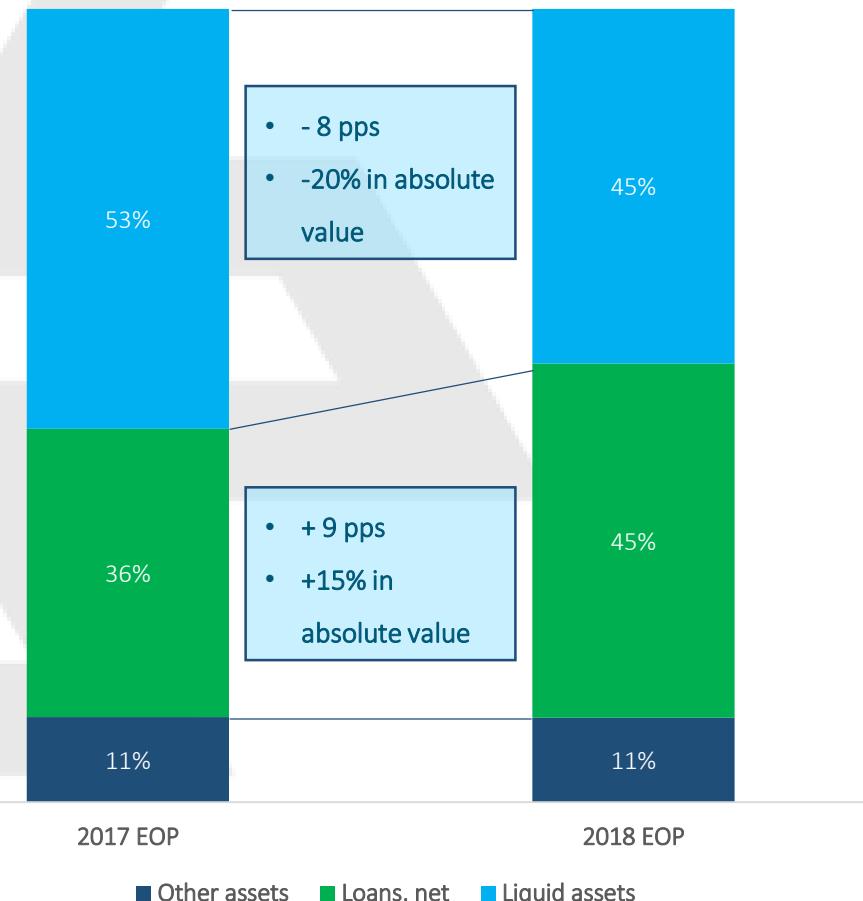


- The Net loans balance target has been partially achieved, also mainly due to various dynamics of the clients portfolio, which overall let to improved risk profile
- Despite the fact that we have managed to further balance the asset side of the balance sheet by deploying the extra liquidity into yield generating loans, our budget expectations in terms of total assets have not been fulfilled, mainly due to decision to let go of certain FI deposit-clients in order to achieve a faster **optimization of the Balance Sheet structure** and reduce excess liquidity

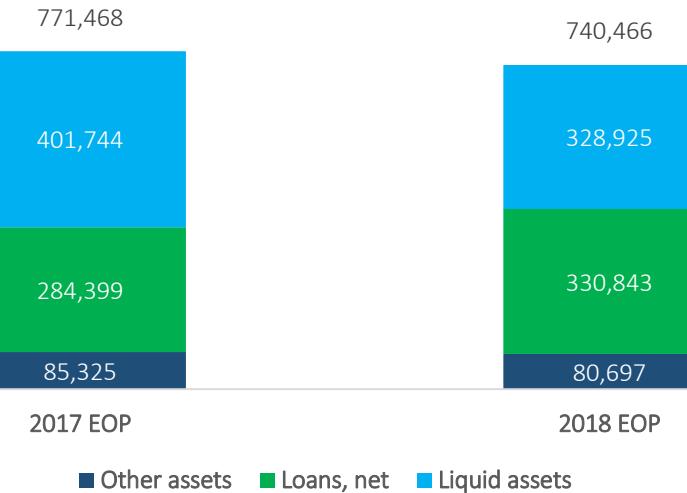


L/D ratio has improved by 9 percentage points compared to Dec. 2017, reaching 55%, while the loans portfolio has increased by 15%

Total assets comparison on a relative basis [%]



Total assets comparison on an absolute basis [EUR 000]

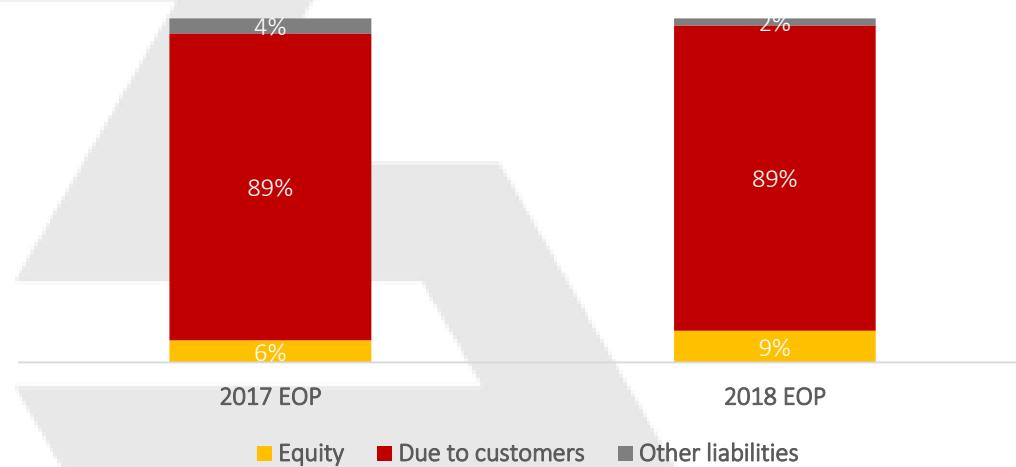


- Total assets have diminished compared to EOY 2017, mainly due to the decrease in the excess liquidity
- However, the loan portfolio has increased by 15%, pushing the loan-to-deposit ratio to 55% and the share of loans in total assets to 45% and providing a consistent basis for revenue increase

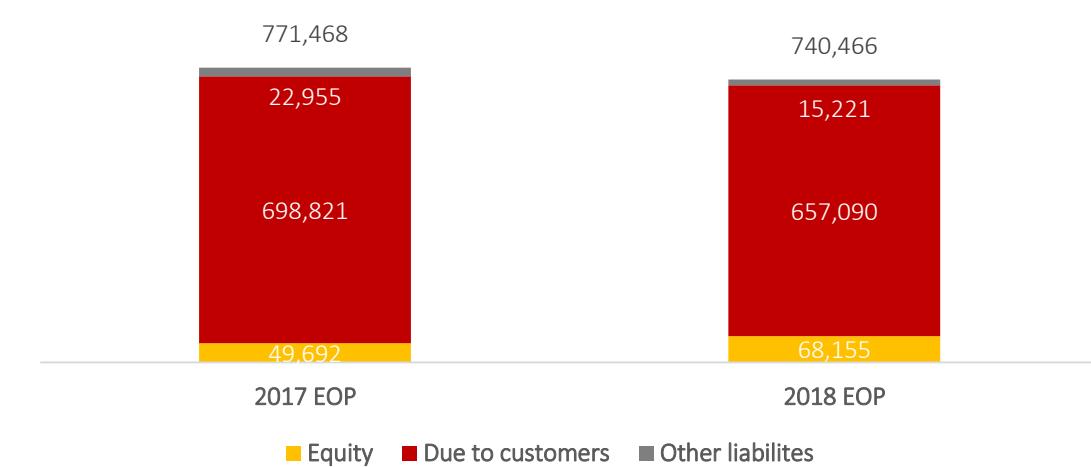


On the liabilities side, the balance sheet remains stable, with Patria Bank maintaining a high share of deposits from retail customers

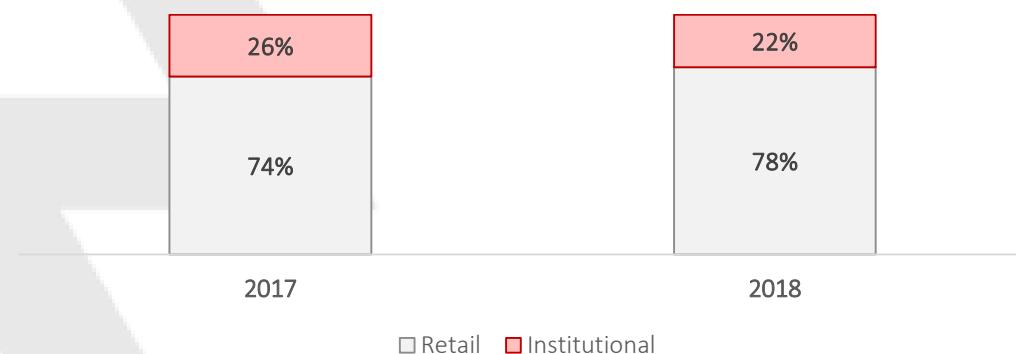
Total liabilities Y/Y comparison on a relative basis [%]



Total liabilities Y/Y comparison on an absolute basis [EUR 000]



Sources of deposits as share of total depos

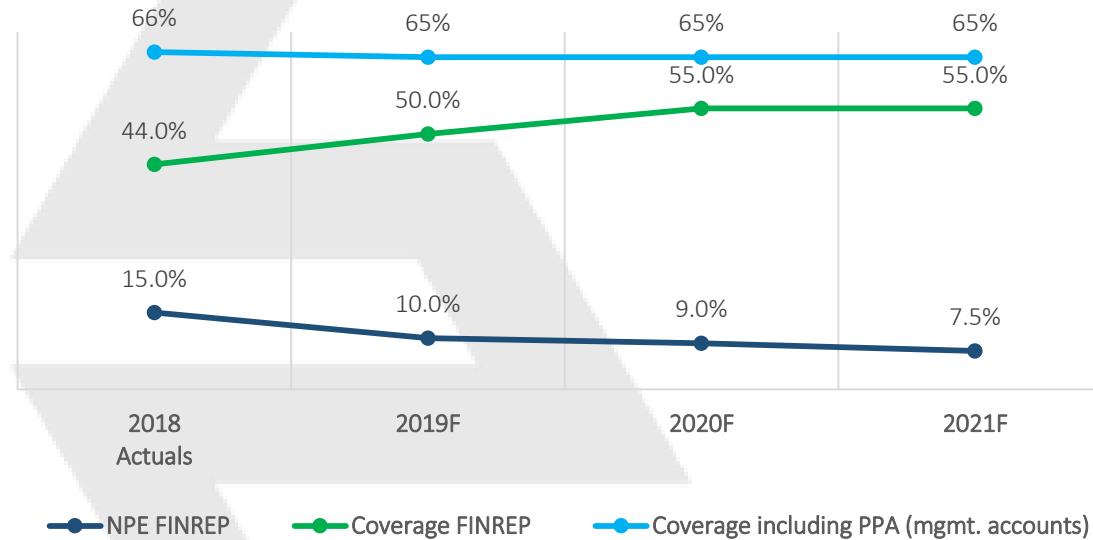


- While total assets have decreased following the deposit withdrawal of several institutional large clients, Patria Bank maintains a very strong retail depo stickiness
- In fact, the share of deposits from retail clients has increased by 4 percentage points Y/Y as of December 2018

The legacy portfolio of PBK is undergoing a clean-up, while extra value is to be extracted from fixed repossessed assets and the NPL portfolio

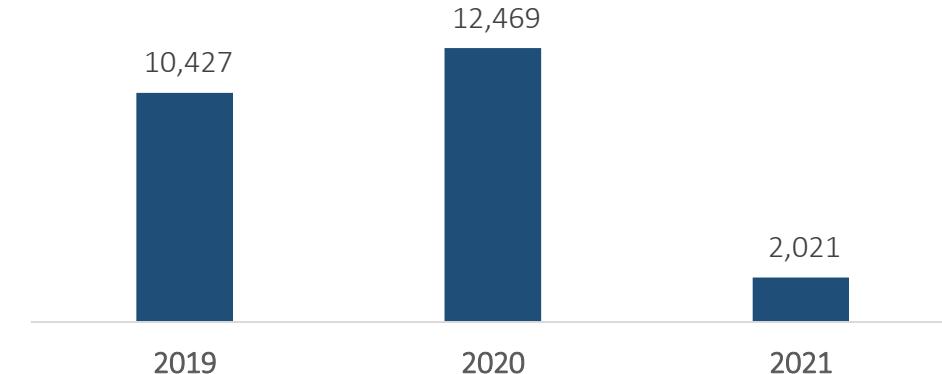


Projected evolution of NPE and coverage



- In the medium term, we expect asset quality to increase substantially on the back of continuing the implementation of the portfolio clean-up strategy commenced in 2018 (February NPE estimated at 12%)
- As such, we expect to be within market parameters in the medium term with regards to NPEs, while maintaining a strong coverage ratio

Planned reduction in fixed assets by year [EUR 000]



- Patria Bank has developed a strategy to generate income from a large share of owned **fixed assets amounting to EUR 49 million**, with the direct result of increasing the income (via sale or rental income) and diminishing the risk weighted assets and thereby ease the capital requirements
- Therefore, we expect this strategy to decrease the RWA by approximately EUR 10 million in 2019 while also increasing net profit by approximately EUR 0.1m



3.

2019 and onward

NOTE

The following 2019, 2020 and 2021 figures do not account for the impact of the Tax on Assets. Our current estimate is that the bottom line impact should reside in a range between EUR 0.6 and EUR 1.6 million for 2019



Despite the uncertainty in the local market, we expect for PBK to reach efficiency KPIs in line with the market as of Q3/Q4 2019

Future plans: Key assumptions

1.

- We are witnessing and expecting an increased volatility of the regulatory environment in the short and medium term
- Therefore, **all financial projections do not take into account the impact of the Tax on Assets**, as the actual amount and the algorithm behind it shall be decided by the end of 1H 2019

2.

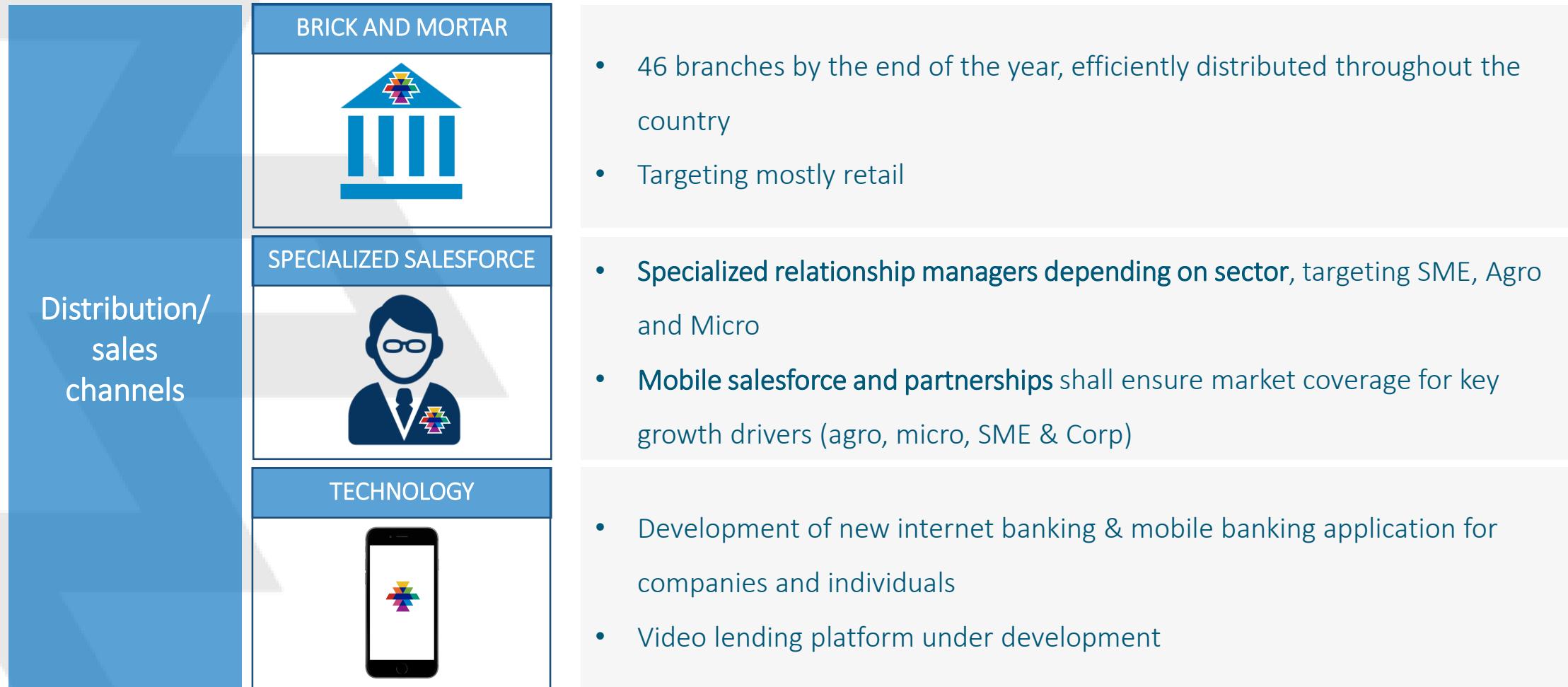
- On top of existing volatility, Patria Bank's initial growth plan for 2019 and 2020 required a revision due to endogenous and exogenous circumstances
- Therefore, management is in the position to adapt the plan to reach normalized profitability through an optimized balance sheet structure, with a focus on profitable operations which shall be achieved by optimizing the business model and the cost base

3.

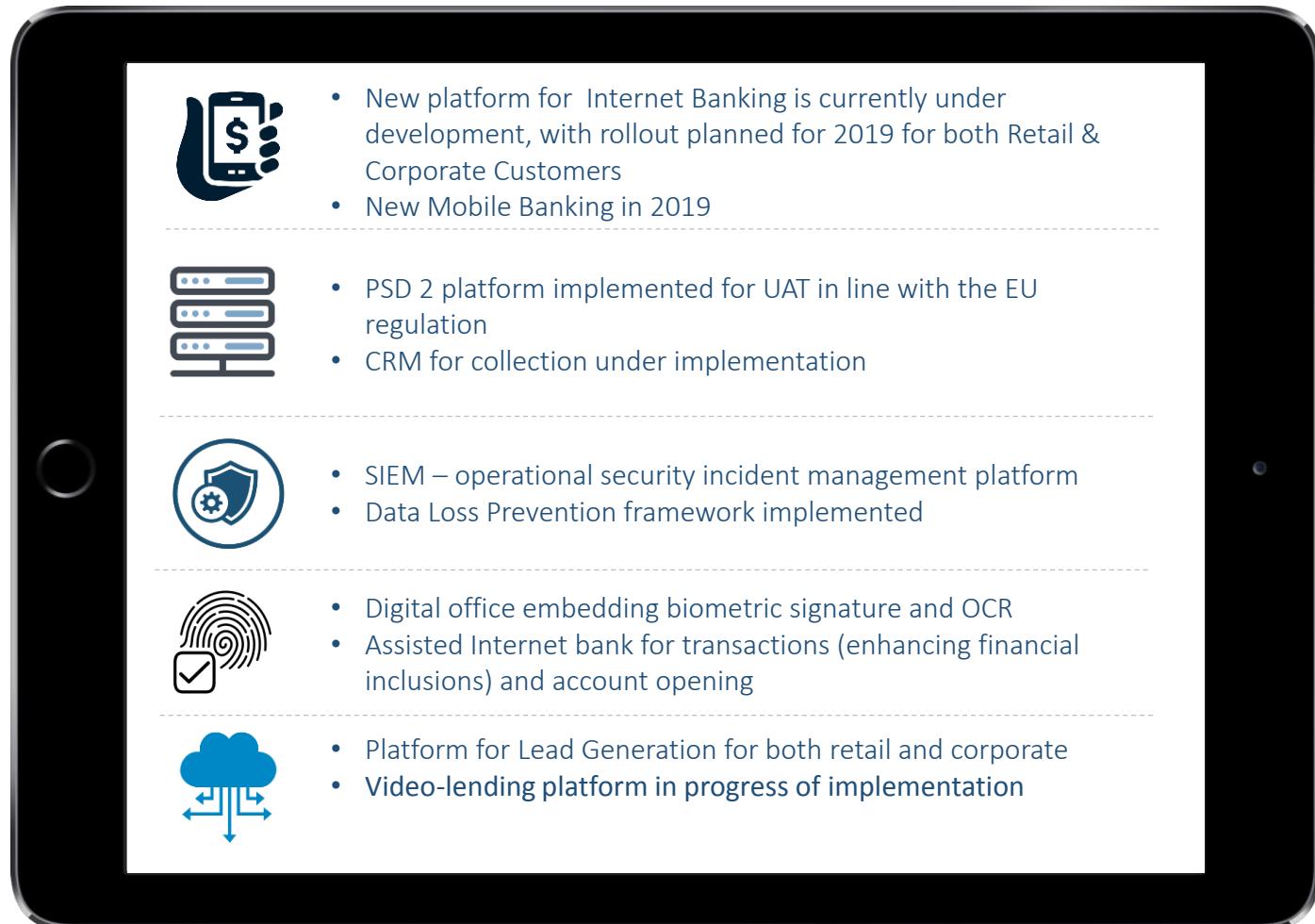
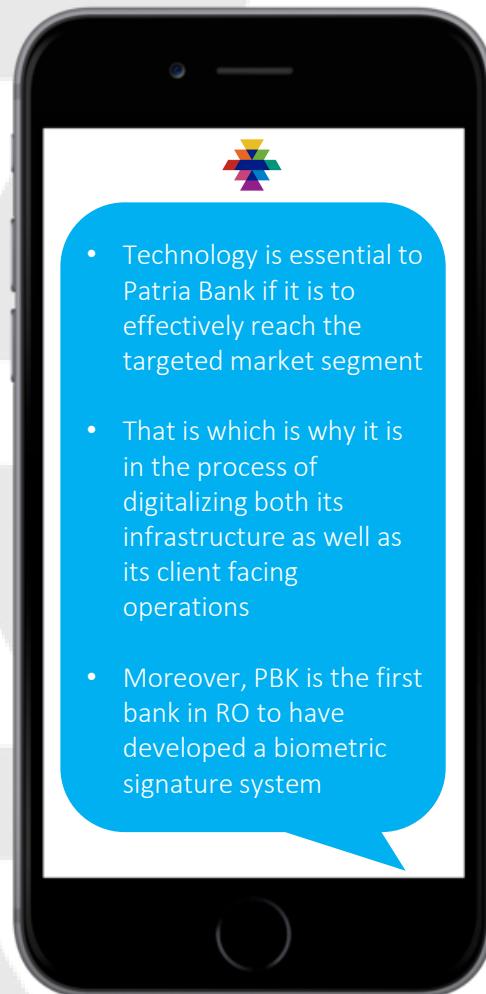
- 2019 shall further **focus on improving efficiency of operations** and calibrating the operational model
- We expect **Q3/Q4 '19 to mark the moment PBK reaches profitability KPIs in line with the market**



Patria's distribution model relies on a mix between brick and mortar branches and specialized salesforce leveraged through technology



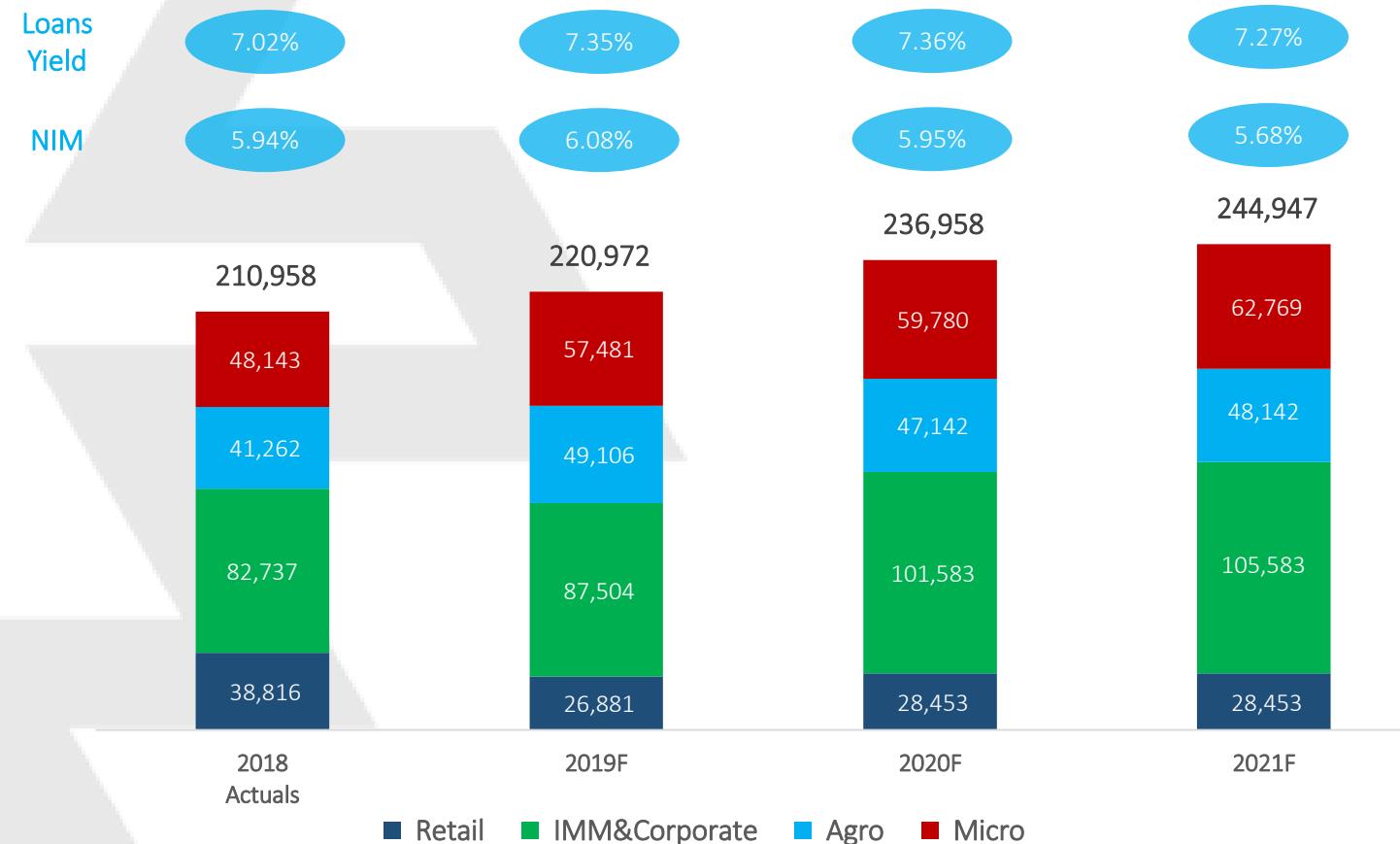
Technology is essential for PBK's business model, as 2019 marks the year we launch a new Internet Banking platform





While sales of new loans are expected to remain high, we see PBK continuing to grow especially in Micro, SME and Agro

New loans sold by Patria Bank [EUR 000]

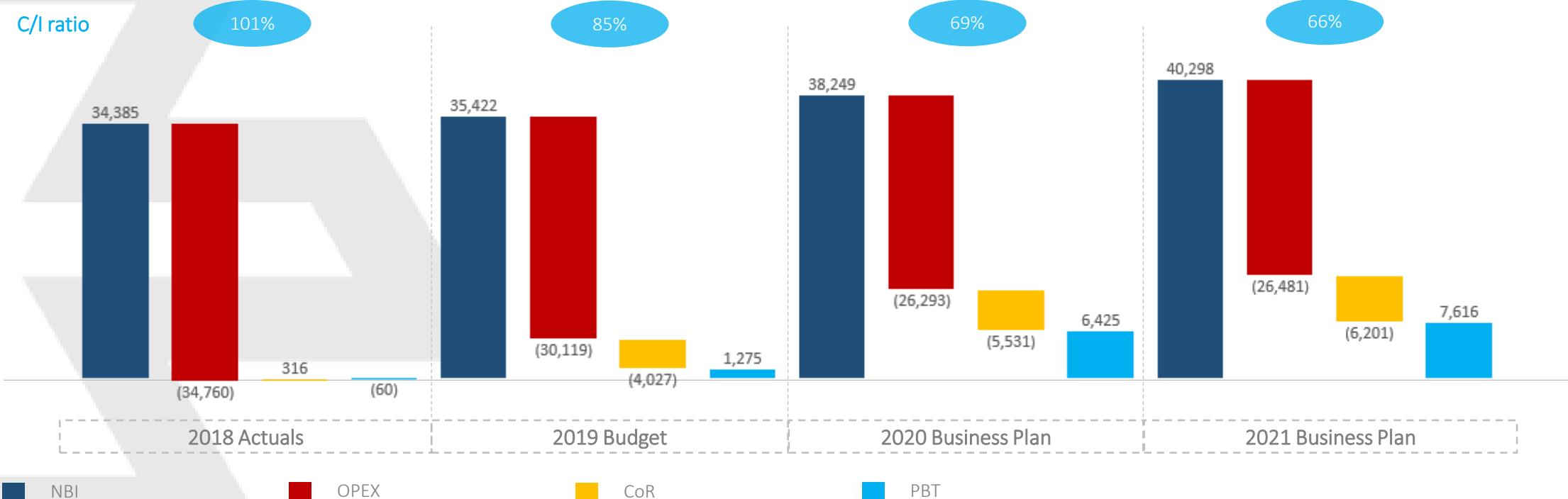


- We expect generation of new loans to remain strong in the immediate future, albeit at a smaller net interest margin
- The drop in NIM is owed to an increase in cost of funding that has not been entirely transferred to loan interest rates
- Loans to SME, Micro and Agro shall continue to be the growth engine of loans outstanding
- Retail, while remaining a challenge, shall focus on mortgage loans, cards and banking services



Following 2018's result, we expect for PBK to reach increasing levels of profitability on the back of increasing NBI and more efficient operations

PBK budget and business plan for 2019-2021 [EUR M]

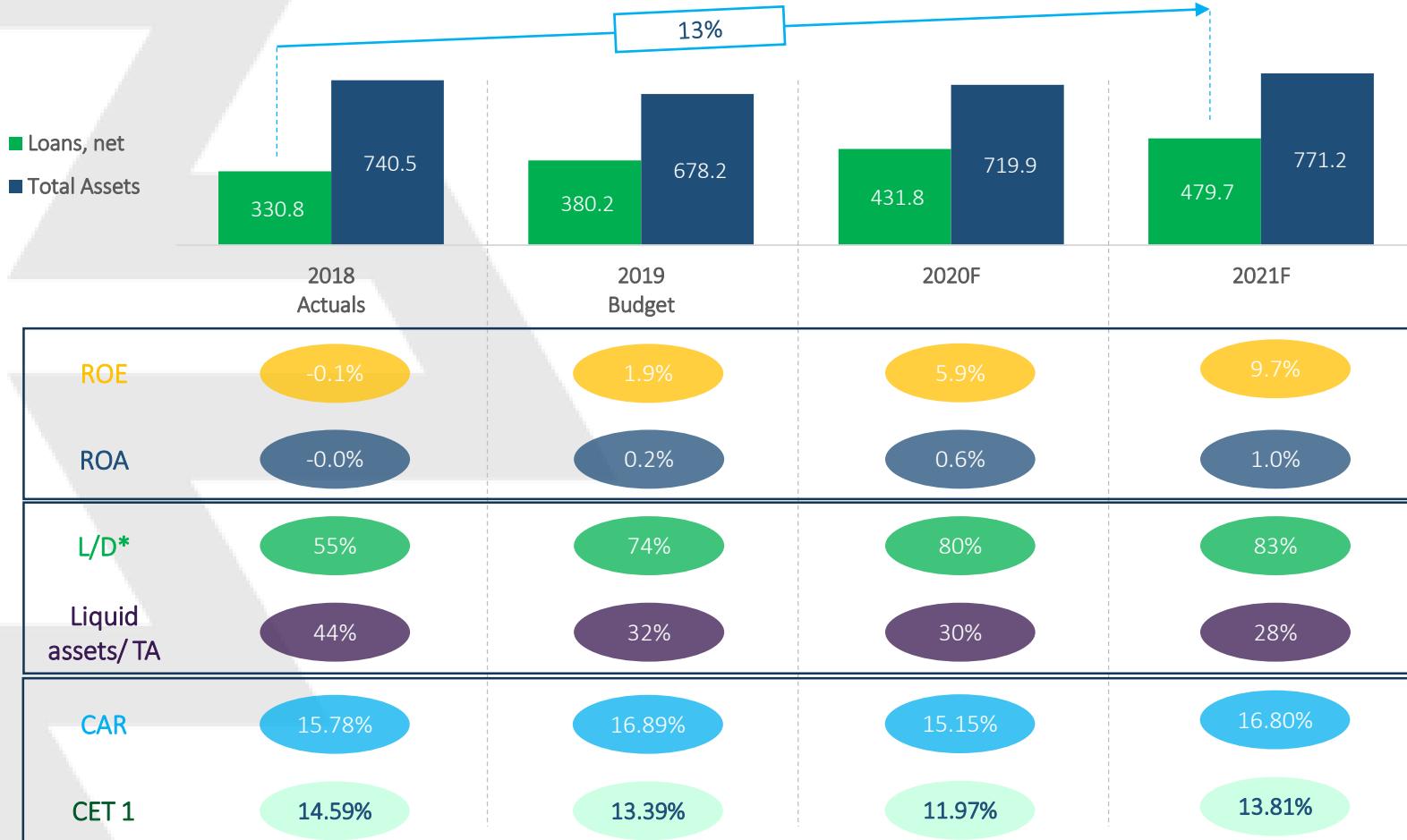


- For 2019, we expect to achieve an OPEX figure reduced by 13%, while managing a growth of NBI of 3% and a positive net result
- At the same time, operational optimizations are projected to continue well into 2019, with Cost to Income ratio estimated at 85% for the year, dropping even further in 2020 and 2021 on the back of stronger NBI growth and a normalized OPEX

At the same time, we expect the balance sheet to reach an equilibrium level, with the L/D ratio gaining 19 percentage points in 2019 alone

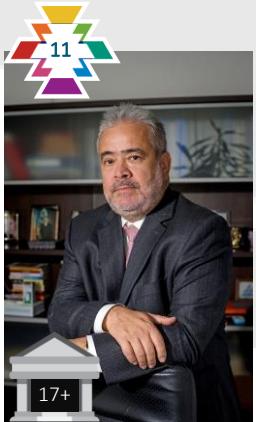


PBK balance sheet evolution 2019-2021 [EUR M]



- We expect a further balancing process on the asset side to take place in 2019, reducing the share of liquid assets in total assets from 44% to 32% and conversely increasing the loans to deposit ratio to 74%
- Furthermore, we expect ROA and ROE to enter net positive territory in 2019
- After this year, our expectation is to see balance sheet KPIs reach a mark in line with the market, enabling Patria Bank to sustain a higher level of profitability following the merger in 2017 and the ensuing restructuring process
- New capital assumptions for further growth – EUR 10 m in Tier 2 subordinated debt in 2019 and EUR 7.5 m in 2021 equity

PBK boasts some of the most experienced management and board executives in the local market



Horia Manda
Chairman of the
Board

Managing Partner-
Axxess Capital
BoD Member-
various companies
Selected M&A
experience:
Banca Agricola,
Banca Romaneasca,
RAIFI, Motoractive,
Romexterra, Patria,
BCC, Jet Finance

17+



Daniela Iliescu
CEO & Board
Member

CFO-Axxess Capital
BoD Member-BCC
Ex-Senior
Manager-PwC
Selected M&A
experience: Patria,
Jet Finance, BCC

17+



Bogdan Merfea
Board Member

CEO-Raiffeisen
Bank Kosovo
Ex-ED-Raiffeisen
Bank Romania
Selected M&A
experience:
Patria, BCC

18+



Nicolae Surdu
Board Member

Former CEO and
Chairman BCC
Ex-CEO-Fortis Bank
Romania
Ex-VP-Credit
Europe Bank
Romania
Ex-Director
Operations-Tiriac
Bank
Ex-BoD Member:
Piraeus Bank RO

25+



Vasile Iuga
Board Member

Ex-Managing
Partner-South East
Europe, Romania
Country Manager,
PwC
VP-American
Chamber of
Commerce in
Romania
Audit Committee
member-EIB

25+



Lucica Pitulice
CFO & Deputy
General Mngr.

Ex-CFO at Banca
Romaneasca
Ex-CFO at
Bancpost
Ex-CFO at RBS/
ABN AMRO
Former Mgmt.
Consultant,
auditor and
controller in Big4
Firms

20+



Valentin Vancea
COO & Deputy
General Mngr.

COO-BCC,
Nextebank,
Volksbank RO
CEO – ANSSI
Ex-Audit Director
UniCredit Ro
Selected M&A
Experience: HVB
Bank, Unicredit,
BCC, KPMG

16+



Codrut Nicolau
CCO & Deputy
General Mngr.

Ex- Retail
Commercial
Strategy Director,
UniCredit RO
Ex-Retail Sales
Director, UniCredit
RO
Ex-Corporate
Director, UniCredit
RO

20+



Codrin Nastase
CRO & Deputy
General Mngr.

Ex-CRO at
Bancpost
Ex-CRO at Banca
Romaneasca

20+



of years at Patria



of years in banking

Independent Board Members