

## Quarterly Report for Q3 2020

**PATRIA BANK S.A.**

**September 30, 2020**



Report prepared according to the **FSA Regulation no. 5/2018**

Report date: **16.11.2020**

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

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

Phone/fax: **0800 410 310 / 0372 007 732**

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**

*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.*

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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 the Bucharest Stock Exchange Code.

## 2. Important events that took place during the first 9 months of 2020 and their impact on the accounting report

### Executive Summary

Financial results as of September 30, 2020 (9 months) show **a net profit of RON 5.98 Million, increasing by 2% compared to the same period of 2019**. This financial performance occurred during an unforeseen pandemic environment in which the predictability was very low and the volatility of macroeconomic conditions was high.

Compared to the previous year, when the Bank reported a net annual profit of RON 5.3 million (12 months), there is an improvement in financial results for 9 months of 2020 - profit of RON 5.98 Million, even if the health crisis brought negative effects on the banking system.

The consolidation of the profitability level represents the cumulation of the strategic decisions that the Bank has implemented, materialized in the following financial benchmarks reached in 2020:

- **New loans granted in excess of RON 603 Million** during 2020 (at a faster pace than the banking system average), which led to an increase in the portfolio of performing loans by 13%, or RON +194 Million compared to December 2019
- **Improving the bank's balance sheet structure by increasing the share of net loans in total assets to 55%** from 50% in December 2019
- **Optimization and reduction of operational expenses by 13%, or RON -14.3 Million** (first nine months of 2020 compared to the similar period of 2019)
- **The cumulative net result as at Q3 2020 was impacted by certain market evolutions and by customer behavior as a result of the COVID-19 pandemic context triggered in March 2020**. Thus, the reported net profit incorporates **non-recurring elements and the impact caused by the COVID-19 pandemic amounting to RON - 7.8 Million; without these extraordinary elements, the cumulative net result as at Q3 2020 would have been a net profit of RON 13.8 Million**.

Following the analysis of financial results, the management considers Patria Bank S.A. has already been impacted by the COVID-19 pandemic, but the effects can be mitigated by measures taken by the Bank, financial markets evolutions or by economic recovery measures initiated by the Government. The current context can bring negative effects especially in terms of the potential level of cost of risk, but it can also generate business and development opportunities through accelerated attraction of new customers.

The Bank has absorbed the negative impact of the first 3 quarters, all prudential ratios are above the regulated limits even without the recent change in capital amortization requirements, the Bank having resources to support its business.

## 2.1 Macroeconomic and banking environment aspects

**Romania's Gross Domestic Product** registered a significant decrease in the first two quarters of the current year, real GDP reaching the level of -10.3% (year-on-year) due to the COVID-19 crisis that marked the year. The effects for the whole year 2020 do not look promising in the context of a negative influence of the second intense pandemic wave compared to initial expectations. However, a "V"-shaped recovery of the economy is still possible, with a rather significant increase in GDP in 2021, by 4% in real terms.

At the same time, it is important to mention the budget deficit for this year, a deficit that is likely to reach the target of 9.5% of GDP, which is understandable taking into account the significant health costs generated by the above-mentioned pandemic. The costs of measures to boost the economy are added to these medical costs.

Furthermore, as a result of significant expenses registered in the current year, the year 2021 (being also a post-election year) should be the year necessary for a fiscal consolidation, this meaning - probably - a firm control of costs

However, for the current year, as a result of the COVID-19 epidemic, the CPI trend has changed, **a decrease in the inflation rate** being recorded, decrease that will probably be maintained in the next year. For example, in September 2020 it stands at 2.45% (annualized data), a significant decrease compared to the same period of last year. In fact, the National Bank of Romania has modified the forecast for 2020 which is now 2.70%; for 2021 the forecast is adjusted downwards, more precisely to the level of 2.50%. In the context of a new pandemic wave, we expect the NBR's forecast for inflation for the coming years to change in the coming weeks.

From the monetary policy point of view, the National Bank of Romania has constantly reduced the reference interest rate since the beginning of the year to the current level of 1.50%, with a special emphasis on liquidity control through acquisitions of Government bonds on the secondary market or bilateral operations with commercial banks. For the next period (until the end of the current year) we expect the NBR to reduce either the level of the Mandatory Minimum Reserves (RMO) denominated in RON, or to create of an asymmetric corridor for the intervention interest rates (credit facility, respectively deposit facility).

The banking sector still remains healthy. Solvency and liquidity framed within appropriate parameters, simultaneously with the improvement of the quality of assets (**the non-performing loan rate** according to the EBA definition decreased from 4.58% in September 2019 to 4.08% in December 2019 and increased slightly to 4.38% in June 2020).

**The liquidity of the banking system** is still good, although there are periods when it is limited due to natural gaps determined by the unpredictability of cash flow at the level of central authorities. We believe that this will increase as the end of the year approaches with significant fluctuations in the evolution of the cost of money.

The quality of banking assets is still high, and the degree of coverage with provisions has improved and remains adequate. We believe, however, that the end of the year will show a sharp increase in provisions as a precaution, the banks thus wanting to protect themselves from an unfavorable evolution of banking assets in the first two quarters of the next year.

**The profitability of the banking sector** is significantly above the EU average. Return on Equity was 11.19% in December 2019, one of the highest in the EU; this rate decreased to 9.32% in June 2020. The main reason for this profitability is the continued reduction of net expenses with adjustments for expected losses due to the maintenance of a robust lending rate.

## Market trends

Given the economic uncertainty generated by the spread of the COVID-19 infection and other related potential negative effects, as well as the increase in the twin deficits, the exchange rate of the national currency against the European currency Euro will approach the level of 4.90, with a fairly high probability that next year we will reach an exchange rate level of RON 5.00 / EUR 1.

Regarding the evolution of medium and long-term interest rates, we expect them to decrease further taking into account the existing "premium" compared to the countries holding the same country rating as Romania. We also do not rule out the possibility for NBR to adopt measures to reduce interest rates in the corridor of monetary policy instruments, which will lead to a decrease in interest rates on the short and medium term curve.

## 2.2 Commercial and operational aspects

**On the commercial level**, the Bank continued its efforts in three main areas in Q3 2020:

1. Supporting customers affected by the COVID crisis
2. Accelerate the lending process following the exit from the lockdown, including by significantly increasing the number of new customers in the portfolio, in an adequate risk environment
3. Continuous and permanent provision of banking services to customers:
  - both through the permanent operation of the branches and the ATM network,
  - as well as by developing remote operating channels.

The Bank has permanently maintained contacts with customers (individuals and companies) who have benefited from deferred payments, both through Patria Bank's own solution and through GEO37, in order to verify, in each case, the evolution of cash flows, payment capacity, probabilities of repayment following expiration of the deferral period, additional needs that may arise, a.o.

Thus, commercially, Patria Bank focused on continuing to implement a series of appropriate measures to protect employees and customers and to proactively support customers while ensuring business continuity and mitigating the financial impact on the Bank, in an adequate risk environment.

In the third quarter Patria Bank continued its efforts to develop its customer portfolio and increase the volume of loans granted, **accomplishing growth at a faster pace than the banking system**. Thus, the market share of loans granted to individuals at September 30, 2020 increased by 10% compared to the level recorded at the end of 2019, while the market share of loans granted to companies increased by 7% from December 31, 2019 to September 30, 2020.

Growth directions targeted all customer segments of the Bank, the loan balance increasing both in the case of individuals as well as that of the three main segments of legal entities (MICRO, AGRO and IMM & Corporate)

## Credit balance evolution September 2020 compared to December 2019

Balance evolution Sept-20 vs Dec-19		
	Patria Bank	Banking system
Credit to individuals	14.83%	3.87%
Credit to companies	10.69%	3.92%

The growth in lending activity was based on both the Bank's usual products and the new programs launched in 2020: IMM Invest and the new partnership with the European Investment Fund (which increased the guarantee limit by RON 300 Million, from RON 190 to 490 Million, under ensuring an increased guarantee of up to 90% until March 2021).

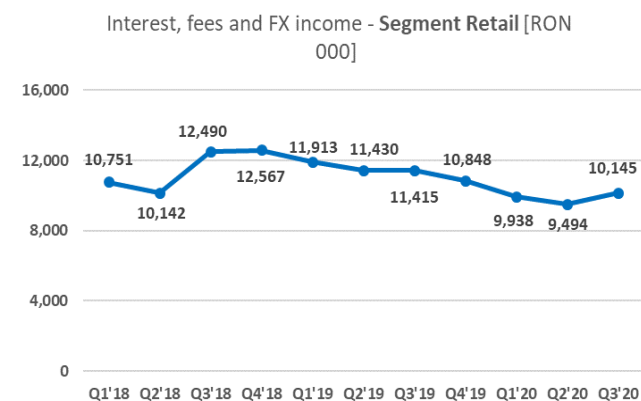
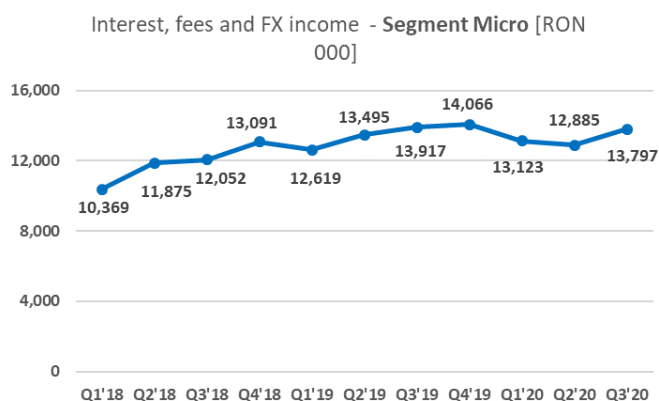
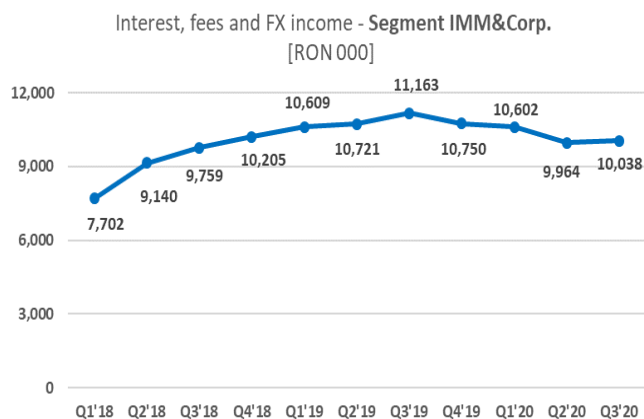
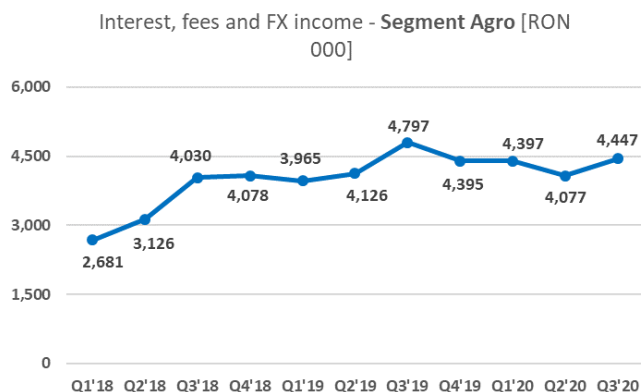
The Bank benefited from a limit within the IMM Invest program that was increased up to RON 280 Million. Of the total IMM Invest loans granted, 52% represent financing granted to existing customers (69% in client numbers, 52% in value) and 48% loans granted to new customers (31% in numbers, 48% in value).

In the Agriculture area, in addition to regular financing (working capital, APIA, EU funds loans, investment loans for land acquisition, equipment, a.o.), the Bank intensively promoted financing aimed at developing irrigation capacity of agricultural producers in 2020.

Patria Bank has focused on **accelerating digitization and financial education programs**:

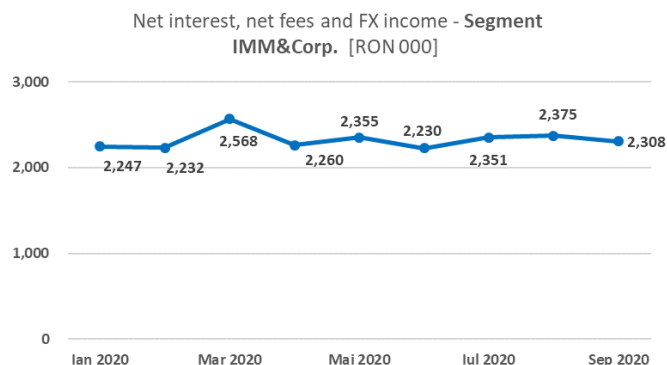
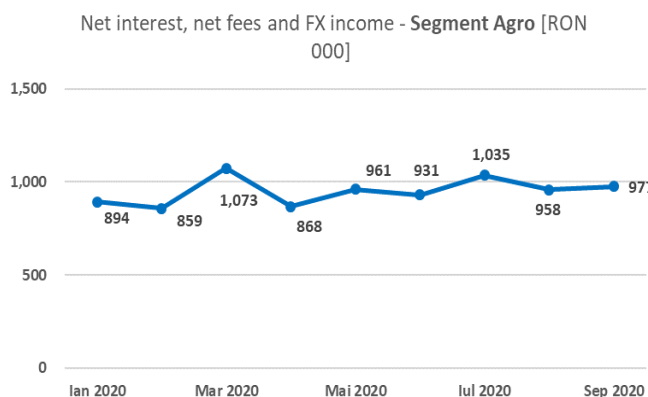
- Development of the Bank's Internet & Mobile Platform, Patria Online, with new digital options for the clients in their transactional relationship with the Bank
- Patria Online registered, at 30.09.2020, an increase of over 90% in the number of users compared to the date of customer migration to the new platform implemented in the last part of 2019 (September 2019)
- Over 421,000 communications by SMS and 94,000 communications by e-mail towards the Bank's clients in order to stimulate digital interaction with Patria Bank as much as possible
- Launch of new Retail current account packages with an important digital component in their structure and with optimized costs for customers
- Equipping the Bank's clients with approx. 26,000 products that facilitate remote trading / information to stimulate remote transactional interaction (Internet & Mobile Banking Service, SMS Alert Service, Transactional Cards and Packages)
- Acceleration of digitization projects: biometric authentication for card payments, instant payment, Online Onboarding, Online Customer Lending, Multi-Functional Machines Program (equipping of branches with multifunctional machines as well as establishment of self- areas service on offices that will be included in the program)
- Development of the Patria Bank Blog with additional financial education components for clients and potential clients.

The *quarterly* evolution of *gross* income from interest, commissions and FX, broken down into business segments, is presented below (RON Thousand):

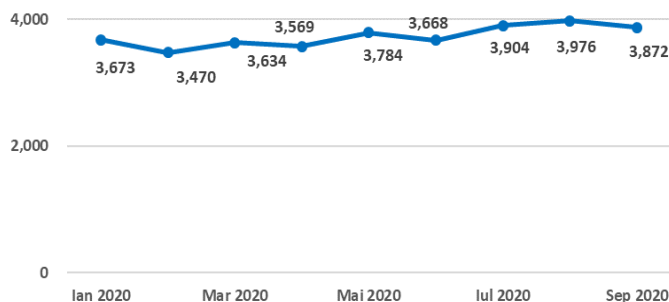


We notice a decrease in interest income in Q1 and Q2 2020, followed by an increase during Q3. **The decreasing trend was mainly due to the ROBOR interest index which decreased by almost 107 pp in 2020. Patria Bank felt an impact amounting to RON 4.6 Million, considering the structure of the loan portfolio, which is mainly in RON with variable interest.**

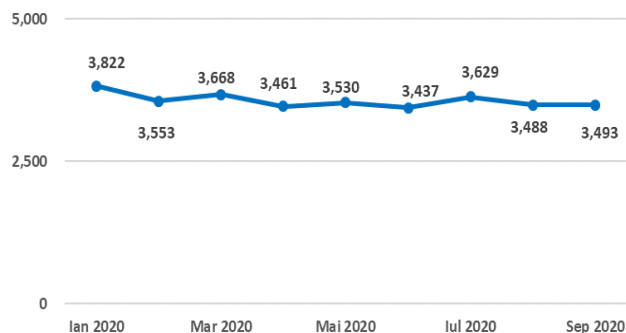
The *monthly* evolution of *net* income broken down on business segments is presented below:



Net interest, net fees and FX income - Segment Micro [RON 000]



Net interest, net fees and FX income - Segment Retail [RON 000]



**Operationally**, the Bank continued the processes of optimization, development of remote interaction processes with customers and digitization, considering the objectives set in the 2020 Business plan and Budget. The main investments in the Bank's development activity with impact on the Business area are the following:

- **Internet & Mobile Banking Platform**, with new functionalities for corporate clients, in line with the European standards in the field of personal data security and which responds to the new PSDII payment directive; Inclusion of additional facilities for Payments Packages and Standing Orders
- **Transactional Packages for individuals (Patria Star, Patria Pensionar, Patria Avantaj and Patria Premium)** - review and launch of current account packages adapted to market conditions in order to attract new customers who want to run their income through Patria Bank accounts and obtain additional benefits by purchasing these packages (e.g. reduction of overdraft margin, cash back for debit card transactions etc.).
- **OVERDRAFT relaunch** - improving this product for competitiveness on the market in terms of functionality including salary collection into Patria Bank accounts
- **Credit products with real estate guarantee: Multiple Destination and Fixed Interest Loan for 5 years** - extension of loan products from the Bank's portfolio in order to increase profitability, improve portfolio performance and maintain market competitiveness
- **e-Seizures** - as a result of the collaboration between ANAF and ARB, a general protocol and an individual framework convention were drawn up following which the relationship between the Bank and ANAF will take place in a digital framework in for seizure management.

## 2.3 Financial Results

a) The Bank's financial position at the September 30, 2020 compared with September 30, 2019 and respectively with December 31, 2019 is as follows:



FINANCIAL POSITION STATEMENT							
- RON Thousand-							
ASSETS	30.sept.20	31.dec.19	sep.20/ dec.19 (abs.)	sep.20/ dec.19 (%)	30.sept.19	sept-20/ sept-19 (abs.)	sept-20/ sept-19 (%)
Cash and cash equivalents	309,973	428,495	(118,522)	(28%)	410,809	(100,836)	(25%)
Loans and advances to banks	7,869	5,683	2,186	38%	6,306	1,563	25%
Securities	813,593	817,143	(3,550)	(0%)	778,246	35,347	5%
Investment in subsidiaries	33,322	30,469	2,853	9%	30,469	2,853	9%
Loans and advances to customers, net	1,786,713	1,588,274	198,439	12%	1,626,871	159,842	10%
Other assets	315,849	323,747	(7,898)	(2%)	345,383	(29,534)	(9%)
<b>Total ASSETS</b>	<b>3,267,319</b>	<b>3,193,811</b>	<b>73,508</b>	<b>2%</b>	<b>3,198,084</b>	<b>69,235</b>	<b>2%</b>
LIABILITIES	30.sept.20	31.dec.19	sep.20/ dec.19 (abs.)	sep.20/ dec.19 (%)	30.sept.19	sept-20/ sept-19 (abs.)	sept-20/ sept-19 (%)
Due to banks & REPO	47,794	18,627	29,167	157%	16,147	31,647	196%
Due to customers	2,766,176	2,733,713	32,463	1%	2,735,852	30,324	1%
Borrowings and other liabilities (including subordinated debt)	111,100	107,940	3,160	3%	112,998	(1,898)	(2%)
<b>Total Liabilities</b>	<b>2,925,070</b>	<b>2,860,280</b>	<b>64,790</b>	<b>2%</b>	<b>2,864,997</b>	<b>60,073</b>	<b>2%</b>
<b>Total Equity</b>	<b>342,249</b>	<b>333,531</b>	<b>8,718</b>	<b>3%</b>	<b>333,087</b>	<b>9,162</b>	<b>3%</b>
<b>Total LIABILITIES AND EQUITY</b>	<b>3,267,319</b>	<b>3,193,811</b>	<b>73,508</b>	<b>2%</b>	<b>3,198,084</b>	<b>69,235</b>	<b>2%</b>

- RON Thousand-	30.sept.20	31.dec.19	sep.20/ dec.19	30.sept.19	sept-20/ sept-19
<b>Gross loans</b>	<b>1,910,302</b>	<b>1,704,309</b>		<b>1,787,408</b>	
Performing loans	1,689,227	1,495,264	193,963 13%	1,543,154	146,073 9%
Non-performing loans	221,075	209,045	12,030 6%	244,254	(23,179) -9%
<b>Provisions</b>	<b>(123,590)</b>	<b>(116,035)</b>		<b>(160,537)</b>	
Provisions for performing loans	(26,819)	(25,270)	(1,549) 6%	(25,680)	(1,139) 4%
Provisions for non-performing loans	(96,771)	(90,765)	(6,006) 7%	(134,857)	38,086 -28%
<b>Net loans</b>	<b>1,786,713</b>	<b>1,588,274</b>		<b>1,626,871</b>	
Performing net loans	1,662,409	1,469,994	192,415 13%	1,517,474	144,935 10%
Non-performing net loans	124,304	118,279	6,024 5%	109,397	14,907 14%

- **Total Assets amounting to RON 3,267 Million** show an increase (2%) compared to the end of 2019, simultaneously with a change in the Bank's balance sheet structure: increase in net loans of RON +198 Million, +12%, and reduction in liquid assets by RON 119 Million, the liquidity surplus being placed in loans (assets with the best return for the Bank)
- **The loan portfolio (in net value)** registered an increase of 10%, +RON 159 Million, compared to September 2019, and an increase of 12%, RON +198 Million, compared to December 31, 2019; in terms of structure, the performing portfolio (stages 1 + 2) registered an increase of RON 194 Million (+13%) compared to December 2019, while the portfolio of non-performing loans registered a slight increase of RON 12 Million (+6%). The increase is strictly caused by the change in methodology for presenting provisions related to interest calculated for impaired loans (unwinding of interest), which no longer diminishes gross exposure starting with 30.06.2020, affecting comparability with the previous period. Thus, using the same calculation methodology, at 30.09.2020 the non-performing loans are of RON 201 Million (-4% compared to 31.12.2019)
- **Debt due to customers shows a slight increase of RON 32 Million, +1%** coming from the cumulative effect of several elements in the COVID-19 pandemic context.

**At the individual level the capital adequacy ratio** (Total Own Funds Ratio) **is 18.11%**, exceeding the regulatory limit and registering an increase compared to the level of 17.75% recorded at the end of 2019.

**At consolidated level, the capital adequacy ratio** (Total Own Funds Ratio) **is 17.64%**, exceeding the regulatory limit.

The Total Own Funds Ratio both at individual and consolidated levels does not incorporate the profits obtained by the Bank and by the Patria Bank S.A. Group, as it is not audited, a mandatory condition for its incorporation in Own Funds. Thus, the consolidation of the Total Own Funds Ratio will be performed at the end of the year by including the profits obtained by the Bank and by the Group.

On September 30, 2020, the Bank successfully closed a private placement for the sale of subordinated, unsecured and non-convertible bonds amounting to EUR 8,187,000. The National Bank of Romania communicated on October 26, 2020 its prior approval regarding the inclusion of the bonds in the Tier 2 capital of the Bank.

**b) Income Statement (individual level): The main elements compared to the same period of last year, are as follows:**

<b>FINANCIAL PERFORMANCE STATEMENT</b> <i>-RON Thousand -</i>	<b>9 months up to 30.sept.20</b>	<b>9 months up to 30.sept.19</b>	<b>Δ 2020/ 2019 (abs.)</b>	<b>Δ 2020/ 2019 (%)</b>
Net interest income	77,525	86,497	(8,972)	(10%)
Net fees and commissions income	17,663	20,461	(2,798)	(14%)
Net gains from financial activity & other income	17,792	23,341	(5,549)	(24%)
<b>Net banking income</b>	<b>112,980</b>	<b>130,299</b>	<b>(17,319)</b>	<b>(13%)</b>
Staff costs	(44,013)	(49,124)	5,111	(10%)
Depreciation and amortization	(17,596)	(17,424)	(172)	1%
Other operating and administrative expenses	(32,822)	(42,180)	9,358	(22%)
<b>Total operating expense</b>	<b>(94,431)</b>	<b>(108,728)</b>	<b>14,297</b>	<b>(13%)</b>
<b>Operating result</b>	<b>18,549</b>	<b>21,571</b>	<b>(3,022)</b>	<b>(14%)</b>
<b>Net impairment of financial assets</b>	<b>(10,538)</b>	<b>(13,118)</b>	<b>2,580</b>	<b>(20%)</b>
<b>Gain / (Loss) before tax</b>	<b>8,011</b>	<b>8,453</b>	<b>(442)</b>	<b>(5%)</b>
Expense from deferred tax	(2,030)	(2,616)	586	(22%)
<b>Gain / (Loss) for the year</b>	<b>5,981</b>	<b>5,837</b>	<b>144</b>	<b>2%</b>

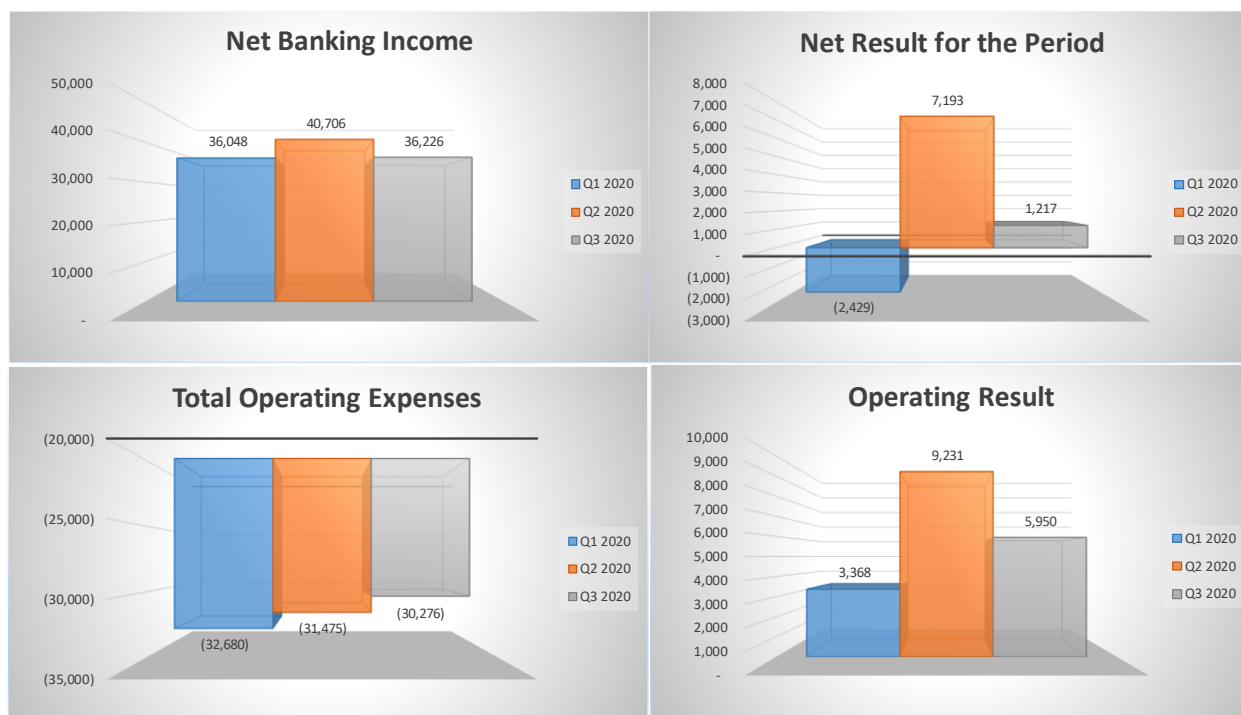
- Net banking income** registered a **13% decrease** compared to the same period of 2019 (RON -17 Million), a negative evolution caused by the COVID-19 pandemic, the evolution of the ROBOR interest index, the decrease of the volume of customer trading during the state of emergency, and the negative impact of marking-to-market of financial assets valued at fair value through the Profit or Loss account. Some of these effects have been mitigated and the third quarter of the year shows positive developments compared with the first quarter, as it will be presented later in this document.

	9 months up to 30.sept.20	9 months up to 30.sept.19	Δ 2020/ 2019 (abs.)	Δ 2020/ 2019 (%)
<b>Interest income</b>	<b>111,252</b>	<b>115,141</b>	<b>(3,889)</b>	<b>(3.4%)</b>
Loans	96,168	101,430	(5,262)	(5.2%)
Debt securities	13,899	12,050	1,849	15.3%
Other interest earning assets	1,186	1,661	(475)	(28.6%)
<b>Interest expenses</b>	<b>(33,728)</b>	<b>(28,644)</b>	<b>(5,084)</b>	<b>17.7%</b>
Due to customers	(30,534)	(26,871)	(3,663)	13.6%
Other interest bearing liabilities	(3,194)	(1,773)	(1,421)	80.2%
<b>Net interest income</b>	<b>77,525</b>	<b>86,497</b>	<b>(8,973)</b>	<b>2.3%</b>

- **Interest income shows a decrease of 3%, or RON –4 Million**, especially in the area of loans where the portfolio is mainly denominated in RON with variable interest, thus being directly and immediately affected by the ROBOR contraction; the negative impact in interest income in the first nine months was RON -5 Million. At the same time, there is an increase in interest income related to debt instruments or +15%, or RON +1.8 Million, which partially offsets the evolution of interest income related to the loan portfolio
- **Interest expense shows an increase of RON 5 Million**, coming from both commercial deposits as well as from the subordinated bonds issued by Patria Bank in order to consolidate its own funds base
- **Operating expenses registered a significant contraction** compared to the same period of 2019 of **-13%, or RON -14 Million**, the Bank taking actions and measures to preserve the profitability of the institution in the COVID-19 pandemic context. An extensive process of cost optimization has been developed to adapt to the new market conditions. The reduction of operational costs was performed on salary expenses as well as on operational and administrative expenses
- **Net Cost of Risk registered an increase of RON 2.6 Million** compared to the same period of 2019 against the background of the effects generated by the COVID-19 pandemic (deferred payments) and the update of parameters used in calculating depreciation adjustments in accordance with IFRS 9
- The Bank registered a **positive operating result** for the first nine months of 2020 amounting to **RON 18.5 Million**, a slight decrease of RON 3 Million compared to the same period of 2019 (the reduction of operational revenues by RON 17 Million was almost completely covered by the contraction of costs by RON 14 Million), and a **net result (profit) of RON 5.98 Million** compared to RON 5.8 Million for the similar period of 2019 (+2%).

The quarterly evolution of the financial results is presented below, showing a positive dynamics on the main elements and a mitigation of effects of the COVID-19 pandemic. However, interest income related to loans granted to customers remains affected considering the significant decrease in the ROBOR interest rate index; this is offset by the positive developments in other income categories and the continuation of actions to reduce operating costs.

FINANCIAL PERFORMANCE STATEMENT	Q1' 2020	Q2' 2020	Q3' 2020	Cumulative 2020	Δ Q3/ Q2 (abs.)	Δ Q3/ Q2 (%)
-Thousand RON-						
Net interest income	26,373	25,413	25,739	77,525	326	1%
Net fees and commissions income	5,720	5,518	6,425	17,663	907	16%
Net gains from financial activity % other income	3,955	9,775	4,062	17,792	(5,713)	(58%)
<b>Net banking income</b>	<b>36,048</b>	<b>40,706</b>	<b>36,226</b>	<b>112,980</b>	<b>(4,480)</b>	<b>(11%)</b>
Staff costs	(15,199)	(14,800)	(14,014)	(44,013)	786	(5%)
Depreciations and amortization	(5,718)	(5,965)	(5,913)	(17,596)	52	(1%)
Other operating and administrative expenses	(11,763)	(10,710)	(10,349)	(32,822)	361	(3%)
<b>Total operating expense</b>	<b>(32,680)</b>	<b>(31,475)</b>	<b>(30,276)</b>	<b>(94,431)</b>	<b>1,199</b>	<b>(4%)</b>
<b>Operating Result</b>	<b>3,368</b>	<b>9,231</b>	<b>5,950</b>	<b>18,549</b>	<b>(3,281)</b>	<b>(36%)</b>
<b>Net impairment of financial assets</b>	<b>(4,962)</b>	<b>(1,863)</b>	<b>(3,713)</b>	<b>(10,538)</b>	<b>(1,850)</b>	<b>99%</b>
<b>Gain / (Loss) before tax</b>	<b>(1,594)</b>	<b>7,368</b>	<b>2,237</b>	<b>8,011</b>	<b>(5,131)</b>	<b>(70%)</b>
Expense from deferred tax	(835)	(175)	(1,020)	(2,030)	(845)	483%
<b>Gain /(Loss) for the year</b>	<b>(2,429)</b>	<b>7,193</b>	<b>1,217</b>	<b>5,981</b>	<b>(5,976)</b>	<b>(83%)</b>



The non-recurring elements and the economic impact of the COVID-19 pandemic on financial results as at 30.09.2020 are summarized in the table below:

Ron Thousand	
Impact of non-recurring elements & COVID-19	sep-20
Income from loan interest	(4,623)
Loans from marking -to-market of the financial assets (COVID-19 impact)	(455)
Other operational and administrative expenses (COVID-19 impact)	(725)
(Expense) with deferred income tax (non-recurring element)	(2,030)
<b>TOTAL IMPACT</b>	<b>(7,833)</b>

The COVID-19 pandemic generated the reduction in fair value of financial assets with a direct impact on the Bank's profitability, caused additional costs with protection and cleaning materials to protect customers and staff, and caused a decrease in interest income due to the evolution of the ROBOR interest index. The main non-recurring element included is the deferred tax expense.

### c) Cash flow changes statement

The changes in cash flows in operating, investment and financial activities, and cash levels at the beginning and the end of the period are presented as below:

Thousand RON	30.09.2020	30.09.2019
<b>Cash at the beginning of the period</b>	<b>428.495</b>	<b>510.747</b>
± Cash flow from operational activities	(130.134)	(437.729)
± Cash flow from investment activities	10.719	308.617
± Cash flow from financing activities	-	23.320
Foreign exchange variations effect	893	5.854
<b>Cash at the end of the period</b>	<b>309.973</b>	<b>410.809</b>

## 2.4 Economic and financial ratios (individual level)

Main ratios		30.sept.20	31.dec.19	30.sept.19
1	Total Own Funds Ratio	18.11%	17.75%	15.87%
2	The potential change of the economic value (EVI/ Own Funds)	6.97%	7%	8%
3	Loans (gross value) / Customer deposits	69%	62%	65%
4	Loans (gross value) / Total assets	58%	53%	56%
5	Liquidity Coverage Ratio (LCR)	206%	422%	383%
6	Liquid assets / Total assets	35%	39%	37%
7	Debt securities and equity instruments / Total assets	25%	26%	24%
8	Return on Assets ratio (RoA)	0.2%	0.2%	0.2%
9	Return on Equity ratio (RoE)	2.4%	1.6%	2.3%
10	Expense/income ratio	84%	84%	83%
11	Non Performing Loans (NPL)*	11.86%	11.93%	12.74%
12	Non Performing Exposures (NPE)*	11.80%	9.86%	10.79%
13	Coverage NPL	46%	40%	50%
14	Coverage NPE**	57%	57%	65%

\* Starting with 30.06.2020, the provisions related to the interests calculated for the depreciated loans (unwinding of interest) no longer diminish the gross exposure, affecting the comparability with the previous periods. The change occurred according to the principles of IFRS 9, being in line with the method of presentation and in the calculation of prudential indicators.

\*\* NPL Coverage (Provision coverage rate for non-performing loans) - interest on impaired loans and fair value adjustments were reclassified from gross exposure to impairment adjustments

### 3. The activity of the Bank's subsidiaries

#### **Patria Credit IFN**

Patria Credit IFN SA, a company authorized by the NBR to carry out lending activities, is a name known on the local and European markets through its longstanding expertise in the field of agricultural microfinance. Patria Credit expanded its loan portfolio balance at the end of the third quarter up to the equivalent of EUR 18.6 Million (up 18.5% compared to September 2019). The volume of new loans granted during the third quarter of 2020 was EUR 3.1 Million, and the cumulative volume of loans granted in the first 9 months of the year was EUR 8.1 Million, increasing by 4% compared to the same period of 2019. The company obtained a net profit of EUR 0.9 Million, **up 29% compared to the same period last year**, despite the unfavorable economic situation caused by the COVID-19 pandemic.

Regarding credit risk, the company has maintained a prudent and appropriate policy for its risk profile. Thus, Patria Credit registered in the first nine months of 2020 an annual cost of risk of 0.19% compared to the budgeted level of 1.25% (calculated as ratio between the level of provision expenses for loans and the average portfolio).

During the third quarter, Patria Credit obtained the approval of the application for the EaSI microfinance guarantee with the European Investment Fund (EIF). The EaSI Guarantee Tool is funded by the EaSI program and is specifically dedicated to microfinance and social entrepreneurship. One of its main objectives is to increase the availability and access to finance for vulnerable groups aiming to launch their own enterprises, micro-enterprises and social enterprises, both in the setting up and development phases. Thus on 01.08.2020 the company launched the financing product with EaSI guarantee through which both small farmers and small rural businesses can access amounts of up to RON 120,000 RON with EaSI guarantee (the value of the credit being thus doubled compared to the standard offer) and with reduced costs.

In view of signing the guarantee contract for EaSI microfinance with the European Investment Fund in the amount of RON 80 Million, the new credit products intended to finance small agro and non-agro businesses with EaSI guarantee were implemented in IT systems, for amounts up to RON 120,000, without guarantees or advance payments and with reduced costs.

In order to increase and diversify the necessary financing sources, the approval of the credit line amounting to RON 9,700,000 from CEC Bank was obtained in September 2020.

Given the pandemic context, Patria Credit IFN started the "IT operational improvement and digitization" project with the Dutch consultant ADVISION FINANCE, materialized in October 2020 in a detailed evaluation report of IT systems including recommendations for solutions for migration to modern applications, this project being 90% co-financed by EFSE DF.

During this period, the process of close cooperation between Patria Bank and Patria Credit IFN continued in order to offer small customers in rural areas specific banking products such as current account packages (including IB and debit card services), term deposits and mortgages.

Until now, the lending activity in Patria Credit IFN has not been affected by the situation created by the COVID-19 pandemic, both installments and disbursements of loans being close to budget objectives set for 2020.



The company continues to finance the rural environment, micro-farms and small rural businesses, meeting their needs with new products and campaigns. In the context of the COVID-19 pandemic, Patria Credit provides support to clients by offering various ways of restructuring current loans for companies facing difficulties, as well as with various channels for accessing financing without a physical presence.

### **SAI Patria Asset Management**

Patria Asset Management, an Investment Management Company authorized by FSA, manages four open-end investment funds: Patria Obligatiuni, a fund specialized in fixed income instruments denominated in RON, Patria Euro Obligatiuni, an EUR denominated fund specialized in fixed income investments, Patria Global, a diversified fund and Patria Stock, an equity-focused fund.

In Q3 2020, Patria Global fund brought investors a positive return of 1.34% and the fund's assets increased by 7.72%, reaching RON 10.8 Million compared to 30.06.2020. Patria Stock fund recorded an increase of NAV by 0.24% and the fund's assets increased by 1.1%, up to RON 3.64 Million.

As for Patria Obligatiuni, it returned 0.61% during 30.06.2020 – 30.09.2020, while the fund's net assets fell by 4.04% to RON 25.2 Million. Patria Euro Obligatiuni recorded a gain of 0.3% in Euro during the 3 months ending on 30.09.2020 while the fund's assets increased by 4.88% up to EUR 1.24 Million.

At the end of September 2020 the total assets managed by Patria Asset Management amounted to RON 40.94 Million, down by 0.47% compared to the level recorded on 30.06.2020.

## **4. COVID-19 measures**

The activity in Q3 2020 continued to be impacted by the context generated by the COVID-19 pandemic, Patria Bank continuing to be close to customers and employees, ensuring preventive measures for optimal activity in units, with support and financing for entrepreneurs and acceleration of digitization projects.

### **2020 forecast including the economic impact generated by the COVID-19 pandemic**

Considering the high degree of uncertainty on the economic crisis caused by the pandemic and the side effects on the population and the business environment, the Bank developed a set of estimates for 2020 in the context of the COVID-19 pandemic in which the Bank tried to quantify the impact of the pandemic, considering the information and developments available at that time. Thus, there was an adjustment of net operating income of -13% compared to the approved budget, amid the decrease in the ROBOR interest rate index, the decrease in credit demand, the marking-to-market of financial assets valued at fair value in Profit or Loss Account, the reduction of the volume of transactions and operations performed by clients, as well as the decrease of the expected revenues from the capitalization strategy of the repossessed assets. In order to compensate for the contraction of net operating revenues, the Bank initiated actions to reduce operational costs, anticipating a contraction of these costs compared to the approved budget of 9%. An increase in the depreciation adjustments of financial assets (net expenses with provisions) of 9% was also estimated. Taking into account the cumulative impact of the above, the Bank estimates that it will close 2020 with a net positive result of RON 6.6 Million, lower

than the approved budget by RON 16.7 Million. This set of revised estimations in the context of the COVID-19 pandemic does not include the potential impact of the prudential regulations or additional requests from the supervisory authority in the health crisis context. At the same time, neither a potential negative impact from the the valuation of repossessed assets, guarantees, goodwill and deferred tax receivables is included. The Bank is in the process of analyzing and quantifying the impact on the financial results for the entire year 2020.

## 5. Other information and statements

During the first nine months of 2020, the Bank's activity was carried out under the conditions of the previously described economic environment, there have been elements (ROBOR evolution) that impacted the evolution of the Bank's revenues.

**Capital expenditures** (01.01.2020-30.09.2020) were made in accordance with the approved Investment Budget.

RON Thousand	
Realizat	Approved Budget
5.936	17.282

**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 and consolidated financial statements** of the bank were prepared in accordance with the International Financial Reporting Standards adopted by the European Union, IAS 34 „Interim Financial Reporting”. The presented data related to the closing of Q3 2020, concern the organization and management of accounting according to the Law No. 82/1991 republished with subsequent modifications and completions, in accordance with 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, with subsequent amendments.

The Bank was not in any situation unable to meet its financial obligations during 2020.

### Description of any change in the rights of the shareholders of the shares issued by the company

During the reporting period there were no changes regarding the rights of the shareholders.

As at September 30, 2020, shareholders whose voting rights are suspended under NBR's Orders held a total of **245,490,909** shares representing **7.88%** of the total number of shares and the total number of voting rights.

### Changes of the share capital

During Q3 2020 the Bank's share capital has not changed.

Patria Bank SA is a company whose shares are traded on the Bucharest Stock Exchange, Premium Category, under PBK ticker symbol.



The structure of the Bank's stock holdings amounting to at least 10% of its share capital at 30.09.2020 was as follows:

Shareholder	No. of shares	Percent (%)
ECAF FINANCIAL SERVICES BV, Amsterdam	2.592.620.715	83,2214
Individuals	452,833,797	14,5357
Legal entities	69,876,063	2,2430
Total	3.115.330.575	100

## Management of the company

As at 30.09.2020 the management of the Bank is provided by:

### a) The Board of Directors:

- Mr. Horia Dragos Manda - chairman
- Mrs. Daniela Elena Iliescu – executive member
- Mr. Bogdan Merfea - member
- Mr. Nicolae Surdu – independent member
- Mr. Vasile Iuga - independent member

### b) The Executive Committee:

- Mrs. Daniela Iliescu - General Manager
- Mr. Grigore Valentin Vancea - Deputy General Manager - Operations and IT Division
- Mr. Stefan Codrut Nicolau - Deputy General Manager - Business Division
- Mr. Codin Radu Nastase - Deputy General Manager - Risk Division until 01.09.2020, the date from which the Board of Directors approved the termination, with the agreement of parties, of the mandate contract, following which the specific responsibilities of the position are to be taken over by Mrs. Daniela Elena Iliescu, General Manager

## 6. Significant transactions

Excepting the affiliated parties transactions mentioned at point 3, there were no other significant contracts concluded by Patria Bank S.A. in 2020 on acquisitions, mergers, divisions etc. or significant transactions with persons with whom they would act concertedly or in which such persons were involved.

## 7. Significant litigations

Information on the litigations concerning the withdrawal of minority shareholders from the company following the merger process is detailed in the Interim Financial Statements on 30 June 2020 in Note 39.

In connection with the appeal filed in by Mr. Ilie Carabulea, as plaintiff, against Patria Bank SA, as defendant, in file no. 22659/3/2018, the object of which being the request that the defendant pay the sum of RON 36,437,587 representing the value of shares for which Mr. Ilie Carabulea has exercised the right of withdrawal, The Court has issued Decision no. 2096/11.07.2019 according to which the request for legal action was dismissed as premature. The plaintiff filed an appeal against the decision of the Bucharest Tribunal, the competent court for resolving the appeal being the Court of Appeal of Bucharest.

By civil decision no. 904 / 23.07.2020 of the Bucharest Court of Appeal, the appeal was rejected as unfounded. The decision of the Court was communicated on November 2, 2020 and can be appealed.

## **8. PBK28E subordinated bond issue**

During September 28 - 30, 2020 the Bank successfully carried out and finalized a private placement for the sale of subordinated, unsecured and non-convertible bonds issued in Euro. The bonds have a maturity of eight years and a nominal value of 500 Euro per bond. The interest rate is fixed and was set by the Bank's Board of Directors at 6.50% per year following the review of subscription orders registered in the offer. Interest is paid semi-annually.

Following the successful closing of the offer, a number of 16,374 bonds with a total value of EUR 8,187,000 were issued and allocated. The bond issue date is October 5, 2020.

After the successful closing of the offer, the Bank is in the process of carrying out the necessary formalities for the admission to trading of the bonds on the regulated market operated by the Bucharest Stock Exchange.

## **9. Subsequent events after 30.09.2020**

### **Changes in Management**

The Bank's Board of Directors approved in its meeting held on 14 October 2020 the appointment of Mr. Suleyman Burak Yildiran as General Manager, member of the Management Committee of Patria Bank S.A., for a 4-year mandate starting with 15 October 2020. In this position Mr. Burak Yildiran will lead the Bank's development strategy for supporting local entrepreneurship and individual clients, as well as enhancing client experience and development of digital processes.

Mr. Burak Yildiran has almost 25 years of experience in financial-banking and technology, out of which almost 20 years spent at Garanti BBVA. During his mandate he was responsible for areas such as client experience, change management, Agile projects, digitalization, transformation, strategic leadership, talent management and business development.

Mr. Burak Yildiran was Deputy General Manager and Operations Manager at Garanti BBVA Romania for six years. Before his appointment at Patria Bank, for the previous two years, he was Chief Operations Officer at TotalSoft, leading the reorganization of the company and its expansion following the takeover by LOGO Group. Mr. Burak Yildiran holds an MBA from WU Executive Academy - Vienna University and a BA in Business Management from Hacettepe University.

The specific responsibilities as General Manager will be exercised by Mr. Suleyman Burak Yildiran starting with the date on which the National Bank of Romania communicates its prior approval.

The termination of Ms. Daniela Elena Iliescu's mandate contract as General Manager, member of the Management Board of Patria Bank S.A., will take place starting with the date on which the National Bank of Romania communicates its prior approval for Mr. Suleyman Burak Yildiran (date from which the responsibilities of General Manager will be exercised by Mr. Suleyman Burak Yildiran).

Mrs. Daniela Iliescu's mandate had as primary objective ensuring the Bank's financial stability, consolidation of capital base and creation of an organizational framework that provides a solid platform for Patria Bank's growth plans.

Furthermore, in its meeting held on October 14, 2020 the Bank's Board of Directors has approved the appointment of Mrs. Daniela Elena Iliescu as Deputy General Manager – Financial and Risk Division, member of the Management Committee, for a 4-year mandate starting on its effective date (namely, the termination date of the General Manager mandate).

Exercise of specific responsibilities by Mrs. Daniela Elena Iliescu as Deputy General Manager – Financial and Risk Division, member of the Management Committee, will start following the termination of the General Manager mandate and following the prior approval by the National Bank of Romania. Consequently, Daniela Iliescu will coordinate the Financial and Risk areas of Patria Bank.

## 10. Annexes

- Interim Individual and Consolidated Financial Statements as at 30.09.2020:
  - Individual and consolidated financial position statement
  - Individual and consolidated financial performance statement and other global result elements
  - Individual and consolidated own funds changes statement
  - Individual and consolidated cash flow statement

**NOTE: The financial statements for the first 9 month of 2020 have not been audited/reviewed by the independent financial auditor.**

**General Manager**

**Daniela-Elena Iliescu**

**Deputy General Manager**

**Codrut Nicolau**

## **CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION**

**Group**

**Bank**

**Patria Bank S.A.** – Bucharest, District 2, Globalworth Plaza Building, Pipera no 42, floors 7, 8 and 10; ORC: J40/9252/2016, C.I.F. RO 11447021, RB-PJR-32-045/15.07.1999. Share Capital social: 311.533.057,50 lei; Patria Bank is registered by the National Supervisory Authority for Personal Data Processing – ANSPDCP – with the notification no. 753. Tel: 0800 410 310 | Fax: +40 372 007 732 | [info@patriabank.ro](mailto:info@patriabank.ro) | [www.patriabank.ro](http://www.patriabank.ro)

Thousand RON	Unaudited (*) 30 September 2020	31 December 2019	Unaudited (*) 30 September 2020	31 December 2019
<b>Assets</b>				
Cash and cash equivalents	314,231	437,958	309,973	428,495
Financial assets measured at fair value through profit or loss	47,004	58,293	20,962	31,046
Financial asset measured at fair value through other items of comprehensive income	473,476	445,338	473,476	445,338
Due from other banks	7,869	5,683	7,869	5,683
Loans and advances to customers	1,861,733	1,653,586	1,786,713	1,588,274
Investments in debt instruments at amortized cost	319,155	340,759	319,155	340,759
Investment property	127,804	130,302	127,804	130,100
Fixed assets held for sale	2,901	7,417	2,901	7,417
Investment in subsidiaries	-	-	33,322	30,469
Other financial assets	12,482	8,270	13,126	8,591
Other assets	11,557	12,322	11,124	11,197
Deferred tax assets	15,438	16,914	15,188	16,800
Intangible assets	43,891	45,763	42,813	44,377
Premises and equipment	105,304	108,589	102,893	105,265
<b>Total assets</b>	<b>3,342,845</b>	<b>3,271,194</b>	<b>3,267,319</b>	<b>3,193,811</b>
<b>Liabilities</b>				
Due to other banks	47,794	18,627	47,794	18,627
Customer deposits	2,761,855	2,728,114	2,766,176	2,733,713
Loans from banks and other financial institutions	47,232	46,772	-	-
Other financial liabilities	85,454	86,455	48,535	47,655
Provisions	8,835	8,724	8,606	8,348
Other liabilities	6,529	5,527	6,021	4,965
Subordinated debts	34,739	34,348	24,739	23,951
Debt securities in issue	23,199	23,021	23,199	23,021
<b>Total liabilities</b>	<b>3,015,637</b>	<b>2,951,588</b>	<b>2,925,070</b>	<b>2,860,280</b>
<b>Equity</b>				
Share capital and equity premiums	315,829	315,829	315,829	315,829
Merger premium	(67,569)	(67,569)	(67,569)	(67,569)
Redeemed own shares	(1,134)	(1,134)	-	-
Accumulated Profits / (Losses)	(14,302)	(24,184)	1,316	(9,595)
Revaluation reserve	51,958	54,238	50,247	52,440
Reserves for general banking risks	15,301	15,301	15,301	15,301
Statutory legal reserve	12,447	12,447	12,447	12,447
Other reserves	14,678	14,678	14,678	14,678
<b>Total equity</b>	<b>327,208</b>	<b>319,606</b>	<b>342,249</b>	<b>333,531</b>
<b>Total liabilities and equity</b>	<b>3,342,845</b>	<b>3,271,194</b>	<b>3,267,319</b>	<b>3,193,811</b>

## CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Thousand RON	Group		Bank	
	Unaudited (*) 30 September 2020	Unaudited (*) 30 September 2019	Unaudited (*) 30 September 2020	Unaudited (*) 30 September 2019
Interest and similar income calculated using the effective interest rate	126,195	128,187	111,252	115,141
Interest and similar expense	(36,869)	(31,146)	(33,727)	(28,643)
<b>Net interest income</b>	<b><u>89,326</u></b>	<b><u>97,041</u></b>	<b><u>77,525</u></b>	<b><u>86,498</u></b>
Fee and commission income	21,164	23,904	20,623	23,222
Fee and commission expense	(3,812)	(3,750)	(2,960)	(2,761)
<b>Net fee and commission income</b>	<b><u>17,352</u></b>	<b><u>20,154</u></b>	<b><u>17,663</u></b>	<b><u>20,461</u></b>
Net gain/(loss) from financial assets measured at fair value through profit or loss	(1,446)	2,431	(1,038)	1,424
Net gain/(loss) from disposal of investment securities at fair value through other comprehensive income	2,832	3,084	2,832	3,084
Net gain/(loss) on derecognition of financial assets measured at amortised cost	(104)	(3,071)	(104)	(3,022)
Net gains/(losses) on investment properties	(809)	(502)	(809)	-
Net gains/(losses) on non-current assets held for sale	438	372	438	351
Other operating income	12,733	14,359	16,473	18,559
<b>Net Operating income</b>	<b><u>120,322</u></b>	<b><u>133,868</u></b>	<b><u>112,980</u></b>	<b><u>127,355</u></b>
Personnel expenses	(47,889)	(52,620)	(44,013)	(49,124)
Administrative and other operating expenses	(34,829)	(46,500)	(32,822)	(42,180)
Depreciation and amortization	(21,885)	(21,040)	(17,596)	(17,424)
<b>Operational result before impairment</b>	<b><u>15,719</u></b>	<b><u>13,708</u></b>	<b><u>18,549</u></b>	<b><u>18,627</u></b>
Impairment	(8,098)	(6,467)	(10,538)	(10,174)
<b>Profit before tax</b>	<b><u>7,621</u></b>	<b><u>7,241</u></b>	<b><u>8,011</u></b>	<b><u>8,453</u></b>
Income tax charge for the year	(2,679)	(3,170)	(2,030)	(2,616)
<b>Net profit for the period</b>	<b><u>4,942</u></b>	<b><u>4,071</u></b>	<b><u>5,981</u></b>	<b><u>5,837</u></b>

**Group**
**Bank**

Thousand RON	Unaudited (*) 30 September 2020	Unaudited (*) 30 September 2019	Unaudited (*) 30 September 2020	Unaudited (*) 30 September 2019
<b>Net profit for the period</b>	<b>4,942</b>	<b>4,071</b>	<b>5,981</b>	<b>5,837</b>
<b>Other elements of the comprehensive income</b>				
<b>Items that may be reclassified to profit and loss:</b>				
Net gains on debt instruments measured at FVOCI, recycled in the profit or loss account	(2,832)	(3,084)	(2,832)	(3,084)
Gains from fair value evaluation of debt instruments measured at FVOCI	5,202	11,790	5,202	11,790
Variation of expected loss related to debt instruments measured at FVOCI	21	(13)	21	(13)
Income tax recorded directly in other comprehensive income	(383)	(1,398)	(383)	(1,398)
<b>Items that may not be reclassified to profit and loss account:</b>				
Changes in revaluation reserve of premises	-	-	-	-
Income tax recorded directly in other comprehensive income, related to the changes of revaluation reserve	167	2,081	167	2,081
<b>Other elements of the comprehensive income, net of tax</b>	<b>2,175</b>	<b>9,376</b>	<b>2,175</b>	<b>9,376</b>
<b>Comprehensive income</b>	<b><u>7,117</u></b>	<b><u>13,447</u></b>	<b><u>8,156</u></b>	<b><u>15,213</u></b>
Profit attributable to:				
-Equity holders of the parent entity	4,942	4,071	5,981	5,837
-Non-controlling interests	-	-	-	-
<b>Profit for the period</b>	<b>4,942</b>	<b>4,071</b>	<b>5,981</b>	<b>5,837</b>
Comprehensive income attributable to:				
-Equity holders of the parent entity	7,117	13,447	8,156	15,213
-Non-controlling interests	-	-	-	-
<b>Comprehensive income</b>	<b><u>7,117</u></b>	<b><u>13,447</u></b>	<b><u>8,156</u></b>	<b><u>15,213</u></b>
<b>Earnings per share (basic and diluted)</b>	<b>0.00159</b>	<b>0.00131</b>	<b>0.00192</b>	<b>0.00187</b>

**CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY**

Group	Share capital and equity premiums	Merger premium	Redeemed own shares	Revaluation reserves for financial assets at FVOCI	Revaluation reserve for premises	Statutory legal reserve	Reserves for general banking risks	Other reserves	Accumulated Profits / (Losses)	Total equity attributable to the parent	Non-controlling interest	Total equity
Thousand RON												
<b>Balance at 1 January 2020</b>	<b>315,829</b>	<b>(67,569)</b>	<b>(1,134)</b>	<b>8,575</b>	<b>45,663</b>	<b>12,447</b>	<b>15,301</b>	<b>14,678</b>	<b>(24,184)</b>	<b>319,606</b>	<b>-</b>	<b>319,606</b>
<b>Comprehensive income</b>												
Profit for the period	-	-	-	-	-	-	-	-	<b>4,942</b>	<b>4,942</b>	-	4,942
<b>Other comprehensive income</b>												
Net loss related to FVOCI debt instruments recycled in profit or loss account	-	-	-	<b>(2,832)</b>	-	-	-	-	-	<b>(2,832)</b>	-	(2,832)
Expected loss related to FVOCI debt instruments	-	-	-	<b>21</b>	-	-	-	-	-	<b>21</b>	-	21
Earnings from the assessment at fair value of debt instruments FVOCI	-	-	-	<b>4,819</b>	-	-	-	-	-	<b>4,819</b>	-	4,819
Changes in the reserve for the revaluation of premises	-	-	-	-	<b>167</b>	-	-	-	-	<b>167</b>	-	167
<b>Total comprehensive income</b>	-	-	-	<b>2,008</b>	<b>167</b>	-	-	-	<b>4,942</b>	<b>7,117</b>	-	<b>7,117</b>
Reserves of revaluation realized	-	-	-	<b>(3,324)</b>	<b>(1,044)</b>	-	-	-	<b>4,930</b>	<b>562</b>	-	562
Other adjustments	-	-	-	-	<b>(87)</b>	-	-	-	<b>10</b>	<b>(77)</b>	-	(77)
<b>Balance at 30 September 2020</b>	<b>315,829</b>	<b>(67,569)</b>	<b>(1,134)</b>	<b>7,259</b>	<b>44,699</b>	<b>12,447</b>	<b>15,301</b>	<b>14,678</b>	<b>(14,302)</b>	<b>327,208</b>	<b>-</b>	<b>327,208</b>

**Group**

Thousand RON	Share capital and equity premiums	Merger premium	Redeemed own shares	Revaluation reserves for financial assets at FVOCI	Revaluation reserve for premises	Statutory legal reserve	Reserves for general banking risks	Other reserves	Accumulated Profits / (Losses)	Total equity attributable to the parent	Non-controlling interest	Total equity
<b>Balance at 1 January 2019</b>	<b>315,829</b>	<b>(67,569)</b>	<b>(1,134)</b>	<b>(2,391)</b>	<b>53,829</b>	<b>11,886</b>	<b>15,301</b>	<b>14,678</b>	<b>(34,565)</b>	<b>305,864</b>	<b>-</b>	<b>305,864</b>
<b>Comprehensive income</b>												
Profit for the period	-	-	-	-	-	-	-	-	3,416	3,416	-	<b>3,416</b>
<b>Other comprehensive income</b>												
Net loss related to FVOCI debt instruments recycled in profit or loss account	-	-	-	(4,275)	-	-	-	-	-	(4,275)	-	<b>(4,275)</b>
Expected loss related to FVOCI debt instruments	-	-	-	(12)	-	-	-	-	-	(12)	-	<b>(12)</b>
Earnings from the assessment at fair value of debt instruments FVOCI	-	-	-	10,293	-	-	-	-	-	10,293	-	<b>10,293</b>
Net profit on FVOCI equity instruments	-	-	-	4,960	-	-	-	-	-	4,960	-	<b>4,960</b>
Changes in the reserve for the revaluation of premises	-	-	-	-	(640)	-	-	-	-	(640)	-	<b>(640)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,966</b>	<b>(640)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,416</b>	<b>13,742</b>	<b>-</b>	<b>13,742</b>
Reserves of revaluation realized	-	-	-	-	(7,526)	-	-	-	7,526	-	-	-
Establishment of legal reserves	-	-	-	-	-	561	-	-	(561)	-	-	-
<b>Balance at 31 December 2019</b>	<b>315,829</b>	<b>(67,569)</b>	<b>(1,134)</b>	<b>8,575</b>	<b>45,663</b>	<b>12,447</b>	<b>15,301</b>	<b>14,678</b>	<b>(24,184)</b>	<b>319,606</b>	<b>-</b>	<b>319,606</b>



**CONSOLIDATED AND SEPARATE  
STATEMENT OF CHANGES IN EQUITY**
**Bank**

Thousand RON	Share capital and equity premiums I	Merger premium	Revaluation reserves for financial assets at FVOCI	Revaluation reserve for premises	Statutory legal reserve	Reserves for general banking risks	Other reserves	Accumulated Profits / (Losses)	Total equity
<b>Balance at 1 January 2020</b>	<b>315,829</b>	<b>(67,569)</b>	<b>8,575</b>	<b>43,865</b>	<b>12,447</b>	<b>15,301</b>	<b>14,678</b>	<b>(9,595)</b>	<b>333,531</b>
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	-	-	5,981	5,981
<b>Other comprehensive income</b>									
Net loss related to FVOCI debt instruments recycled in profit or loss account	-	-	(2,832)	-	-	-	-	-	(2,832)
Expected loss related to FVOCI debt instruments	-	-	21	-	-	-	-	-	21
Earnings from the assessment at fair value of debt instruments FVOCI	-	-	4,819	-	-	-	-	-	4,819
Changes in the reserve for the revaluation of premises	-	-	-	167	-	-	-	-	167
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>2,008</b>	<b>167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,981</b>	<b>8,156</b>
Reserves of revaluation realized	-	-	(3,324)	(1,044)	-	-	-	4,930	562
<b>Balance at 30 September 2020</b>	<b>315,829</b>	<b>(67,569)</b>	<b>7,259</b>	<b>42,988</b>	<b>12,447</b>	<b>15,301</b>	<b>14,678</b>	<b>1,316</b>	<b>342,249</b>

**Bank**

Thousand RON	Share capital and equity premiums	Merger premium	Revaluation reserves for financial assets at FVOCI	Revaluation reserve for premises	Statutory legal reserve	Reserves for general banking risks	Other reserves	Accumulated Profits / (Losses)	Total equity
<b>Balance at 1 January 2019</b>	<b>315,829</b>	<b>(67,569)</b>	<b>(2,391)</b>	<b>52,030</b>	<b>11,886</b>	<b>15,301</b>	<b>14,678</b>	<b>(21,890)</b>	<b>317,874</b>
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	-	-	5,332	5,332
<b>Other comprehensive income</b>									
Net loss related to FVOCI debt instruments recycled in profit or loss account	-	-	(4,275)	-	-	-	-	-	(4,275)
Expected loss related to FVOCI debt instruments	-	-	(12)	-	-	-	-	-	(12)
Earnings from the assessment at fair value of debt instruments FVOCI	-	-	10,293	-	-	-	-	-	10,293
Net profit on FVOCI equity instruments	-	-	4,960	-	-	-	-	-	4,960
Changes in the reserve for the revaluation of premises	-	-	-	(640)	-	-	-	-	(640)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>10,966</b>	<b>(640)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,332</b>	<b>15,657</b>
Reserves of revaluation realized	-	-	-	(7,526)	-	-	-	7,526	-
Establishment of legal reserves	-	-	-	-	561	-	-	(561)	-
<b>Balance at 31 December 2019</b>	<b>315,829</b>	<b>(67,569)</b>	<b>8,575</b>	<b>43,865</b>	<b>12,447</b>	<b>15,301</b>	<b>14,678</b>	<b>(9,595)</b>	<b>333,531</b>

**CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS**

	<b>Group</b>		<b>Bank</b>	
	<b>Unaudited (*)</b>	<b>Unaudited (*)</b>	<b>Unaudited (*)</b>	<b>Unaudited (*)</b>
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Thousand RON</b>				
<b>Cash flows from operating activities</b>				
Interest received	85,266	117,131	75,911	111,903
Interest paid	(37,288)	(27,978)	(33,755)	(25,678)
Fees and commissions received	21,164	23,904	20,623	23,222
Fees and commissions paid	(3,812)	(3,750)	(2,960)	(2,761)
Gain / (Loss) from financial derivatives	(203)	1	(203)	(4)
Net gain from financial instruments and other operating income	13,873	15,853	14,105	15,817
Recoveries from off balance sheet items	3,202	22,927	3,447	22,919
Cash payments to employees	(48,230)	(53,147)	(44,329)	(49,867)
Cash payments to suppliers	(34,719)	(46,153)	(32,712)	(41,740)
<b>Net cash-flow from operating activities before changes in operating assets and liabilities</b>	<u>(747)</u>	<u>48,788</u>	<u>127</u>	<u>53,811</u>
<b>Changes of operating assets</b>				
<i>(Increase)/Decrease of:</i>				
- loans and advances to banks	(2,283)	(304)	(2,291)	(315)
- financial assets measured at fair value through profit or loss	10,399	7,837	9,194	(26,693)
- loans and advances to customers	(185,234)	(117,664)	(183,387)	(118,386)
- other financial assets	(5,428)	8,636	(5,665)	6,560
<b>Total changes of operating assets</b>	<u>(182,546)</u>	<u>(101,495)</u>	<u>(182,149)</u>	<u>(138,834)</u>
<b>Changes of operating liabilities</b>				
<i>Increase/(Decrease) of:</i>				
- due to other banks	29,113	9,097	29,113	9,097
- deposits from customers	22,753	(353,961)	21,480	(351,611)
- other financial liabilities	(624)	(38,483)	1,295	(10,192)
<b>Total changes of operating liabilities</b>	<u>51,242</u>	<u>(383,347)</u>	<u>51,888</u>	<u>(352,706)</u>
<b>Net cash flow used in operating activities</b>	<b><u>(132,051)</u></b>	<b><u>(436,054)</u></b>	<b><u>(130,134)</u></b>	<b><u>(437,729)</u></b>
<b>Cash flows from investing activities</b>				
Acquisition of investment securities at FVOCI	(410,520)	(209,796)	(410,520)	(209,358)
Proceeds from investment securities at FVOCI	401,233	468,252	401,234	474,972
Acquisition of equity instruments	-	-	(4,020)	-
Proceeds from sale of equity instruments	-	-	669	-
Purchase of investments at amortized cost	-	(23,420)	-	(23,420)
Maturities of investments at amortized cost	31,003	61,933	31,003	61,932
Proceeds from dividend	1,734	1,742	5,650	4,532
Sale of investment property and non-current assets held for sale and premises	(484)	12,347	(446)	11,704
Acquisition of tangible and intangible assets	(15,996)	(18,192)	(12,851)	(11,745)
<b>Net cash from investing activities</b>	<b><u>6,970</u></b>	<b><u>292,866</u></b>	<b><u>10,719</u></b>	<b><u>308,617</u></b>

**Cash flows from financing activities**

Withdrawals from loans from other financial institutions	459	2,863	-	-
Subordinated debt	-	10,001	-	-
Issuance of debt securities	-	23,319	-	23,320
<b>Net cash generated from financing activities</b>	<b>459</b>	<b>36,183</b>	<b>-</b>	<b>23,320</b>

**Effect of exchange rate changes on cash and cash equivalents**

	<u>895</u>	<u>5,853</u>	<u>893</u>	<u>5,854</u>
<b>Net (decrease) in cash and cash equivalents</b>	(123,727)	(101,152)	(118,522)	(99,938)
Cash and cash equivalents at 1 January	437,958	517,436	428,495	510,747
<b>Cash and cash equivalents at the end of the period</b>	<b><u>314,231</u></b>	<b><u>416,284</u></b>	<b><u>309,973</u></b>	<b><u>410,809</u></b>