

Annual Report of the Board of Directors of PATRIA BANK SA for year ended 2020



Drawn up according to the NBR Order no. 27/2010, the NBR Order no. 7/2016, the FSA Regulation no. 5/2018, the NBR Regulation no. 5/2013 and the (EU) Regulation No. 575/2013 and includes both the Individual and the Consolidated Report of the Board of Directors, as well as the corporate governance statement and the non-financial statement on environmental, social and personnel issues, respecting human rights and the fight against corruption and bribery.

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 the report takes precedence over this translation

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Financial year: 2020

Report date: 24.03.2021

Company name: Patria Bank SA

Registered office: 42 Pipera Road, Globalworth Plaza, floors 8 and 10, district 2, Bucharest

Tax identification number: RO 11447021

Trade Register number: J40/9252/2016

Phone/fax: 0800 410 310 // +40 372 007 732

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 shares: ordinary, nominative shares, each having a nominal value of RON 0.10

1. Scope of the report

The purpose of this Report is to ensure compliance with the disclosure requirements, to provide an adequate level of transparency to market participants by publishing information on:

- Performance of the company's activities and its financial position;
- The Corporate Governance practices, procedures and structure;
- Policy of the selection and recruitment of the members of management structures, diversity policy, and remuneration policy;
- Impact of the company's activity on environmental, social and human resources issues, fulfilling the human rights and the fight against corruption and bribery.
- The main risks and uncertainties faced by the company, its objectives and policies on risk management, as well as the capital and risk assessment processes, in order to provide a complete picture of the risk profile.

Within this context, the Report offers a thorough overview on the current risk profile as well as on the risk administration process at Patria Bank Group level and covers the following main issues:

- The organizational structure of the risk administration framework
- The structures and responsibilities of the risk administration function
- Remuneration and recruitment practices
- Capital structure
- Capital adequacy
- Risk management systems and procedures
- Risk management for each type of risk
- Undertaken risks (risk management policies and objectives, risk appetite and risk profile)
- Risk mitigation techniques.

The Report incorporates complementary information to the Financial Statements as of 31.12.2020, as well as complementary information on the risk management objectives and policies at the Bank level. The complementary information covers mainly the following areas of interest:

- Structures and policies about the activity's management framework, including objectives, organizational structure, activity management framework, management body's structure and organization, including meetings attendance, as well as the Bank's incentives and remuneration structure;
- The set-up of the business strategy and risk management strategy (including the involvement of the management body) and predictable risk factors;
- The committees established at Bank level, their responsibilities and competence;
- Internal control framework and organizational structure of the control functions and its main responsibilities, the way in which their performance is monitored by the management body and any other significant planned changes for these functions;
- The strategies and administration processes applicable in case of these risks;
- The structure and the set-up of the relevant risk management function, including information on the authority and statute or other relevant organizational issues;
- The coverage area and the type of reporting and risk measurement systems;
- Risk coverage and mitigation policies, as well as strategies and processes to monitor the continuity of the effectiveness of risk hedging and mitigating elements;
- The global risk profile associated with the business strategy, including the key risk rates and data to provide a comprehensive overview of how the institution's risk profile interacts with the risk tolerance set by the management body.

2. Disclosure requirements

This Report of the Board of Directors meets the disclosure requirements set by:

- Law no. 24/2017 on issuers of financial instruments and market operations;
- Financial Supervision Authority (FSA) Regulation no. 5/2018 on issuers of financial instruments and market operations;
- Order of the National Bank of Romania (NBR) no. 27/2010 for the approval of the Accounting Regulations in compliance with the International Financial Reporting Standards, applicable to credit institutions, with subsequent modifications and amendments (including the Order of the NBR no. 7/2016);
- The provisions of the NBR Regulation no. 5/2013 on prudential requirements for credit institutions and Part 8 of Regulation no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending EU Regulation no. 648/2012, hereinafter referred to as CRR.

The information in this report is also presented in accordance with the guidelines and regulations published separately by the European Banking Authority (EBA), fulfilling the following requirements:

- The general information on publishing requirements: EBA/GL/2016/11 Guideline on disclosing requirements under Part-8 of (EUR) Regulation No. 575/2013.
- For the disclosure requirements regarding the information about the own funds: Implementing Regulation No. (EU) 1423/2013 on the disclosure requirements of information on own funds for institutions.
- For the disclosure requirements regarding the information about the leverage effect: Implementing Regulation No. 200/2016 on the disclosure requirements of information on the leverage effect for institutions.
- For the disclosure requirements related to the information on the pledged assets: EBA/GL/2014/03 Guideline on the disclosure of information on pledged and non-encumbered assets as well as the Delegated Regulation (EU) No. 2295/2017 on regulatory technical standards for the publication of bundled and unencumbered assets.
- For the disclosure requirements related to the information on the liquidity coverage indicator: EBA/GL/2017/01 Guideline on the disclosure of the liquidity coverage indicator (LCR) to supplement the liquidity risk management information required by Article 435 of the CRR.
- For the disclosure requirements related to the information about the remuneration policy: EBA/GL/2015/22 Guideline on robust remuneration policies pursuant to Article 74 (3) and Article 75 (2) of Directive 2013/36/EU and disclosure of information according to the Article 450 of Regulation (EU) No. 575/2013.
- For the disclosure requirements on materiality, ownership, confidentiality and frequency of reporting: EBA/GL/2014/14 Guideline on significance, property and confidentiality, and the frequency of reporting under Articles 432 (1), 432 (2) and 433 of Regulation (EU) No. 575/2013 and the NBR instructions of 28 October 2015 on materiality, ownership, confidentiality and frequency of reporting under Articles 432 (1), 432 (2) and 433 of Regulation (EU) 575/2013.

The Bank has adopted a formal procedure to comply with the disclosure requirements of the CRR and has policies to assess the adequacy of the published information, including their verification and frequency. The Bank also has policies to assess whether the published information provides market participants with a full picture of their risk profile. The Bank's transparency procedure formalizes the treatment of information deemed to be below the significance threshold (immaterial), property or confidential. The Bank does not consider the information required to be published in this report as immaterial, proprietary or confidential.

This report is published annually in Romanian and English, while specific information is published at a higher frequency (quarterly or semi-annually). The Bank chose the internet as a means of publishing this report. It is available on the Bank's website (<https://www.patriabank.com/about-patria/investors/results-and-reports/financial-reports>). Some of the information requested by CRR is presented in the Consolidated and Individual Financial Statements of Patria Bank SA as at 31.12.2020, this report referring to them.

The coordination of the preparation of the report is the responsibility of the Capital Markets and Investor Relations Division and the review of the completeness and compliance with the applicable regulations is the responsibility of the Compliance Division through the General Compliance Department, which requires verification of the legal requirements for publishing the categories and flows of information published in this report.

3. About the Company and the Group

Description of main activity

Patria Bank SA (hereinafter referred to as "the Bank", "the merged Bank" or "PBK") is a joint stock company, being managed under unitary system, authorized as a credit institution for carrying out banking activities on Romanian territory, according to Emergency Ordinance of Government (EOG) no. 99/2006 on credit institutions and capital adequacy.

The Bank's registered office is located on 42 Pipera Road, Globalworth Plaza, 8th and 10th floors, Sector 2, Bucharest. The Bank offers banking services and other financial services to individuals and legal entities, having a market share based on assets below 1%. These include: opening of accounts and deposits, internal and external payments, foreign exchange operations, financing for current activity, medium-term financing, issuing letters of guarantee, letters of credit.

Date of establishment

Patria Bank S.A. is the result of the merger by absorption between i) the former Banca Comerciala Carpatica S.A., as an absorbing entity, with fiscal code 11447021, registered with the Trade Registry under no. J40 / 9252/2016 and ii) former Patria Bank S.A. (ex Nextebank), as an absorbed entity, having fiscal code 4786360 and registered with the Trade Registry under no. J23 / 2563/2016, process that took place on 01.05.2017.

With the implementation of the merger, the absorbing company, Banca Comerciala Carpatica S.A., changed its name to Patria Bank S.A. and from 2017 changed its stock exchange symbol from 'BCC' to 'PBK'.

Significant mergers or reorganisations of the Bank, its subsidiaries or controlled companies, during 2020

Not applicable.

Shareholder's structure

As at 31.12.2020 the share capital of Patria Bank SA amounts to LEI 311,533,057.50, consisting of 3,155,330,575 ordinary nominative shares, dematerialized, each having a nominal value of LEI 0.1 / share.

Patria Bank S.A. – Bucharest, District 2, Globalworth Plaza Building, Pipera no 42, floors 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 | www.patriabank.ro

As at 31.12.2020, the bank is 83.2214% owned by EAAF FINANCIAL SERVICES BV ("EAAF"), a limited liability company registered in accordance with Dutch law, based in Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands. EAAF FINANCIAL SERVICES BV is 100% owned by the EMERGING EUROPE ACCESSION FUND COOPERATIEF U.A., a cooperative with the exclusion of liability, set up in accordance with the Dutch legal framework, based in Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands. The EAAF Investment Fund is the third private equity fund whose investment consultant is Axxess Capital Partners and brings together as major investors important international financial institutions (multilateral development banks) such as:

- EBRD – European Bank for Reconstruction and Development
- EIF – European Investment Fund, part of European Investment Bank Group (EIB)
- BSTDB – Black Sea Trade and Development Bank
- DEG - Development Bank part of KFW Banking Group

Non-voting rights shareholders

Non-voting rights shareholder information as of 31.12.2020:

Shareholder name	No. of shares	Nominal value of shares (RON)	% of held shares
Ilie Carabulea	245.490.909	24.549.090,90	7,88

The Group Patria Bank SA belongs to

As at 31.12.2020 the Patria Bank SA Group includes:

- **Patria Bank SA**, a credit institution authorized to perform banking activities on Romanian territory;
- **Patria Credit IFN SA**, a non-bank financial institution authorized by the NBR to perform lending activities on Romanian territory, registered in the General Register of Non-Banking Financial Institutions held by the NBR, specialized in rural lending and microfinance; is a company under the control of Patria Bank SA by taking over the share held by former Patria Bank SA of 99.99% of the share capital and the voting rights.
- **SAI Patria Asset Management SA** and the four investment funds controlled by it - FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni, FDI Euro Obligatiuni authorized by the Financial Supervisory Authority of Romania (FSA) for the management of investment funds and it is 99.99% under the control of Patria Bank SA.

As at 31.12.2020, the Bank includes the following company, currently under insolvency procedure:

- **Carpatica Invest SA (former SSIF Carpatica Invest SA)**, a company under the control of Patria Bank SA, in proportion of 95.68% of the share capital and voting rights, currently undergoing judicial liquidation, being

represented by judicial liquidator Premier Insolv SRL, and which has the quality of defendant in the criminal case no. 19883/3/2017 */a1 pending before the Bucharest Tribunal, criminal section II.

Until 8.05.2020, the Bank has also owned and consolidated the below mentioned company, which went through a process of voluntary liquidation:

- **Imobiliar Invest SRL**, company undergoing voluntary liquidation; it was a company under the control of Patria Bank SA, in a proportion of 100% of the share capital and voting rights. By decision 51397/21.07.2014, Banca Comerciala Carpatica SA, as sole shareholder of IMOBILIAR INVEST SRL, decided the early dissolution of the company followed by voluntary liquidation of the company, process completed on 8.05.2020, the company being deleted from the Trade Registry.

Description of acquisitions and / or asset transfers

The gross value of investments in tangible and intangible assets made during the year 2020 amounted to RON 7 million, out of which RON 2.5 Million represents IT applications.

Also, during 2020, the annual Inventory was carried out, following which a number of 22,234 items were proposed for scrapping, out of which 2,488 items represent fixed assets and 19,746 inventory objects.

During 2020, only one real estate property was sold (Alba Iulia), the operational unit operating in this location being relocated to a rented space. Also, 12 properties from the category of investments and those intended for sale were sold, their book value being RON 19 Million, the impact on the Profit and Loss account of the Bank was a gain of RON 0.5 million.

The main results of the activity assessment

The external auditor of the Bank, KPMG Audit SRL, performed the audit of the individual and consolidated financial statements for the financial year ended 31 December 2020.

The audit opinion expresses the fact that the individual and consolidated financial statements give a true and fair view of the Group consolidated financial position, respectively of the unconsolidated financial position of the Bank as at 31.12.2020, as well as of its consolidated and unconsolidated financial performance and of its consolidated and unconsolidated cash flows for the financial year ended at this date, in accordance with the International Financial Reporting Standards adopted by the European Union.

In short, the most important economic and financial ratios as at 31.12.2020 are as follows (RON Thousand):

Financial ratios evolution individual level	31.12.2020	31.12.2019
Total assets (Thousand RON)	3,430,008	3,193,811
Turnover (Thousand RON)	202,896	211,223
Net Result (Thousand RON)	2,797	5,332

Market share by assets	0.61%	0.64%
Capital Adequacy Ratio	21.60%	17.75%
Liquidity Coverage Ratio LCR)	206%	422%
RoA	0.1%	0.2%
RoE	0.8%	1.6%
Loans (gross value) / Attracted Deposits	66%	62%
Liquid Assets / Total Assets	38%	39%

Financial ratios evolution consolidated level	31.12.2020	31.12.2019
Total assets (Thousand RON)	3,513,823	3,271,194
Turnover (Thousand RON)	220,340	224,722
Net Result (Thousand RON)	2,891	3,416
Capital Adequacy Ratio	21.14%	16.91%
Liquidity Coverage Ratio LCR)	205%	420%
RoA	0.1%	0.2%
RoE	0.9%	1.6%
Loans (gross value) / Attracted Deposits	69%	65%
Liquid Assets / Total Assets	38%	39%

Assessment of the technical level

As of 31.12.2020 Patria Bank SA operates through its own network of 45 branches, distributed throughout Romania. The bank also operates through the two operational centers in Sibiu and Targu Mures.

At the end of 2020, the Bank owned 23 ATMs in operation, 46 Euronet ATMs in the Patria Bank's locations, 12 Euronet ATM's in strategic locations and 1,070 installed POS.

Description of main customer segments, products and/or services provided, operations and activities carried out

The products and services provided by the Bank focus both on the retail and the corporate segment, integrating technology to streamline customer access to performing financial services and continues to be a solid and trustworthy partner for small and medium-sized Romanian companies, contributing to the development of local entrepreneurship environment.

The commercial strategy of the Bank aims at consolidating and differentiating through the microfinance, SME&Corporate and Agro segments and providing products addressed to the retail segment by expanding lending to new environments and products (mortgage loans) and also by maintaining a solid and trustworthy relationship with depositors, the key objectives being financial performance and profitability in the years to come.

Patria Bank aims to:

- diversify products and improve banking services through a faster response to changes in society, by adopting and implementing tools and methods that can help the organization become more efficient for both internal and external customers.
- develop and implement alternative / digital remote service flows and channels for customers, both in the lending area and in the non-lending area (individuals and legal entities), amid the increased appetite of consumers who will work mainly from home and who will choose to work with banks that offer such services (without the need for physical presence in an agency)

To this end, the Bank addresses the following customer segments:

a) Retail segment

- The bank serves the retail segment, taking into account the active base of clients but also by attracting new clients.
- Retail lending (individuals) will be a moderate growth engine in the coming period, given that retail supply has improved significantly over previous pre-merger years and developments planned for the next years are particularly strong in the products area, credit risk control, and customer service area.
- For the following period the directions of action in the retail area will be:
 - Re-positioning on the market -the target marked is primarily focused on employees and retirees from medium and large cities
 - The credit marked with increased focus on the secured credit area (ex: Launch of real estate loan with fixed interest for the first 5 years; the possibility to choose from a wider range of destinations, in the case of Real Estate Investment Loan - both implemented in 2020), as well as on the unsecured ones, including revolving (e.g.: Overdraft relaunch in 2020)
 - Strengthening customer portfolio and increasing cross-selling with increased focus on wage / pension collection (following the launch in 2020 of packages of banking products and services for individuals)
 - Quality of service (implementation of quality standards of service and merchandising, improvement of response time, simplification of documentation, automation of notifications / information sent to customers, automatic sending of documents by email to the customer, setting up deposits by phone call requests)
 - Technology: Internet Banking, Mobile Banking, Online platform for individual customer enrollment, purchase of various bank products and services and online updating of customer data, online and video credit solutions, self-service solutions in the area of cash and non-cash operations
 - In the technology area, attention will be directed towards increasing the use of Internet Banking & Mobile Banking services to the detriment of classic channels, in particular the attention being directed towards increasing the adoption and use of the Mobile Banking service. Also, the possibility of performing standing order payment operations for all Internet & Mobile Banking platforms was integrated, thus facilitating the possibility of convenient scheduling of payments ordered by

customers, thus contributing to the completion of the level of functionalities towards a complete digital trading platform.

- Simple products, mobility and the development of co-marketing and lead generation partnerships. (e.g.: Possibility of granting loans (PLUS and Credit for real estate investments) coming from Leads and Brokers)

b) Micro segment

- In this segment **economic entities with agriculture, production, services as field of activity** are included, such as: commercial companies (limited liability company and joint stock company), agriculture companies (Sagri), authorized natural persons (PFA), family associations (AF), family enterprises (IF), individual enterprises (II), individual agricultural producers (PAI).
- This business segment has been preserved and developed in 2020, confirming very good and consistent results over the last 10 years (2010-2020), in terms of excellent profitability and low credit risk in relation to the portfolio of loans. The micro segment recorded a good and constant level of non-performing loans, in the context of a performance of the portfolio higher than the average market level on this segment.
- This type of customer segment, as well as the dedicated sales force, along with the developed credit technology, represent a key segment for the Bank.
- In the area of technology and remote access for operations, in the area of services offered to the Micro segment, the Bank is constantly concerned with integrating upgrades of the Internet Banking platform for Legal Entities and it is constantly welcoming customers by implementing solutions meant to streamline the interaction between the client and the bank depending on the specifics of their own activity
- The process of consolidating the Internet Banking platform is continuous, by integrating new functionalities that offer customers speed and efficiency in utilisation (bulk signing of transactions with a single signature code, upgraded functionality of salary payments), solutions that aim to increase the degree of use, efficiency and satisfaction among customers
- Furthermore, in the next period, one of the major objectives in the digital area for corporate clients and implicitly customers of the Micro segment is to sustainably maintain the series of improvements of the platform and to provide a new channel of interaction with the bank, by implementing the mobile banking service, a service that aims to complement the Internet Banking solution and to offer full mobility and easy permanent access to the products owned by the Bank.

c)

d) Agro segment

- It addresses **economic entities with agriculture as field of activity**, such as: commercial companies (limited liability company and joint stock company), agriculture companies (Sagri), authorized natural persons (PFA), family associations (AF), family enterprises (IF), individual enterprises (II), individual agricultural producers (PAI).

- This business segment provides credit facilities for:
 - the acquisition of specific goods (vehicles, equipment, machinery etc.) used in the agricultural activity, as well as
 - specific real estate investments (agricultural land, acquisition of buildings / farms, construction / renovation of buildings / farms etc.), used for the purpose of carrying out agricultural activity, acquisition of agricultural land etc.
 - refinancing investment loans from other financial institutions or refinancing investments made from own sources
 - other investments specific to the agricultural activity
 - financing current working capital, acquisition of inputs from Bank's Agro partners suppliers
 - components of UE/national funds projects that are not regulated through "Umbrella" product sheet
- This business segment developed continuously, through partnerships with the main players in the industry, using rapid flows that can easily target such clients in the locations with the traditional presence of the bank and also in areas where the market penetration is desirable in an active way.
- In the area of technology and remote access for carrying out operations, in the area of services offered to the Agro segment, the Bank considers in particular the increase of the usage degree through the Internet Banking channel. Furthermore, in the next period, one of the major objectives in the digital area for corporate clients and especially for customers of the Agro segment is to sustainably maintain the series of improvements to the platform and to provide a new channel of interaction with the bank, by implementing the mobile banking service, a service that aims to complement the Internet Banking solution and to offer full mobility and easy permanent access to the products owned by the Bank.

e) *SME and Corporate segment*

- The Bank has focused on the significant development of the SME and Corporate customer base. This business segment addresses SME, Mid Market, Corporate, Public /Local administration and Financial Institutions aiming to offer customized products personalised on business model
- In the area of technology and remote access for performing operations and access to products, in the area of services offered to the SME & Corporate segments, the Bank is constantly concerned with the integration of upgrades to the Internet Banking platform used mainly by these categories of customers and meets the customers needs by implementing solutions designed to streamline the interaction between the customer and the bank depending on the specific of the activity

Therefore, in the Bank's 2020 offer, the following **categories of products and services** were included:

- Credit products
- Savings products
- Complete transactional services (outgoing payments, incoming payments, foreign exchange etc.)
- Cards and additional services (SMS alert)

- Alternative distribution channels (Internet and Mobile Banking)
- Online services related to card products through Online PBK Platform.

A. The main types of credit products for legal entities:

- working capital credit line
- VAT financing credit line
- general expenses /mixed destination loans (for Micro and Agro segment)
- investment loans
- general expenses loans
- “Umbrella” loan for financing European Funds projects
- loans with local guarantee schemes (e.g. FNGCIMM, FGCR, EXIM etc.) or with an international guarantee (e.g. EaSI with a guarantee issued by the European Investment Fund and the European Commission)
- bank guarantee letter
- internal factoring with appeal

B. The main types of credit products for individuals:

- consumer loan without real estate guarantee:
 - PLUS loan with/without life insurance included, with variable or fixed interest
- Mortgage loans:
 - Real estate acquisition loan
 - Consumer loan with real estate mortgage
 - Consumer loan with real estate mortgage, intended exclusively for refinancing
- Consumer loan guaranteed with collateral deposit: ECONOM consumer loan
- Revolving credit facilities: Overdraft

C. The main savings products for individuals:

- term deposits with different maturities (Clasic, Plus, Senior Plus)
- mixed saving product which includes term deposit and Patria INVEST investment fund unit funds

D. The main savings products for legal entities:

- term deposits
- overnight deposits
- mixed savings product that includes term deposit and Patria INVEST investment fund unit funds

E. Transactional purpose products for individuals and legal entities:

- Packages of banking products and services for individuals (Patria Start, Patria Senior, Patria Avantaj, Patria Premium)
- Packages of banking products and services for legal entities, Micro and Agro segments
- Customized operational offers for SME & Corporate segment
- Current account
- Other special purpose accounts
- Debit cards
- POSs (legal entities), including “Bank at the market” Program

F. Service type products

- Internet&Mobile Banking
- Patria SMS Alert

As far as saving products are concerned, the Bank continued to offer traditional products: saving accounts for legal entities, term and sight deposits etc. in a mix of products, currencies and lines of activity that have given the Bank a funding position correlated with the asset structure of the balance sheet.

Excepting the credit products that are offered to customers through both Bank’s own distribution network as well as alternative channels consisting of lead providers, the rest of the financial products are offered to customers through the Bank's branch network. The Bank developed a wide network of partners, providers of *leads*, using inclusive the online platforms.

Assesment of the competitive environment in the financial-banking sector

Patria Bank SA operates in a competitive environment in which banks have developed and adapted their offers according to market requirements, the impact of exogenous factors on the real economy, as well as the ever-increasing pressure of competition on the financial and banking market. Thus, the evolution of the banking system has resulted in the development and diversification of banking products and services, in speeding up and diversification of settlement instruments, but also in increasing the degree of technology.

Assesment of any significant dependence on a single customer or on a group of customers whose loss would have a negative impact on the issuer's income

Not applicable.

Assesment of the technical - material supply

This issue is not significant for the Bank.

Assesment of the selling activity

As detailed in Chapter 6.

Assesment of the Bank's employees /human resources issues

As detailed in Chapter 5.

Assesment of issues related to the impact of the core activity on the environment

As detailed in Chapter 10.

Assesment of the research and development activity

The research activity is not significant for the Bank.

In terms of operations, during 2020 the Bank continued the processes of optimization, development of processes for remote interaction with customers and digitization, taking into account the objectives set in the 2020 Business Plan and Budget. The main priorities and investments in the development and projects of the Bank, with impact on the commercial area were:

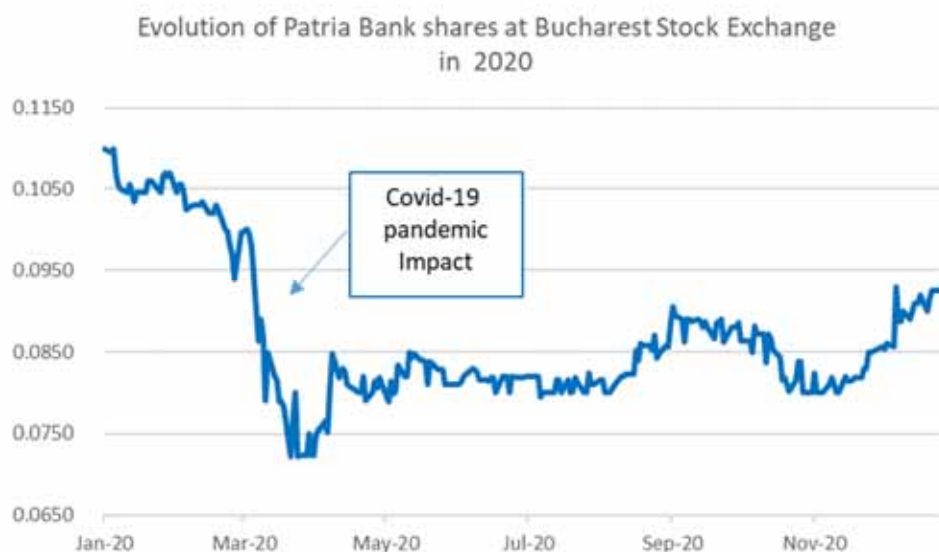
- New functionalities related to the Internet Banking platform for legal entities: payments through packages, scheduled payments and optimization of the salary module. The facilities provided in the platform support users for much easier access to Bulk and payroll payments
- Accelerated continuation of digitization projects: biometric card payment authentication, instant payment, Online Onboarding, Online Customer Lending, Multi Functional Machines Program (endowment of territorial units with multifunctional machines and arrangement of self-service areas within the units what will be included in the program)
- Continuation of the technology project of the traditional commercial spaces, such as the project "POS at the Market" which involved the installation of POS terminals in 7 other agri-food markets in 2020 (in total being present with the service of accepting cards in 12 markets from Romania). The number of transactions increased by over 350% and the volumes traded through POS terminals in the agri-food markets increased more than 3 times in 2020 compared to the similar period of 2019, year in which this program was launched (exceeding RON 1.6 million).
- Optimizing flows and adjusting transactional packages and credit products to customer needs, in order to attract new customers, improve portfolio performance and maintain market competitiveness:
 - o Transactional packages for individuals (Patria Star, Patria Pensionar, Patria Avantaj and Patria Premium)
 - o Relaunch of the Overdraft product and credit products with real estate guarantee: Multiple Destinations and the 5 Years Fixed Interest Credit
- Optimization of credit management flows and processes by implementing a Credit Documentation Archiving Module

- Business leads system received from the Bank's partners for improvement of the Bank's credit flows
- Implementation of the national IMM INVEST Program - development of specific operational flows regarding the accommodation of IMM Invest guarantees, credit withdrawals and monitoring of credit applications
- The Guarantee Module for an efficient process of management and administration of real and movable guarantees.

The market of the securities issued by the Bank

PBK Shares

The Bank's shares are listed in the Premium category of the Bucharest Stock Exchange and are traded under "PBK" symbol. As at December 30, 2020, last trading day of the year, the closing price for PBK share was RON 0.0926 / share. The share price registered a decrease of 15.4% at the end of 2020 compared to the end of 2019, mainly due to a sharp decrease of approximately 20% recorded in March 2020 at the beginning of the Covid-19 pandemic, a decrease that affected all international and local stock exchange markets. The market capitalization of Patria Bank at the end of 2020 was RON 288.48 million.



Source: BSE

As at 31.12.2020, the Bank does not hold own shares. There were no operations to modify the share capital value in 2020.

Each share gives equal rights, any share conferring the right to vote in the Bank's General Shareholders Meeting, the right to elect and to be elected in the Bank's governing bodies, the right to participate in the distribution of profits (the right to dividends), as well as other rights (such as right of preference, right to information, right of

withdrawal etc.), as described in the General Meeting of Shareholders ("AGA") procedures, published on the Bank's website under the section <https://www.patriabank.ro/d/616>, but also in the Corporate Governance Code of the Bank published on the Bank's website under the section <https://en.patriabank.ro/d/967/cod-de-guvernanta-corporativa-octombrie-2018.pdf>

Regarding the right to secure ownership registration and confirmation mechanisms on the shares issued by the Bank, the Bank's shareholders' register is held by an independent company - the Central Depository, authorized and supervised by the Financial Supervision Authority to ensure transparency of operations, proper development of activity and investor protection.

Dividends

Dividends may only be distributed if the company records profit as reported in the annual financial statements approved by the Ordinary General Shareholders' Meeting. The Bank has published information on the principles and rules for dividends under the section <https://www.patriabank.ro/d/615/politica-de-dividende.pdf>.

PBK28E subordinated bonds

In 2020 Patria Bank successfully placed a second unsecured, non-convertible, subordinated bond offering in total amount of EUR 8,187,000 for strengthening the Bank capital base. The bonds were issued in EUR and sold through a private placement on the capital market. The bonds have an 8-year maturity since the issue date (October 5, 2020) and an interest rate of 6.50% / year (fixed, in EUR), payable semi-annually.

The nominal value per bond is EUR 500 and the total number of bonds issued is 16,374. The sale offer was successfully completed in only three days, during September 28 - 30, 2020.

The bond issue was listed on the regulated market managed by the Bucharest Stock Exchange, based on a prospectus for admission to trading approved by the Financial Supervision Authority. The bonds started trading with the ticker PBK28E on December 15, 2020.

This is the second issue of subordinated bonds placed by Patria Bank on the capital market, after the 2019 issue amounting to 5,000,000 Euros which is traded on the Bucharest Stock Exchange with the ticker PBK27E.

4. Corporate Governance

Corporate Governance is the set of principles underlying the management and control framework of the Bank's and the Group's business. Patria Bank SA applies the provisions of the Corporate Governance Code made available to interested parties on the Bank's website under the section <https://en.patriabank.ro/about-patria-bank/investors/corporate-governance/corporate-governance-code-and-reports> drafted in accordance with the principles of the Corporate Governance Code of the Bucharest Stock Exchange (BSE) and reports annually the

compliance with its provisions. The Statement of Compliance with the Principles of the Corporate Governance Code of the BSE on 31.12.2020 is presented in Appendix 1 to this report.

Patria Bank SA is managed in a one-tier management system, observing the objectives of corporate governance, the transparency of relevant corporate information, the protection of the interests of various categories of participants and the principles of an efficient functioning on the banking market.

4.1 Corporate Governance structures

The General Shareholders Meeting (GSM) is the Bank's highest decision-making body that establishes economic and commercial policy and decides on its activity. The Bank has established rules and procedures regarding the General Meeting of Shareholders available on the Bank's website under the section <https://en.patriabank.ro/about-patria-bank/investors/annual-general-meetings/agm-rules-and-procedures>, which seeks to ensure the fair treatment of shareholders, facilitate and encourage the participation of shareholders in the proceedings of GSM meetings and their dialogue with the management and executive bodies, as well as the exercise of their rights, in compliance with the legal provisions specific to the capital market and issuers.

The general meetings are ordinary and extraordinary. The Ordinary General Meeting meets at least once a year, within 4 months after the end of the financial year, and the Extraordinary General Meeting meets as often as necessary.

During 2020, the Board of Directors convened 4 General Meetings of Shareholders (3 Ordinary General Meetings on 10.04.2020, 29.04.2020 and respectively on 08.12.2020 and an Extraordinary General Meeting on 10.04.2020). The convening was made at least 30 days before the scheduled date, in compliance with the legal provisions on advertising and notification of the FSA - the Financial Instruments and Investments Sector and the Bucharest Stock Exchange (BSE).

The Bank provides shareholders with all relevant information regarding the General Meetings of Shareholders and the decisions adopted, both through the media (Official Gazette, national spread newspaper) and in the special section opened on its website under the section <https://en.patriabank.ro/about-patria-bank/investors/annual-general-meetings>. Shareholders may personally participate in the General Meeting's works, through a representative or vote by correspondence, the forms of proxy and voting by correspondence being made available to shareholders in the above-mentioned section. The procedures for conducting GSM works are available to shareholders and other interested parties on the Bank's website at <https://en.patriabank.ro/about-patria-bank/investors/annual-general-meetings/agm-rules-and-procedures>. In the General Meetings of Shareholders, the dialogue between shareholders and members of the Board of Directors and / or executive management is permitted and encouraged. Each shareholder may ask the management questions about the bank's activity.

In accordance with the size, nature and complexity of the Bank's business and observing corporate governance objectives, the Bank's **Management Body** is represented by the **Board of Directors** and the **Executive Committee**.

On 31.12.2020, the Board of Directors consisted of five members appointed by the General Shareholders Meeting for a four-year term, with the possibility to be re-elected for subsequent four-year mandates. The Board of Directors delegates the operational management and the coordination of the Bank's day-to-day business to several managers, appointing a General Manager, the rest being Deputy General Managers, these forming the Executive Committee. On 31.12.2020, the Executive Committee was made up of 4 members (of which 3 members exercise their responsibilities as managers and members of the Board of Directors, being approved by the NBR, in accordance with the provisions of GEO no. 99/2006 on credit institutions and capital adequacy) and one member is in the process of prior approval by to the NBR.

The management body of the bank (the Board of Directors and the Executive Committee) performs its activity on the basis of rules of organization and functioning regulated by the Articles of Incorporation, through the Regulations for the organization and functioning of each, as well as by the Regulation for the organization and functioning of the Bank. The management body promotes high ethical and professional standards and a solid culture of internal control.

The Board of Directors

The management body with supervisory function is the Board of Directors, consisting of 5 members appointed by the ordinary general shareholders meeting and approved by the NBR. Two members of the Board of Directors are independent.

The Board of Directors oversees and is responsible for implementing an activity management framework to ensure effective and prudent management of the Bank, including the separation of responsibilities within the Bank and the prevention of conflicts of interest. The organization and functioning is performed on the basis of the Constitutive Act, the applicable laws and its own regulation of organization and functioning.

There are no agreements, understandings or family relationships between administrators and other persons due to which members of the Board of Directors to be appointed administrators.

Board of Directors as at 31.12.2020

Name	Position held in the BoD	Approved by	Mandate term
Dragos Horia Manda	Chairman	GSM Decision from 02.04.2016 Prior NBR approval (April 2016) respectively NBR prior approval of the merger (November 2016) A new 4 years mandate, approved by OGSM Decision	4 years, 26.04.2016 - 26.04.2020; 4 years, 26.04.2020-26.04.2024
Daniela Elena Iliescu	Non-executive member until 01.04.2019, Executive member starting with 01.04.2019 (1 mandate in the merged bank)		4 years, 26.04.2016 - 26.04.2020, 4 years 26.04.2020 -26.04.2024

Bogdan Merfea	Executive member during 30.04.2017 - 01.04.2019, Non-executive member during 26.04.2016 – 30.04.2017 and starting with 01.04.2019 up to now	from 10.04.2020, starting with 26.04.2020	4 years, 26.04.2016 – 26.04.2020; 4 years, 26.04.2020 – 26.04.2024
Nicolae Surdu	Independent member (1 mandate in the merged bank)	GSM Decision from 27.04.2017 Prior NBR approval of the merger (November 2016) GSM Decision from 02.05.2019 (independent member)	4 years, 01.05.2017 - 27.04.2021
Vasile Iuga	Independent member (1 mandate in the merged bank)	GSM Decision from 27.04.2017 GSM Decision from 28.07.2017 Prior NBR approval (December 2017)	4 years, 06.12.2017 - 27.04.2021

As at 31.12.2020 there are no vacant positions within the Board of Directors.

Information on the directors

Dragos Horia Manda

Chairman of the Board of Directors

Member of the Risk Management Committee, starting with 01.04.2019

Mr. Manda graduated the Bucharest University, Faculty of Physics, with a doctorate in mathematics from the University – VII of Paris France (1993), an MBA (summa cum laude) through the Romanian-Canadian MBA Program (McGill, Quebec University - Montreal, Academy of Economic Studies of Bucharest, 1996) and an M.Sc. in theoretical Physics from University of Bucharest (1984).

With an experience of more than 25 years in private equity investments in South-East Europe, he has built a successful career in the management and administration, as Chairman or Manager of the Board of Directors, of many companies from the investment funds' portfolio such as RAEF, BAAF and EEAF, with a special emphasis on the financial services sector.

Throughout his career, Mr. Manda personally supervised capital investments of more than EUR 200 Million, with successful projects in various industries such as financial services, IT, retail, energy and production.

Mr. Manda is Director and General Manager of Axxess Capital Partners S.A. and Chairman of the Investment Committee of EEAF.

Also, he has filled positions such as: Chairman of the Board of Directors of former Patria Bank SA (July 2014 -April 2017), Chairman (non-executive) of the Board of Directors of Patria Credit IFN S.A. (2008 – December 2015), Chairman (non-executive) of the Board of Directors of Emerging Europe Leasing and Finance (EELF) B.V., holding incorporated by BAF, specialised in leasing activity, holding majority package of shares in the companies: BM Leasing Bulgaria, Total Leasing Moldova and Landeslease Albania (2006 – June 2014).

Also, he filled positions such as investment officer (1996-1997), vice-president and senior investment officer (1997 – 2002) and prime vice-president and investment manager (2002 – present) within RAEF, non-executive member in the Board of Directors of Banca Romaneasca (1999-2003), non-executive chairman of the Board of Directors of Motoractive S.A. (leasing) (2003-2006), non-executive chairman of the Board of Directors of Domenia Credit S.A. (mortgage loan) (2003-2006).

Between 1986 and 1996 he acted as a researcher in several institutes, such as: the Institute of Mathematics of the Romanian Academy, the National Center of Scientific Research - Paris, the Institute of Atomic Physics of Bucharest.

Relatively permanent engagements and obligations, including executive and non-executive positions in the board of certain companies and non-profit institutions on 31.12.2020 (entities in operation):

Name	Position in the Bank	Company	Position in the company
Dragos Horia Manda	Chairman of the Board of Directors	Axxess Capital Partners SA	General Manager and Director
		BitDefender BV	Director
		One United Properties SA	Chairman of the BoD
		Patria Bank SA	Chairman of the BoD
		Seacorn LLP	Managing Partner
		South-Eastern Europe Capital Partner	Managing Partner

Daniela Elena Iliescu

Member of the Board of Directors

General Manager starting with 01.04.2019

Member of the Audit Committee until 01.04.2019

Member of the Risk Management Committee until 01.04.2019

Mrs Iliescu graduated the Academy of Economic Studies of Bucharest, she is a certified member of ACCA, of the Romanian Chamber of Auditors and of the Romanian Organization of Accountants and graduated the Executive MBA courses of the University of Economics of Wien and of the Business & Carlson Business School - USA.

Mrs Iliescu has been a member of the Board of Directors of former Patria Bank SA (2014 – April 2017) and member of the Board of Directors of Patria Credit IFN (February – June 2009, December 2009 – December 2015 and April 2018 – up to now) having a vast experience in finance (financial management, reporting and budgeting) for important institutions such as EAAF and BAF, being very actively involved in monitoring the funds' investments in the financial services sector, the most relevant being the investments in Patria Bank and Patria Credit.

At the same time, she has been working with Axxess Capital Partners S.A., filling positions such as Chief Financial Officer (2013-2019) and senior project manager (2007-2013).

During the period 2000-2007 she worked at PWC Romania, where she was responsible with coordinating the audit and financial consulting services for important customers from the banking sector, leasing, credit companies and asset management companies.

Relatively permanent engagements and obligations, including executive and non-executive positions in the board of companies and non-profit institutions on 31.12.2020 (entities in operation):

Name	Position in the Bank	Company	Position in the Company
Daniela Elena Iliescu	Director and General Manager	Axxess Capital Partners SA	Partner
		Patria Bank SA	Director and General Manager
		Patria Credit IFN SA	Director
		SAI Patria Asset Management SA	Director

Bogdan Merfea

Member of the Board of Directors starting with May 2016 (independent member of the Board of Directors starting with April 2019)

Member of the Audit Committee starting with 01.04.2019

Mr. Merfea graduated the Transilvania University of Brasov – Faculty of Machine Manufacturing Technology, he is a doctor of Mechanic Engineering and has a master of Business Management, also attending to courses at the prestigious school INSEAD, IMD Laussane, Harvard, Wharton University.

Being trained as an engineer, Mr. Merfea has academic experience, having worked as a university professor, lecturer and head of works, assistant professor and researcher in the Machine Manufacturing Technology department between 1984 and 1999.

He created and coordinated the Foundation for the Promotion of Small and Medium Enterprises, Brasov and as Executive Manager between November 1994 - March 1999 he coordinated regional development projects, training programs dedicated to SMEs, he coordinated consulting activities dedicated to micro companies in collaboration with USAID.

Starting with April 1999, he began his banking activity as manager of the branch of Demir Bank in Brasov, until 2001. Between November 2001 and June 2008, Mr. Merfea filled various management positions within Raiffeisen Bank Romania. Also, Mr. Merfea filled management positions such as the Executive Chairman of Raiffeisen Bank Kosovo and Raiffeisen Leasing Kosovo SA between 2008 and 2009, as well as the position of Sales and Distribution Executive Manager - Retail Division of Raiffeisen Bank between April 2006 - 2008 and Branch Network Management Executive Manager between 2005 and 2006. Also, in 2008, Mr. Merfea was a member of the Board of Directors of Raiffeisen Leasing Romania and between 2007 and 2008 he was a member of the Board of Directors of Raiffeisen Asset Management Romania.

Mr. Merfea has a vast experience in the micro-financing activity, filling management positions such as that of General Manager (between 2009 and 2015) and that of member of the Board of Directors (January 2021 – December 2015) and Chairman of the Board of Directors (January 2016 up to now) of Patria Credit IFN SA. Also, between June 2013 and June 2016, Mr. Merfea has been a member of the Board of Directors of European Microfinance Network.

Mr. Bogdan Merfea has been a member of the Board of Directors of former Patria Bank SA and he is currently member of the Board of Directors of Patria Bank SA (May 2016 up to now) and was General Manager of Patria Bank SA (May 2017 -April 2019). Currently, Mr. Merfea is Executive Manager of Roma Entrepreneurship Development Initiative Luxembourg (position held since September 2020).

Relatively permanent engagements and obligations, including executive and non-executive positions in the board of companies and non-profit institutions on 31.12.2020 (entities in operation):

Name	Position in the Bank	Company	Position in the Company
Bogdan Merfea	Director	Merfea Advising SRL	Director
		Patria Bank SA	Director
		Patria Credit IFN	Chairman of BoD
		Roma Entrepreneurship Initiative Luxembourg	Executive Director
		Social Finance Association Romania	Chairman
		European Microfinance Association	Research Committee

Nicolae Surdu

Independent Member of the Board of Directors

Chairman of the Risk Management Committee

Member of the Audit Committee

Mr. Surdu is an experienced banker with over 20 years of experience in the Romanian banking sector, having an exposure in a number of international and local banks and having expertise both in general banking management and in reorganization, restructuring and organizational recovery (former Banca Comerciala Carpatica and former Tiriack Bank), as well as start-up banks, Corporate Banking, SME & Retail Banking, risk management.

Mr. Surdu held the position of member of the Board of Directors of the former Patria Bank SA (2014 - April 2017), since May 2017 member of the Board of Directors of Patria Bank SA and during 2009 - 2012 Mr. Surdu held the position of General Manager and Directorate Chairman of the former Banca Comerciala Carpatica. In 2009, Mr. Surdu was managing partner at First Capital Consulting Partners, and during 2007-2009 he held the position of General Director at Fortis Bank Romania. In the period 2004-2007, Mr. Surdu was vice-president of former Finansbank Romania and between 2001 - 2004 he held the position of Corporate and SME operations Manager at Tiriack Bank. In 2000, Mr. Surdu was Deputy General Manager of Piraeus Bank Romania, in 1998-1999 he was Deputy General Manager at Pater Banca de Credit and between 1996-1998 he held the position of Credit Manager at the

same institution. Between 1993 - 1996 Mr. Surdu has worked at the Banca Comerciala Romana SA. Mr. Surdu is a graduate of the Faculty of Commerce at ASE Bucharest, holding an MBA - Indiana Wesleyan University, USA.

Relatively permanent engagements and obligations, including executive and non-executive positions in the board of companies and non-profit institutions on 31.12.2020 (entities in operation):

Name	Position in the Bank	Company	Position in the Company
Nicolae Surdu	Director	Patria Bank SA	Director

Vasile Iuga

Independent member of the Board of Directors

Chairman of the Audit Committee

Member of the Risk Management Committee

Since 1991, Mr. Iuga joined PriceWaterhouseCoopers Romania (PwC), becoming a partner in 1997, and between 2004 and 2015 he was Country Managing Partner for Romania, leading more than 600 employees in five regional offices. Between 2008 and 2016, he was PwC Managing Partner for South East Europe, coordinating the company's activity in eleven countries and between 2004 and 2016 he was member of Executive Committees of PwC for Central and Eastern Europe. Mr. Iuga was for several years the Vice President of the American Chamber of Commerce in Romania (AMCHAM).

Financial auditor and consultant, with over 30 years experience in the field, Mr. Iuga is a member of several professional organizations: the Association of Chartered Certified Accountants (ACCA) in UK as Fellow, the Chamber of Financial Auditors of Romania (CAFR), as financial auditor, the National Association of Evaluators in Romania (ANEVAR), as an accredited member; He was also a member of the CAFR Council and CSPAAS.

Financial auditor authorized by NBR and FSA (for banks, insurance companies and listed companies), financial consultant with a complex experience of over 30 years in the field of implementation of international financial reporting standards of financial audit, Mr. Iuga has participated in various business appraisal and restructuring projects in takeovers, mergers, business acquisitions, privatizations and strategic consultancy.

In the field of Capital Markets, Mr. Iuga was a partner on the audit of the Bucharest Stock Exchange and contributed to the improvement of the legislation in the field of capital market, coordinated the evaluation team of Fondul Proprietatea participations, led audit and consulting projects for pension funds, including for the Supervisory Commission of the Private Pension System and coordinated the restructuring project of FSA.

In the banking field, he was the local coordinator of the operational audit project of the National Bank of Romania, he coordinated the local teams in the Asset Quality Review projects for BCR and Volksbank, he participated and led the audit of BCR, ABN AMRO, CEC Bank, BCIT, Banca Transilvania, ING, Citibank, BRD, Alpha Bank, Bancpost, Piraeus Bank, Eximbank, Emporiki, Daewoo Bank, Dexia Bank, San Paolo IMI, Italo-Romana Bank, Demirbank, Marfin Bank, ATE Bank, Procredit, Fortis, Moldova-Agroindbank, Credisson BNP etc., coordinated a wide range of diagnostic analysis missions within banking companies, coordinated projects for the establishment, transformation and

authorization of new banks such as the merger between Garanti and GE Money and was a member of the coordination team of the projects for the sale of non-performing loan packages in Romania (BCR, Volksbank).

In the insurance field, Mr. Iuga was an audit partner for Vienna Insurance Group (Asirom, OmniaSig), BCR Asigurari, Groupama (Asiban, BT Asigurari, OTP Garancia), AIG Life Romania, AIG Romania, Allianz-Tiriac Asigurari, EFG Eurolife, Ardaf, Generali Asigurari, KD Life etc., coordinated the Balance Sheet Review project initiated by FSA-EIOPIA for two insurance companies in Romania and led consulting projects in takeovers, mergers and acquisitions, financial and fiscal diagnosis analysis and evaluation missions in the insurance sector. He also led the project for the authorization of the Societe Generale Romanian branch in the insurance field.

Mr. Iuga is also Professor Honoris Causa - a distinction awarded by Babes-Bolyai University in Cluj-Napoca at the proposal of the Faculty of Business.

Mr. Iuga is a graduate of the Faculty of Aeronautics of the Polytechnic Institute of Bucharest. He graduated from Harvard Business School, London Business School, Institut Européen d'Administration des Affaires/Institute of Business Administration (INSEAD, Fontainebleau, Paris) and the International Institute for Management Development (IMD, Lausanne).

Currently, Mr. Iuga is a member of the Audit Committee of the European Investment Bank, independent member of the Board of Directors of Patria Bank, independent member of the Board of Directors of Alro SA and independent member of the Board of Directors of MAS REI Isle of Man.

Relatively permanent engagements and obligations, including executive and non-executive positions in the board of companies and non-profit institutions on 31.12.2020 (entities in operation):

Name	Position in the Bank	Company	Position in the Company
Vasile Iuga	Director	Alro SA	Director
		Aspen Institute Romania	Treasurer
		European Investment Bank	Member of the audit committee
		MAS REI Isle of Man	Director
		Patria Bank SA	Director

The activity of the Board of Directors

Duties and responsibilities of the Board of Directors

The main responsibilities of the Board of Directors, including those that cannot be delegated to the members of the executive management, are laid down by the law, the Constitutive Act, the Rules of Organization and Functioning of the Bank, and by the Regulation for the Organization and Functioning of the Board of Directors. In cases permitted by law, the General Meeting of Shareholders may delegate other attributions to the Board of Directors.

The Board of Directors has as main responsibilities the establishment of the Bank's main business and development directions, the establishment of accounting policies and the financial control system, as well as the approval of financial planning, the appointment and dismissal of directors and their remuneration, the supervision of directors' activity, the organization of the general shareholders meeting and the implementation of its decisions and the establishment of the reference date for the shareholders entitled to participate and vote in the general shareholders meeting, the attributions received by the Board of Directors from the Bank's General Shareholders Meeting, the representation of the Bank in relation to the directors, other attributions and responsibilities established by legal provisions and which cannot be delegated to directors, establishment of advisory committees.

Board of Directors meetings

The Board of Directors shall meet regularly at least once every 3 months at the request of the Chairman of the Board of Directors at the motivated request of at least two members of the Board of Directors or the General Manager.

The convocations for the meetings of the Board of Directors in 2020 included the venue where the meeting was held, the date and the draft agenda. The meetings of the Board were usually held through modern means of communication, in order to streamline the decision-making process, but also considering the constraints caused by the SARS-Cov-2 pandemic (Teams platform, teleconference, e-mail, operative meetings with electronic voting).

At each meeting a minute was drawn up, which included the names of the participants, the order of the deliberations, the discussions, the decisions taken, the number of votes, the abstentions and the separate opinions.

During 2020, the Board of Directors met in 51 meetings and 333 decisions were adopted, the decisions of the Council being taken, mainly, with unanimity of votes. At the Board meetings, members of the Executive Committee as well as representatives of the structures within the Bank participated as guests.

Thus, the presence of the Board members at its meetings was the following:

- Mr. Dragos Horia Manda - 51 sessions
- Ms. Daniela Iliescu - 51 sessions
- Mr. Bogdan Merfea - 50 sessions
- Mr. Nicolae Surdu - 51 Sessions
- Mr. Vasile Iuga - 51 sessions

The members of the Board of Directors have continuously pursued the continuity of the Bank's activity, implementing the measures ordered by the NBR and monitoring the implementation of the decisions of the Executive Committee.

The Board of Directors approved in 2020 changes to the Bank's risk management policies and strategies, conflict of interest policy, customer awareness policy and the prevention and combating of money laundering and terrorist

financing and embargo management of the Patria Bank Group and specific procedures for conducting the valuation process related to internal capital adequacy to risks.

The Board of Directors approved the periodical (monthly, quarterly, semi-annual) financial reports for 2020 and was informed with regards to the Risk Administration Reports (quarterly).

In terms of its approval powers, in 2020 the Board of Directors approved the sale of certain properties taken over by the Bank on the account of the claims receivables for certain clients administered in the workout area and approved the selling of certain fixed assets owned by the bank.

The Board of Directors did not receive from its members any information regarding their relations with shareholders holding directly or indirectly shares representing more than 5% of the voting rights, reports that could alter the members' position on matters decided by the Board of Directors.

The advisory committees of the Board of Directors

In order to develop and maintain good practices in managing the activity, the Board of Directors has constituted two committees that will assist in the fulfilment of its attributions. The structure, organization and functioning rules and powers of these committees are defined in their own organization and operation regulations.

a) The Audit Committee

On 31.12.2020, the Audit Committee was made up of three non-executive directors, of which two are independent members, namely:

Name	Position held in the Committee	Period
Vasile Iuga	Chairman (independent)	22.11.2017 – up to now
Bogdan Merfea	Member (non-executiv)	01-04-2019 – up to now
Nicolae Surdu	Member (independent)	22.06.2017 – up to now

The Audit Committee has an advisory role. The Audit Committee is made up of members of the Board of Directors, with the appropriate expertise in the specific tasks assigned to them within the Committee. The Audit Committee meets on a quarterly basis and whenever appropriate, with the role of assisting the Board of Directors in fulfilling its responsibilities for internal control, internal audit, risk management and internal audit. The Audit Committee's responsibilities are presented in the Corporate Governance Code of the Bank, made available to interested parties on the Bank's website under the section: <https://en.patriabank.ro/d/967/cod-de-guvernanta-corporativa-octombrie-2018.pdf>.

The Audit Committee of Patria Bank S.A. is responsible for submitting an activity report to the Board of Directors with annual frequency. In 2020, the Audit Committee met in 15 sessions. Thus, the presence of the member of the Committee to its sessions in 2020 was as follows:

- Mr. Vasile Iuga – 15 sessions
- Mr. Bogdan Merfea – 15 sessions
- Mr. Nicolae Surdu – 15 sessions

The main topics concerned the evaluation of the internal audit activity in general, including the assessment of the organisational independence of the audit, of the internal control system, the review of the internal audit workflow procedure, the internal audit plan and approval, the monitoring of the recommendations status, the presentation of the internal audit reports including the conclusions resulted from the assessment of the independent functions, namely the risk management function and the compliance function, presentation of the purpose and planning of the bank's financial auditor's activity, issues regarding the bank's financial statements, issues regarding reports submitted to NBR.

b) Risk Management Committee

On 31.12.2020, the Risk Management Committee was made up of 3 non-executive directors, out of which two are independent members, namely:

Name	Position held in the Committee	Period
Nicolae Surdu	Chairman (independent)	06.12.2017 – up to now
Horia Manda	Member	01.04.2019 – up to now
Vasile Iuga	Member (Independent)	06.12.2017 – up to now

The Risk Management Committee has an advisory role. The Risk Management Committee is made up of members of the Board of Directors, with the appropriate expertise in the specific tasks assigned to them within the Committee. The Risk Management Committee meets monthly or whenever necessary to assist the Board of Directors with regard to risk appetite and global strategy for managing the current and future risks of the Bank and to assist the Board of Directors in overseeing implementation strategy. The responsibilities of the Risk Management Committee are set out in the Corporate Governance Code of the Bank made available to interested parties on the Bank's website under the section: <https://en.patriabank.ro/d/967/cod-de-guvernanta-corporativa-octombrie-2018.pdf>.

Convocations for meetings of the Risk Management Committee in 2020 covered the meeting place, date and draft agenda. The Committee's sessions were held through modern means of communication (Teams platform,

teleconference, e-mail) considering the pandemic context in which the activity took place in 2020.

At each meeting minutes were drawn up, which included the names of the participants, the order of the deliberations, the discussions, the decisions taken, the number of votes, the abstentions and the separate opinions.

In 2020, the Risk Management Committee met in 17 sessions, each of them was attended by all members of the Committee. A number of 32 decisions were passed, the Committee's decisions being generally taken by unanimity of votes. The members of the Board of Directors, the Executive Committee, as well as representatives of the Bank's Central structures attended the Committee meetings as guests.

Thus, the presence of the members of the Committee at its meetings in 2020 was the following:

- Mr. Nicolae Surdu – 17 meetings
- Mr. Horia Manda – 17 meetings
- Mr. Vasile Iuga – 17 meetings

The main topics discussed were mainly:

- Monthly reports on risk management and other specific reports;
- Risk Management Strategy endorsement;
- Revision of the internal capital adequacy risk assessment process (ICAAP);
- Analysis and endorsement of product records, credit standards for individuals and legal entities;
- Endorse of the remuneration policy, the Credit Policy, the Regulation regarding the approval competencies at the level of the Workout Division;
- Risk management policies;
- Annual reports on compliance/risk activity.

Senior Management Body

The Executive Committee represents the senior management body, ensuring the Bank's operational management. Its competencies and attributions have been regulated by the Articles of Incorporation, by its own Statute and by the Bank's Rules of Organization and Operation.

Thus, on 31.12.2020 the operational management and coordination of the daily activity of the Bank was delegated by the Board of Directors to several managers who together formed the Executive Committee.

There are no agreements, understandings or family relationships between executive managers and other persons due to which members of the Board of Directors to be appointed members of the executive management body.

The Executive Committee consists of

Name	Position held in the Executive Committee	Position in the Bank	Mandate term
Daniela Elena Iliescu	Member, 1 mandate	General Manager	01.04.2019 - up to now
Valentin Grigore Vancea	Member, 1 mandate	Deputy General Manager Operations and IT Division	04.07.2016 - up to now (mandate renewed on 05.07.2020 for a 4 years term)
Codin Radu Nastase	Member, 1 mandate	Deputy General Manager Risk Division	07.01.2019 -01.09.2020
Lucica Cristina Pitulice	Member, 1 mandate	Deputy General Manager Financial Division	16.01.2018 - 06.01.2020
Codrut Stefan Nicolau	Member, 1 mandate	Deputy General Manager Business Division	01.07.2018 - up to now
Suleyman Burak Yildiran	Member, 1 mandate	General Manager (pending NBR approval; Following the approval, Mrs. Daniela Iliescu will take over the position of Deputy General Manager, Financial and Risk Division	15.10.2020* - up tp now

*pending NBR approval, starts to exercise its attributions on the date of NBR prior approval

Information about Executives

Executive management members have relevant experience in the banking sector, as well as extensive technical expertise in the financial services sector, both in credit institutions and non-bank financial institutions, as follows:

Daniela Elena Iliescu

General Manager

Member of Corporate Credit Committee

Member of of Asset and Liability Management Committee

Member of Credit Workout and Recovery Committee

Member of the Assets Recovery Committee

Mrs. Iliescu's professional experience and carrier has been detailed above.

Valentin Grigore Vancea

Deputy General Manager – IT and Operation Division

Member of the Executive Committee

Member of Asset and Liability Management Committee

Chairman of the Committee on Safety and Health at Work

Member of the Assets Recovery Committee

Mr. Vancea graduated from the Faculty of International Economic Relations of the Bucharest Academy of Economic Studies, holding an MBA from City University of Washington in Financial Management. Between 1999 and 2000, Mr

. Vancea was an auditor at KPMG Romania and during the period 2000-2003, he worked in the audit area within HVB Romania. In 2003-2007, Mr. Vancea has held the position of internal audit director at HVB Bank. During this period he coordinated the implementation of the merger projects between HVB Bank Romania S.A. and Banca Comerciala Ion Tiriac S.A, respectively Unicredit Bank. In 2008-2011, Mr. Vancea held the position of Vice President at Volksbank Romania as Chief Operations Officer. Being specialized in Operations, IT and Information Security, he has held leadership positions within ANSSI - National Association for Information Security between 2012 -2017 and the position of Vicepresident of Cloud Security Alliance, Romania Chapter since 2014 and up to now. He also coordinated the business development and strategy segment of Star Storage during 2014-2015, from the Executive Manager position. During 2015-2016, Mr. Vancea served as Executive Manager on Operations and IT, a member of the Executive Committee within former Patria Bank SA and from 04.07.2016 until the date of the merger, he held the position of Executive Director of Banca Comerciala Carpatica SA, leading the Operations and IT area, member of the Board of Directors. After the merger with former Patria Bank SA, Mr. Vancea holds the position of Deputy General Manager within Patria Bank SA, coordinating the operations and IT area.

Relatively permanent engagements and obligations, including executive and non-executive positions in the board of companies and non-profit institutions on 31.12.2020 (entities in operation):

Name	Position in the Bank	Company	Position in the Company
Valentin Grigore Vancea	Deputy General Manager- Operations and IT Division	Cloud Security Alliance Romania Chapter	Vicepresident
		Patria Bank SA	Deputy General Manager Operations and IT Division
		SAI Patria Asset Management	Director

Codin Radu Nastase

Deputy General Manager – Risk Division

Member of the Executive Committee

Chairman of Retail/Corporate Credit Committee

Chairman of Credit Workout and Recovery Committee

Member of Asset and Liability Management Committee

Mr. Nastase has more than 20 years of experience in the banking system, occupying leading positions in the area of financial management and risk management within Citibank, Banca Romaneasca and Bancpost, before joining the Patria Bank team.

Concerned with the continuous improvement and development of managerial skills, Codin graduated the MSE - ASSEBUS program in partnership with Kenesaw State University (Atlanta, USA), completing the training within ASE, where he holds a degree in Finance, Banking and Stock Exchange.

On 1.09.2020, the mandate contract of Mr. Codin Nastase ended with the agreement of the parties.

Relatively permanent engagements and obligations, including executive and non-executive positions in the board of companies and non-profit institutions, since appointment and until 01.09.2020 (entities in operation):

Patria Bank S.A. – Bucharest, District 2, Globalworth Plaza Building, Pipera no 42, floors 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 | www.patriabank.ro

Name	Position in Bank	Company	Position in Company
Codin Radu Nastase	Deputy General Manager Risk Division	Patria Bank SA	Deputy General Manager Risk Division

Lucica Cristina Pitulice

Deputy General Manager - Financial Division (until 06.01.2020)

Member of the Executive Committee

Chairman of the Assets and Liabilities Committee

Having a vast banking, consulting and audit experience, gained in 20 years of experience, Mrs. Pitulice graduated from the Academy of Economic Studies, Faculty of Finance, Banking and Accounting.

Between 1995 and 1998, Mrs. Pitulice worked in the field of financial audit and consultancy within Deloitte Romania, and between 1998 and 1999 held the Financial Controller position at Chase Manhattan Bank Bucharest Branch. Between 2002 and 2011, Mrs. Pitulice served as Financial Manager at RBS Bank Romania (previously ABN Amro Bank), and in the period 1999-2001 worked in the area of compliance and market risk within ABN Amro Bank Romania.

Mrs Pitulice has previously held the position of Executive Manager, Financial Division, Bancpost S.A. (2011-2014), Executive Manager, Financial Division, Banca Romana de Credite si Investitii S.A. (2014), manager consulting - KPMG Romania (2015-2016), Executive Manager - Financial Division and MIS Banca Romaneasca (2016-2017). From 16.01.2018 Mrs. Pitulice holds the position of Deputy General Manager of Patria Bank SA, member of the Executive Committee, leading the financial area, for a four-year term.

On 6.01.2020, the mandate contract of Mrs. Lucica Pitulice ended with the agreement of the parties.

Relatively permanent engagements and obligations, including executive and non-executive positions in the Board of non-profit societies and companies, since appointment and until 6.01.2020 (entities in function):

Name	Position in the Bank	Company	Position in Company
Lucica Cristina Pitulice	Deputy General Manager Financial Division	Patria Bank SA	Deputy General Manager Financial Division

Codrut Stefan Nicolau

Deputy General Manager - Business Division (since 01.07.2018; starts to exercise its attributions on 24.08.2018, when the prior approval of the NBR is obtained)

Member of the Executive Committee

Member of the Corporate Credit Committee

Mr. Nicolau graduated from the Faculty of Economic Studies at Transilvania University of Brasov and is a graduate of the “Young Talents” MBA program at SDA Bocconi University Milan. Mr. Nicolau has a vast banking experience, working within Banca Transilvania – Brasov Branch – credit officer (1999), Unicredit Romania – Brasov Branch – marketing officer (1999-2002), Unicredit Romania – Pitesti Branch, Aviatiei and Magheru Branch – Branch Manager (2002-2005), Unicredit Romania Bucuresti – Corporate Middle Market – Manager (2009-2011), Unicredit Tirioc Bank – Deputy Manager of Corporate Network & Development (2007-2009), Unicredit Tirioc Bank – Corporates Manager, EU Funds & Real Estate (2011-2012), Unicredit Tirioc Bank - Retail Sales Manager (2012-2013), Unicredit Tirioc Bank - Retail Commercial Strategy Manager (2013-2014), Unicredit Tirioc Bank – CEE 2020 strategic consultant (2014). In the period 2015-2016, Mr. Nicolau held the position of Manager of the sales department of SMEs and Micro-enterprises in the former atria Bank and from 2016 until the moment of the merger served as the Director of business relations at the Banca Comerciala Carpatica and after the merger held the position of Manager of Business Division – Legal Entities within Patria Bank. Since 01.07.2018 Mr. Nicolau holds the position of Deputy General Manager of Patria Bank SA, member of the Executive Committee, leading the business area, for a four-year term. Starting with 2016 Mr. Nicolau is member of the Board of Directors of Patria Credit IFN.

Relatively permanent engagement and obligations, including executive and non-executive positions in the Board of companies and non-profit Institutions, on 31.12.2020 (entities in operation):

Name	Position in the Bank	Company	Position
Codrut Stefan Nicolau	Deputy General Manager Business Division	Patria Bank SA	Deputy General Manager Business Division

Suleyman Burak Yildiran – General Manager (pending NBR approval)

In its meeting held on 14 October 2020 the Bank's Board of Directors has approved 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).

Ms. 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 14 October 2020 the Bank's Board of Directors has approved the appointment of Ms. Daniela Elena Iliescu as Deputy General Manager - 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 Ms. Daniela Elena Iliescu as Deputy General Manager - 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.

Executive Committee activity

The Executive Managers are responsible for taking all measures related to the management of the Bank within the limits of the object of activity and respecting the competencies that the law or the constitutive act reserves to the Board of Directors and the General Shareholders Meeting. The managers are invested with powers to act on behalf of the Bank and to represent it in the relations with third parties in the activities they coordinate, in compliance with the legal provisions, the constitutive act and their own statute of organization and functioning.

The meetings of the Executive Committee are held on a weekly basis or whenever the Bank's activity requires it.

The convocations for the meetings of the Executive Committee in 2020 covered the meeting place, the date and the draft agenda. The Committee's sessions were mainly held through modern means of communication, in the context of the SARS Cov2 pandemic (Teams platform, teleconference, e-mail), but also at the social headquarters of the Bank. At each meeting minutes were drawn up, which included the names of the participants and the guests (where applicable), the order of the materials proposed for approval / endorsement / information, the discussions, the decisions taken, the number of votes, the abstentions and the separate opinions (where applicable).

During the year 2020, 125 meetings of the Executive Committee were held and 873 decisions were adopted, the Committee's decisions being taken generally by unanimity of votes. At the meetings of the Executive Committee, besides the members of the Committee the representatives of the Bank's central structures participated as guests.

Thus, the presence of the members of the Committee at its meetings was as follows:

- Mrs. Daniela Iliescu – 125 meetings
- Mr. Valentin Vancea – 124 meetings
- Mr. Codrut Nicolau - 120 meetings
- Mr. Codin Nastase – 78 meetings out of 88 meetings until the date of termination of the mandate contract

The members of the Executive Committee have constantly pursued the continuity of the Bank's business, implementing the measures taken by the NBR and other state institutions.

The main areas of action of the Executive Committee were:

- Endorsed the Organization and Functioning Regulation of Patria Bank SA, the KYC/AML/CFT Regulation. In addition, the Bank's risk management policies and strategies and conflict-of-interest policy were reviewed
- Proposed and implemented measures established to remedy the shortcomings found in the NBR oversight missions, within the internal audit missions or the external auditor's
- Analyzed and closely monitored the financial indicators of the bank, the degree of implementation of the approved budget, as part of a continuous process of cost reduction and efficiency of the Bank's activity.

The Executive Committee has regularly and comprehensively provided the Board of Directors with detailed information on all important aspects of the Bank's activities, including those relating to risk management, potential risk assessment and compliance issues, implemented and recommended measures, irregularities identified in fulfilling its duties.

Any event of major importance is immediately communicated to the Board of Directors.

Committees supporting the Executive Committee

The Committees set up in support of the Executive Committee assist in fulfilling the tasks assigned to its various lines of activity, especially with regard to the Bank's operational activity. These Committees include members of the Executive Committee and representatives of the management of the involved structures. The responsibilities and competencies of each committee are set by its own rules.

a) Asset and Liability Management Committee (ALCO)

The Asset and Liability Management Committee is a permanent committee that assists the Executive Committee in fulfilling its responsibilities for managing the structure of assets and liabilities, the management of liquidity and funding sources in order to ensure the balance of the financial risks assumed by the Bank to meet its goals.

During 2020, the Asset and Liability Management Committee met in 14 sessions. 49 topics were analysed and a total of 14 decisions were taken.

b) Credit Committee

The Bank has a Corporate Credit Committee and a Retail Credit Committee. The Bank's Credit Committees are organized and operate in accordance with the provisions of their own organizational and operational regulations. Credit Committees are permanent committees consisting of 3 members and 1-4 non-voting guests. Through their activity, according to the established responsibilities and competencies, the Credit Committees ensure the implementation of the Bank's Lending Policy, the Credit Committees functioning also through sub-committees whose members and competencies are set in the Lending Policy, Annex II. The Credit Committees support the Board of Directors and Executive Committee in all aspects of credit risk management. The Credit Committees are responsible for operational and methodological tasks. They have a decision-making role and / or make recommendations according to their field of responsibility.

The Credit Committees have the following competencies and responsibilities:

- approve the credit exposures (and related changes) that fall within their competence according to the Rules on the credits approval competences;
- take all other operational and methodological decisions on credit risks, the importance of which does not require a decision at the level of the Executive Committee or of the Board of Directors
- establish the list of credit analysts that will be part of the Credit Sub-Committees.

The Credit Committees meet whenever deemed necessary. The quorum at the Credit Committees sessions is ensured by the presence of at least 2 of their members but the presence of one member from the Risk Area is mandatory. Decisions are taken by unanimity of the votes of the present members. In order to make more substantiated decisions, other specialists from various departments of the Bank may be invited to meetings.

In 2020, the Retail Credit Committee met in 38 sessions. A total of 35 individuals related cases were analysed and 2 proposals for changing the analysts list within the credit sub-committees (CC1/CC2/CC3) and 37 approval decisions and 0 notices were issued. Also one notification was communicated within the Retail Credit Committee.

In 2020, The Corporate Credit Committee met in 106 sessions. A total of 159 legal entities related cases were analysed and 147 approval decisions, 2 rejection decisions, 9 endorsement notices and one notification were issued; out of these, 29 were from the Department of Agro Sales, 15 from the Department of Micro Sales, 111 from the

Department of SME & Corporate Sales, one from the Credit Risk Assessment of Legal Entities Division (monitoring decision) and 3 from the Department of Retail Sales.

c) Credit Restructuring and Workout Committee

The Credit Restructuring and Workout Committee (CRWC) is a committee that has approval powers delegated by the Executive Committee, ensuring an adequate credit portfolio management, including the exposures portfolio managed by the Restructuring and Workout Division, the loan portfolio that require restructuring operations, as well as the portfolio of assets owned by the bank and intended to be sold or being under selling procedures.

The main function of the CRWC consists in analyzing and deciding on (i) the restructuring of loans granted to legal entities proposed and submitted by the Restructuring and Workout Division or the business structures, (ii) the non-performing exposures recovery operations managed by the Restructuring and Workout Division and (iii) proposals for the capitalization of the assets owned by the bank, included in the portfolio managed by the Restructuring and Workout Division.

The Credit Restructuring and Workout Committee meets whenever necessary, at the express request of any member, to discuss issues that are within its competence.

During 2020, the Credit Restructuring and Workout Committee met in physical and online sessions, a total of 89 requests were analysed, 89 decisions were issued out of which 87 decisions were implemented.

d) Other committees:

The Committee on Safety and Health at Work, which operates in accordance with the provisions of Law no. 319/2006 of the Methodological Norms for Law Enforcement, approved by GD no. 1425/2006, as well as of the provisions of its own regulation.

4.2 Recruitment and diversity policy

The appointment and evaluation of the suitability of the members of the management body is based on a rigorously defined process in the "Appointment and succession policy of the members of the management body and of the key persons" and in the "Appraisal policy of the members of the management body and of the persons holding key positions", which answer the provisions of the NBR Regulation no. 5/2013 on prudential requirements for credit institutions (Articles 15 and 16) and the principles of the Corporate Governance Code of the BSE.

The main objective of the selection process is to ensure the right candidates for the vacant positions or to ensure the succession of the existing members. The selection of candidates excludes any discrimination regarding gender, age, ethnicity and any other type of discrimination, in accordance with the legal provisions.

The members of the management body meet the eligibility conditions and criteria necessary for the efficient management of the Bank's activity:

- Have a good reputation and expertise to exercise their responsibilities in accordance with the rules of a prudent and healthy banking practice
- Have professional experience that requires theoretical and practical knowledge appropriate to the nature, size and complexity of the bank's activity and the responsibilities entrusted to it, as well as experience in management positions
- Ensures the conditions of the collective authority of the Management Body for an efficient management and performance of the Bank's activity
- Allocate sufficient time to exercise the responsibilities of the law and the statutory bodies
- Demonstrate involvement and commitment to the exercise of the responsibilities of the law and the statutory bodies.

Candidates for membership in the Board of Directors are nominated by shareholders or existing members of the Board of Directors and may only be natural persons who must have a good reputation, knowledge, skills and experience appropriate to the nature, extent and complexity the Bank's activities and the responsibilities entrusted to it, in order to ensure a prudent and healthy management of the Bank.

The selection of independent directors is subject to compliance with the requirements of Law no. 31/1990 on companies, NBR Regulation no. 5/2013 on prudential requirements for credit institutions (Article 7 paragraph 4) and the Corporate Governance Code of BVB.

The responsibilities are exercised by the members of the Management body subject to the prior approval of the NBR.

In order to encourage independent opinions and criticism, it is intended to ensure a sufficiently diversified structure of the Board of Directors and the Executive Committee in terms of age, gender, education and professional experience. The bank ensures that there is a balance of knowledge, competence, diversity and experience within the management body. Diversity within the Board of Directors and Executive Committee is ensured by the Bank through the selection process in terms of: age, the type of candidates, their studies and their professional experience.

The proposed goals for achieving diversity are as follows:

- selecting people of both genres (female and male);
- selecting people whose higher education covers different areas (financial, management, marketing, technical etc.);
- selecting people whose experience covers different areas of activity (commercial, financial, audit, risk, IT etc.) and different levels of management (the highest level being the previous experience in a position at the management body level in a credit institution).

With regards to 2020, the way in which diversity goals have been achieved is detailed below:

- Both the Board of Directors and the Executive Committee have appointed a female gender person;
- Both the Board of Directors and the Executive Committee have members with various education backgrounds (economics, technical, mathematics etc.);
- Both the Board of Directors and the Executive Committee members have experience in various areas (business, audit, IT, financial, risk);
- Both the Board of Directors and the Executive Committee have more than 3 experienced people at different levels of management (in a management position in a credit institution)

4.3 Assessing the suitability of the members of the management body

The Bank has a policy of assessing the suitability of the management body's members and key personnel by establishing the criteria and processes that the Bank observes in assessing the suitability of the proposed and appointed members of the management body and the persons holding key functions.

The assessment of the suitability of the members of the Board of Directors and the Executive Committee and of the key personnel implies their inclusion in the evaluation criteria set out in the Policy for Assessing the Suitability of the Members of the Management Body and the persons holding key functions and in the Policy on appointment and succession of the members of the management body and of the persons holding key positions and it is made in the following situations:

- prior to the appointment / hiring of the person on the respective position;
- annually or with shorter frequency, if there are requests from authorities in this regard
- whenever necessary, or when events that determine the need for re-evaluation occur, to check the continued suitability of the person.

In 2020, there were no situations of approvals of the National Bank of Romania for new members of the Board of Directors.

4.4 Remuneration of the members of the management body

The Bank's General Shareholders Meeting approves the amount and the conditions for granting the indemnities due to members of the Board of Directors. The remuneration of members of the Executive Committee is determined by the Board of Directors. The remuneration of the members of the management bodies (Board of Directors / Executive Committee) - gross remuneration in 2020 is as follows:

2020 (gross RON), out of which:		Patria Bank SA	Patria Credit IFN SA
Total, out of which:	4.768.459	4.143.053	625.406
- fixed remuneration (gross RON)	4.712.508	4.143.053	569.455
- variable remuneration (gross RON), out of which:	55.951	0	55.951
- cash	55.951	0	55.951
- shares	0	0	0
- other securities	0	0	0

4.5 Participation of the members of the management body in the share capital

On 31.12.2020 the members of the management body (the Board of Directors and the Executive Committee) did not hold any participations in the share capital of Patria Bank SA.

4.6 Transparency and communication with shareholders and investors

The Bank has on its own website (www.patriabank.ro), a section dedicated to its investors, where documents related to the GSM, the periodical and annual financial statements prepared according to the legislation in force, as well as all the Bank's communications according to the capital market legislation can be accessed and downloaded. The Bank also complies with all disclosure requirements under bank and capital market legislation.

To this end, the Bank has established and maintains a structure dedicated to the relationship with investors, shareholders, bondholders and other interested parties within the Capital Markets and Investor Relations Division. The shareholders / investors may address their requests to the Bank, both by e-mail and by telephone, to the contact details displayed on the Bank's website (capital@patriabank.ro).

Financial calendar and communication with shareholders and investors

In order to inform shareholders and investors, the bank sets out at the beginning of the year a financial reporting schedule and sends it to the BSE and the FSA.

The updated financial reporting timetable communicated by the Bank for the year 2020 was as follows:

- Presentation of preliminary financial results 2019 - **28 February 2020**
- GSM for approving the annual financial results 2019 - **29 April 2020**
- Presentation of annual financial results as at 31 December 2019 – **30 April 2020**
- Presentation of quarterly financial results as at 31 March 2020 - **15 May 2020**
- Presentation of half-year financial results as at 30 June 2020 - **17 August 2020**
- Presentation of quarterly financial results as at 30 September 2020 - **16 November 2020**

On 22.07.2020, the Bank held a teleconference with financial analysts, investment advisors, brokers and investors to present the preliminary financial results for year ended 2019 and bank's future development perspectives.

The second meeting with investors and analysts was held on 15.12.2020, during the official trading session opening event on the Bucharest Stock Exchange, occasioned by the admission to trading of the unsecured, non-convertible subordinated bond issue of the Bank, under symbol PBK28E, worth of EUR 8.2 Million.

4.7 Other corporate governance issues

Transactions with affiliated parties

The Bank has procedures for identifying and dealing with the Bank's affiliated parties and their transactions. The competence of approving the credits granted to the persons affiliated to the Bank is the responsibility of the Board of Directors. Members of the Board of Directors in conflict of interest are excluded from the approval process. No shareholder may be granted preferential treatment over other shareholders in relation to transactions and agreements entered into by the company with shareholders and their affiliates.

In accordance with the NBR Regulation no. 5/2013, the affiliated party category includes at least:

- a) any entity over which the Bank exercises control;
- b) any entity in which the Bank holds interests;
- c) entities exercising control over the Bank;
- d) any entity in which the entities referred to in point c) above exercise control or hold participations;
- e) shareholders having qualifying holdings in the Bank's capital;
- f) any entity in which the shareholders referred to in point e) above exercise control or hold participations;
- g) members of the management body, as well as those holding key positions, together with:
 - (1) the entities in which they have direct or indirect interests; and
 - (2) close members of their families who are expected to influence or be influenced by them in relation to the credit institution; they may include: the life partner and the children of the respective person; the children of the person's life partner; dependents of the person or his / her life partner.

Thus, on 31.12.2020 the parties affiliated to the Bank are mainly:

- Majority shareholder EEAF Financial Services BV;
- Bank's subsidiaries: Patria Credit IFN SA, SAI Patria Asset Management SA (with the four managed funds: FDI Patria Obligatiuni, FDI Patria Euro Obligatiuni, FDI Patria Global, FDI Patria Stock), Carpatica Invest SA;
- The members of the Board of Directors and of the Executive Committee and the companies in which the management has a significant influence;
- The key management personnel;
- The qualified shareholders (>10%):

All transactions with related parties have been concluded in similar terms to transactions with unrelated parties, taking into account interest rates and related guarantees. Transactions with affiliated parties are disclosed in a separate note to the separate financial statements for the year ended 31 December 2020 and also for comparative periods.

The list of parties affiliated to the Bank is presented in Appendix 2 to this report.

Insider transactions

Through internal procedures of the Bank, persons exercising management responsibilities as well as persons having a close relationship with them have the obligation to notify the Bank / FSA of any transaction performed on their behalf in connection with the Bank's shares or debt securities or derivative financial instruments or other related financial instruments, in respect of the Bank.

On the other hand, through the internal procedure for insiders and market abuse, the Bank informs the insiders about their obligations regarding the regime of privileged information in case of transactions with shares issued by the Bank. Thus, there are specific provisions regarding the periods during which the Bank's securities are traded by insiders or employees of the Bank, the blackout periods being closely linked to the financial reporting periods.

Thus, in 2020 no cases were found out that would be contrary to the interests of the Bank as regards the initiated persons. According to the information available to the Bank, the persons exercising management responsibilities, as well as the persons who have a close connection with them that did not make in 2020 transactions on their behalf in connection with the Bank's shares or debt securities or derivative financial instruments or other financial instruments related thereto, in respect of the Bank. The transactions performed by these persons with the bonds issued by Patria Bank were reported to and published by the Bucharest Stock Exchange according to the applicable regulations.

Conflict of interests

In order to prevent conflict of interest, employees must avoid and abstain from any activity that is contrary to the interests of Patria Bank and / or its clients, having the obligation to report any situation of the nature of the conflict of interest and to collaborate with the organizational structures responsible, in order to solve and manage effectively any such situation.

Among the responsibilities of the members of the Bank's Management Bodies (members of the Board of Directors and the Executive Committee) are:

- the obligation to notify the other members of the Board of Directors, respectively of the Executive Committee regarding any conflict of interest situations the are found
- the obligation to abstain when decisions are taken regarding transactions that can determine a potential conflict of interests

- the obligation not to request or initiate the performance / approval of the transactions prohibited by the Law of companies no. 31/1990.

During 2020, situations of conflict of interest between some members of the Management Bodies and the interests of the Bank were identified, which is why immediate measures were taken to prevent and mitigate the related risks, such as the abstaining of those members of the Management Bodies to take decisions during the course of achievement of their current attributions, thus leading to maintaining the quality of the management framework.

Contestations or administrative proceedings of members of the Management body

On the basis of the merger project, the two banks provided the shareholders who did not vote in favour of the merger procedures for their withdrawal from the former Banca Comerciala Carpatica SA, respectively from former Patria Bank SA. In accordance with the provisions of these procedures, during the exercise of the right of withdrawal, they have expressed their right of withdrawal:

- from the former Banca Comerciala Carpatica SA - a number of 3 shareholders, holding together 414,699,946 shares in the former Banca Comerciala Carpatica SA, representing 18.83% of the share capital of the absorbing bank before the merger, the Bank having the obligation to acquire these shares from the respective shareholders at a price of RON 0.0896 / share, established in accordance with legal provisions, which will lead to the restitution of the capital to the shareholders in the amount of RON 37,157,115.17;
- from former Patria Bank SA - a number of 2 shareholders, holding together 303,758 shares in the former Patria Bank SA, representing 0.0003% of the subscribed and paid-up share capital of the bank absorbed before the merger, the merged bank having the obligation to purchase these shares at a price of RON 0.2702 for each share issued by the absorbed bank (representing the withdrawal price for the 3.0566 shares issued by the absorbing bank in exchange for a share issued by the absorbed bank), established in accordance with the legal provisions, which will lead to the restitution of capital to shareholders in a total amount of RON 82,075.41.

In order to fulfill the obligation to redeem the shares for which the right of withdrawal has been exercised in total amount of RON 37,239,190.57, the Bank has the obligation to comply with the requirements of art. 77 and 78 of

CRR. This implies taking steps aimed at the prior approval of the NBR and presenting evidence that the Bank's own funds, after performing the redemption operation, will be at a prudentially acceptable level.

Given that on 26.10.2017 there was a reduction in the share capital of the merged Patria Bank, to cover the accumulated historical losses of the former Banca Comerciala Carpatica, by reducing the number of shares and, having in view that at the time of capital reduction, the shares for which it had been expressed the right of withdrawal weren't redeemed, as part of the capital reduction operation, the minority shareholders' rights on the value of the shares for which the right of withdrawal was expressed were preserved. Thus, for a number of 250,899,063 shares of the total of 3,115,330,575 shares resulted after the capital reduction, there have been expressed rights of withdrawal, namely 8.053% of the share capital of the bank resulted from the merger.

Until the date of this report, the Bank did not announce the redemption operation of its own shares from the shareholders who exercised their right of withdrawal.

In this context, on 07.08.2017 Patria Bank SA received in the civil file no. 4435/85/2017 registered at the Sibiu Court, the payment injunction made by Mr. Ilie Carabulea, by which the latter, as a plaintiff, requests that Patria Bank SA, in its capacity as a defendant, jointly and severally with its directors, to pay the sums of "(a) RON 40,666,949.8 the price of the shares redeemed by the company (b) the penalty interest on the amount due, equal to the NBR reference rate increased by 4% from the date of the application and up to the effective payment and (c) the court fees representing the stamp duty and the lawyer's fee". The Sibiu Court declined jurisdiction to solve the petition in favor of the Bucharest Court, filed under no. 45821/3/2017 to the Bucharest Court. On March 16, 2018, the court passed the following judgment: "It rejects as unreasonable the exception of the lack of passive procedural quality of individual debtors. Dismisses as inadmissible the creditor's request to issue a payment injunction. Dismisses as unfounded the claim of the creditor to award the costs incurred." The plaintiff filed an appeal and on 10.10.2018 the court dismissed the application as unfounded, the ruling being final.

Also on 18.09.2017 Patria Bank SA received in the civil file no. 4874/85/2017, registered at the Sibiu Court, the payment injunction made by Mr. Dican Octavian by which the latter, as a plaintiff, requests that Patria Bank SA, in its capacity as a defendant, jointly and severally with its directors to pay the sums "(a) RON 318,866.2 but not less than RON 285,704.1152 (b) the penalty interest on the amount due, equal to the NBR reference rate increased by 4% from the date of the application and until the effective payment, and (c) the court fees representing the stamp duty and the lawyer's fee". The Sibiu Court declined jurisdiction to solve the petition in favour of the Bucharest Court, filed under no. 43476/3/2017 at the Bucharest Court. On March 2, 2018, the court passed the following judgment: "Admits the exception of the lack of passive procedural quality of debtors Horia Dragos Manda, Daniela Elena Iliescu, Bogdan Merfea, Nicolae Surdu and Vasile Iuga. Rejects the claim made in disagreement with these debtors as being brought against persons without a procedural passive status. Rejects the claim filed in contradiction with the debtor Patria Bank SA as unreasonable. Dismisses the creditor's claim for costs as unreasonable". The plaintiff filed an appeal and on 24.10.2018 the court dismissed the application as unfounded, the ruling being final.

In addition, on 25.09.2017 Patria Bank SA received within the civil file no. 4875/85/2017, registered at the Sibiu Court, the payment injunction made by Mrs. Ciobanu Liliane Christine by which the latter, as a plaintiff, requests that Patria Bank SA, in its capacity as a defendant, jointly and severally with its directors, to pay the sums "(a) RON 484,178.60 but not less than RON 433,824.0256 (b) the penalty interest related to the due amount, equal to the NBR reference rate increased by 4% starting with the date of the present application and until the effective payment; and (c) the court fees representing the stamp duty and the lawyer fee". The Sibiu Court declined jurisdiction to solve the petition in favour of the Bucharest Tribunal, filed under no. 45815/3/2017. On January 31, 2018, the court passed the following judgment: "Dismisses the exception to the lack of passive procedural quality, an exception invoked by private individuals debtors as unfounded; rejects the application for the payment injunction as inadmissible; dismisses the creditor's request that the debtor should be ordered to pay the court fees as unfounded; declare that the debtor is separately requesting the court fees. With the right to file an application for annulment, within 10 days from the moment of communication". Until this date, there was no claim for cancellation registered.

Other litigations of the Bank with the shareholders

On 18.10.2018 Patria Bank S.A. received in the file no. 22659/3/2018 filed at the Bucharest Court of Appeal, the petition for request for summons brought by the plaintiff, Ilie Carabulea, claiming payment of a debt he calculated at the amount of lei 36,437,587.02 lei, corresponding to the price of 406,669,498 nominative shares in respect of which he exercised his right of withdrawal from the former Banca Comerciala Carpatica SA at the time of the merger with former Patria Bank SA. On 11.07.2019 the Bucharest Court pronounced the civil sentence no. 2096 / 11.07.2019, by which it rejected as premature the request for a trial. Against the civil sentence no. 2096 / 11.07.2019 Mr. Ilie Carabulea filed an appeal, which was rejected by civil decision no. 904/23 July 2020. Against this decision Mr. Ilie Carabulea filed an appeal, pending before the High Court of Cassation and Justice

5. Human Resources

As at December 31, 2020, at consolidated level there was a number of 751 employees (at 31.12.2019 the number was of 789 employees), of which 31 employees are members of the "Unitate" Union within the Bank. The number of employees of the Bank as of December 31, 2020 is 612 (December 31, 2019: 651 employees).

Relationships between employees and managers are characterized by respecting appropriate activities and attributions, based on the principle of good faith. The Human Resources Division manages any request-issue that concerns the relations between the employees and / or the employee / employer.

The main activity of the Human Resources Division in the year 2020 consisted in:

- Ensuring resources at the level of the Bank's structures in order to fulfill the activity plan;
- Implementing the process of streamlining the activity of all organizational structures;
- Supervising the recruitment and selection processes, performance assesment, loyalty and rewarding of employees
- Continuing professional development and training programs and increasing motivation and commitment of employees with the help of specific programs;
- Performing specific fraud prevention and control activities in the field of activity developed in accordance with the provisions of the Anti-Fraud Policy of the Bank.

Professional development programs were continued in 2020 through the "E-learning/E-testing" management system as an alternative to "classroom" courses, with important benefits being pursued: organization-wide addressability, cost-effectiveness and observance of the new regulations emerged following the pandemic situation. The e-learning/e-testing programs aimed at transmitting and checking information on compliance, money laundering and terrorism financing risk management and control, anti-fraud as well as modules dedicated to MIFID II legislation or mandatory certifications for Bank Assurance products. In addition, E-learning / E-testing training sessions were organized for understanding and implementing hygiene and protection norms following the emergence of Covid19.

Within the induction program, carried out online, the following topics were addressed: retail and Western Union products, mortgage loans, credit products to individuals, health and safety at work, information security, GDPR, emergency situations and Customer Service.

Also, training programs were organized by the Bank in collaboration with institutions (e.g. IBR), trainers and external resources, as well as internal programs, which aimed at developing the general competencies for fulfilling the responsibilities of the banking activity, as well as the specific abilities that targeted the technical area of activity (ex. Teams – Microsoft application).

Additionally, the activities on identifying solutions appropriate to the needs of the Bank's external and internal clients continued, improving the quality of services, managing the Bank's portfolio of projects and developing new operational models within the organization.

The following programs were completed:

- Online induction - programs for new colleagues employed in the company (depending on the business segment) structured for two to five days. A number of 55 colleagues went through Induction.
- "Leadership & Negotiation" Programs; "Sales & Negotiation" - online - customized on business areas (SME & Corporate; Micro; Retail), dedicated to colleagues in the Network (Sales), structured in 2-day sessions. 135 colleagues participated.
- Training sessions delivered with internal resources (online) for Account Managers colleagues - Workshops to increase operational quality and customer relations in the front office. 38 colleagues participated.
- Periodic workshops (online) dedicated to deepening the specialized knowledge on PBK products. 107 colleagues participated.
- Participation in specialized seminars (IBR; ANEVAR; GDPR; Information Security; KYC / AML; Antifraud, etc.) of 28 colleagues from HO PBK.

In terms of assessing the professional performances of the Bank's employees, this is done annually and aims at measuring the achievement of business objectives, as well as the skills needed to fulfill the responsibilities. The evaluation process is addressed to all employees of the Bank.

In 2020 - an atypical year for many current activities within the company - we focused on complying with hygiene standards and maintaining cases of illness as low as possible, so that the classic process of evaluating performance and setting business objectives took place on specific coordinates taking into account the certain situations on the spot at Network level and the new structure for carrying out telework activity in HO.

5.1 Remuneration policy

The Bank's remuneration policy takes into account the legal requirements regarding the observance and fulfillment of legal transparency criteria on remuneration.

Remuneration policy aims to model working relationships in accordance with the organizational chart and to support them by establishing a fair balance between the outcome of the work and the model of remuneration, the employees' loyalty being a consequence of strengthening the organizational culture oriented towards individual and collective performance.

The main purpose of the remuneration policy is to create a remuneration and incentive system for all employees (including the "Personnel Identified"), in which long-term objectives are prioritized rather than short-term interests. The policy also provides for the possibility of making further adjustments for variable remuneration based on risks.

The Bank's remuneration policy is accessible to all employees, and the performance assessment process is conducted in accordance with the Evaluation Procedure and it is transparent to all employees.

When establishing and applying total remuneration policies for staff categories whose professional activities have a material impact on the Bank's risk profile (the "Identified Personnel"), including the members of the Executive Committee, the staff who expose the credit institution to risks, internal control functions personnel and any employee who receives a total remuneration that leads to the same remuneration category as that of the members of the Executive Committee and the staff who expose the Bank to risks, the Bank shall observe, in a manner and to a degree appropriate to its size and its internal organization, as well as the nature, extent and complexity of the performed activities, the following principles:

1. the level of remuneration allows and promotes sound and effective risk management without encouraging risk-taking that exceeds the Bank's risk tolerance level;
2. the variable remuneration of the risk manager, compliance and internal audit coordinators shall be supervised directly by the Board of Directors;
3. if the remuneration is correlated with performance, the total amount of the remuneration is based on a combination of the individual performance and collective performance evaluation, i.e. the performance of the operational unit to which the employee belongs, as well as the overall outcome of the Bank, and the assessment of individual performance should take into account both financial and non-financial criteria (personal development, compliance with the Bank's systems and controls, involvement in the Bank's business strategies etc.);
4. the annual performance bonus is awarded on the basis of the performance evaluation, the performance of which will be assessed multi-annually in accordance with specific internal regulations, to ensure that the assessment process is based on long-term performance and that the effective payment of performance-based remuneration components extends over a period that takes into account the Bank's business cycle and the risks specific to its business;
5. the total variable remuneration does not limit the bank's ability to strengthen its capital base;

6. the variable remuneration guaranteed to be of an exceptional nature and to occur only when hiring personnel, limited to its first year of activity and only when the Bank has a sound and healthy capital base; the power to approve guaranteed variable remuneration rests with the Board of Directors;
7. the variable component of the total (annual) remuneration must not exceed 100% of the fixed component of the total (annual) remuneration;
8. the performance measurement used for the calculation of variable remuneration components shall include an adjustment for current and potential risks and take into account the cost of capital and liquidity required;
9. in the case of variable remuneration, at least 50% of the variable remuneration must be given in the form of non-cash instruments; The Board of Directors is to analyze and establish the variable remuneration to members of the Executive Committee, including its non-cash component;
10. a substantial part that represents at least 40% of the variable remuneration component shall be postponed for a period of three years and shall be adequately correlated with the nature of the activity, its risks and the activities of the personnel concerned. These employees are entitled to the rights to be paid the due remuneration, according to the deferral agreements, no faster than they would enter on a proportional basis. In the case of a component of variable remuneration in excess (over EUR 100,000), at least 60% of the amount will be deferred. The duration of the deferral period will be determined in accordance with the business cycle (3 years), the nature of the activity, its risks and the activities of the staff concerned;
11. the personnel identified to be paid or entitled to the variable remuneration rights, including its deferred part, unless the variable remuneration can be sustained in accordance with the Bank's financial situation as a whole and if it can be justified in accordance with the performance of the structure of the activity and the employee in question; this principle will be included in the *malus* and *clawback* agreements between the Bank and the employees eligible for the bonus;
12. staff identified by a written own responsibility statement not to use personal hedging strategies or insurance policies related to remuneration and liability in order to counteract the risk alignment effects of this policy and its remuneration arrangements;
13. if management members are eligible for incentives linked to the performance of the Bank, the level of their remuneration must be subject to relevant and objective conditions and should not be excessively correlated with the short-term performance of the credit institution. The Board of Directors will define the framework for setting and evaluating annual and multi-annual performance targets.
14. deferred amounts may not be paid through an accelerated procedure, at the same time with the conclusion of the labor contract, unless this contract ceases due to death.
15. the ratio between the components of fixed remuneration and performance-related remuneration is defined by the Bank's management on the basis of the functions of the operational unit in question, but without exceeding the 1: 1 ratio (variable remuneration may not exceed 100% of the fixed remuneration of the total remuneration).
16. if an employee belonging to the identified staff falls within the incentive scheme (due to the specificity of the sales / collection / execution), as it cannot be eligible for the incentive scheme and the annual bonus performance, then he/she will only be eligible for the annual performance bonus.

The "Identified Personnel" list is drawn up in accordance with European Regulation 604/2014 of the Human Resources Division in collaboration with the Risk Management Division, the Legal Division, endorsed by the Executive Committee and approved by the Board of Directors. The list is updated annually or whenever necessary.

The annual performance bonus is linked to the annual performance appraisal and can be awarded after the evaluation process has been completed, depending on the achievement of the quantitative and qualitative individual objectives, the financial result or the evolution of the financial position of the company (i.e. RoE > 0 and RoE in positive growth versus the previous year) and the budget allocated to the bonus fund.

The quantitative and qualitative annual objectives derive from the strategic objectives of the Bank and are agreed with the direct managers and directors of divisions, within the deadline provided by the procedure for the evaluation of the employees' professional performances. The annual employee assessment measures the degree of achievement of the individual objectives (which must be specific, measurable, accessible, relevant and timely framed) and the level of skills required by the job position, held by the employee. The quantitative and qualitative objectives have a 75% weight in the final score and measure the degree to which they have been reached. Thus, if the result is the same with the target set, the performance is standard and 3 points are awarded. In the final score, the share of the quantitative targets is 75% and the qualitative targets are 25%. The objectives of each employee derive from the bank's objectives, which are gradually spread from the bank's highest hierarchical level to the management and then to the execution functions. Professional competencies have a weight of 25% in the final score, these being predefined, of the most relevant for the work done by the employee and which will be subject to evaluation.

Ratings must be given fairly and impartially, without discrimination of gender, ethnic origin, age, sexual orientation or religion, and the degree of achievement of the objectives and skills demonstrated and the behaviors demonstrated during the evaluation year. The annual evaluation of professional performance is done by 2 evaluators.

Professional performance appraisal is in direct relation to the whole activity of the employees, it must be a process known and understood by them and a motivating factor for the development of the performances and professional abilities of the employees. The evaluation process is an opportunity to set up actions to maintain / improve professional performance or develop employee skills, it is a feedback on the expected performance for the job, but also an opportunity to establish career opportunities. Thus, it is possible to identify the strengths and behaviors / performance that did not meet the expected standards. The Human Resources Division, along with the hierarchical boss of the evaluated employee, will recommend in this case future action directions to improve the results.

The identified staff can receive an annual performance bonus, can not benefit from the bonus scheme depending on the sales / recovery / execution. The annual performance bonus can be awarded according to the rating received by each employee (rating at least "at the level of expectations") and the budget allocated and approved by the Board of Directors for the annual performance bonus. In 2020, at group level, performance bonuses were granted for 2 people in the category of identified personnel.

The total bank-level budget for the annual performance bonus is approved by the Board of Directors. For members

of the Board of Directors and managers of internal control functions, the budget is allocated by the Board of Directors. For the rest of the functions, the budget is allocated by the Executive Committee for each Independent Division / Department, on a yearly basis, according to:

- The annual performance bonus budget approved by the Board of Directors;
- Annual financial results of the Bank;
- Results of professional performance assessments (distribution of ratings / independent division / department in overall total vs. staff expenses independent budget / division / department in total staff budget).

Employees / members of the Board of Directors who are part of the " Identified Personnel " category may not have variable remuneration higher than fixed remuneration (1: 1 ratio). In the case of the identified personnel, 40% of the value of the variable remuneration must be postponed, according to the provisions of the Bank's Remuneration Policy. In the case of variable remuneration over EUR 100,000, the immediate component must be at most 40% and the deferred component should be at least 60%. The immediate component is only paid if the following conditions are met:

- To have not been under a disciplinary sanction in the year in which the immediate share of variable remuneration is paid
- To not have been initiated / conducted a disciplinary investigation procedure on the date on which the immediate share of variable remuneration is paid. If the disciplinary sanction does not apply following the prior investigation, then the variable part shall be paid on the wage payment corresponding to the month in which the disciplinary investigation was completed
- to not have a request for termination of the contract on the date of the payment of the immediate part of the variable remuneration (except for the employees who terminate the individual contract with the bank but are hired within the Group)

The deferred component is paid as follows (with the approval of the Board of Directors, it may be set for certain employees and other deferral schemes): 35% in the year following the immediate component of the variable part, 35% in the second year, 30% in the third year, only if the employee fulfills the following conditions:

- To have not been under a disciplinary sanction in the year in which the immediate share of variable remuneration is paid;
- To not have been initiated / conducted a disciplinary investigation procedure on the date on which the immediate share of variable remuneration is paid. If the disciplinary sanction does not apply following the prior investigation, then the variable part shall be paid on the wage payment corresponding to the month in which the disciplinary investigation was completed;
- to not have a request for termination of the contract on the date of the payment of the immediate part of the variable remuneration (except for the employees who terminate the individual contract with the bank but are hired within the Group);

The centralization of the results obtained in the annual performance evaluation is done by the Human Resources Division, which centralizes the related amounts for the eligible employees according to the results obtained and the budget / allocation criteria approved by the Executive Committee. The related amounts are subject to the approval

of the Board of Directors within the limits of the budget approved by the Board of Directors and the financial results of the Bank.

In the case of the members of the Executive Committee and the managers of internal control functions, the amounts are approved by the Board of Directors. If the total amount of the annual performance bonus exceeds the budget approved by the Board of Directors for this type of variable payment, the Bank, through the Executive Committee, respectively the Board of Directors, for the members of the Executive Committee and the managers of internal control functions reserves the right to reduce the amount of bonus mentioned above.

The annual performance bonus is calculated pro-rata, according to the office time spent - number of months worked in the bank (which must be at least 6 months to be eligible) or the time period worked following internal staff transfers. Up to 100% of the variable remuneration is subject to malus and clawback arrangements:

- Malus agreements apply both to cash and to parts of deferred payment instruments. Malus agreements operate by affecting the getting into rights process and can not work after the end of the deferred period. The agreement takes into account the risk results of the performance underlying the bank as a whole, the organizational structure and, where possible, the employee
- The clawback agreement is usually applied only in the case of detection of fraud or in the case of misleading information, serious violation of internal regulations and / or a prejudice caused to the bank and applies to both the immediate variable remuneration, as well as the deferred remuneration.

Evaluation of remuneration policies and practices is carried out by the coordinators of the independent control functions and by the Risk Management Committee, taking into account the following objectives:

- preventing the provision of incentives for excessive risk taking and other behaviors contrary to the Bank's interests;
- reviewing the principles governing remuneration policy;
- alignment of remuneration practices with the long-term objectives and strategy, the culture and the internal control environment of the Bank;
- compliance with the provisions of the NBR Regulation no. 5/2013, from the perspective of the following, but not limited to:
 - risk management;
 - a correlation of revenue with: the duties and responsibilities of the job;
 - type and complexity of the job;
 - qualification of employees, individual or collective performance;
 - types of income.

The active involvement of control functions in designing, supervising and reviewing remuneration policies in accordance with specific internal regulations and applicable legislation in the field is very important, with the remuneration policy being reviewed when changes in business strategies and risk management of the Bank occur. The control function coordinators will forward the proposed modifications to the Human Resources Division (as the case may be), thus contributing to the determination of the overall remuneration strategy applicable to the Bank. The collaboration between the Managing Body (Board of Directors and the Executive Committee), the coordinators of the control functions and the Human Resources Division, has the role of establishing an efficient framework for

performance management, risk adjustment and their linking to the rewarding system.

Procedures on remuneration practices must, in particular, enable risk management and compliance functions to have a significant contribution, in line with their roles, to the establishment of bonuses portfolio, performance criteria and awarding of remuneration where these functions concern the impact on staff conduct and the risky nature of the activity being carried out.

The Bank's remuneration policy is endorsed by the Executive Committee, the Risk Management Committee and approved by the Board of Directors on the basis of the proposal for revision submitted by the Human Resources Division, a proposal evaluated by the Compliance Division, the Legal Division, the Risk Management Division and the Internal Audit Division.

Patria Credit IFN S.A.'s remuneration policy has taken over the principles applicable to the activity profile (both for the identified personnel and for the other categories of personnel) so as to ensure compliance with the provisions of Patria Bank S.A.'s Remuneration Policy.

The quantitative information on remuneration for the financial year 2020 for members of senior management bodies and members of staff whose actions have a significant impact on the institution's risk profile, at the level of collection with the application of the requirements regarding the own funds at consolidated level (Patria Bank S.A. and Patria Credit IFN S.A.) are presented in the table below (the total number of persons remunerated during 2020 was 48, on 31.12.2019 the number of them being 49):

No.		Members of the management body in its supervision function	Members of the management body in its execution function	Investment banking services	Retail banking services	Assets Administration	Corporate functions	Independent control functions	All other activity segments
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1)	Number of members within staff	8	5	0	0	0	0	0	0
(2)	Number of Identified personnel members, in full time equivalent	0	0	1	10	0	9.25	6	1
(3)	Number of Identified personnel members that hold positions within management bodies	0	0	0	2	0	2	0	1
(4)	Total fix remuneration (gross RON), out of which:	1,334,803	3,377,705	383,812	2,525,783	0	2,320,993	1,417,156	225,497
(4.1)	- cash	1,334,803	3,377,705	383,812	2,525,783	0	2,320,993	1,417,156	225,497
(4.2)	- shares and shares related instruments	0	0	0	0	0	0	0	0
(4.3)	- other type of instruments	0	0	0	0	0	0	0	0
(5)	Total variable remuneration (RON), out of which:	0	55,951	0	0	0	0	0	0
(5.1)	- cash	0	55,951	0	0	0	0	0	0
(5.2)	- shares and shares related instruments	0	0	0	0	0	0	0	0
(5.3)	- other type of instruments	0	0	0	0	0	0	0	0
(6)	Total amount of the variable remuneration granted in N year and deferred (gross RON), out of which:	0	30,318	0	0	0	0	0	0
(6.1)	- cash	0	30,318	0	0	0	0	0	0
(6.2)	- shares and shares related instruments	0	0	0	0	0	0	0	0
(6.3)	- other type of instruments	0	0	0	0	0	0	0	0
Additional information on the amount of the total variable remuneration									
(7)	Art. 450 para (1) h) pct.(iii) of EU Regulation no. 575/2013 - total amount of the deferred variable remuneration, due and unpaid, granted in previous years and not in N year (RON)	0	19,707	0	0	0	0	0	0
(8)	Total amount of the explicit adjustments based on ex-post type performance applied in 2018 to the remuneration granted in the previous years (gross RON)	0	0	0	0	0	0	0	0
(9)	Number of beneficiaries of the guaranteed variable remunerations (new payments for employment)	0	0	0	0	0	0	0	0
(10)	Total amount of the guaranteed variable remunerations (new payments for employment) (gross RON)	0	0	0	0	0	0	0	0
(11)	Number of beneficiaries of compensatory payments	0	0	0	0	0	0	0	0
(12)	The amount of the compensatory payments granted in N year (gross RON)	0	0	0	0	0	0	0	0
(13)	Art. 450 para (1) h) pct.(vi) of EU Regulation no. 575/2013 - the highest compensatory payment granted to a single person (gross RON)	0	0	0	0	0	0	0	0
(14)	Number of beneficiaries of the contributions to the discretionary benefits such as pensions in 2018	0	0	0	0	0	0	0	0
(15)	The amount of the contributions to the discretionary benefits such as pensions (gross RON) in N year	0	0	0	0	0	0	0	0
(16)	Total amount of the variable remuneration granted on multiannual periods as per the programs which are not annually reviewed (gross RON)	0	0	0	0	0	0	0	0

Patria Bank S.A. – Bucharest, District 2, Globalworth Plaza Building, Pipera no 42, floors 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 | www.patriabank.ro

For the year 2020 no compensatory payments at the termination of the labor contract were made. Also, for 2020:

- at group level, there were 2 cases of variable remuneration postponed for the following years, the immediate component being of 60%, and the postponed one of 40%, distributed over 3 years
- there were no cases of deferred remuneration lowered through performance adjustments for the members of the management body and the identified staff members.
- there were no members of the management body or identified staff members who would benefit from a remuneration of EUR 1 million or more.

6. Patria Bank Group's activity and results in 2020

6.1 Macroeconomic and banking sector context in 2020

At the end of 2020, the public debt reached the level of 9.80% of the Gross Domestic Product, a year marked by the severe effects of the medical and economic crisis due to the SARS-Cov2 virus. For the current year, the public budget (currently being substantiated and approved) forecasts a deficit of 7.1% of GDP, appearing the need for a much more aggressive fiscal consolidation in the coming years.

There is also a reduction in the pressure on the **trade deficit** due to lower domestic consumption, but exports did not show a very good dynamic in the recent ended year either. However, as a result of growing budget deficits and the potential return of domestic consumption, we expect to see additional pressure on the EUR / RON exchange rate, in the sense of depreciating the national currency by 2-3% in nominal terms. In fact, from an economic point of view, the twin deficits represent the main macroeconomic risks for Romania (high budget deficit and trade deficit).

In terms of **monetary policy**, during the recent period (from 2020 up to now) the National Bank has successively reduced the monetary policy interest rate, reaching 1.25% - practically a halving of the reference rate. This aggressive reduction was accompanied by various liquidity injection measures, such as operations for the purchase of government bonds on the secondary market, bilateral operations with commercial banks or the reduction of the minimum required reserve (in the case of Euro). Financial intermediation in Romania remains at the lowest level in the European Union (in March 2020, the ratio of bank loans to GDP was 25%), but there are growth expectations for the coming years.

Internationally, the economic uncertainty will persist in 2021 amid the evolution of the pandemic and a still low degree of vaccination. Against the background of the recurrence of inflation, through the so-called reflation process, it is possible to witness an increase in bond yields but also a correction in stock markets. In fact, the intensification of risks towards future economic growth has led to an increase in accommodative monetary policies, which we expect to continue in the future.

In March 2020, **the external debt of non-financial corporations** amounts to RON 195 Billion, of which approximately 80% came from non-resident companies belonging to the same group as Romanian companies. The total indebtedness of the private non-financial sector (local and non-resident banks and loans of Non-Banking Financial

Institutions) continued to decrease to the level of 35% as share in GDP as of March 31, 2020, representing RON 376.9 Billion. If we take into account the loans received by non-financial companies from non-resident members of the groups they belong to, this figure increases to RON 528.7 Billion, respectively 49% of GDP.

The rate of non-performing loans and advances for non-financial corporations improved by 0.52%, from 7.12% at the end of 2019 to 6.60% at the end of 2020. The rate of non-performing loans and advances for individual households increased by 0.11 %, from 3.99% at the end of 2019 to 4.10% at the end of 2020.

The indebtedness rate of individuals in Romania is, again, the lowest in Europe, representing 15.4% of GDP in March 2020, compared to an average of 57.9% in the Eurozone. According to a 2020 OECD study, only 53% of adult persons in Romania had a bank account or debit card. According to the same study, only 23% of adult persons owned a savings or investment instrument and only 41% had contracted a loan.

Lending activity at national level continued to be supported by a constant increase, both in the case of individuals and legal entities. Compared to the volumes recorded at the end of 2020 compared to the end of 2019, loans to individuals increased by 4.8%. Also, the end of 2020, compared to the end of 2019, showed an increase in loans to companies by 5.3%. Regarding the results of 2020, the loans in RON granted to individuals continued to increase, although at a slower pace than in 2019, registering in December 2020 an annual growth rate of only 9.10% compared to the rate of 13.7% registered at the end of 2019. The loans in EUR granted to individuals registered a decreasing growth rate compared to 2019, namely an annual rate of 8.6% at the end of 2020, compared to 8.2% at the end of the previous year. Regarding legal entities, the loans in RON granted to this business segment increased in 2020 compared to 2019, reaching an annual growth rate of 7.8% at the end of 2020, from an annual rate of 4.2% at the end of 2019, while the loans in EUR granted to legal entities, registered a decreasing annual growth rate, namely 2.6% in December 2020 compared to 9.6% in December 2019.

In 2020, **deposits** in the banking system increased by 14.4% compared to 2019 (taking into account the fact that the variation of the Leu / EUR exchange rate in 2020 was 1.9%), an increase determined both by the increase in savings degree of individuals as well as companies. Breakdown by components, the increase in deposits of individual households in 2020 was 15.4% (increase by 15.5% of deposits in RON and 15.3% of deposits in foreign currency, respectively), while the level of companies' savings increased by 15.3% (increase by 12.1% of deposits in RON and by 26.1% of deposits in foreign currency). At the level of all sources attracted by the banking system, the trend manifested some time ago continued, the indicators highlighting an improvement of the saving activity at all levels of the Romanian economy. At the level of individual households, the savings in RON increased from an annual rate of 9% at the end of 2019 to 15.5% at the end of 2020, while the savings in foreign currency registered an insignificant decrease from an annual rate of 16.5% in December 2019 to 15.3% in December 2020. Regarding legal entities, the savings in RON decreased from an annual rate of 13.4% at the end of 2019 to 12.1% at the end year 2020, while in the case of foreign exchange savings there was a significant increase from an annual rate of 15.6% in December 2019, to 26.1% in December 2020.

The quality of banking assets continued to improve: the non-performing loans rate (according to the EBA definition) at the level of the banking system reached 3.83% at the end of December 2020, compared to 4.09% at the end of December 2019.

The level of banking prudential ratios continued to increase and the average value of Tier 1 Equity registered by the Romanian banking system on 31.12.2020, of 21.25%, increased compared to the value recorded on 31.12.2019, respectively 20.05%.

Foreign exchange and money market trends in the second half of 2020

After the 3 months that have passed since 2021, the exchange rate of the national currency Leu against the single European currency (EUR) still varies around 4.8700 - 4.8900. It seems that the National Bank of Romania is willing to accept a marginal depreciation of the leu, aiming that the depreciation of EUR / Leu will continue to be below the level of inflation, thus maintaining a real appreciation of the local currency at 4.80 - 4.85.

For the remaining period of 2021 we expect to see the EUR / Leu exchange rate reaching the maximum level of 5.00. This level could be jeopardized due to the complete reopening of the economy when the pressure on the current account deficit increases. As another risk factor could be rising oil prices, rising inflation is also forecasted. However, the NBR has the necessary resources to keep the evolution of the exchange rate under control.

Regarding the interest rates, we appreciate that the interest rates for lei reached the lowest level in February 2021, the fear of reflation will lead to the increase of the rates. At this stage, we consider that the NBR has limited room for manoeuvre in order to further reduce interest rates for lei. For this reason, we do not see any decrease in the Minimum Mandatory Reserves.

Regarding the "interest on deposits" corridor vs. "Interest on loans", it maintains its margin of - / + 0.5% around the "reference interest rate of monetary policy" and we do not see any change in this instrument either.

Projections for the end of 2021 in the context of the COVID-19 pandemic

According to the construction of the local budget, the governing coalition estimates a budget deficit of 7.10%, with a strong emphasis on better tax collection, as well as on some important allocations for investments. It is estimated that GDP will grow at an annual rate of about 4.20%.

In general, even if the level of vaccination against Covid-19 is low compared to countries like Israel or USA, we believe that Romania will have a steady economic growth in the near future if we manage to keep the budget deficit under control. with the emphasis on the superior collection of revenues, a chapter in which Romania lags behind in comparison with other EU countries.

In this regard, the current Government emphasizes digitalization at all state structures levels, including central and local entities and state-owned companies.

COVID-19

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Presidency declared a state of emergency on 16 March 2020. Responding to the potentially serious threat the COVID

– 19 presents to public health, the Romanian government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the ‘lock-down’ of certain industries. Pending further developments regarding the spread of the virus, the following were closed: schools, universities, restaurants, cinemas, theatres and museums, sport facilities and retailers excluding food retailers.

Other severely affected sectors include: transport and HoReCA, construction and connected sectors. In addition, major manufacturers in the automotive industry decided to shut-down for a period their operations in both Romania and other European countries. Some companies in Romania have also instructed employees to remain at home and have curtailed or temporarily suspended business operations.

FED cut the interest rate with 100 bps in March 2020, followed by other central banks including NBR who cut the interest rate also with 100bps.

In less than 8 months, central bank assets grew by more than USD 7 Trillion during the initial response to simultaneous supply and demand shocks associated with this year’s pandemic. This is more than double the increase in central-bank assets during the Great Financial Crisis, which happened over a longer period (2008-2009). Also in Romania we had some assets purchasing program made by the NBR.

The pandemic and efforts to contain it have triggered an unprecedented collapse in oil demand and a crash in oil prices in end of April 2020.

The stock market dropped more than 30% in March 2020, but recovered later after central banks interventions, closing the year on positive.

The macroeconomic scenarios applied have been changed from those applied in Q4 2019 to reflect the worsening of the macroeconomic outlook due to the COVID 19 pandemic.

The incorporation of forward-looking elements reflects the expectations of the Group and the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario. A large part of the impact on the expected credit losses in 2020 is resulting from the COVID-19 pandemic referring to changes to the forward-looking information.

The Bank uses two scenarios: base scenario (which is the most probable scenario of the economic environment), and adverse scenario.

Scenarios weights

	Base case	Adverse
Y2019	70%	30%
Y2020	70%	30%

The most important assumptions affecting the forward-looking information used in the calculation of ECL allowance are as follows:

Values used as of 31.12.2020

GDP (real)	2020	2021	2022	2023
Central 70%	(4.00)	4.00	4.20	4.20
Adverse 30%	(6.00)	2.00	3.00	3.50
GDP -average	(4.60)	3.40	3.84	3.99
Unemployment	2020	2021	2022	2023
Central 70%	5.80	6.00	5.10	5.10
Advers 30%	6.50	6.70	5.60	5.60
UR average	6.01	6.21	5.25	5.25

Values used as of 31.12.2019

GDP (real)	2019	2020	2021	2022
Central 70%	2.40	2.30	1.70	2.30
Advers 30%	0.00	0.50	0.60	1.50
GDP -average	1.68	1.76	1.37	2.06
Unemployment	2019	2020	2021	2022
Central 70%	3.90	4.30	4.60	5.00
Advers 30%	5.60	6.40	7.20	7.30
UR average	4.41	4.93	5.38	5.69

Considering the GDP and UR scenarios above, the PD curves for all segments shifted upwards.

Also, due to the COVID-19 pandemic, management applied supplementary judgement when determining the need for post-model adjustments.

In order to address potential drawbacks of the models, which couldn't be corrected through the normal ECL models, Post Model Adjustments ("PMA") have been used. PMAs are used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, or forward-looking information being examples of such circumstances.

As such, the PMAs were represented by the following, applied to all portfolios:

Patria Bank S.A. – Bucharest, District 2, Globalworth Plaza Building, Pipera no 42, floors 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 | www.patriabank.ro

- Add to the values forecasted through the models, one standard deviation (computed on quarterly default rates from 2017 onwards)
- Application of a limit of maximum floor between:
 - Minimum forecasted rate: maximum default rate observed in the last 2 years;
 - Maximum forecasted rate: average default rate computed on quarterly default rates from 2017 onwards + 1.4 standard deviation.

The additional provision resulting from the application of post-model adjustments (MAP) was RON 2.2 Million.

In order to identify potential impact on ECL as a result of a stress test scenario, The Group also perform stress test on the macro factors within the ICAAP process (quarterly). For assessing a potential growth on ECL, Bank has stressed GDP and UR, using factors and scenarios presented below and potential impact on ECL growth, including the PMA adjustment based on the methodology described above, was the following:

Thousand RON	Individual	Consolidated
Base scenario	306	346
Crisis scenario	8,873	9,745

Scenarios used for calculating potential impact on ECL in ICAAP model:

For the base case are used:

- for GDP - the lowest values between EBA forecast ("Macro-financial scenario stress test") and the average scenario used by the Bank
- for UR - the highest value between EBA forecast ("Macro-financial scenario stress test") and the average scenario used by the Bank.

In the crisis scenario, these values are again subjected to a stress scenario, by increasing the unemployment rate and declining GDP

Base scenario

GDP (real)	2020	2021	2022	2023
GDP -average scenario used by the Bank	(4.60)	3.40	3.84	3.99
GDP - base scenario EBA forecast	(4.60)	3.30	3.80	3.80
GDP -ICAAP - base scenario	(4.60)	3.30	3.80	3.80

Unemployment	2020	2021	2022	2023
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UR average scenario used by the Bank	6.01	6.21	5.25	5.25
UR - base scenario EBA forecast	6.20	6.20	5.10	5.10
UR - ICAAP - base scenario	6.20	6.21	5.25	5.25

Crisis scenario

GDP (real)	2020	2021	2022	2023
GDP -average scenario used by the Bank	(4.60)	3.40	3.84	3.99
GDP - crisis scenario EBA forecast	(4.60)	2.20	3.50	3.50
GDP -ICAAP - crisis scenario	(4.60)	2.20	3.50	3.50

Unemployment	2020	2021	2022	2023
UR average scenario used by the Bank	6.01	6.21	5.25	5.25
UR - crisis scenario EBA forecast	7.00	7.00	7.50	7.50
UR - ICAAP - crisis scenario	7.00	7.00	7.50	7.50

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

In order to maintain the resilience of the banking sector and the capacity of banks to absorb shocks, the Romanian Government has taken a series of measures to support especially the population and the SME segment (OUG no. 37/2020, IMM Invest Program), and the National Bank of Romania proceeded to reduce the monetary policy rate and start the process of buying government securities denominated in RON on the secondary market, in order to ensure the financing in good conditions of the real economy and of the sector.

The response to the Covid-19 pandemic included some forms of payments holiday of credit obligations (aiming to support the operational and liquidity problems faced by borrowers) introduced either legislative moratorium (GEO 37/2020 and GEO 227/2021) or non-legislative moratorium.

The legislative moratorium introduced through GEO 37/2020 has the following main features:

- Validity period from 31st of March 2020 to 15th of May 2020 and further prolonged to 15th of June 2020;
- Grace period up to 9 months (not beyond end of 2020);
- Interest is accrued (capitalized for consumer loans, repaid in 60 equal installments for housing loans);
- Available to debtors without due past due and affected by the crisis (based on declaration for individuals or loss of 25% of revenues for companies).

Loans with moratorium measures were not classified as impaired, consistent with the position of EU regulators, but were included into continuous monitoring program in order to determine whether the financial difficulties of the debtors would be longer term and would trigger the classification as impaired.

The Group has designed its internal payments holiday of credit obligations program in order to support its debtors under temporary distress. The measures fall into legislative (compliant with the code of conduct developed at the level of the banking industry) or non-legislative category. All moratorium deferrals ended as at 31 December 2020.

For the eligible debtors the moratorium – related changes to the contract are not automatically considered forbearance measures, hence not automatically default trigger. During 2020 the Group implemented payment holiday for more than 1,500 clients with a total exposure of RON 356,611 Thousand, representing 17% of the total Group's loans portfolio. Out of the total exposure of RON 356,611 Thousand, 16% represents Loans granted to individuals and 84% represents Loans granted to companies.

An additional measure that the Romanian Government has taken to support the SME segment was IMM Invest Program. For 2020, the total ceiling of guarantees that could be granted under the program was RON 20 Billion. As of 31 December 2020, the Group has approved 138 financing request, amounting to approx. RON 100,108 Thousand.

In January 2021, the Government approved the extension of the measure of payments holiday of credit obligations, until March 15, 2021, for people who have financial difficulties, due to the Coronavirus pandemic.

The request can be formulated by the debtor until March 15, 2021 at the latest, and the Bank must communicate the decision within a maximum of 15 calendar days, until March 31, 2021. The modification of the contractual clauses, as an effect of the approval of the debtor's request is made without concluding additional documents to the credit contract, by notifying the debtor within 30 calendar days from the receipt of the complete request. The normative act approved by the Government stipulates that the persons may benefit from the suspension of the payment of the obligations resulting from the accessed credits for a period of maximum nine months.

The conditions for requesting the suspension of the payment of the obligations are:

- The credits were granted until March 30, 2020 inclusive;
- The loan has not matured until the date of the request made by the debtor;
- The early maturity of the loan was not declared until December 31, 2020;
- The debtor did not register arrears until the date of requesting the suspension of the payment obligation.

The Group's forbearance practices have been updated to pay attention to customers affected by the COVID-19 pandemic. These practices include additional guidance to ensure that COVID-19 concessions are fully complied with EBA/ NBR decision on moratoria operations respectively it is considered that the operations will not automatically generate a stricter classification of exposures (should not be considered as an automatic trigger, but should be considered in correlation with other risk indicators), and the Group should develop and strengthen its own mechanisms to identify in early stages, increase of credit risk and unlikeliness to pay situation.

As mentioned, moratoria program did not have a direct impact on staging (is not considered a trigger for a significant increase in credit risk). The definition of forbore credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program.

The Bank implemented a continuous monitoring process for all the exposures subject to legislative or non-legislative moratoria. On a quarterly basis, the Bank analysed the updated situation of each exposure, above certain limit, which benefit of a moratorium solution, covering most part of the portfolio. Additionally, on a monthly basis, in the previous months before the first payment after the grace period, the Bank analysed the current situation of the client at its capacity to continue the payments.

Overdue payments or restructuring request, just after the postponement period it is subject of in depth analysis in order to assess the probability of significant increase in credit risk or unlikeness to pay.

The Bank has evaluated the industries at high risk of being impacted by the pandemic situation (for example HORECA industry), and considered from the beginning of the pandemic situation, in the category of exposures with significant increase in credit risk.

The Group has taken a series of measures for the protection of employees and customers, the measures taken aiming at:

- **Protection and prevention** measures against the spread of the virus to employees. At the level of the territorial units and all the bank's offices, all the necessary individual protection materials were provided (masks, gloves, protective screens), simultaneously with the supplementation of the sanitation measures and the introduction of new rules of interaction with the clients in the unit. All these aimed to carry out the activity continuously and optimally, keeping a proper distance in interaction, along with reducing the public relations program, but maintaining the service of all customers through digital channels (telephone and e-mail). In parallel, the activity through staff rotation, the increase of the activity carried out in the work from home system and the flexibility of the work schedule offered an increased degree of confidence and security to the employees to continue the activity in optimal parameters, as well as the maximum limitation of illness among employees. At the headquarters, during the state of emergency, a number of 237 employees worked continuously for 2 weeks from home. After the end of the emergency period, the bank implemented an alternative work from home schedule to maintain a safe distance to the office, in order to limit the number of illnesses.
- **Measures to make the customer service channels more flexible and improved.** The communication with the clients and the recommendations to use remote trading tools, the card and internet banking were made in a transparent and continuous way through its own website (www.patriabank.ro/covid) and through the use of direct communication channels. Moreover, a number of processes and flows have been optimized in order to facilitate or limit face-to-face interaction during this period, such as: the possibility of extending deposits by a simple phone call and postponing, during the state of emergency, the obligation to be present in bank units for updating personal data.

6.2 The Bank's main achievements in 2020

Objectives established through the Activity Plan and Budget

For the second consecutive year Patria Bank reports a profit and succeeds to improve the Capital Adequacy Ratio in 2020 by more than 350 bps, confirming the positive evolution of previous years. The net profit of 2020 is RON 2.8 Million and was influenced by the pandemic context in which the predictability was very low and the volatility of macroeconomic conditions was high; these factors affected the financial result of 2020 and explain the contraction by RON 2.5 Million of the net result compared to the previous year.

Current results represent the cumulation of strategic decisions that the Bank has implemented, materializing in the following financial benchmarks reached in 2020:

- **New loans granted in the amount of over RON 823 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%, respectively RON +191 Million compared to December 2019
- **Improving the bank's balance sheet structure by increasing the share of gross loans in total assets to 56%** from 53% in December 2019 correlated with the continued development of a strong (retail) deposit base
- **Optimization and reduction of operational expenses by 11%, RON -15.7 Million** in 2020 compared to 2019 via process optimization and acceleration of digitalization
- **Thus, In 2020 the Bank managed to fully offset the contraction of operating revenues with the results from recalibration of costs, achieving an improved operating result than in 2019 despite the pandemic conditions of 2020.**

Achievements in the business activity

In terms of business activity, the Bank continued to be an active participant in the segment of legal entities that are representative for the Bank's activity (SMEs, Microenterprises and Agriculture), targeting both urban as well as rural areas and reconsidered the strategy for development of the retail segment (individuals), mainly in the urban environment, including through increase in the mortgage lending area and by optimizing lending without real guarantees.

One of the Bank's main objectives in 2020 was to significantly increase the efficiency and productivity of each unit, sign new external partnerships or develop intra-group ones with Patria Credit IFN and SAI Patria Asset Management, as well as implement alternative operating models to further ensure the service of all geographical areas of interest. Also, in 2020 a series of digitization projects have been accelerated and will be implemented and launched in 2021.

During 2020, the lending activity generated new loans of approximately 823 million lei, with a superior dynamic in the area of legal entities. Following the completion of the branch structure optimization process, the year 2020 ensured a significant increase in productivity per bank unit.

In the area of legal entities, the Bank consolidated the three main directions:

- SMEs and Small Corporates (SMEs)
- Microenterprises (MICRO)
- Agribusiness (AGRO)

At the level of credit balance increase, as a result of the above-mentioned aspects and the fact that the starting point is relatively small, in 2020 Patria Bank managed to grow at least twice more than the Romanian banking system. Thus, the increase of the credit balance was of *:

- 11.90% on the area of individuals, compared to 4.80% growth rate of the banking system
- 11.91% on the area of legal entities, compared to 7.46% growth rate of the banking system

*data as at December 31, 2020

During 2020, Patria Bank continued to grow in the credit area, at a higher rate than the current market share (especially in the area of legal entities). Thus, out of the total new loans granted in 2020, Patria Bank attracted:

- 1.7% of the total production of new loans at national level on the area of legal entities (compared to the present market share of approximately 0.9%). The performance is all the more notable as the Bank does not intend to finance certain segments of the legal entities customers that ensure a significant growth in the system (municipalities, multinational companies, large companies etc.)
- 0.5% of the total production of loans at national level on the household area, in the context in which the partnerships with brokers entered into force *de facto* only in December 2020.

Despite these achievements, in 2020 the budgeted targets were not fully achieved due to negative impact generated by the Covid-19 crisis. On the funding side Patria Bank continued to consolidate its strong deposit base in 2020, recording a 6% increase of commercial funding compared to 2019.

Since the onset of the COVID-19 pandemic in March 2020, the Bank has assumed three major roles:

1. Supporting individual debtors and legal entities customers affected by the COVID-19 crisis, either by implementing a debt deferral program (both through a proprietary solution as well as through the legal moratorium solution) or by securing financing to cover the temporary liquidity gap
2. The role of active financier of entrepreneurs (from unaffected economic sectors and markets where the COVID-19 crisis has even generated development opportunities) and individuals (especially in the area of real estate acquisitions). Patria Bank continued to support Micro and SME clients throughout the pandemic period. In 2020 the commercial strategy was adjusted accordingly, including by accessing new guarantee instruments (including IMM Invest, increased EASI limit etc.). The acceleration of the lending process was achieved at the same time with the exit from the lockdown, including by constant increase in the number of new acquired customers, in an adequate risk framework

3. Continuous and permanent provision of banking services offered to customers:

- both through the permanent operation of the branches and the ATM network
- as well as by developing remote operation channels.

The relationship with customers - companies that benefited from deferred payments - was maintained continuously, both through Patria Bank's own solution and through OUG37, in order to verify, in each case, the evolution of cash flows, payment capabilities, probabilities of repayment at the end of the deferral period, additional needs that may arise etc. Throughout the year (but especially in the Fourth Quarter, when deferred rates began to reach maturity) the Bank constantly performed an in-depth analysis and monitoring of the client portfolio to counteract the negative effects of the pandemic and ensure efficient management of portfolio and relationship with each client.

In the **sub-segment of SMEs and Small Corporates**, the acceleration of the lending process was achieved due to the IMM Invest Governmental program. Thus, in 2020 the Bank signed with FNGCIMM the Agreement for Guaranteeing the Payment of Grants for the IMM INVEST ROMANIA Small and Medium Enterprises Support Program. The initial limit for the IMM INVEST Program was RON 135 Million and subsequently it was supplemented up to the amount of approximately RON 280 Million.

Patria Bank's commercial approach to the IMM INVEST area mainly targeted SME & Corporate clients and larger AGRO and MICRO entities. At the level of the Bank, the main beneficiary of the program was the SME & Corporate segment - approximately 37% of the amounts disbursed at the level of 2020 come from loans granted through the IMM INVEST Program (which brings certain advantages to SME clients relating to pricing and collateral).

Patria Bank continued to support clients in the **Micro sub-segment**. In 2020 the Bank signed with the European Investment Fund (EIF) the increase of the EASI guarantee limit by an additional RON 300 Million. Throughout 2020 more than 1,000 such loans were granted with an 80% guarantee issued by the EIF. At the end of 2020 the Bank provided, with the support of partners, the possibility of doubling the maximum amount granted to a debtor (RON 240,000/debtor) as a COVID-19 support measure approved by the EIF, as well as of increasing the value of the guarantee from 80% to 90%. This measure will apply until 30 June 2021.

In 2020 for the MICRO customers the Bank succeeded in consolidating its growth strategy under controlled credit risk conditions, ensuring a constant percentage in the number of low-ticket-size loans and risk dispersion to a significant number of customers (average ticket size was approximately EUR 22.4 Thousand in 2020).

Additionally, the originating capacity of the Bank increased because, beyond the sales force dedicated exclusively to MICRO, the volume originated directly by non-MICRO employees from the banking network increased. By finalizing and consolidating the enrollment of most branches in the production of loans granted to micro-enterprises, they provided 17.5% of the volume and 20% of the number of applications, increasing efficiency of sales even though the number of branches has decreased.

The Bank succeeded in keeping the MICRO segment as one of its main expertise areas and the main differentiator compared to the competition, capitalizing on the expertise accumulated in over 10 years (in both Patria Bank and Patria Credit IFN), including through the development of the partnership network. The involvement of communities in the growth and financing of the small entrepreneur segment continued, including by constantly attracting new lead partners; thus, 71 new contracts were signed last year, and Patria Bank partners generated, through leads, 38% of the annual production of MICRO loans.

At the same time, in the context of the expansion of the online segment during and after the lockdown period, there is an increase in the number of customers who applied for an *online* loan by applying on the Bank's website, by email or by SMS following information campaigns carried out by the Bank.

In 2020 special attention was paid to the complete servicing of customers and their education in order to avoid operations carried out in branches as much as possible, which generated increase of revenues per customer, increase of operations performed through accounts, improvements in the use of company cards and increase in the number of current account packages used by customers and in currency transactions.

The Patria Bank Group covers a wide range of clients in the Agricultural field, from the very small (less than 50ha, serviced by Patria Credit IFN) and micro companies (50-300ha, serviced by the Bank's MICRO department) to SME and corporate clients (serviced by the AGRO department).

In the **Agro sub-segment** the dedicated teams were maintained (both in the sales area and in the approval department). An important financing pillar continued to be the one for vegetable farming. The Agro portfolio in Patria Bank is still predominantly focused on vegetable farming (to the detriment of animal husbandry and fruit growing), both due to the Bank's superior expertise in this segment as well as to superior risk control. Large vegetable growing in Romania is significantly covered in terms of financing, but most Romanian vegetable growers are small-sized and, therefore, are served mainly by the MICRO sales force and by branches through dedicated products.

The Bank's interest in supporting companies operating in the field of agriculture is also confirmed through financing provided under the APIA program (in 2020 the Bank continued to be one of the first signatories of the convention with APIA) and through financing granted for purchase of agricultural equipment and land.

Patria Bank continues to remain in the top of users of guarantees issued by The Rural Credit Guarantee Fund of Romania (FGCR) in the banking system.

It is worth mentioning that during 2020, following an analysis that revealed certain difficulties of agro customers to provide the necessary guarantees for the development of their business, Patria Bank and FGCR developed a new financing product collateralized only with FGCR guarantee, without requiring additional collateral from the farmer.

Customers exploiting large crops were affected by the drought in 2020 and the Bank offered support by implementing solutions to continue activity, either by postponing payments or by providing new financing for current activity. During this difficult context the Bank's first priority was remaining in close contact with clients and focusing on customer experience and customer satisfaction. At the same time, there is a significant increase in interest in financing irrigation equipment, a process that will continue, at an even faster pace, in coming years.

Benefiting from the Bank's specialists and agricultural engineers, the process of creating new products designed with customers/partners/associates continued, combining the technicalities specific to the agricultural field with regular bank financing so that credit products meet the needs of the industry both in terms of structuring as well as of seasonal/atypical repayment plans.

In the **retail area (individuals)** the year 2020 represented an acceleration both in lending activity and in improvement of product catalog, processes, flows and systems, which led to an increase of the Retail loan balance by 10% compared to the previous year.

In the 2020 pandemic context Patria Bank adjusted and improved a number of features of customer interaction by creating new flows and products that respond to the need for remote servicing without the physical presence in offices. The Bank also continued to offer a high level of services through the branch network, which remained open throughout the Covid-19 pandemic.

Within Patria Bank a series of transformations of traditional banking are taking place in the direction of solutions already developed around new technologies (internet banking/mobile banking, contactless payments) or in the direction of solutions to be launched in 2021 (online enrollment/account opening, online loans, instant payments through mobile banking, biometric authentication (fingerprint, facial identification) or signing of contractual documentation using a qualified electronic signature.

All products launched in 2020 are designed to answer the requirements of the current atypical context. Thus, the mortgage loan with solutions for space ergonomics included or the mortgage loan with zero advance payment (no cash advance) respond to the growing need for extra space, especially by inhabitants of large urban areas who work remotely (telework).

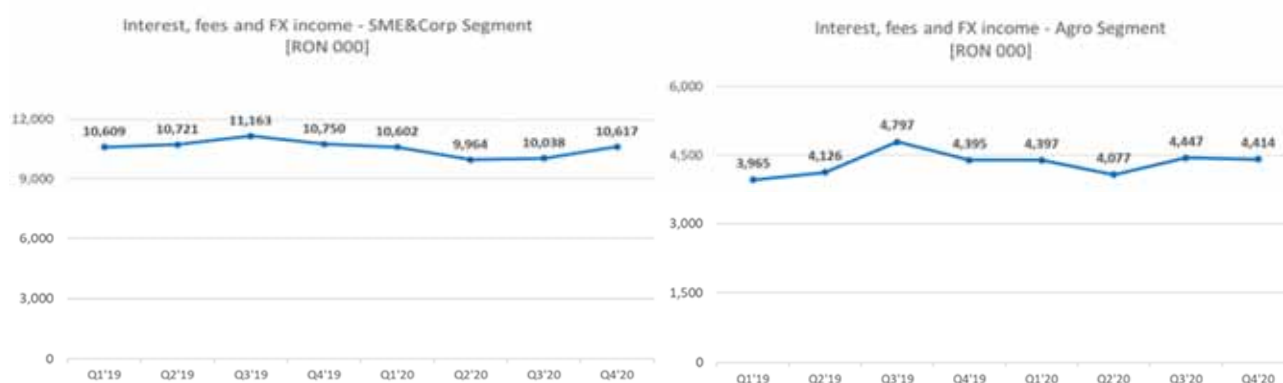
The Bank continued to be close to customers who went through a difficult period in this pandemic context. Thus, solutions have been implemented to postpone the payment rates (through OUG 37 or the Bank's own solution) for approximately 5% of customers in the Retail loan portfolio.

Patria Bank will continue to remain an office network-based bank in the near future, but with an increasingly important presence in the online environment and with an increasingly advanced technology that will allow the gradual growth of the digital product portfolio. Expansion and growth through partnerships with brokers, with online or offline retail networks, as well as with financial service providers will be increasingly strengthened.

A specific objective for the Bank in 2020 was related to the **acceleration of the digitalization and financial education** programs for customers:

- Further development of the Bank's Internet & Mobile Banking Platform, Patria Online, with new digital options for the customers in their transactional relationship with the Bank (the platform is available at <https://www.patriabank.ro/noua-platorma-patria-online>)
- Patria Online registered at 31.12.2020 an increase of over 127% in the number of users compared to the date of customer migration on the new platform, implemented in the last part of 2019
- Promotion of new Retail current account packages with an important digital component within their structure and with optimized costs for customers
- Providing the Bank's customers with approximately 40,000 products that facilitate remote trading/information (Internet & Mobile Banking Service, SMS Alert Service, Cards and transactional packages)
- Accelerated continuation of digitalization projects: biometric card payment authentication, instant payment, Online Onboarding, Online Customer Lending, Multi-Functional Machines Program (providing branches with Multi-Functional Machines and arrangement of self-service areas within offices that will be included in the program)
- Continuation of technology project for traditional commercial spaces, such as the project "POS at the Market" which involved the installation of POs terminals in 7 additional agri-food markets in 2020 (the Bank being present in a total of 12 Romanian markets with the service of accepting cards for payment). The number of transactions increased by over 350% and the volumes traded through POS terminals in the agri-food markets increased more than 3 times in 2020 compared to the similar period of 2019, the year in which this program was launched (exceeding RON 1.6 Million).
- Development of the Patria Bank Blog with additional financial education components for customers and potential customers.

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



Interest, fees and FX Income - Micro Segment
[RON 000]



Interest, fees and FX incomes - Retail Segment
[RON 000]



We notice a decrease in interest income in Q1 and Q2 2020, followed by an increase during the second half of the year. **The decreasing trend was mainly due to the ROBOR interest index evolution which decreased by almost 115 pp in 2020. Patria Bank felt the impact considering the structure of the loan portfolio which is mainly in RON with variable interest, this impact being of approximately RON 6.3 Million. Subsequently, a part of this decrease caused by the interest index was offset by the increase in the gross loan portfolio.** The monthly evolution of net income broken down on business segments is presented below:

Net interest, net fees and FX income - SME&Corp Segment
[RON 000]



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



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



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



Operational and IT achievements

In terms of operations, during 2020 the Bank continued the processes of optimization, development of processes for remote interaction with customers and digitization, taking into account the objectives set in the 2020 Business Plan and Budget. The main priorities and investments in the development and projects of the Bank, with impact on the commercial area were:

- New functionalities related to the Internet Banking platform for legal entities: payments through packages, scheduled payments and optimization of the salary module. The facilities provided in the platform support users for much easier access to Bulk and payroll payments
- Optimizing flows and adjusting transactional packages and credit products to customer needs, in order to attract new customers, improve portfolio performance and maintain market competitiveness:
 - Transactional packages for individuals (Patria Star, Patria Pensionar, Patria Avantaj and Patria Premium)
 - Relaunch of the Overdraft product and credit products with real estate guarantee: Multiple Destinations and the Fixed Interest Credit for 5 years
- Continuously looking for new opportunities to expand the branch network in attractive locations
- Optimization of credit management flows and processes by implementing a Credit Documentation Archiving Module
- Business leads system received from the Bank's partners for improvement of the Bank's credit flows
- Implementation of the national IMM INVEST Program - development of specific operational flows regarding the accomodation of IMM Invest guarantees, credit withdrawals and monitoring of credit applications
- The Guarantee Module for an efficient process of management and administration of real and movable guarantees.

Projects with an impact on the **business area implemented during the fourth quarter of 2020** include:

- Implementation of the Strong Customer Authentication (SCA) facility that offers customers the opportunity to access online services easily and securely
- Launch of a new web platform which allows remote interaction with Bank customers by developing flows for card services and broker partnership:
- Forced Execution Module - development and implementation of a CRM-type application that *allows end-to-end* management of flows in the area of non-performing loans recovery.

At the same time, solutions with an impact on the **Operational Security** area were implemented such as: Solution for classifying and encrypting documents for the Bank's internal information flows, Endpoint Detection & Response Solution – for protection against cyber attacks, Solution for document sanitization and Anti-DDoS solution.

For the next period, the Bank foresees the continuation of the digitization strategy through which customers will be offered enhanced services for saving time in accessing and using products and sales force agents will be offered increased mobility:

- Internet & Mobile Banking Platform aligned with European standards in the field of personal information security and responding to the new PSDII payment directive, the inclusion of additional facilities dedicated to individuals and legal entities, digitization of certain flows and operations with impact on customer interaction with the Bank, as well as at the internal processes level by implementing biometric authentication for the Mobile Banking application, but also the development of a new PFM module (Personal Finance Module) that offers the possibility to customized groups of transactions performed on specific categories and rules defined by customers
- Development of the Asset Management module - a new module for viewing and managing investments held by Patria Bank clients who are Internet Banking users in Patria Asset Management funds. The module will have two sections:
 - The general section will present general information about the funds, the structure of their investments and charts of historical evolution of fund units
 - The section dedicated to investors in Patria Asset Management funds will present information about their holdings in funds and the list of historical transactions, with functionality for generating an account statement in PDF format
- *Instant Payments* - implementation of the instant payment/collection option in RON for small amounts that are executed in maximum 20 seconds from the moment of initiation through Internet Banking and Mobile Banking, for both individuals and legal entities
- *Online Customer Onboarding* - just a click away and without coming into physical contact with the Bank potential customers can enroll by requesting the online opening of the current account and the purchase of products and financial services customized to their needs: current account packages, debit cards, IB/MB and deposits only by signing an electronic contract. Subsequently, through the Patria Online Banking/Patria Mobile Banking platforms, customers can carry out remote operations
- Implementation of Trusted Services focused on Electronic Signature, offering the possibility to manage digital transactions including legally valid electronic signatures, compliant with legislation, managing and monitoring document flows, conducting transactions securely and ensuring secure storage of information

- *Customer Digital Lending* - as a continuation of the launch of the Customer Onboarding platform, Patria Bank will complete the implementation with a new digital lending technology. The most important benefit that the Bank will make available to customers through the platform is the speed in the lending process, through simplicity and ease of experience, thus eliminating the visit to branches, with an important emphasis on data security of its users.

Treasury activity

As regards to the Bank's treasury activity during 2020, it focused on two main directions:

1) Managing liquidity both on short as well as medium and long term. The net positive position on the main currencies has made the Bank focus its attention on making its management more efficient, finding the optimal and high liquidity placements. Consequently, the bank chose as investment alternatives, the placements in government bonds and money market instruments.

- Having a rather conservative policy, given the uncertain economic environment during 2020, the Treasury Division decided to maintain the duration of the fixed income asset portfolio in order to stabilize the risks related to a higher interest rate curve in the next period due to the increased inflationary risk;
- In terms of commercial liabilities, the Bank has paid particular attention to changing its current structure by focusing liabilities rather on the RON national currency to the detriment of the EUR and USD currencies. The Bank also paid special attention to maintaining a high duration of commercial liabilities, as well as a appropriate balance between deposits and current accounts. In this respect, comparing the weight of deposits made by individuals with the legal entities ones, we find a high degree of "stickiness" of Patria Bank SA liabilities, especially on the individuals segment, which is further proof of the stability of the institution with regards to commercial liquidity.

2) Trading activity, the Bank has focused its attention on the diversification of the counterparties with which it can trade as well as the extension of the counterparty limits (limits for transactions on the foreign exchange market or the money market).

- Revenues from the trading activity in the FOREX market have seen significant increases in relation to budgeted revenues. This shows a consolidation of the Bank's trading position, in the context of declining financial markets in terms of traded volumes.
- Trading with non-bank customers has seen significant growth, in order to streamline Treasury operations and to more effectively cover the clients of the foreign exchange business.
- As regards the trading activity of fixed income instruments, there are significant positive figures in the context of a decrease in the interest rates level, for both national currency and main currencies (EUR and USD).

Early Collection and workout activity

The Bank through the Business Workout Department and the Debt Collection and Retail Workout Department ensures the management and monitoring of all non-performing loans of legal entities and individuals related to the Bank's activity, respectively all customers regardless of the number of delay days marked NPL-Stage 3 in the Core-system of the Bank. The main objective is to maximize recoveries and reduce the rate of non-performing loans at the bank level.

Regarding **the activity of early collection for the outstanding claims**, this is managed at the level of the Credits Early Collection and Retail Workout Department, The Amicable Collection Team and the On the Field Credit Recovery Team and had considered in 2020 the following:

- identification of the best solutions for the recovery of overdue receivables within a reasonable timeframe, based on the analysis of the actual and current payment capacities of the borrowers as well as the creation of the necessary framework for the ongoing recovery and monitoring activity of the overdue receivables from the lending activity;
- managing customers with more than 1 day delayed payment of the credit rates for the entire loan portfolio.

In 2020 as a result of the **collection activities** undertaken at the level of the Credit Early Collection Department, RON 63.4 Million were collected (RON 51.4 Million coming from the legal entities area and RON 11.9 Million coming from the individuals area). Compared to 2019, in 2020 there have been collected with RON 10.08 Million less, on the basis of the Emergency Ordinance no. 37/2020 which led to the postponement of installments for a period of up to 9 months due to the context of the Covid 19 pandemic.

In respect of the **workout activity**, it is carried out by the Business Workout and Retail Workout Department and **during 2020 within the procedures initiated by the bank in order to recover the receivables, under the Covid 19 pandemic circumstances, the following amounts were recovered: for legal entities approx. RON 27.5 Million and for individuals approx. RON 3.7 Thousand (in total RON 31.2 Million).**

Obstacles identified in the acceleration of procedures and development of activity in 2020:

- In the context of the Covid-19 pandemic, given that the court terms were suspended for several months in 2020, the proceedings were extended, there were situations of illness, in which case the bailiffs or judicial administrators closed their offices, they did not organize auctions and did not organize Creditors' Meetings
- Reluctance of buyers on the real estate market and stagnation of transactions on the real estate market during the Covid pandemic as well as for the time being.

Marketing and communication activity

The year 2020 was marked by the pandemic context, the marketing and communication actions reflecting to a large extent the changes in the behavior of the population and the needs of entrepreneurs in a context of increasing uncertainty.

Communication and promotion through digital channels experienced a significant increase in 2021, which was complemented by awareness actions on the importance of compliance with prevention and distance rules and providing support for all customer segments. The biggest decrease was represented by direct marketing actions, face to face, these being replaced by activations and digital communications.

Thus, the main communication projects of 2020 were organized around the theme of the year - the pandemic - the communication efforts being focused on three important directions:

1. Support, backing and solutions to respond to the pandemic context

Patria Bank launched in the first quarter of 2020 an image campaign designed to help raise awareness of the importance of compliance with the rules of prevention and distance, to maintain the health of the population, and reduce pressure on the health system. The new Patria Manifesto was the Bank's way of thanking the Romanians for keeping the most precious resources: their health and care for their fellow human beings.

The new reality in which we live and the travel restrictions have become important topics of communication within the Patria Bank projects, among which we mention:

- Communication campaigns for mortgage loans with guaranteed gift for efficiency and ergonomics of living space and the launch of the new residence loan product without cash advance
- Activations in social media: #vacantainRomania who came to respond to the new reality in which Romanians organize their holidays in the country, through a series of articles and travel recommendations in Romania. The #NisteOrazeni project, which is an initiative to support migration from urban to rural, has offered those who want to move to the country a practical and useful relocation guide, obtained through scientific research methods. The bank started this initiative out of the desire to offer those who want to leave the city in favor of the village a comprehensive, documented framework, an overview of living in rural areas, in harmony with nature and locals, as well as in partnership with town halls and local action groups.

Patria Bank joined efforts to support the medical system under pressure from the pandemic and supported Daruieste Viata for equipping hospitals and medical staff with materials and equipment. The Bank also supported Code 4 Romania's projects to inform the public about the evolution of the pandemic and to provide useful resources to the population.

At the level of the Patria Bank customer community and the employee community, #OameniiPatria, the Bank ensured a transparent and continuous open communication and provided updated information about the measures taken at the level of the organization to protect health and prevent the spread of the virus.

2. The continuous promotion of solutions for entrepreneurs and the active involvement in the promotion of IMM Invest and EaSI programs with European guarantee were supported by continuous communication campaigns in the online environment and other niche media channels.

Throughout 2020, the bank has kept all communication and promotion channels open, thus offering customers interested in financing the business the opportunity to start a conversation quickly, directly online.

Moreover, microfinance products for small entrepreneurs and agricultural financing products have enjoyed a specific exposure to the target of agricultural producers, through dedicated campaigns conducted on niche communication channels.

3. Extending digital communication

Following the market trend and especially the behavior of consumers, who have started to adopt more and more a digital collaboration mode, Patria Bank's online communication strategy has seen a significant growth in 2020. The marketing performance component and the "always on" approach of campaigns for key products (loans to individuals and legal entities) have led to good visibility and a significant impact on business.

All these actions, supported by PR efforts, led to a good visibility for Patria Bank in the media (print, online and TV), where 2778 appearances were recorded, of which 24% appearances with a positive tone and 74% in a neutral tone, increasing compared to the previous period.

In terms of community involvement, both internal and external, Patria Bank continued to be present through sustainability and volunteering projects. The bank was together with civic causes (promoting Redirectioneaza.ro, Daruieste Viata and Code 4 Romania), supporting continuous education (through the Aspen Leadership and Merito projects) and promoting alternative sales platforms for local households (MallTaranesc.ro and Asociatia Crestem Romania Impreuna), together with the moderate implementation of internal communication actions able to determine the consolidation of the Patria Bank team and to allow it to adapt to the new operating context.

More details on these projects are also presented in the Bank's Sustainability Report for 2020.

6.3 The Results of 2020

6.3.1 Basis of preparation of financial statements – going concern principle

The preparation of the consolidated and separate financial statements is based on the going concern assumption that involves management's assessments, estimates and hypotheses related to the income, expenses, assets, liabilities, cash flows, liquidity and capital requirements of the Bank and the Group. The uncertainty in relation to

these hypotheses and estimates could determine results that require significant adjustments of the assets, liabilities and capital requirements in the future periods.

(1) Operational considerations

For the second consecutive year Patria Bank reports a profit and improves the Capital Adequacy Ratio in 2020 by more than 350 bps. The net profit of 2020 is RON 2.8 Million and was influenced by the pandemic context in which the predictability was very low and the volatility of macroeconomic conditions was high; these factors affected the financial result of 2020 and explain in part the contraction by RON 2.5 Million of the net result compared to the previous year.

Current results represent the cumulation of strategic decisions that the Bank has implemented, materializing in the following financial benchmarks reached in 2020:

- New loans granted in the amount of over RON 823 Million during 2020 (at a faster pace than the banking system average) which led to an increase in the portfolio of performing loans (stage 1 and stage 2) by 13%, respectively RON +191 Million compared to December 2019;
- Improving the bank's balance sheet structure by increasing the share of gross loans in total assets to 56% from 53% in December 2019 correlated with the continued development of a strong (retail) deposit base ;
- Optimization and reduction of operational expenses by 11%, RON -15.7 Million in 2020 compared to 2019 via process optimization and acceleration of digitalization;
- Thus, In 2020 the Bank managed to fully offset the contraction of operating revenues with the results from recalibration of costs, achieving an improved operating result before impairment than in 2019 despite the pandemic conditions of 2020.

Loans and Advances to Customers increased by 12%, or RON +190,024 Thousand, compared to December 31, 2019, this positive evolution being the result of the efforts of sales teams of all business lines: Micro, Agro, SME & Small Corporates and Retail which generated new loans in 2020 amounting to RON 823 Million. Optimizing balance sheet structure is an action that targets strategic goals by redistributing part of the excess liquidity into loans and advances to customers, leading to an increase of gross loans in total assets from 53% at December 31, 2019 to 56% at December 31, 2020.

The increase in the loan portfolio lead to an improvement of the gross loans / deposits ratio (66% as of 31 December 2020 compared to 62% as of 31 December 2019).

(2) Capital Ratios considerations

Strengthening the Bank's capital base during 2020

In order to improve the capital ratios imposed by the National Bank of Romania based on regulations applicable to EU credit institutions, in October 2020, Patria Bank placed an unsecured, non-convertible, subordinated bond offering, issued in Euros, in total amount of EUR 8,187,000.

The bonds were issued on October 05, 2020, with a nominal value of EUR 500 per bond, an 8-year maturity and a (fixed) interest rate of 6.50% / year.

On October 26, 2020, the National Bank of Romania has approved, at the Bank's request, the inclusion of the unsecured, subordinated, EUR denominated bonds, amounting to EUR 8,187,000 in Patria Bank's Tier 2 Capital. The bond issue was listed on the regulated market managed by the Bucharest Stock Exchange (BVB), based on a prospectus for admission to trading approved by the Financial Supervision Authority. The bonds started trading with the ticker PBK28E on December 16, 2020 and based on market price, there is no evidence of impairment.

As of 31 December 2020:

At individual level the Bank's Capital Adequacy Ratio (Total Capital Ratio) is 21.60%, being over the TSCR limit (11.35%) and over the minimum OCR limit of 13.85% (TSCR plus capital conservation buffer of 2.5%), registering an increase compared to 17.75% level at the end of 2019. The increase in the capital adequacy ratio was due to the increase in Tier 2 Equity that took place in October 2020 (as mentioned below) and the net positive result from 2020. The TSCR limit for the Total Capital Requirements has been decreased starting with December 2020 from 11.71% to 11.35% following the completion of the Surveillance and Evaluation Process (SREP) conducted by the National Bank of Romania in 2020.

The CET 1 ratio is 16.91%, above TSCR limit (6.38%) and above OCR limit (8.88%) and Tier 1 ratio is 16.91%, above TSCR limit (8.51%) and above OCR limit (11.01%).

At consolidated level the Group's Capital Adequacy Ratio (Total Capital Ratio) is 21.14%, being over the TSCR limit (11.41%) and over the minimum OCR limit of 14.91% (TSCR plus capital conservation buffer of 2.5% plus 1% systemic shock buffer, which was diminished in March 2019 from 2% level to 1%). The level of the systemic buffer of 1% is set according to the current NBR methodology for the calculation of one of the parameters that define the matrix of the systemic shock buffer i.e. of the NPL coverage ratio. In March 2019 the regulation covering the calculation methodology of the NPL coverage ratio specifically applicable to banks which acquired loan portfolios (of which value incorporated a market value adjustment) has been modified (through NBR Order 2/26.02.2019 published in the Official Gazette no.213 Part I/18.03.2019). The Bank is qualifying for the level of 1% systemic risk buffer at the end of 2020. This had a positive impact in the level of minimum capital requirements at consolidated level.

The CET 1 ratio is 16.40%, above TSCR limit (6.42%) and above OCR limit (9.92%) and Tier 1 ratio is 16.40%, above TSCR limit (8.56%) and above OCR limit (12.06%).

At the date when the consolidated and separate financial statements are authorized for issue, the Bank complies with capital ratios requirements.

(3) Other considerations

During 2020 the Bank has implemented a set of measures to comply with the provisions of NBR requirements addressed to the Bank. These requirements address operational as well as business aspects and their implementation comes in line with management's objectives.

The management of the Bank believes that it is appropriate for the going concern principle to be applied in the preparation of the consolidated and separate financial statements, due to the plans to continue growing the business while optimizing the cost base such that the Bank achieves sustained profitability, the strengthening of the tier 2 capital base and its comfortable liquidity position. These factors are set out below:

i) Business plan for 2021

For 2021, the Bank plans to leverage on the income drivers developed during 2019 and 2020, as it plans to continue to increase the weight of the higher yielding assets (loans to customers) in its total assets, implying also a corresponding increase of the risk weighted assets. The increase in the size of the loan portfolio is expected to lead to an increase of the operating income of the Bank, while in parallel the management aims to continue the optimization of the operating costs of the Bank, including the cost of funding, in order to achieve the profitability targets. The business plan also includes a continuation of actions started in previous years for decreasing the size of the non-productive assets through a strategy of sale (for those properties classified as Non-current assets held for sale) or a strategy of lease-out (for those classified as investment property). Through the sale actions the usage of the capital base of the Bank will be improved, as these assets are also very capital intensive.

The Bank performed a stress scenario on the by considering a reduced growth of the loan portfolio without diminishing the underlying impairment losses. The resulted impact in capital adequacy ratio is not significant.

ii) Strengthening the Bank's Tier 2 capital base in 2019 and 2020

Following the successful increase of the Tier 2 capital base during 2019, in 2020 the Bank placed another subordinated bond issue amounting to EUR 8.2 Million, with an eight-year maturity.

The above-mentioned actions aim to strengthen the capital base during the process of driving lending book growth to reach an optimal balance sheet structure.

iii) Liquidity considerations

As noted above, the Bank has a strong liquidity position demonstrated by the level of key liquidity indicators such as LCR (206% at the end of December 2020 –above the minimum level required for this indicator of 100%) and a ratio of liquid assets to total assets of 38.2%. For LCR in 2021 the Bank will have to maintain a level of minimum 100% for the main currencies (RON and EUR). The extra liquidity placed at the end of 2020 in low yielding assets will be gradually shifted to loans portfolio.

Based on all of the above, the Bank's management has made an assessment regarding the going concern principle and has concluded that the going concern principle is appropriate as basis for the preparation of the consolidated and separate financial statements as at and for the year ended 31 December 2020.

6.3.3 Consolidation perimeter and own funds – as detailed in Annex 7

6.3.4 Financial Position as at 31.12.2020

BANK

FINANCIAL POSITION -thousands RON-					
ASSETS	31.dec.20	31.dec.19	dec.20/ dec.19 (abs.)	dec.20/ dec.19 (%)	
Cash and cash equivalents	350,943	428,495	(77,552)	(18%)	
Loans and advances to banks	7,428	5,683	1,745	31%	
Securities	957,569	817,143	140,426	17%	
Investments in subsidiaries	33,322	30,469	2,853	9%	
Loans and advances to customers, net	1,778,298	1,588,274	190,024	12%	
Other assets	302,448	323,747	(21,299)	(7%)	
Total ASSETS	3,430,008	3,193,811	236,197	7%	
LIABILITIES	31.dec.20	31.dec.19	dec.20/ dec.19 (abs.)	sep.20/ dec.19 (%)	
Due to banks & REPO	37,459	18,627	18,832	101%	
Due to customers	2,904,771	2,733,713	171,058	6%	
Borrowings and other liabilities (including subordinated debt)	144,050	107,940	36,110	33%	
Total Liabilities	3,086,280	2,860,280	226,000	8%	
Total Equity	343,728	333,531	10,197	3%	
Total LIABILITIES AND EQUITY	3,430,008	3,193,811	236,197	7%	

- As at December 31, 2020 the **Total Assets** amounted to RON 3,430,008 Thousand, up with 7% as compared to the year ended 2019, evolution mainly determined by the business activity through the increase of the credit portfolio (+12%), supported by the increase of the deposits attracted from customers (+6%)

- The net value of **Loans and advances to customers increased by 12%, RON +190,024 Thousand** versus December 31, 2019, the positive evolution being the result of sales teams efforts on all business lines of activity: MICRO, Agro, IMM & Small Corporate and Retail that generated **new loans in 2020 of over RON 823 million**. Optimizing the balance sheet structure is an action that strives to achieve strategic goals by redistributing part of excess liquidity into loans and advances to customers, leading to **increase the share of gross loans in total assets from 53% on December 31, 2019 to 56% on December 31, 2020**
- Analyzing the situation of the bank's financial position on December 31, 2020 compared to the previous year, there is a higher increase in the loan portfolio compared to the sources attracted from customers, thus gradually reducing the liquidity surplus available to the Bank. The Bank also carried out actions to capitalize on non-interest-bearing assets in order to improve the balance sheet structure and the efficiency of the activity..

The evolution of the credit portfolio is presented below (Thousand RON):

	31.dec.20	31.dec.19	dec-20/dec-19	
Loans, Gross	1,907,111	1,699,332	207,779	12%
Performing Loans	1,685,942	1,490,754	195,188	13%
Non-Performing Loans	221,169	208,578	12,591	6%
Provisions	(128,813)	(111,058)	(17,755)	16%
Provisions - Performing Loans	(27,635)	(25,204)	(2,431)	10%
Provisions - Non-Performing Loans	(101,178)	(85,854)	(15,324)	18%
Loans, Net	1,778,298	1,588,274	190,024	12%
Performing Loans, Net	1,658,307	1,465,550	192,757	13%
Non-Performing Loans, Net	119,991	122,724	- 2,733	-2%

- **Deposits attracted from customers** recorded a 6% increase on December 31, 2020 compared to the beginning of the year, by actions to retain and consolidate the stable deposit base held by the bank and by encouraging customers to increase the volume of operations and transactions through Internet Banking, thus increasing the volume of current accounts by over 10% this year. These results show the clients' trust in the Bank, especially during this pandemic period. The financing sources were diversified through REPO operations with government securities, with counterparties in the market and by attracting interbank deposits. The Bank has paid significant attention to commercial resources by maintaining a high duration of the deposit portfolio, as well as of the share of current accounts in total (22%)
The evolution of the balance of loans and deposits resulted in an improvement of the Gross Loans / Deposits ratio at December 31, 2020 at 66% compared to December 31, 2019 when its level was 62%
- **Liquid assets** in total balance sheet show an adequate level of 38% similar to that of 2019, and the share of debt securities and equity instruments in total assets increased from 26% at the end of 2019 to 28% at December 31, 2020

- **Strengthening the capital base** - During 2020, the Bank placed a subordinated bond issue amounting to EUR 8.2 million for an 8-year maturity. According to the approval of the National Bank of Romania, the subordinated bonds issue has been included in Tier 2 capital starting with October 2020. The bond issue was listed on the regulated market managed by the Bucharest Stock Exchange (BSE), based on a trading prospectus approved by the Financial Supervisory Authority
- The **Total Capital Adequacy Ratio (individual level) on December 31, 2019 was 21.60%**, exceeding the OCR limit of 13.85%. The Total Capital Adequacy Ratio increased compared with the level of 17.75% recorded at the end of 2019, on the basis of the Tier 2 capital increase process and the positive results achieved

GROUP

FINANCIAL POSITION -thousands RON-				
ASSETS	31.dec.20	31.dec.19	dec.20/ dec.19 (abs.)	dec.20/ dec.19 (%)
Cash and cash equivalents	354,793	437,958	(83,165)	(19%)
Loans and advances to banks	7,428	5,683	1,745	31%
Securities	983,623	844,390	139,233	16%
Investments in subsidiaries	-	-	-	-
Loans and advances to customers, net	1,861,888	1,653,586	208,302	13%
Other assets	306,091	329,577	(23,486)	(7%)
Total ASSETS	3,513,823	3,271,194	242,629	7%
LIABILITIES	31.dec.20	31.dec.19	dec.20/ dec.19 (abs.)	sep.20/ dec.19 (%)
Due to banks & REPO	37,459	18,627	18,832	101%
Due to customers	2,898,050	2,728,114	169,936	6%
Borrowings and other liabilities (including subordinated debt)	248,682	204,847	43,835	21%
Total Liabilities	3,184,191	2,951,588	232,603	8%
Total Equity	329,632	319,606	10,026	3%
Total LIABILITIES AND EQUITY	3,513,823	3,271,194	242,629	7%

- As at December 31, 2020 the **Total Assets** at Group level amounted to RON 3,513,823 Thousand, up with 7.4% as compared to the end of 2019, evolution generated mainly by the business activity both by increasing the loan portfolio (+ 12.6%), supported by the increase of deposits attracted from customers (+ 6%) and by the increase of subordinated loans;
- The net value of **Loans and advances to customers increased by 12.6%, RON +208.302 Thousand** versus December 31, 2019, the positive evolution being the result of sales teams efforts on all business lines of activity: MICRO, Agro, IMM & Small Corporate and Retail as well as within Patria Credit IFN.
- **Deposits attracted from customers** recorded a 6.2% increase on December 31, 2020 compared to the end of the previous year, through loyalty actions and consolidation of the stable deposit base held by the bank.

Location and main features of the production capacities owned by the Bank

As at 31.12.2020, the Bank owns 7 tangible assets of the nature of the buildings, representing the space in which the branches / agencies operate in Bacau, Bistrita Nasaud, Brasov, Buzau, Cluj, Galati, Maramures, but also the two Operational Centers in Sibiu and Targu Mures. The rest of the premises where the Bank's units operate are leased premises.

The Bank also owns other 61 assets (reposed on the account of the receivables or kept for investment purposes) by the nature of industrial halls and productive spaces, land with or without buildings, apartments and dwellings, commercial spaces and office buildings / premises.

Description and analysis of the usage ratio of the Bank's properties

Net tangible assets at 31 December 2020 amounted to RON 87,761 Million (classified as per IAS 16 and IFRS 16), of which 83% represents buildings and land. Most of the buildings, both the property of the bank or rented, are recently upgraded. Beginning with 2017, following the merger process, a renovation and rebranding project of the Bank's territorial units was launched.

During the year 2020 only one operational unit was closed. A detailed analysis of the bank's fixed assets is presented in the Notes to the Financial Statements.

Potential issues related to the ownership of the Bank's tangible assets

In the case of some of the properties owned by the Bank as a result of their taking over on the account of the Bank's receivables (repossessed assets), litigations are in progress concerning either the property right or its extent.

Assets encumbered and unencumbered by liens

On December 31, 2020, and December 31, 2019 the Bank does not record assets encumbered by liens, according to art. 443 of the CRR, representing debt securities encumbered in order to guarantee the fulfillment of payment.

Liquidity developments and Tier 2 Equity Instruments

The Bank records a high liquidity position, with 38.4% of the assets being liquid assets and mainly government bonds portfolio. The Loan To Deposit ratio is at 66% (Dec 2019: 62%), well below similar size banks' level of 84% (2019: 85%), reflecting a high liquidity position of the Bank and a deleverage level for the attracted resources, which also brings a lower level of liquidity and credit risk for the bank, compared to banks of similar size. In this context, the liquidity coverage ratio (LCR) is of 206% as at December 31, 2020, well above the minimum regulated limit.

Total Own Funds Rate at 31 December 2020: Specific details are included in Section 6.3.1 "Basis of preparation the financial statements – going concern principle".

On 31.12.2020 the Bank has the following Tier 2 equity instruments based on contractual conditions:

- Subordinated debt of the Bank to its majority shareholder, EEAF Financial Services BV, amounting to RON 14,608 Thousand - the equivalent of EUR 3 Million, with a maturity of 8 years and a margin of 550 bps plus 6M EURIBOR and, respectively, the amount of RON 56 Thousand remaining after the partial conversion into shares of the contract signed on February 23, 2018, with a maturity of 6 years, maturing on 23 February 2024 and a margin of 585 bps plus 6M EURIBOR.
- Subordinated debt of the Bank to Mr. Horia Manda, Chairman of the Board of Directors, amounting to RON 9,739 Thousand - the equivalent of EUR 2 million, with a maturity of 7 years and a margin of 585 bps plus 6M EURIBOR.
- Subordinated bonds in the amount of RON 24,347 Thousand placed through a private placement on the capital market, with issue date September 20, 2019, an 8-year maturity and fixed interest rate of 6.50% /year.
- Subordinated bonds in the amount of RON 39,866 Thousand placed through a private placement on the capital market, with issue date October 5, 2020, an 8-year maturity and fixed interest rate of 6.50% /year

6.3.5 Financial performance analysis for 2020

BANK

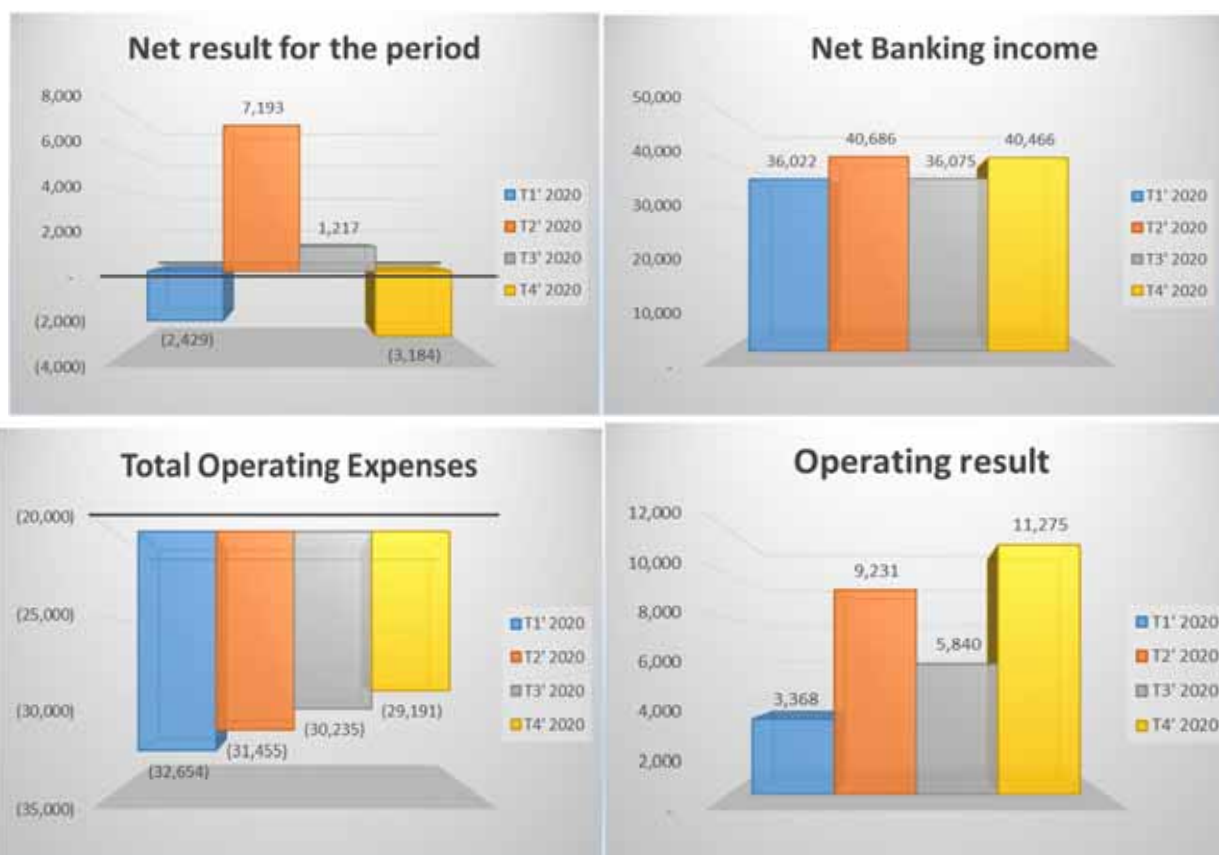
FINANCIAL PERFORMANCE STATEMENT -thousands RON-	12 mth 31.dec.20	12 mth 31.dec.19	Δ 2020/ 2019 (abs.)	Δ 2020/ 2019 (%)
Net interest income	104,355	115,601	(11,246)	(10%)
Net fees and commission income	24,405	26,724	(2,319)	(9%)
Net gains from financial activity & other income	24,489	24,689	(200)	(1%)
Net banking income	153,249	167,014	(13,765)	(8%)
Staff costs	(57,502)	(63,556)	6,054	(10%)
Depreciation and amortization	(22,889)	(22,230)	(659)	3%
Other operating and administrative expenses	(43,144)	(53,474)	10,330	(19%)
Total operating expense	(123,535)	(139,260)	15,725	(11%)
Operating Result	29,714	27,754	1,960	7%
Net impairment of financial assets	(23,604)	(16,549)	(7,055)	43%
Gain/ (Loss) before tax	6,110	11,205	(5,095)	(45%)
Expense from deferred tax	(3,313)	(5,873)	2,560	(44%)
Gain/ (Loss) for the year	2,797	5,332	(2,535)	(48%)

- **Net interest income shows a contraction of 8%, by 13.8 million lei compared to the previous year** mainly explained by the reduction of interest income related to the loan portfolio based on the decrease of the ROBOR interest index by 115 pp, considering the structure of the portfolio mainly with interest variable. Interest income related to the portfolio of debt instruments registered an increase of 14.5%, RON +2.4 million

- **Interest expenses: + 14%, (RON 5.7 million)** as compared to the previous year, are influenced by the financing strategy: increase of the stable deposit base in RON to support the development of the lending activity, the increase of the deposits attracted on the interbank market, REPO operations and the new issues of subordinated bonds issued by the Bank
- **Net commission income** recorded a **decrease of + 9%** compared to the previous year, due to the decrease of the number of the transactions and operations performed by the customers during the pandemic
- **Other operating revenues** – similar level as recorded in 2019
- **Operating expenses decreased by 11%, RON 15.7 million** compared to the same period of the previous year, even if the Covid-19 pandemic brought additional costs of almost RON 1 million for the provision of protection and disinfection materials to ensure the development of the activity in optimal conditions
- **In 2020, the Bank managed to fully offset the contraction of operating income with a successfully managed cost optimization program**
- **The annual cost of the risk: records the value of RON -23.6 million**, 1.3% reported to the loan portfolio average. This value incorporates the changes brought by the new definition of default, the update of the provisioning calculation methodology with the new macroeconomic indicators and the write-off operations performed.

The evolution of the quarterly results of 2020 is presented below:

FINANCIAL PERFORMANCE STATEMENT -thousands RON-	T1' 2020	T2' 2020	T3' 2020	T4' 2020	YTD 2020
Net interest income	26,373	25,413	25,739	26,830	104,355
Net fees and commission income	5,720	5,518	6,425	6,742	24,405
Net gains from financial activity & other income	3,929	9,755	3,911	6,894	24,489
Net banking Income	36,022	40,686	36,075	40,466	153,249
Staff costs	(15,199)	(14,800)	(14,014)	(13,489)	(57,502)
Depreciation and amortization	(5,718)	(5,965)	(5,913)	(5,293)	(22,889)
Other operating and administrative expenses	(11,737)	(10,690)	(10,308)	(10,409)	(43,144)
Total operating expense	(32,654)	(31,455)	(30,235)	(29,191)	(123,535)
Operating Result	3,368	9,231	5,840	11,275	29,714
Net impairment of financial assets	(4,962)	(1,863)	(3,603)	(13,176)	(23,604)
Gain/ (Loss) before tax	(1,594)	7,368	2,237	(1,901)	6,110
Expense from deferred tax	(835)	(175)	(1,020)	(1,283)	(3,313)
Gain/ (Loss) for the year	(2,429)	7,193	1,217	(3,184)	2,797



In the fourth quarter, the Bank obtained the best operating result of the year. This achievement provided the conditions for the recognition of additional provisions for a more prudent approach, anticipating the uncertainties that could arise next year.

GROUP

FINANCIAL PERFORMANCE STATEMENT -thousands RON-	12 mth 31.dec.20	12 mth 31.dec.19	Δ 2020/ 2019 (abs.)	Δ 2020/ 2019 (%)
Net interest income	120,684	129,861	(9,177)	(7%)
Net fees and commission income	23,979	26,316	(2,337)	(9%)
Net gains from financial activity & other income	20,848	19,529	1,319	7%
Net banking Income	165,511	175,706	(10,195)	(6%)
Staff costs	(63,150)	(68,408)	5,258	(8%)
Depreciation and amortization	(24,019)	(22,691)	(1,328)	6%
Other operating and administrative expenses	(46,655)	(58,495)	11,840	(20%)
Total operating expense	(133,824)	(149,594)	15,770	(11%)
Operating Result	31,687	26,112	5,575	21%
Net impairment of financial assets	(24,793)	(16,404)	(8,389)	51%
Gain/ (Loss) before tax	6,894	9,708	(2,814)	(29%)
Expense from deferred tax	(4,003)	(6,292)	2,289	(36%)
Gain/ (Loss) for the year	2,891	3,416	(525)	(15%)

At Patria Bank Group level the following evolution has been recorded in 2020 compared with the previous year:

- Net interest income shows a contraction of 6%, by RON 10.2 million compared to the previous year, mainly explained by the reduction of interest income related to the loan portfolio based on the decrease of the ROBOR interest index by 115 pp, considering the predominant portfolio structure with variable interest
- Reduction of operational expenses by 11%, RON -15.8 million
- Improving the operating result before cost of risk by RON 5.6 million

The Bank's financial statements are audited by an independent financial auditor. The Financial Auditor of the Bank is KPMG Audit SRL, J40/4439/2000, CUI 12997279, located in Victoria Business Park, Sos. Bucuresti – Ploiesti, Nr. 69-71 E, Bucuresti, Romania, member of the Chamber of Financial Auditors of Romania with authorization no. 009/11.07.2001. Currently it is acting as an external financial auditor of the Bank on the basis of the appointment made by the OGSM Decision no. 1 of 13.08.2019, for a period of 3 years.

In accordance with art. 30 of the Accounting Law no. 82/1991 republished and art. 63 par. (1) c) of Law no. 24/2017 regarding issuers and art. 223 lit. para 1 c) of FSA Regulation 5/2018 on issuers of financial instruments and market operations, as subsequently amended and supplemented, the Board of Directors assumes responsibility for the preparation of the annual and consolidated financial statements as of 31.12.2020, according to Annex 4.

6.4 The activity of the Bank's subsidiaries in 2020

PATRIA CREDIT IFN

Patria Credit IFN SA is a non-banking financial institution registered in Romania since February 12, 2004 and it is authorized by the NBR to carry out lending activities, being registered with the NBR's General Register and the NBR's Non-banking Financial Institution Register.

Patria Credit IFN SA maintained its profitable business activity trend and developed in 2020 its loan portfolio balance up to RON equiv 98.2 Million, up 22% from 2019, despite the unfavorable economic situation caused by the COVID-19 pandemic.

The volume of new loans granted during 2020 was RON 61.5 Million, up 6% compared with the 2019 achievements and was the result of improving the efficiency of sales in the territorial units through various internal projects for improving and streamlining processes, flows, products. An important role in the commercial activities achieved in 2020 had the continuation of the marketing activities especially aimed at improving the brand capital both internally and internationally, Patria Credit IFN SA benefiting from a good position in this respect, being one of the biggest players specialized in financing small farmers and microenterprises, with more than 15 years of experience in the field.

The company also continued in 2020 the current activity focused on microfinance, using its own network of units, opened in small rural and urban areas, mainly serving farmers with limited access to banking services from financial point of view, but also geographically.

The typical Patria Credit IFN SA customer is a vegetable grower, lives in rural areas and takes credit between RON 20 and 120 Thousand, which he allocates for investments. He cultivates on a small area, under 50 ha, and has an annual turnover of less than RON 200 Thousand. Most of the time, he is in his first business relationship with a financial institution, because he has no guarantees or access to the classic bank loan. Approximately 67% of customers come from Muntenia, 23% from Moldova, 9% from Transylvania and only 1% from Dobrogea. 90% of the clients are individual agricultural producers and 5% are incorporated (they have a company - PFA, II, SRL), while 10% are micro-enterprises with other activity than agriculture. Of the agricultural producers who applied for loans last year, more than half (56%) grow vegetables. Cereal producers (21%) are in second place, and the next in weight are animal breeders (18%). 3% of the customers own mixed farms and 2% deal with fruit growing or other types of fruit. In 2020, most of the customers of Patria Credit IFN SA, almost half (43%), accessed loans with values between RON 20 and 70 Thousand, almost a fifth (17%) had loans of less than RON 20 Thousand, 20 % of them needed amounts between RON 70 and 120 Thousand and another 20% accessed loans of over RON 120 Thousand.

As far as credit risk is concerned, the company has maintained a prudent and appropriate to its risk profile policy. Thus, the company recorded an annual cost of risk of 0.79% in 2020, decreasing with 33% compared to 2019 level, calculated as a ratio between the level of expenditures on loan provisions and the average annual portfolio, which demonstrates an efficient internal control, collection and monitoring process.

In 2020, the following projects were implemented:

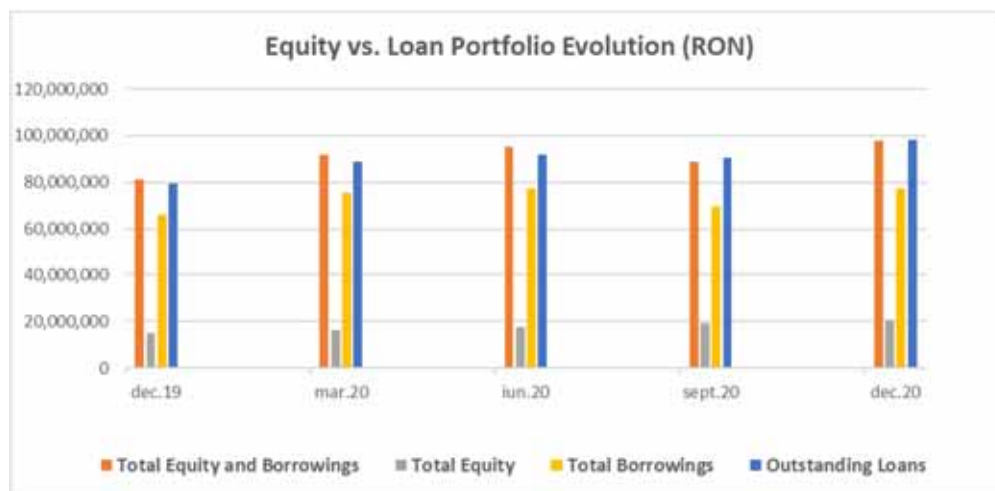
- the project regarding the online solutions for reimbursing the installments in collaboration with EuPlatesc.ro. Currently, Patria Credit customers have chosen to pay the rates, much simpler and faster, directly from the Patria Credit website based on a bank card
- the first phase of the project regarding the submission of the loan application through the Patria Credit website
- launch of the new product CREDIT PUNTE TOMATINA - the subsidy bridge credit Tomatina is intended for the beneficiaries of the Program for supporting the tomato product in protected areas, in a maximum amount of RON 10.000, to support the establishment of products until the collection of state aid
- launch of the new EaSI credit product with the signing of the microfinance guarantee contract with the European Investment Fund (EIF). Patria Credit benefits from the support of the European Union and the European Fund for Strategic Investments (EFSI) in order to facilitate the access of its clients to the possibility of obtaining financing of up to RON 120.000, without advance and without guarantees, through the Employment and Social Innovation Program (Employment and Social Innovation - EaSI). The new initiative comes to the aid of small entrepreneurs in rural areas with activities carried out in the agricultural or non-agricultural field, regardless of the established form of organization (for example: agricultural producers, PFA, II, IF, SRL etc.). The benefit of this product is mainly represented by the lack of guarantees usually required to cover the borrowed amount, this being covered for the first time in proportion of 90% from a European guarantee as a form of support during the COVID pandemic until April 2021, then returning to the 80% proportion of the financed value.

- running a campaign to promote credit products on the occasion of the Microfinance Day, so all loans requested between November 2-6, 2020, which fall into this campaign, benefit from a ZERO grant commission.

Considering the context generated by the COVID-19 pandemic, Patria Credit IFN SA took a series of measures to protect clients and employees in direct contact in the process of approving, granting and monitoring loans. Thus, among the measures taken in order to limit the impact of Covid 19 we mention:

- adoption of **Emergency Plan in case of pandemic**:
 - prevention measures in units
 - work instructions in case there are persons confirmed with COVID-19 among the employees / clients
 - organization and communication plan
- organization of **Telework** in the Head-Office and Territorial Units
- providing the territorial units with **panels and protection materials**
- **reducing the working hours program with clients**
- COVID website information page <https://www.patriacredit.ro/covid>
- credit application / deferrals of installments or rescheduling **online** through the website
- remote flow for customers - mailbox
- facility for paying online installments from home: <https://www.patriacredit.ro/informatii-utile/plata-ratelor/plata-cu-cardul>.

Patria Credit IFN SA owns a solid capital base, 31% of the total assets being covered by own funds and the rest by the medium-term stable sources of financing (2-3 years), the processes control and the improvement of the credit risk and operational risk profiles constitute the needed support to further increase the loan portfolio and market share in the microfinance sector of agricultural producers.



Increasing profitability is a major goal for both shareholders and the management of the institution, the positive result of 2020 being achieved by implementing the development strategy aimed at streamlining sales activities and controlling operational costs, as well as improving the collection of outstanding or doubtful claims.

SAI PATRIA ASSET MANAGEMENT SA

S.A.I. Patria Asset Management SA was authorized by the National Securities Commission in 2008 as an investment management company. The share capital is RON 800,100, of which 99.99% is owned by Patria Bank SA and its equity was of RON 558,347 at the end of 2020. The main objective of activity is the management of the collective investment undertakings in securities (O.P.C.V.M.) established in Romania or in another Member State - CAEN Code 6430 (Mutual Funds and other financial entities assimilated).

S.A.I. Patria Asset Management SA manages four open-end investment funds within the Bank's consolidation perimeter, namely:

- **FDI Patria Obligatiuni** - bond fund, low risk, invests in fixed income instruments (bonds, deposits, government bonds)
- **FDI Patria Euro Obligatiuni** - bond fund in EUR, low risk, invests at least 90% in fixed income instruments (bonds, deposits, government bonds)
- **FDI Patria Global** - diversified defensive fund, medium-low risk, equity investments accounting for maximum 40% of the fund's assets
- **FDI Patria Stock** - dynamically diversified fund, medium-high risk, over 40% of the fund's assets being placed in shares

FDI Patria Obligatiuni

FDI Patria Obligatiuni registered a return of 2.16% in 2020. At the end of December 2020, the value of the net assets was approx. RON 26 Million, decreasing from RON 30.1 Million at the end of 2019. The number of investors registered at the end of 2020 was 645.

FDI Patria EURO Obligatiuni

In November 2019, SAI Patria Asset Management SA completed its product range with the launch of a new fund - FDI Patria Euro Obligatiuni. The decision to launch the fund comes in the context of very low interest rates on bank deposits in European currency. Thus, the Patria Euro Obligatiuni fund represents an efficient alternative for the public savings in euros. FDI Patria Euro Obligatiuni registered in 2020 a positive result, respectively a return in euro of 0.22% and the fund's assets increased by 20.1%, up to EUR 1.26 Million. At the end of 2020, the fund had 10 investors.

FDI Patria Global

FDI Patria Global registered in 2020 a decrease of 1.14%, after a good 2019 year when it obtained a very good return of +8.02%. The evolution in 2020 was caused by the generalized decreases of the shares on the Bucharest Stock exchange from March, amid the triggering of the state of emergency due to the Covid-19 pandemic and the restrictions that affected the activity of most companies. At the end of December 2020 the net asset value registered the level of RON 11.36 Million, slightly decreasing compared to RON 11.78 Million at the end of 2019. The assets come from a number of 498 investors.

FDI Patria Stock

FDI Patria Stock closed the 2020 year with a minus of 3.04% after registering a positive return of 13.80% in the previous year. At the end of December 2019, the value of the net assets registered the level of RON 3.84 million, down from RON 8.59 million at the end of the previous year, coming from a number of 210 investors. The fund's assets were negatively influenced by the evolution of the Bucharest Stock Exchange in 2020.

The actions undertaken by SAI Patria Asset Management SA for the development of the activity included:

- the launch of the Patria Invest mixed product, consisting of a bank deposit with attractive interest rates and fund units in the FDI Patria Global fund.
- Signing a contract to take over the management of a new investment fund, ETF BET Tradeville, an Exchange Traded Fund listed on the Bucharest Stock Exchange which follows the main market index, BET
- Digitization initiatives - continuation of the steps for the inclusion of an asset management module in the Internet Banking system of Patria Bank and the launch in development of an internet trading system that will allow online adhesion and redemption operations
- Adequately managing the changes and events occurring on the financial market that affected the managed funds
- Development of the collaboration with Patria Bank SA as asset management products distributor.

7 Bank and Group outlook for 2019

7.1 The Bank's objectives and business plan for 2019

The main objective, in the short and medium term, is to **consolidate the bank's profitability**, in order to conserve capital, by:

- the increase of the productive assets of the bank (in the conditions of keeping in reasonable levels the risks that will be generated by the development of the lending activity)
- Annual increase of operating income by 15% with the contribution of all components: net interest income, commissions, income from financial activity and other operating income
- Optimizing the financing cost and diversifying the sources
- Managing costs in a responsible manner and maintaining them at a level similar to that recorded in 2020
- superior capitalization of non-productive assets
- optimizing the business model and the organizational structure of the bank, so that the increase of efficiency determines the achievement of a sustainable COST / INCOME and
- the significant decrease of the NPL indicator by intensifying the recovery actions and the *write-off* operations, but also the maintenance of the *NPL coverage* ratio over the level of 55%, including an additional budget related to the provisions expenses.

The **strategic ratios** targeted by the Bank in the time horizon of the next three years are included in the tables below. These are presented from the perspective of Management Accounting (according to internal monitoring):

<i>KPIs - Mng accounts</i>				
<i>%</i>	2020	2021	2022	2023
Immediate Liquidity	40.1%	37.0%	36.2%	36.9%
Loans/Deposits	66.8%	75.7%	78.3%	78.3%
Costs/Income (%)	81.9%	71.5%	63.1%	58.9%
ROA	0.1%	0.2%	0.8%	0.9%
ROE	0.8%	2.3%	8.8%	10.0%
COR %	-1.1%	-1.6%	-1.4%	-1.4%
NFCI/Total income	16.1%	16.3%	14.9%	14.7%
NPL (%)	13.4%	11.3%	9.6%	8.8%
NPE (%)	11.7%	10.0%	8.7%	7.9%
NPL coverage ratio (%)	54.3%	59.2%	56.4%	55.2%
CAR (%)	21.6%	19.2%	20.5%	19.6%

During this period, the Bank will pursue an optimal capital adequacy, following the simultaneous realization of the following desideratum:

- Observance of the prudential parameters (OCR and TSCR) in order to ensure the necessary capital base for the bank's development,
- Release of "fixed" capital in non-productive assets.
- Optimal allocation of capital in productive assets with superior yield.
- In this sense, the Bank will ensure an optimum between interbank investments, the portfolio of Government bonds and investments in loans.
- In the area of commercial lending, the Bank will ensure that investments seek to optimize the return on capital, establishing the pricing policy according to all relevant parameters (level of RWA involved in each financing / customer sub-segment, acceptable risk level, etc.), and the lending decision will imply the fulfillment of a minimum level of return on capital.

The Bank will propose an **increase of the loan portfolio** in the conditions of achieving a significantly higher level of **efficiency**.

In this sense, the Bank will seek to reach a minimum level of *credit volumes / employees* and *credit volumes / bank unit*, regardless of the business sub-segment that generates the respective assets. The realization of this desideratum will be fulfilled both by increasing the productivity of the sales force, and by optimizing the entire approval process.

Increased attention will be paid to increasing non-risk revenues, both in the retail area and in the area of legal entities. The ratio between Net income from commissions and Total Net Operating Income is 16% at the end of 2020, the Bank aiming to keep approximately the same ratio in the conditions of increasing the total income base. Patria Bank records a share of net commission income in total operating income which is above the direct competitors.

At the level of the entire bank, an additional emphasis will be placed on cost optimization, both those related to the territorial network and those generated by the bank's headquarters. The bank also intends to optimize and streamline operational processes, both through automation and centralization, so as to ensure both customer service in quality conditions and the reduction of time allocated by unit staff in operational responsibilities and its focus on sales.

This process of optimizing and reducing the expenditure base envisages actions aimed at:

- (1) resizing the fleet of cars used at the Bank level;
- (2) cost optimization with fixed and mobile telephony;
- (3) reduction of postal and archiving costs;
- (4) optimizing the costs of maintenance and repair of banking equipment by renegotiating the contracts in force and cumulating the services in a single contract;
- (5) in 2020, the historical archive inventory process started, which will be completed in April 2021, with a positive impact on the archiving cost starting with the current year;
- (6) capitalization by sale or scrapping of the patrimony articles from the deposit proposed for decommissioning;
- (7) reduction of the consumption of stationery and paper items due to the fact that employees work also in telework system
- (8) capitalization of real estate assets held by the bank (excess of use needs for own use) through sale or rental

Further details on the bank's objectives and prospects for the future are presented in the Income and Expense Budget for 2021, subject to the approval of the General Shareholders Meeting.

7.2 Subsidiaries objectives for 2021

PATRIA CREDIT IFN SA

For 2021 Patria Credit IFN SA aims to further develop the business model, increasing sales of over 30% and maintaining profitability by expanding geographic coverage through opening of new unit and through the Bank branch network, continuing to offer rural area specific products to its customers.

In 2021, Patria Credit IFN SA aims to continue the process of external and internal digitization, as well as to be actively involved together with the NGO environment and profile partners in creating new lending models and in promoting good practices in basic agriculture.

Agriculture and rural development could be boosted this year by continuing efforts to reduce the "distance" between producers and consumers, by launching new and unique platforms for selling products and by opening new distribution channels to large retailers, say representatives of Patria Credit IFN.

SAI PATRIA ASSET MANAGEMENT SA

In 2020, The team's efforts will be focused into the continuation of active management of the funds to generate added value for investors, as follows:

- Increase of the managed assets and of the returns of the 4 existing funds, through strategies adapted to the current developments in the financial market;
- Completion of the steps to take over the administration of the ETF BET Tradeville fund in order to increase the managed assets
- Support for the development of an asset management module in Patria Bank SA's Internet Banking service, which will allow the structure and performance of the Patria funds' unit funds portfolio and the extensive information on the managed funds to be consulted
- Development of the distribution activity through the distributor Patria Bank SA;
- Training Patria Bank SA employees and providing permanent support in the sales process;
- Marketing campaigns to promote SAI products among potential investors.

8 Risk management

8.1 Risk management objectives and policies

The main objective of the risk management activity is to ensure that all risks are managed in an appropriate way to meet the interests of all parties involved.

Risk management within Patria Bank SA is governed by the Board of Directors, supported by the Audit Committee and the Risk Management Committee, which supports the Management Body in fulfilling their responsibilities for managing and controlling risks.

Also, the specialized risk management committees supporting the Executive Committee ensure the management of the assets and liabilities structure, liquidity management and sources of financing, structural risk management (interest rate risk and foreign exchange risk outside the trading portfolio) and capital management (The Assets and Liabilities Management Committee) and, respectively, the assessment and improvement of the performance of the Bank's lending activity (Credit Committee) and, respectively, for the administration and management of the Bank's strategic projects (Projects Committee).

8.2 Risk management strategies and processes

Risk strategy

The risk strategy is an essential part of the global risk management framework. It establishes the general principles according to which the risk assumption takes place at the level of the Bank and the main elements of the management framework in order to ensure an adequate and consistent implementation of the risk strategy. The risk strategy also includes the wording of Risk Appetite and Risk Profile for all significant risks identified to which the bank can be exposed.

Risk policies and strategy at the Bank level proactively pursue a balanced ratio between risk and profit in order to generate sustainable and adequate return of capital. The Bank uses a forward-looking risk management and control system appropriate to its risk and business profile.

The main objectives of the risk management strategy include:

- ensuring and sustainably maintaining the coverage of capital risks so that the Bank has a stable long-term risk-taking capacity;
- limiting the risks assumed by the Bank so that, in the long run, the bank's capital and profitability will not be impaired;
- establishing a risk structure and culture that is suited to the business model and which must define a risk profile and the patterns needed to properly manage the significant risk concentrations;
- ensuring at any time the appropriate level of the Bank's equity rate.

The Bank promotes and develops an integrated risk culture both at the individual and at the overall credit institution level, based on a full understanding of the risks and how they are managed, in which every person within the Bank is aware of his responsibilities in terms of risk management.

Business strategy

The business strategy defines the bank's business orientation as well as the goals and plans for a three-year horizon. This sets out the customer segments with which the Bank intends to operate and the planned business volumes on each segment. It also includes the Bank's expectations regarding business developments, such as planned volumes, risks and profit. Thus, the main objective, on short and medium term established by the Bank's business strategy, is the consolidation of the profitability of the Bank in order to preserve capital and increase the Bank's productive assets, keeping within reasonable limits the risks generated by the re-launching and development of the lending activity.

In order to achieve this objective, the Bank has proposed for 2020 the following:

- Organic growth of productive assets (under the condition of keeping the risks that will be generated by the development of credit activity at reasonable levels);
- Better capitalisation of non-productive assets;

- Permanent optimization of the business model and organizational structure of the bank, including through the resizing of the structure / number of branches and the headquarters so that the increase in efficiency to lead to a sustainable cost / income ratio;
- Optimal capital adequacy.

For the period of 2021-2023, the Bank will approach the following business lines, adjusting its products and organizational arrangements to service them:

- Retail;
- SME, Mid Market and Corporate;
- Agro;
- Micro.

Risk policies

The risk management policies implemented by the Bank are part of the internal control framework and corporate governance and are developed in accordance with the risk management strategy. Risk policies underpin the risk management process and document the roles and responsibilities of the management structure and other key stakeholders involved in the process, including the main reporting procedures. The framework for risk management policies defines the methodologies and responsibilities needed to achieve Bank's strategic objectives.

Risk management processes

In order to achieve the objectives of the risk strategy, the Bank follows the observance of the following principles when performs its business operational activities:

- The Bank has as a priority the fulfillment of the relevant legal regulations regarding both its objectives as well as the assumption of risks;
- The Bank assumes only the risks that it is able to account for and manage and that does not exceed its risk-taking capacity;
- In the lending area, the activity will be oriented on the high quality of the portfolio, considered more important than the increase of the volume, as well as the proper management of the existing portfolio, in order to improve its quality;
- The Bank targets a balanced loan portfolio focused on Retail, SME, Agro and Micro clients and to a limited extent on the Corporate segment, with a low exposure concentration and a corresponding spread of credit risk, pursuing at the same time, the diversification and sustainability of revenues through cross-selling activities;
- Business activity must be maintained in an optimal framework, well established both by individual transaction as well as portfolio limits;

- The Bank provides funding for real estate investment projects with a closer look at residential real estate projects whose source of reimbursement is based exclusively on the income generated by the respective project;
- Reducing risks from financial institutions area, except for cash and liquidity activities necessary for purposes of liquidity and treasury, as well as from collateralization for export financing area. The core principle of exposures to credit institutions used to ensure the need for liquidity is that of connectivity and reciprocity. Occasionally, in order to ensure the need for liquidity, the Bank enters into secured repo / reverse-repo transactions;
- Acquisition of participations in other companies for the sole purpose of generating income (speculative reasons, purely financial investments) is not part of the Bank's strategic investment activities.

The risk management process is realised on two levels:

- at individual level (per customer, transaction or product);
- globally (on the whole Bank, at portfolio level).

The Bank ensures the existence, development and maintenance of an adequate and prudent risk management framework, within which an adequate risk management is ensured, which allows:

- setting up depreciation adjustments in order to cover the expected loss;
- adequate capital allocation to cover unexpected losses;
- measures to mitigate existing risks and improve control systems.
- the existence and implementation of a policy for approving new products and significant changes.

8.3 Risk management and internal control function's governance structure

Risk control and risk management at the Bank's level are based on the business strategy and risk appetite approved by the Board of Directors. Risk monitoring and control is carried out within a clear organizational structure, with defined roles and responsibilities, delegated authorities and risk limits. Governance of risk management at the Bank's level is based on the following lines:

- Assume the risks within the limits set by the risk appetite approved by the Board of Directors;
- Active involvement of the Bank's management body in the risk management system and the promotion of risk culture throughout the organization, from the level of the Board of Directors to the level of the operational teams;
- Clearly defined internal rules and procedures;
- Communicating information on risk management at the organization level in a timely manner and in a precise, understandable and relevant manner;
- Continuous supervision by an independent entity which will monitor risks and enforce the rules and procedures.

Risk management governance is based on the three defense lines model, which strengthens the separation of responsibilities between the various control functions.

The first line of defense is represented by operational units that are primarily responsible for continuously managing the risks of their daily activity, taking into account the Bank's risk appetite and in accordance with existing policies, procedures and controls.

The organizational structures of the Bank are responsible for the day-to-day management of the risks associated with the activity in their area of responsibility and are concerned with the implementation / application of developed internal policies, processes and procedures. Permanently, the executive management and the management bodies of commercial / support / control structures must understand the nature and level of risks they manage.

The second line of defense is represented by independent risk monitoring functions, which are responsible for identifying, measuring, monitoring and subsequent risk reporting, ensuring both compliance with internal and external requirements and the role of support for business/operational lines in the exercise of their responsibilities.

- **The risk management function**, organized within the Risk Management Division, which also includes the risk control activity;
- **The compliance function**, assisting the Board of Directors in identifying, evaluating, monitoring and reporting the compliance risk associated with the Bank's activities, in particular by providing advice on the compliance of the business with the provisions of the regulatory framework, its own standards and regulations, as well as codes of conduct established by markets or industry and by providing information on developments in this field.

The third line of defense is represented by the internal audit function that independently and objectively evaluates the quality and effectiveness of the Bank's internal control system as well as the first two lines of defense and the risk management framework. The Internal Audit function reports and functions according to the mandate received from the Board of Directors.

- **The Internal audit function** that ensures that the Bank's policies and processes are respected in all activities and structures, proposing, if necessary, their review and control mechanisms so that these tools remain sufficient and appropriate to the activity.

Risk management activities are governed by the Management Body of the Bank, assisted by the Audit Committee and the Risk Management Committee.

The Board of Directors has a role in establishing the general framework of risk management and control, approving the risk management strategy, risk profile and administration policies for each significant risk, as well as organizing risk control and management systems at the Bank level.

- **The Executive Committee**, primarily responsible for the development of management policies for each significant risk, the implementation of the risk management strategy, the risk profile and the risk

management policies, ensuring the involvement of all the Bank's organizational structures in order to implement them.

- **The Audit Committee** with main responsibilities in evaluating the internal audit activity in general, including the assessment of the organizational independence of the audit, the evaluation of the internal control system, the revision of the procedural framework related to the internal audit activity, the analysis and approval of the internal audit plan, the presentation of the internal audit reports including the conclusions of the independent functions evaluation, namely the risk management function and the compliance function, the presentation of the purpose and the planning of the bank's financial auditor's activity, aspects regarding the Bank's financial statements.
- **The Risk Management Committee**, with responsibilities for monitoring the risk to which the Bank is exposed and reviewing the risk information in order to assess the Bank's risk profile.

Bank's independent control functions

The framework for internal control is developed in all areas of activity of the Bank and involves the involvement of both the Management Body and all operational units in the internal control process, thus ensuring the fulfilment of the performance objectives (effectiveness and efficiency of the activities carried out and also the performance of the activity in a prudent mode), information (credibility, integrity and timely provision of reported financial and non-financial information, both internally and externally), compliance (complying with legal and regulatory frameworks, supervisory requirements and also internal rules and decisions).

The responsibility for developing and maintaining an adequate and effective framework for internal control rests with the Management body of the Bank, in which respect the Management body organizing:

- the control at the level of each operational unit. To this end, it approves internal regulations describing the processes taking place within the Bank's structures, describing control procedures (self-control, chain control and hierarchical control) and developing job descriptions detailing the responsibilities of each position;
- the following three internal control functions: the risk management function, the compliance function and the internal audit function. The Executive Committee is responsible for the resources required for internal control functions (sufficient, qualified and experienced staff, appropriate data and support systems, access to internal and external information).

The Board of Directors of the Bank oversees the work of the Executive Committee and monitors the consistent implementation of established policies and strategies, as well as maintaining performance standards consistent with long-term financial interests.

The Executive Committee ensures that the internal control system provides for a proper separation of responsibilities, with the aim of preventing conflicts of interest. Areas that may be impaired by potential conflicts of interest are subject to identification and are subject to independent monitoring exercised by the Compliance Division. The results of independent monitoring are reported to the Executive Committee, Audit Committee and the

Board of Directors. The internal control functions are independent of the activity lines they monitor and control and are organically independent from each other.

Internal audit function

The Board of Directors and the Executive Committee are responsible for establishing an efficient internal control system appropriate to the size and complexity of the Bank's activities. The Board of Directors and the Executive Committee are supported in fulfilling their responsibilities by the internal audit function. The basic principle is that the internal audit function is independent and has a permanent role within the Bank.

The Internal Audit function is carried out at the level of the Bank by the Internal Audit Division and it is organized as a separate organizational structure independent of the Bank's activities, according to the specific provisions in the field and to the national and international professional standards.

The Internal Audit function verifies, independently and objectively, whether the quality level of the internal control framework is effective and efficient and contributes to the Bank's objectives and to improving governance, risk management and control processes across all activities and structures, in the framework of insurance audit or advisory engagements carried out at the level of the entities within the Group.

In order to ensure its independence, the Internal Audit Division has the authority for fulfilling its specific attributions and direct and unrestricted reporting lines for the Management Body and the Audit Committee. The main objectives and responsibilities are:

- elaborates the audit plan according to a risk-based methodology, in order to be approved by the Audit Committee and the Board of Directors and implements it
- regularly reports to the Management Body and the Audit Committee on the implementation of the annual audit plan, the major deficiencies of the internal control system, found during the planned and unplanned internal audit missions, other relevant activities
- informs the middle-level management of the results of the planned and unplanned audit missions in order to promptly remedy them and according to the distribution circle of the reports
- monitors and evaluates the level of implementation of all audit recommendations and reports to the Management Body and the Audit Committee on this topic.

All subsidiaries of the bank are subject to audit by the Bank's audit function. To the subsidiary Patria Credit IFN SA methodologies and standards of internal audit common with those of the Bank are being applied in all the aspects that regulate the internal audit activity (communication of results, avoiding any situation regarding conflicts of interests, exchange of information).

Risk management function

The Risk Management function is performed at the Bank's level by the Risk Management Division, being an independent control function under the Deputy General Manager - Risk Division. The attributions of this structure

are mainly aimed at identifying, analysing and evaluating the different types and areas of risk arising from the Bank's current activity.

The Risk Management Division is organized in 2 departments Credit Risk Control Department and Other Risks than Credit Risk Management Department.

Main responsibilities of the Risk Management Division are:

- To validate, from the perspective of their area of expertise, the draft of internal regulations elaborated by all the operational units of the Bank, in order to implement the Bank's strategy and policies;
- Identifying, evaluating, monitoring and controlling / preventing, through specific work methodologies, significant risks that may impair the bank's activity;
- Elaboration of crisis simulation scenarios to assess the potential impact on the bank of a specific event or change of a set of financial variables;
- Presents regular reports on the risks to which the Bank is exposed to the Risk Management Committee and / or the Board of Directors of the Bank;
- Elaboration of proposals for the implementation of the necessary measures / actions in order to facilitate management decisions regarding the reduction of identified risks.

Responsibility for risk management is not limited to risk or control functions specialists. Operating units, under the coordination of the management body, are responsible for day-to-day risk management, taking into account the Bank's risk tolerance / appetite and in accordance with the Bank's internal policies, procedures and regulations.

Compliance function

The compliance function is performed by the Compliance Division and has the role of controlling and monitoring the compliance risk what may occur as a result of non-compliance with the legal or regulatory framework, advises the Management Body on the provisions of the legal and regulatory framework, ensures professional training of compliance personnel in order to disseminate a culture of legality and compliance within the organization.

Through the Compliance Division Coordinator, the Compliance function is subordinated to the Deputy General Manager - Risk Division and reports directly to the Management Board and the Risk Management Committee and the Audit Committee, regarding the compliance risk.

The Compliance Division consists of 2 departments: General Compliance Monitoring and Money Laundering Prevention.

The main responsibilities of the Compliance Division are:

- defining risk assessment methodologies for compliance with regulations;
- identification and evaluation of the regulatory framework applicable to the Bank's business;
- advising and assisting the Management Bodies on significant matters for compliance risk and issues related to their obligations;
- evaluation of new products, services and projects;
- preventing and managing conflicts of interest both between the various activities carried out by the bank, as well as with regard to the employees;
- checking the compliance of the remuneration and bonus system of the staff;
- monitoring and control on a continuous basis of the clients' operability through the services and products granted by the Bank, in order to prevent and combat money laundering and financing of acts of terrorism;
- collaboration within the professional training of staff activity on the provisions applicable to the activities carried out in order to promote a corporate culture based on the principles of honesty, fairness and respect for the law.

8.4 Risk measurement, monitoring and reporting systems

The risk management function ensures that all material risks are properly identified, measured and reported and play a key role at the Bank's level, being involved in developing and reviewing strategies and decision-making processes, in material risk management decisions the Bank is confronted with in its operations and commercial activities. The Bank ensures that all risks are managed and reported in a coordinated manner through risk management processes. The Bank's material risk assessment is an essential condition for the risk coverage analysis with the aim of completing their aggregation to determine the risk profile.

At the same time, the Risk Management Division carries out on a quarterly basis the internal assessment process of the adequacy of internal capital to risks and crisis simulations and presents the outcome of this process to the Executive Committee, the Risk Management Committee and the Board of Directors. The Bank has established its own patterns of quantification of the domestic capital requirement. An important role in this exercise is the crisis simulations, which the Bank carries out on a quarterly basis.

The Risk Management Division presents to the Executive Committee and the Board of Directors monthly and quarterly reports on risk exposures, the current overall risk profile and for each significant risk, as well as risk reports that have exceeded the alert thresholds (whenever they occur), with the purpose of framing within the risk tolerance limit set by the Risk strategy, proposing measures to mitigate risks that exceed the approved risk appetite. At the same time, the Risk Management Committee analyses monthly / quarterly or whenever it is convened, at least the following aspects:

- Risk exposures and their evolution;
- Evolution of key risk rates and specific limits;
- Results of stress test exercises;
- Adequacy of internal capital (i.e. the ability to hedge risks).

and proposes to the Bank's Board of Directors the measures required as a result of the analysis performed.

The Bank has a system of risk limits that are monitored periodically (daily / weekly / monthly / quarterly) through IT applications and the results of these monitoring activities are the subject of information both to decision-makers and to the addressees of these limitations. Through the Risk Management Strategy, the Bank has determined the level of risk appetite (the absolute level of risk that the Bank is prepared to assume in advance) both at global / general level and at each significant risk level identified by the Bank, a system of rates for calculating the Bank's risk tolerance (the real limits of the risk appetite assumed by the Bank) and a system of limits including warning thresholds and absolute levels.

The Risk Management Division is responsible for calculating, verifying, monitoring and reporting the appetite, tolerance and risk limits of the Bank's global exposures, while support units have the obligation to check the risk limits set by internal working methodologies (policies, procedures and manuals).

The Risk Management Division reports non-compliance with the established level of appetite, tolerance and risk limits as soon as they are ascertained by the Bank's management and the beneficiaries of these limitations, also setting recommendations / measures to be taken to reinforce the established levels, monitor and report to the management of the Bank how to fulfil them.

8.5 Risk hedging and mitigation policies

The Bank aims to achieve a balanced ratio between risk and profit in order to generate sustainable economic growth and capital adequacy. Therefore, the purpose of the risk strategy is to ensure that risks are assumed in the context of business sales, recognized at an early and appropriately managed stage. This goal is achieved by integrating risk management activity into daily business activities, strategic planning and business development in line with defined risk appetite.

In this respect, the Bank has implemented risk management procedures for their identification, measurement and monitoring, in order to control and manage material risks. The principles of risk management include:

- **Risk awareness:** The Bank aims to maintain an environment where it promotes a full understanding and awareness of the risks inherent in its activity
- **Taking risks:** The Bank promotes a prudent attitude towards risk-taking and any assumption of risk should aim at achieving a minimum return. Risks are assumed by the Bank as described in existing risk strategies and policies. The Bank assumes risks only if (i) there are adequate methods for assessing those risks and (ii) the estimated return exceeds the expected losses plus a rate applied to the capital used to cover the unexpected losses;
- **Risk management:** The methods of managing, limiting and monitoring the different risks are tailored to the materiality of those risks for the Bank
- **Legal requirements:** The Bank incorporates in its activity and fulfills all prudential requirements in terms of risk management.

- **Integrated approach:** Based on the risk assessment process, the main risk categories for the Bank are: credit risk, market risk, liquidity risk, interest rate risk from non-trading activities, operational risk and reputational risk. At the same time, the Bank pursues strategic risk and the risk of excessive leverage in business planning and compliance risk in day-to-day business, as well as macroeconomic risk in the crisis simulation program.
- **Unitary approach:** Risks are treated unitarily in both ex-ante and ex-post calculations. This allows for transparent and acceptable measures for business lines if the risks do not fall within the set limits.
- **Independent control:** The Bank strictly and explicitly separates risk-taking activities from risk management and control activities. This functional and organizational separation is also ensured at the level of the management structure
- **Regular review:** All risk policies are reviewed at least once a year, taking into account the process of budgeting and activity planning and may be reviewed at greater frequency if events that require it occur.
- **New products and significant changes:** Any launch of a new product involving risk taking is preceded by an analysis of the risks involved.

Risk quantification has the general role of allowing for the measurement of risk-adjusted performance. Thus, the Bank ensures that the assumption of excessive risks is not encouraged and that the activity is carried out taking into account the risk - profit ratio.

In order to reduce the risk, in line with its policy and risk profile, the Bank uses as a mitigating risk factor the value adjustments of value and the amount of the guarantees accepted at financing. Also, under the operational risk insurance is used.

Risk appetite

Starting from the strategic objectives, the Bank has set an absolute level of risk that it is willing to accept (the risk appetite) and the real limits of the appetite it can assume (risk tolerance). The Bank establishes a general risk appetite, as well as a risk appetite at each level of significant risk to which it may be exposed. In addition, for each significant risk category, relevant rates are established for the Bank's risk tolerance check, as well as early monitoring rates and warning thresholds to help identify the areas in the Bank's activity in which additional to Bank's strategy risk exposures are outlined.

Additionally, for a series of monitoring rates, the Bank also sets maximum limits in order to strategically orientate the Bank's future work (for example, sectorial concentration limits, maximal exposure on unitary customer segments). The early warning thresholds and maximum limits for these rates are reviewed along with the risk strategy. This approach ensures the timely provision of information to the governance structure, as well as the implementation of effective remedial measures. Violation of a defined limit triggers an immediate escalate to the governance structure and prompt implementation of remedial actions. Furthermore, risk rates for crisis situations are defined and integrated into the assessment of crisis test results and they are reported as early warning signals in order to ensure a proactive management of the risk and capital profile.

The Bank assesses the adequacy of the internal capital in accordance with the internal capital adequacy assessment process (hereinafter referred to as "ICAAP"), designed in accordance with regulatory requirements. The amount of internal capital is monitored quarterly to ensure that decision-makers and relevant committees are promptly informed about the risk appetite for equity ratios, the risk profile of the Bank, and whether strategic risk objectives have been approached. Half-yearly, the ICAAP report is also drawn up at a consolidated level.

The Bank has defined its appetite for risk as being the absolute level of risk that the Bank is prepared to assume in the first place. The first stage of the risk appetite process is self-assessment of risks. Self-assessment of risks is part of the ICAAP process and aims to identify all the significant risks the Bank faces, so that risk appetite can incorporate all the risks that can significantly impair the Bank.

The risk assessment is differentiated under Pillar I and II, in accordance with the regulations in force. As a consequence, following the evaluation carried out within the ICAAP, the Bank has been or may be exposed to the following risks: credit risk; operational risk; market risk; the risk resulting from the application of less sophisticated approaches under Pillar I; the risk of underestimation for loss from default in times of crisis; the residual risk associated with credit risk mitigation techniques; the risk of credit concentration; country risk; interest rate risk from non-trading activities; liquidity risk; reputational risk; strategic risk; external (macroeconomic) risks; the risks associated with foreign currency borrowers exposed to foreign exchange risk; the risk associated with excessive leverage; compliance risk and conduct risk.

Risk profile

The risk profile is represented by the current and potential aggregate exposures of the Bank. The risk profile is the result of the risk assessment process in combination with the limits set by the business strategy and the risk appetite framework. The risk profile is an important factor in setting the business objectives, policies, risk appetite and the Bank's internal control environment and the monthly value recorded by it is calculated and reported to the management bodies of the Bank.

The measures that are undertaken within the risk mitigation process, without being limitative, are:

- Reducing likelihood of occurrence of risks by improving the actions, operations, processes and / or functions impaired by the identified risks;
- Reducing the impact of risk through the use of risk transfer methods and / or instruments such as specific insurance policies, derivative financial instruments, additional capital injections or other;
- Transferring or sharing risks with third parties;
- Accepting residual risks and monitoring the correlation between them and the allocated capital;
- Accepting risks as inherent to business;
- Evaluating the occurrence of the identified risk by stopping, temporarily or definitively, the activity, process or risk-generating function.

The risk management, compliance and internal audit functions play an important role in ensuring compliance with the regulations governing risk management and control activities and in implementing internal measures to ensure the consistency between the risk parameters assumed in the Bank's current activities and the risk set by the Bank's management structure.

Portfolio and risk analysis

The Bank uses systems and processes to actively identify, control and manage the risks in its portfolio. Portfolio and risk analysis processes are designed to quantify, qualify and substantiate the risks in order to draw the attention of the management body in a timely manner.

Risk materiality analysis

The Bank has continuously implemented and developed the risk material assessment framework. This process is not limited to the risk management function and therefore various entities within the Bank are involved in order to ensure the efficiency of this process.

This assessment is a starting point for the ICAAP process, as the types of material risk identified have to be taken into account either directly by the allocation of capital or indirectly by appropriately being taken into account in other elements of the ICAAP framework. The information resulting from this assessment is used to improve risk management practices and further to mitigate risks within the Bank. The assessment is also the starting point for designing and defining the Bank's risk strategy and risk appetite.

Concentration risk analysis

The Bank's concentration risk analysis highlights the measures needed to identify, measure, monitor and mitigate concentration risks, whose implementation is essential to ensure the long-term viability of any financial institution, especially in times of economic crisis. Risk concentration is addressed through the Bank's limits framework and specific concentration risk analysis.

Simulations under crisis conditions

Crisis tests are essential tools for risk management within financial institutions, supporting them to address a future-oriented risk perspective as well as business strategy, risk planning, capital and liquidity planning. Crisis testing of the bank's vulnerability to major but plausible damage of the economic environment helps to understand the sustainability and solidity of the bank and to develop and implement timely alternative plans and risk control measures. The results of stress tests need to be analyzed for later use, especially in the planning and budgeting process, as well as in the risk material assessment process or in the calculation of the risk coverage capacity.

Risk planification and forecasting

The planning of key relevant data referring to risk is also part of the risk management activity and ensures that risks are properly reflected in the management process of the bank. The risk management forecast is used by the Bank to take strategic decisions. The implementation of financial forecasts for risk data that ensure the link between the capital / liquidity and the changing macroeconomic conditions represents a way to acknowledge the risks.

The Bank ensures that there is a close relation between the capital planning, budgeting and strategic planning strategies. The Bank's responsibility for risk management includes ensuring sound planning and forecasting processes. Risk planning and forecasting processes include both an anticipatory component as well as a retrospective component, focusing on portfolio and environmental changes.

Risk weighted assets management

In order to identify the capital requirements required for compliance with the banking prudential rates, the process of calculating the regulated capital requirement and the internal capital requirement is performed periodically.

The primary objective in calculating the capital requirement is to strictly and permanently observe the permanent setting in the minimum regulated level of the bank's own funds (expressed as a percentage of the risk exposure total value) and reporting requirements. Planning, evaluation and monitoring of capital, as well as the generation of risk positions, are performed in order to achieve this objective.

The monitoring of risk positions should ensure that the rates of regulated own funds are permanently observed. Based on the continuous monitoring and reporting process, relevant decision makers are informed early on the adequacy ratio of the regulated capital, in order to take the necessary measures.

Capital planification and allocation

On the basis of identified material risks, the Bank assesses capital adequacy as a whole and develops a strategy to maintain adequate capital levels in line with its risk profile and business plans. This is reflected in the process of planning the bank's capital and setting internal capital targets. The capital planning process aims at estimating a possible addition to the capital requirement. On the one hand, this is based on a forecast of the evolution of the existing capital and, on the other hand, on a forecast of the evolution of the capital constraints that may occur during the forthcoming financial years.

The prognosis of capital evolution starts from the current regulated capital level existing at the beginning of the annual budgeting process. The subsequent forecasts of the commercial plan, the individual situation of the overall result, the individual situation of the financial position of the investment projects, the financing plan and the evolution of the operational expenditures are made through the budgeting process (or drawing up the annual Budget) and their impact on the capital at the end of the financial exercises included in the planning horizon is then evaluated and allocated. In conclusion, this stage ends with an assessment of the level of capital at the end of each year of the planning horizon.

Recovery Plan

The Bank has a Comprehensive Recovery Plan, developed on the basis of the Banking Law (EOG No. 99/2006), the Banking Recovery and Resolution Directive 2014/59 / EU (BRRD), as well as the EBA guidelines and Law no.312 / 2016 on the recovery and resolution of credit institutions and investment firms, as well as for the modification and completion of some normative acts in the financial field.

The Governance of the Bank's Recovery Plan serves as a framework for its development and implementation as the main pillar of consolidating the Bank's financial position, respectively, to restore it after a significant deterioration. This plan identifies a set of recovery measures that can be applied to maintain the financial strength and viability of the Bank when it faces a severe crisis.

8.6 Adequacy of the risk management framework and risk profile

The Bank should monitor risk management systems to ensure that they are performing well. This objective is achieved by the Bank through continuous monitoring activities and by a regular evaluation of these systems. The continuous monitoring process is in most cases effective when it takes place in real time (where applicable) as it allows a dynamic reaction to changing conditions.

The Bank has implemented an appropriate risk management system that includes policies, procedures, limits, and controls to adequately, continuously and timely ensure a process of identifying, measuring and evaluating, diminishing, monitoring, and reporting risks involved by the banking activities both at the level of business lines and at the level of the institution as a whole.

An effective risk management process requires a clear articulation of the Bank's risk appetite, as well as identifying how the Bank's risk profile is managed in relation to this appetite. The Bank has implemented an effective risk appetite framework that is communicated at Bank level, as well as to all other shareholders, and incorporating the risk appetite in the Bank's financial risk profile.

Both the Declaration of Risk Appetite and Risk Tolerance are parts of the Risk Awareness Framework and are incorporated into the Bank's Risk Strategy. Risk appetite is based on relevant risk factors and key risk rates and ensures that the Bank operates within the established strategic objectives and does not exceed the aggregate risk tolerance.

In this regard, the Bank presents a statement approved by the management body on the adequacy of its risk management systems to ensure that the systems in place are appropriate to the risk profile and strategy of the institution, as well as a description of the Bank's overall risk profile, which provides a comprehensive overview of how the Bank manages its risks, including how the Bank's risk profile interacts with established risk tolerance (Annex 3).

8.7 Specific market risk factors

Both the Bank and the Patria Bank Group are exposed to the risks associated with the functioning of the local financial market as well as those associated with global and local economic conditions in general.

From the risk management perspective, the Bank, in the context of the COVID-19 pandemic, carried out in 2020 a careful process of monitoring customers that could be affected by its economic impact. Patria Bank also successfully managed the operational risk caused by the Covid-19 pandemic.

The Bank also successfully continued its business and credit risk limitation model in the Micro and Agro areas, which generated higher returns than the market, in terms of monitoring and maintaining a low risk cost, given the macroeconomic conditions following the COVID-19 pandemic in the economic sector and the crisis caused by it. In the area of individual lending, the Bank consolidated and improved its risk acceptance model with a positive impact on the related cost.

The increase of the quality of the loan portfolio was manifested both in the granting process and in the process of monitoring and recovery of loans, a fact manifested in the cost of risk, which increased slightly in 2020 to 1.11% from 0.74% in 2019, amid the occurrence in the economy of the COVID-19 pandemic.

In 2020, the process of recovering both non-performing receivables from the Bank's off balance sheet, which led to total recoveries of approximately EUR 1.2 Million, and non-performing loans from the Bank's balance sheet, which led to recoveries amounting to EUR 5.4 Million. The development of this process, as well as the amicable collection activity, led to the registration of a non-performing exposure rate (*NPE Ratio*) without taking into account the acquisition provisions of 10.34% in December 2020, while the degree of coverage with provisions of non-performing loans (*NPL coverage*) without taking into account the acquisition provisions was of 47.71%, and with the consideration of purchasing provisions, the degree of non-performing loans coverage with provisions (*NPL coverage*) was 54.33 % at the end of December 2020.

In the area of liquidity risk, the Bank continued to record comfortable levels of the main prudential indicators monitored, even in the conditions of the COVID-19 pandemic crisis, especially in the first part of 2020, when the state of emergency was established at national level.

Market risk is strictly managed due to the reduced appetite for trading positions and foreign exchange positions. Interest rate risk outside the trading book continued to decline during 2020 due to the decrease in the portfolio of fixed interest rate assets.

Following the analysis of the financial results, the management considers that the activity of Patria Bank S.A. has already been impacted by the COVID-19 pandemic and the future effects can be mitigated by the measures taken by the bank, by the evolutions of the financial markets or by the economic recovery measures initiated by the Government.

The current context has negative effects, especially in terms of the potential level of risk cost in the future, but can also generate business opportunities for growth and development taking into account the new programs initiated by the Government and other Financial Institutions to support companies.

Patria Bank has absorbed the negative impact of 2020, and all prudential indicators are at levels higher than the limits set by the National Bank of Romania, the Bank having resources to support the activity in good conditions.

The Romanian economy has shown itself vulnerable to the decline of the financial and capital markets as well as to the slowing of the growth of the global economy. The impact of global economic developments is often felt more strongly in emerging markets, such as Romania, compared to how it is felt in more developed markets. In particular, in times of economic uncertainty, consumers reduce their spending and debt levels. As the Patria Bank Group carries out all its activities in Romania, its performance is influenced by the level and cyclicity of the economic activity in Romania, which in turn is impaired by the local and international economic and political events.

Also, given the significant degree of exposure to existing government securities at the level of the entire banking system, there is a risk of imposing some banking system constraints on this component, which will result in significant competition in investing in other assets with high liquidity and, implicitly, an increase in the cost of this component.

Any change in the local financial market, global and local economic conditions could have a significant negative effect on the Bank's activity, financial situation or operating results.

Market fluctuations, liquidity and volatility may have a negative impact on the value of the Bank's assets, may reduce profitability and make difficult to measure the fair value of certain assets

Financial markets have been under significant stress in recent years, and the value of financial assets may continue to fluctuate significantly or have a significant impact on the Bank's total capital and income if the market value of financial assets decreases.

Volatility and lack of market liquidity may make it difficult to reassess certain exposures and the value actually realized by the Bank may be significantly different from the current or estimated fair value. Any of these factors may cause the Bank to recognize losses from future revaluations and to provision for impairment, any of which may impair the Bank's operations, financial statement, operating results, liquidity, or Banks's prospects.

The bank faces intense competition in all areas of activity

The Bank and the Patria Bank Group compete with a large number of international financial institutions with local presence in Romania, but also with local competitors, banks whose services address both individuals and companies, mortgage banks, investment banks and other companies active in the financial services sector. Certain banks have a stronger presence in Romania than the Patria Bank Group, with a larger number of branches, offering clients a wide range of products and services.

For the next period, the recent trend to strengthen the financial services sector at the international and local level may create competitors with extensive product and service portfolios with greater financial, technical, and operational resources, access to lower costs financing and greater efficiency and power of pricing. Due to their global presence, these competitors may seem more attractive to key clients that the Patria Bank Group also intends to attract.

Competitiveness of financial institutions will largely depend on their ability to adapt quickly to new developments and market trends.

The Bank operates in a regulated environment and any new regulatory requirements or any changes to current regulations may subject the Bank to greater capital and liquidity requirements or standards and may result in significant compliance costs.

Given the evolution and transformation of the financial crisis into the sovereign debt crisis of the euro zone, there has been a need for a better integration of the single market and the European banking system. Thus, the European institutions have decided to create the Banking Union, based on a single set of regulations.

The Banking Union is based on the following three pillars: (i) the introduction of a single supervisory system ("SSM") set up at the level of the European Central Bank ("ECB"), which takes over prudential supervision tasks of euro area credit institutions, (ii) the consolidation of deposit guarantee schemes and (iii) the establishment of a unique resolution mechanism. With regard to SSM, in November 2014, the ECB is responsible for overseeing all credit institutions (either directly for significant credit institutions or indirectly for other credit institutions through collaboration with competent national authorities). At the level of the competent national authorities, it remains the exclusive exercise of specific tasks, such as prevention of money laundering and supervision of payment services.

The purpose of the single Deposit Guarantee Scheme is to provide increased resilience to future systemic crises compared to national schemes and it will be less dependent on public finances as risks will be more dispersed and contributions will be collected from more institutions.

The unique resolution mechanism aims at the orderly resolution of banks in difficulty, in order to minimize the negative consequences for taxpayers and the real economy.

Any significant changes in the legislative and regulatory framework governing the Bank's business may limit the Bank's growth and may have a significant impact on the financial position, the operating results and the possibility to implement business opportunities. This could have a negative impact on assets, financial position and operating results.

The bank is subject to major capital and liquidity requirements and incur significant expenses with monitoring and meeting these requirements

Starting with 2014, capital requirements are governed by the European regulatory framework known as CRD IV / CRR and which includes the European Parliament and Council Directive no. (EU) No 2013/36 / EU on the access to credit institutions' activities and the prudential supervision of credit institutions and investment firms (CRD IV), and by the CRR, some requirements being applicable during a transitional period 2014-2019. In December 2013, the NBR issued Regulation no. 5/2013 which transposes into CRD IV national legislation, while CRR is directly applicable.

CRD IV / CRR predict, among other things, the increase in the minimum own funds level, i.e. (i) a 4.5% Tier 1 own funds ratio; (ii) a 6% Tier 1 own funds ratio and (iii) a total own funds ratio of 8%. With regard to the capital adequacy rates provided in the previous regulatory framework known as Basel II, the new CRD IV / CRR legislative package complements the set of capital adequacy ratios calculated on the basis of the total risk exposure by introducing the "leverage" rate, initially as an additional feature at the discretion of the supervisory authorities, following to migrate to a binding measure starting with 2018. The minimum level of the leverage ratio is set by the Basel Committee on Banking Supervision at 3%, and as a result of the Committee's calibrations, they will have to review this level or set a level of the capital requirement for this ratio.

In December 2014, the European Banking Authority issued the guide no. 13/2014 on common procedures and methodologies for the Surveillance and Evaluation Process (SREP), under which each national supervisory authority *calculates for each credit institution the global capital requirement (OCR) tailored to the specific risks to which it is exposed, representing the sum of the total capital requirement SREP (TSCR), the capital buffer and the macro-prudential requirements.*

In addition, CRD IV / CRR increases risk capital coverage, in particular in relation to trading and securitization activities and counterparty credit risk exposures resulting from derivative financial instruments, repo operations

and securities lending operations. Moreover, the CRD IV / CRR package introduces, among other things: (i) a minimum level of the short-term liquidity requirement and (ii) a minimum level on the net stable funding requirement to increase banks' longer time horizon endurance, both having a gradual implementation that will end in 2019. In May 2019, the CRD V / CRR II regulations were published and will enter into force on June 2021. In the context of the COVID-19 pandemic, in June 2020, by EU Regulation 873/2020, the European Union decided to accelerate and enter faster entry into force of some articles of CRD V that support / help the European banking system.

Stricter requirements on capital, liquidity, risk-weighted assets and other legal or regulatory developments could have a negative impact on the Bank's business, operating results and financial position.

Any change in consumer protection regulations or interpretations of these regulations by tribunal or government authorities may lead to a reduction in the Bank's ability to provide certain products and / or services

Any changes in consumer protection laws or the interpretation of these laws by the courts or governmental authorities could restrict the Bank's ability to provide certain products and services or to apply certain clauses and could reduce the net income from commissions and interest rates of the Bank, which could have a negative effect on its operational results. This legislative change could have a negative impact on the Bank's business, financial position and operating results.

At the same time, as new laws and amendments to existing laws are adopted to maintain the pace of continuous transition, existing laws and regulations, as well as amendments to these laws and regulations, may be applied non-uniformly or interpreted in a more restrictive way. Any changes in consumer protection regulations or interpretations of these regulations by courts or governmental authorities at the expense of Patria Bank may affect the Bank's activity, financial statements and performance.

The Romanian legislation on the insolvency procedure of individuals may lead to the adoption of measures at the expense of the Bank in relation to individual clients

In 2015, the Romanian Parliament adopted Law 151/2015 on Insolvency Procedure for Individuals. This law was published in the Official Gazette of Romania on 26 June 2015 and entered into force on January 1, 2018. Application of the law could lead to measures being taken at the expense of credit institutions in dealing with individual clients, such as a significant reduction in the debtor's liability or suspension of forced execution procedures. In addition, the lack of any judicial practice in this field, as well as possible procedural practices, could lead to the Bank experiencing difficulties in recovering its receivables in relation to individual borrowers, which could have a negative effect on the operations and the financial statements of the Bank.

Regulatory changes in areas such as employee protection, labor law, social security, competition law and taxation could generate additional costs for the Bank

In addition to the requirements specifically applicable to companies in the financial services sector, the Bank must also comply with the requirements of the general regulatory framework applicable to all companies, such as employee protection, labor law, social security, competition law and taxation, as well as specific capital market legislation. Because these laws and regulations and also the way they are applied or interpreted, are subject to continual changes by competent authorities and, generally, become more stringent, the costs involved in complying with such laws and regulations are expected to grow in the future.

Any failure to comply with applicable laws and regulations could result in fines or other sanctions imposed by competent regulatory and supervisory authorities and could impair the Bank's reputation. If compliance costs will increase or fines will be imposed to the Bank for non-compliance reasons, they may have a negative impact on its assets, financial position and operational results, as well as its reputation. Any changes to employee protection legislation, labor law, social security, competition law and taxation could affect the Bank's business, financial situation and financial performance.

Significant costs are being incurred and significant efforts are being made to comply with increasingly stringent regulations on the prevention of money laundering and terrorist financing.

The Bank is subject to strict regulations on money laundering prevention, terrorist financing and other such acts. The NBR, as the competent authority according to the law, is monitoring the application of international sanctions, prevention of money laundering and terrorism financing. In the event of the Bank's breach of the regulations on money laundering, terrorist financing and other criminal acts, the sanctions imposed on the Bank by the competent authorities in this area could have the effect of limiting the Bank's conduct of operations. In addition, controlling compliance with all these regulations entails significant financial costs and represents an operational challenge for the Bank. Although the Bank does all the necessary diligence, it cannot provide any assurances that it will at all times comply with all the existing regulations on money laundering and terrorist financing operations, or that all its employees will apply these regulations and the Bank's internal rules in this area. Any breach of these regulations and even the mere suspicion of a breach may have legal consequences or a negative impact on the Bank's reputation and could impair the Bank's assets, financial position and operating results.

The Bank processes the personal data of the clients during the ordinary course of the activity, including by transferring the personal data between different companies within the Group. In case the processing of the data, including by transfer of personal data, will be considered by the authorities as illegal, during an inspection, sanctions or fines could be applied to the Bank.

In addition, there is a risk that the personal data may become public in the event of a security breach within the Bank's facilities or in its databases. In the event of such a breach, the Bank's liability under the data protection legislation could be committed and sanctions or fines could be applied by the relevant authorities. According to the new regime of protection of personal data that entered into force in the European Union on 25.05.2018, fines for

violations of the regulations regarding the protection of personal data will become substantial. Any of these incidents could have a significant negative impact on the Bank's activity, financial situation or operating results.

Investing in emerging markets, including Romania, involves certain risks that may be greater than the risks inherent in more developed markets

An investment in emerging markets, including Romania, is subject to higher risks than an investment in a country with a more developed economy and political and legal systems. Although progress has been made in reforming the Romanian economy and political and legal systems, the development of legal infrastructure and the regulatory framework is still under way. Generally, investments in developing countries such as Romania are only suited to sophisticated investors who can fully assess the risks involved.

In addition, the reactions of international investors to events taking place in a country sometimes demonstrate the existence of a "contamination" effect, where a whole region or investment class is disadvantaged by international investors. Therefore, investments could be affected by negative economic or financial developments in other countries. There is no certainty that the circumstances of any crisis similar to the global economic and financial crisis that began in 2008 will not affect the economic performance of emerging markets, including Romania, or investors in these markets. The occurrence of these circumstances could have a significant negative effect on the Bank's business, operating results and financial position.

The value of investments in Romania, including investment in the Bank's shares, could be affected by political and economic uncertainty

Romania has undergone major changes in its recent history. Despite the many political and economic reforms implemented, the Romanian economy still has a number of structural weaknesses. These include: dependence on industrial exports, population ageing, which will lead to increased state budget spending for social assistance and healthcare in the future, and, historically, current account imbalance as well as delayed absorption of EU funds and a lack of key reforms, each of which could affect Romania's solvency.

Judicial system and legislation in Romania is in the process of development and therefore constantly changing, creating an uncertain environment for investment and business

The uncertainties specific to the judiciary system in Romania could have a negative effect on the economy and could therefore create an uncertain environment for investment and business. The judiciary system is under-funded compared to the jurisdictions within a developed economy. Since Romania is a jurisdiction that has implemented the civil law system of French origin, judgments delivered under Romanian law do not usually have a judicial precedent. For the same reason, the courts usually have no obligation to comply with previous court rulings pronounced by the courts in identical or similar situations. The Romanian judiciary system has undergone several reforms to modernize and strengthen its independence. However, these reforms do not go far enough to effectively address the issue of non-EU jurisprudence. The new procedure codes introduce a new mechanism for unifying jurisprudence, but effective measures to achieve the expected results are underway. Thus, uncertainties are fueled by repeated and frequent changes to laws, including issues that have a direct impact on the Bank and which often have an immediate effect, ambiguities in the law, and the inconsistent interpretation and application of rules. Uncertainties related to the Romanian legal and judicial system and the additional costs necessary to adapt to changing legal requirements could have a significant negative effect on the Bank's business, operational results and financial situation.

8.8 Bank's specific risk factors and their management process

Taking into account the performed activity, the Bank is exposed to the following risks:

- market risk (including foreign exchange risk);
- the interest rate risk outside the trading portfolio;
- credit risk and associated risks (country risk, counter-party risk, residual risk, concentration risk, foreign exchange lending of borrowers exposed to foreign exchange risk);
- liquidity and fund management risk;
- operational risk, including legal risk, information technology risk, model risk and conduct risk;
- reputational risk;
- strategic risk;
- compliance risk;
- the risk of excessive use of leverage.

Market risk

It represents the risk of recording losses on balance sheet and off-balance sheet positions due to unfavourable market fluctuations in prices (such as shares prices, interest rates, exchange rates). Market risk has the following components:

- Price risk - the market risk component that arises as a result of market fluctuations in the price of equity securities in the bank's trading portfolio.
- Interest rate risk - the market risk component that arises as a result of market fluctuations in the interest rate associated with instruments in the bank's trading portfolio.
- Foreign exchange risk - the component of market risk that arises as a result of fluctuations in the exchange rate for the entire activity of the bank.

The main components of the market risk management process documented in the Market Risk Management Policy regarding market risk management are as follows: identifying market risks, assessment, control process, monitoring and reporting.

Market risks identification is based on identifying and evaluating internal and external factors that may impair the risk market, even from the assessment phase of an asset or liability. The market risk assessment is carried out using the Value at Risk (VaR) Model and the exposure limit. The Bank uses for the calculation of VaR the last 255 closing prices of financial instruments, for each of the financial instruments held. For the calculation of the VaR rate, the profit distribution is considered normal, the confidence level as 99% and the holding period as 10 days.

For the purpose of monitoring market risk, the Bank has a limits system for its individual components, depending on the size of the bank's activities, while aiming at correlating it with the prudential banking limits and limitations

and the risk profile chosen. The Risk Management Division together with the Treasury Division monitors daily compliance with the approved limits system and reports any non-compliance, monitoring the entire period until the reinstating within the approved work limits.

The regulated capital requirement is based on the standard approach and within the calculation methodology of the internal capital requirement, the Bank considers both the capital requirement regulated under CRR, as well as an underestimation of the results obtained based on this methodology, further calculating a potential loss from the market risk exposure using VaR model methodology with various levels of confidence.

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments to fluctuate due to exchange rate changes. Open foreign exchange positions are a source of foreign exchange risk.

During 2020, the banking system and Patria Bank may be exposed to the foreign currency risk caused by the scillating evolution of the exchange rate, for which it is expected an exchange rate increase trend.

The Bank has established a set of limits to manage foreign exchange risk and the positions are monitored daily to ensure that they are framing within the limits set for the end of each calendar month - a foreign exchange position of maximum 2% of the value of the own funds for each currency, as well as a monthly total position and average position of maximum 2% aggregate foreign exchange position. The bank protects against swap fluctuations through swap and forward transactions. The main currencies in which the Bank performs operations are EUR and USD.

The interest rate risk outside the trading portfolio

The interest rate risk is the current or future risk of impairment of profits and equity as a result of adverse changes in interest rates.

The sensitivity of the sensitive assets and liabilities portfolio at the interest rate of the Romanian banking system is asymmetrical, an increase in interest rates having a lower impact than a reduction of them, a fact that is highlighted both in terms of total impact as well as of impact variation limit.

The Bank may be exposed to interest rate risk due to the Bank's balance sheet items, which derive from the volatility of interest rate evolution (ROBOR, EURIBOR and LIBOR) and the potential imbalance that may occur in volume and the residual maturity terms of the balance sheet items in lei and foreign currency that bear fixed or variable interest rates, which could have a significant negative effect on the Bank's activity, financial statements or operating results.

The Bank classified exposures to interest rate risk in exposures related to the trading portfolio and exposures outside it. Risks in the first category are managed and monitored using the Value-at-Risk (VaR) model described above. The risks in the second category are managed and monitored using other sensitivity analyses, using the standard methodology regulated by the provisions of the NBR Regulation no. 5/2013 supplemented and amended by NBR Regulation no. 11/2020 on calculating the potential change in the Bank's economic value using a standard shock

interest /rate of +/- 200 bps on instruments exposed to interest rate risk and in shock changing interest rate crises simulations of +/-300 bps. Also starting with 2021, the Bank will calculate the economic value using six standardized shock scenarios for detecting the extreme values that can be recorded by it, and uses the values obtained from simulations performed in the calculation of the internal capital requirement.

As at 31.12.2020, the potential change in the economic value, calculated on the standard methodology provided by the NBR Regulation no. 5/2013 was the following:

Individual level		Consolidated level	
Ratios	Values (RON Thousand)	Ratios	Values (RON Thousand)
Own funds level	338,551	Own funds level	374,654
Economic value potential change, out of which split on reference currencies:	26,531	Economic value potential change, out of which split on reference currencies:	29,549
- EUR	9,512	- EUR	9,511
- RON	15,973	- RON	18,993
- USD and other currencies	1,046	- USD and other currencies	1,046
% of the own funds	6,95%	% of the own funds	7,89%

In the process of assessing and quantifying the exposure to interest rate risk, the Bank proceed as follows:

- All non-trading portfolio assets and liabilities and all off-balance sheet items outside the trading portfolio that are sensitive to changes in interest rates - including all derivatives on the interest rate financial instruments- are matched on the maturity bands (0-1] month, (1-3] months, (3-6] months, (6-12] months, (1-2] years, (2-3] years, (3-4] years and (4-5] years, (5-7] years, (7-10] years, (10-15] years, (15-20] years and over 20 years. The maturity band framing is made separately for each currency in which more than 5% of assets or liabilities outside the trading portfolio are denominated.
- The balance sheet items are treated at book value, net of the specific and general provisions recognized as such in the credit institution's financial statements in accordance with the applicable accounting framework.
- Fixed interest rate instruments are allocated according to the residual period until maturity and instruments with the variable interest rate according to the residual period until the next revaluation date – repricing date.
- Exposures that create practical processing problems due to the significant number and relatively small individual value, such as mortgage loans or loans repayable in installments, may be allocated on the basis of estimation methods with statistical support.
- stable deposits - core deposits - are framed according to a presumed maturity of no more than 5 years.
Current accounts will be on the first repricing band and deposit accounts / deposit certificates will be on the band corresponding to the remaining period until their maturity.

- f) derivative financial instruments are translated into positions on the relevant underlying instrument. Values taken into account are either the principal amount of the underlying financial instrument or that of its notional;
- g) futures and forward contracts, including forward rate agreements -FRA, are treated as a combination of a long and a short position. The maturity of a futures or FRA is the period until the delivery or the performance of the contract plus the life span of the underlying financial instrument, if applicable;
- h) swaps are treated as two notional positions with relevant maturities. Thus, an interest rate swap, in which the bank receives a variable interest rate and pays a fixed interest rate, is treated as a long position on the variable interest rate and with a maturity equivalent to the period until the next interest rate fixing date and a short position on the fixed interest rate with maturity equivalent to the residual life of the swap. Separate segments of a cross currency swap are matched to the maturity bands relevant to the respective currencies;
- i) options are taken into account according to the delta equivalent of the underlying financial instrument or that of its notional.

The Bank calculates on monthly basis the exposure to interest rate risk outside the trading portfolio as part of the Bank's risk profile.

Credit and counterparty risk

Credit risk is the risk of a negative impact on profits and capital as a result of non-fulfilment by the debtors of contractual obligations or their failure to meet contractual conditions. The main risks in lending activity, with a direct impact on the Bank's incomes and its capital, come from at least the following elements:

- the quality of the counterparty (including its creditworthiness) and the customer selection policy
- submission of false documents / information by the client during the analysis of the credit documentation
- non-compliance / breach by the counterparty of the contractual clauses / obligations
- changes / uncertainties of the legal framework with direct implications on the customer's income / source of repayment
- decreasing the demand on the profile market of the client / segment of activity, which leads to the decrease of the income of a category of clients
- the degree of concentration of exposure on certain categories / customer typologies
- the inadequate framework for monitoring and reporting of the risk elements that may arise over the life span of a credit / loan portfolio in order to solve the difficulties of the clients in a timely manner
- limitation / lack of adequate supervision of borrowing activities
- insolvency / bankruptcy due to poor client management
- loss of the quality of the employee / reduction of the income / illness / death for the retail clients
- macroeconomic crises with direct effect on clients' incomes and implicitly on their ability to repay the loan

To manage this risk, the Bank applies its own policy, the risk management being structured in stages of identification, assessment, control and reduction. In conclusion, each transaction is subject to special procedures by which the Bank attempts to secure the position created by the assumed exposure. Identification procedures mainly refer to the use of information sources to identify risk factors that have overwhelming influence on the quality of the exposure to be assumed.

The assessment procedures aim to determine the degree of risk for the underlying transaction. The risk assessment for each transaction under review is performed independently by the Credit Risk Assessment Division and materialized in the risk opinion.

In order to control the risk, the main measure is the limitation of individual exposures, both absolute and relative in relation to own funds, as well as the limitation of exposure on industries and geographical areas. Monitoring of these limits is ensured within the Risk Management Division. Also under the control procedures, the Bank carries out the subsequent procedures for monitoring the quality of the exposures, represented by the client's analysis, the revision of the value and the inspection of the guarantees, as well as the manner in which the client has fulfilled his contractual obligations. The Bank has defined a system of credit quality deterioration rates / warning signals, as well as restructuring procedures for problematic clients.

In the internal risk capital adequacy assessment, the Bank takes into account all risks to which it may be exposed towards the credit risk, including the counterparty risk:

- Entry under the incidence of the “*Darea in plata*” Law (debt discharge law) (the internal capital requirement is calculated for loans falling within the scope of Law No 77/2016);
- The concentration risk (scorecard model based on the Herfindahl-Hirschman index, which calculates the individual and sectoral concentration indicators (ICI and SCI), and depending on the score obtained, constitutes a percentage of the capital requirement associated with the loan portfolio)
- underestimation of credit risk (calculating a differentiated domestic capital requirement according to the LTV level or depending on the debt service)
- The residual risk (the internal capital is calculated based on simulations on different types of guarantees whose RWA is increased compared to the percentages used in calculating the regulated requirement)
- The risk of loss in the event of a default due to crisis conditions (simulation model on increasing the loss adjustments for the credit categories with the highest probability of migrating into default)
- the risk associated with foreign currency lending of the debtors exposed to foreign currency risk (scoremodel based on the calculation of the concentration index of the debtors exposed to the currency risk, and depending on the score obtained, it constitutes a percentage of the capital requirement associated with the loan portfolio).

The Bank also carries out a macroeconomic simulation (aimed at PD growth concurrently with a decrease in collateral value, increase of LGD as per EBA forecast), taking into account assumptions that could have an impact on the Bank's portfolio, thus constituting the internal capital requirement in the ICAAP process.

Regarding credit limits, the Bank uses a credit risk exposures limitation system, taking into account the following aspects: focusing on a limited group of debtors, focusing on geographic regions, focusing on sectors of activity of debtors, focusing on foreign currencies, focusing on guarantee type, focusing on customer type / segment, focusing on residual maturity of credit contracts, focusing on product type.

As far as the bank's collaterals policy is concerned, the general principle is that the loans granted by the Bank must be covered by guarantees, differentiated based on the quality of the counterparty. The main guarantees accepted by the Bank are mortgages on real estate, pledges on movable assets, pledges on assignment of receivables / securities / collateral deposits, guarantees issued by guarantee funds and comfort elements (pledges, promissory notes, pledge on claim receivables or comfort letters).

The goods are accepted as collateral at the accepted / adjusted value and must ensure a minimum guarantee coverage degree of the financing granted by the Bank, which differs depending on the type of guarantee / type of client / type of credit product granted by the bank.

In the calculation of IFRS 9 depreciation adjustments, the value of the goods accepted as collateral is updated to Net Present Value (NPV). The Bank has an appropriate regulatory framework for the credit area for identifying, evaluating, controlling, reporting and monitoring credit risk, which addresses:

- the existence and permanent maintenance of an appropriate framework for the identification, assessment and management of credit risk
- continuous improvement of procedures, processes and flows of analysis / approval / granting of financing in order to structure a solid and stable loan portfolio (the process of analyzing, approving and granting loans at the Bank's level is centralized)
- the existence and maintenance of an adequate process of credit management, control and monitoring, including a credit risk limits system
- the use of an adequate protection in case of the financing granted by the bank depending on the client's credit risk (guarantees and insurances)
- the existence of a process and methodology for calculating provisions and adjustments for appropriate and comprehensive depreciation in case of Bank's financing.

The Bank manages credit risk by setting credit limits against counterparties corresponding to an acceptable level of risk. Risks are regularly monitored and subject to annual or more frequent revisions when deemed necessary.

Credit risk limits also cover settlement risk, as well as counterparty credit exposure at counterparty level.

Measures for the determination of the exposure value

The Bank determines the exposure value for derivative instruments resulting from the counterparty credit risk, using the original exposure method, as described in art. 275 of CRR. On 31.12.2020, the Bank recorded in the balance sheet the following exposure from derivative financial instruments: RON 37,133,560.

Risk credit value adjustments

The balance as at 31.12.2020 of the total exposure, broken down by type of clients - business segments of the Bank, was the following:

Segment	Exposure (RON thousand)
Consumer loans	162,895
Mortgage loans	247,250
Entrepreneurs loans	129,307
Corporate loans	1,332,102
Municipalities	35,557
Total	1,907,111

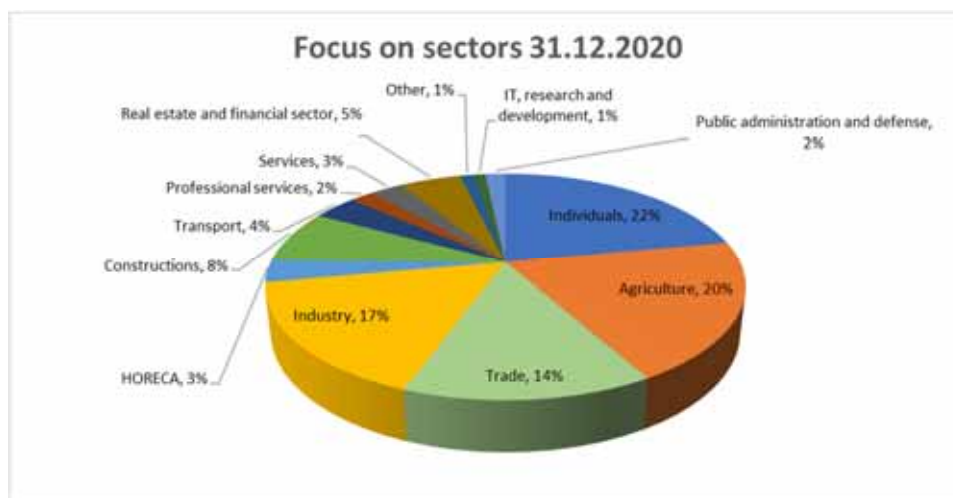
As at 31.12.2020, the focus on geographic regions was as follows:

Region	% in total portfolio
CENTER	23.99%
WEST	12.26%
SOUTH	46.23%
EAST	17.52%

As of 31.12.2020, the total balance sheet exposure, depreciation adjustments for the Bank's customers, the distribution of outstanding clients and in default customers from the geographic concentration point of view was the following:

Region	Total exposure (RON Thousand)	Impairments (RON Thousand)
CENTER	457,431	42,291
WEST	233,894	9,355
SOUTH	881,753	56,554
EAST	334,033	20,613

As at 31.12.2020, the concentration by the activity sectors was as follows:



As of December 31, 2020, the classification of current, overdue and depreciated loans, according to the category of clients was the following:

RON Thousand	Consumer loans	Mortgage loans	Entrepreneur loans	Corporate loans	Municipalities	Total
Current and not-impaired	145,596	219,412	114,657	1,105,305	35,557	1,620,528
(-) Provisions for impairment	-2,966	-186	-1,343	-17,025	-	- 21,521
Current and not-impaired net total	142,630	219,226	113,314	1,088,280	35,557	1,599,006
Overdue and not-impaired	11,663	13,595	7,166	32,990	-	65,415
(-) Provisions for impairment	- 2,500	- 600	- 727	- 2,321	-	- 6,148
Overdue and not-impaired net total	9,163	12,995	6,439	30,669	-	59,267
Impaired loans	5,636	14,243	7,483	193,807	-	221,169
(-) Provisions for impairment	- 4,131	- 5,787	- 2,745	- 88,481	-	- 101,144
Impaired net total	1,504	8,455	4,739	105,327	-	120,025
Gross total of loans and advances to customers	162,895	247,250	129,307	1,332,102	35,557	1,907,111
Total provizons for impairment	- 9,598	- 6,574	- 4,814	- 107,827	-	- 128,813
Net total of loans and advances to customers	153,297	240,676	124,492	1,224,275	35,557	1,778,298

As at 31 December 2020, the distribution of the loans balances on maturities until the residual maturity was:

Reporting segment	Up to 1 year residual maturity (%/amount)		1 - 5 years residual maturity (%/amount)		Over 5 years residual maturity (%/amount)	
	%	Exposure RON Thousand	%	Exposure RON Thousand	%	Exposure RON Thousand
Individuals	4%	18,613	16%	119,168	42%	272,364
Legal entities	96%	498,651	84%	625,578	58%	372,737
Total	100%	517,264	100%	744,746	100%	645,102

The table below shows the exposure and impaired adjustments as of 31.12.2020, as well as, broken down by performing/non-performing and counterparty types.

PATRIA BANK S.A.

31.12.2020

F 18.00 - Information on performing and non-performing exposures

Banca	Gross carrying amount / Nominal value			Depreciation		
	Total	Performing	Non-performing	Total	Performing	Non-performing
DEBT INSTRUMENTS, OTHER THAN THOSE HELD FOR TRADING, OF WHICH	3,168,762	2,936,216	232,546	-138,713	-27,758	-110,955
DEBT INSTRUMENTS AT AMORTIZED COST	2,567,968	2,335,422	232,546	-138,646	-27,691	-110,955
Cash balances at central banks and other demand deposits	286,677	286,677	-	-	-	-
Debt securities	319,559	319,559	-	-27	-27	-
Loans and advances	1,961,732	1,729,186	232,546	-138,619	-27,664	-110,955
Central banks	0	0	-	-	-	-
Public administration	35,591	35,588	3	-3	-	-3
Credit institutions	9,336	9,336	-	-	-	-
Other financial companies	15,658	15,308	350	-719	490	-229
Non-financial corporations	1,329,776	1,127,375	202,401	-114,810	18,855	-95,955
Households of the population	571,371	541,579	29,792	-23,087	8,319	-14,768
DEBT INSTRUMENTS VALUED AT FAIR VALUE THROUGH OTHER ELEMENTS OF OVERALL RESULT	600,794	600,794	-	-67	-67	0
DEBT INSTRUMENTS HELD FOR SALE	-	-	-	-	-	-
TOTAL EXTRA BALANCE SHEETS	315,983	315,969	14	2,393	2,392	1
Credit commitments issued	299,405	299,391	14	2,260	2,259	1
Financial guarantees issued	16,562	16,562	-	133	133	-
Other commitments issued	16	16	-	-	-	-

(*) as per Individual Financial Statements FINREP

A credit is considered to be overdue from the first day of delay to pay the obligations assumed under the credit agreement (principal / interest / commissions related to the credit agreement).

An asset is considered impaired when it meets cumulatively the following conditions:

- There is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset;
- If the loss event(s) has(have) an impact on future estimated treasury cash flows of the financial asset or group of financial assets that can be forecasted reliably. Losses expected as a result of future events, no matter how likely, are not recognized.

Affiliated parties transactions

The Bank shall not record, after taking into account the credit risk mitigation effect, an exposure to the affiliated parties group whose value exceeds 25% of the eligible capital.

If the group of affiliated parties includes one or more institutions, the exposure value to that group may not exceed either 25% of the eligible capital of the Bank or the equivalent of EUR 150 Million, whichever is greater, provided that, in case of application of the absolute limit, the sum of the exposure amounts to all affiliated parties who are

not institutions does not exceed 25% of the eligible capital of the Bank, after taking into account the credit risk mitigation effect.

If the equivalent of EUR 150 million is greater than 25% of the eligible capital of the Bank, the exposure value shall not exceed, after taking into account the credit risk mitigation effect, a limit of 100% of the eligible capital.

We mention that during the whole 2020 year, the Bank framed within this risk limits.

Usage of External Credit Assessment Institution (ECAI)

The bank uses the external ratings provided by an ECAI. Their definition and the date from which they are valid are published on the official websites of the three external credit assessment institutions (ECAIs) recognized by NBR to date (Moody's, Fitch, Standard & Poor's). Framing in rating is as shown in the table below:

Recognized External Credit Assessment Institutions (ECAI)		Standard and Poor's	Moody's	Fitch
Main market segments	Public financing	X	X	X
	Commercial entities (including commercial and financing companies)	X	X	X
	Structured financing (including securitisation)	X	X	X
Mapping of the credit quality level – Long term credit assessment	1	AAA to AA-	Aaa to Aa3	AAA to AA-
	2	A+ to A-	A1 to A3	A+ to A-
	3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
	5	B+ to B-	B1 to B3	B+ to B-
	6	CCC+ and below	Caa1 and below	CCC+ and below
Mapping of the credit quality level – Short term credit assessment	1	A-1+, A-1	P-1	F1+, F1
	2	A-2	P-2	F2
	3	A-3	P-3	F3
	4	All short term ratings below A-3	NP	below F3
	5			
	6			
Mapping of the specific credit quality level for long term positions coming from securitisation	1	AAA to AA-	Aaa to Aa3	AAA to AA-
	2	A+ to A-	A1 to A3	A+ to A-
	3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
	5	B+ and below	B1 and below	B+ and below
Mapping of the specific credit quality level for short term positions coming from securitisation	1	A-1+, A-1	P-1	F1+, F1
	2	A-2	P-2	F2
	3	A-3	P-3	F3
	All other credit assessments	All short term ratings below A-3	NP	below F3
Mapping of the specific credit quality level for CIU (Collective Investment Undertakings)	1	AAA la AA- (m or f)	Aaa toAa3	AAA to AA-
	2	A+ la A- (m or f)	A1 to A3	A+ to A-
	3	BBB+ to BBB- (m or f)	Baa1 to Baa3	BBB+ to BBB-
	4	BB+ to BB- (m or f)	Ba1 to Ba3	BB+ to BB-
	5	B+ to B- (m or f)	B1 to B3	B+ to B-
	6	CCC+ and below (m or f)	Caa1 and below	CCC+ and below

Exposures to companies for which a credit assessment by an appointed ECAI is available shall be assigned a risk weight according to the table below:

Credit quality level	1	2	3	4	5	6
Risk weight ECAI assesment is available	20%	50%	50%	100%	100%	150%

Exposures to companies for which a credit assessment by an appointed ECAI is not available shall be assigned a risk weight according to the credit quality level assigned to exposures to the central administration of the jurisdiction in which the institution is registered in accordance with the table below:

Credit quality level	1	2	3	4	5	6
Risk weight	20%	50%	100%	100%	100%	150%

Exposures to companies for which a credit assesment by an appointed ECAI is available shall be assigned a risk weight in accordance with below table:

Credit quality level	1	2	3	4	5	6
Risk weight	20%	50%	100%	100%	150%	150%

As at 31.12.2020, the value of the exposures associated with each credit quality level is the following:

ECAI level	Exposure value (RON)
1	3,963,531
2	9,760,867
3	1,310,277,634
4	740,769
5	
Total	1,324,742,801

Liquidity and financing risk

Liquidity risk is the current or future risk of adverse impact on profits and capital due to the credit institution's inability to meet its obligations at maturity. The main factors directly affecting the liquidity risk are the internal political instability / conflicts, the repeated changes in the legislative framework, as well as the budgetary policy,

which may lead to a negative / distrustful perception by internal and external investors, which may cause withdrawals of liquidity in the Romanian banking system and implicitly can also affect the liquidity of Patria Bank.

Also, focusing on a single source of funding, as well as any imbalances / uncertainties at European or global macroeconomic level, failure to adapt to market fluctuations / changes may lead to liquidity crises for the bank, which may be affected by the lack of reaction / the ability to adapt to the new conditions, including the possible early liquidation of assets, to limit potential losses and to establish a significant basis for cash availability. If the internal or external macroeconomic conditions are tightening or changing, the Bank may face difficulties in accessing additional funding or may obtain this funding at higher costs, which could have a significant negative effect on activity, financial situation or operational results of the Bank.

The Bank monitors its liquidity risk through both GAP analysis - by comparing fund inflows and outflows on maturity bands of the assets, liabilities and off-balance sheet items depending on residual maturity - and by running liquidity crisis scenarios (regulated - such as the Liquidity Cover Ratio LCR rate or bank-specific assumptions, including severe market stress tests).

The Bank ensures that it holds a stock of liquid assets that can be used as collateral to finance liabilities with immediate exigibility or to cover unexpected / non-anticipated cash requirements.

As a financing solution for emergencies, the Bank owns a portfolio of government securities classified as held to maturity (*held to maturity in accordance with IAS 39 or held to collect in accordance with IFRS 9*), free of any encumbrances, separated from current liquidity reserves and government bonds available for sale, portfolio for which it annually tests financing mechanism (through repo).

Strategies and processes in managing the liquidity risk

To manage the liquidity risk, the Bank has policies, regulations, procedures and systems to identify, measure, manage and monitor the liquidity risk for an appropriate time horizon, including for intra-day positions such as: Risk Management Strategy, Liquidity Risk Management Policy and the Liquidity Position Assessment and Monitoring Procedure, including the intra-day liquidity position.

The structure and organization of the liquidity risk management function (authority, status, and other measures)

The management, quantification, monitoring and control of liquidity risk is carried out at the following structures:

- The Risk Management Division - Risk Management Department other than Credit Risk - Identifies, evaluates, monitors and controls / diminishes events / activities that generate other risks than credit and assimilated risk that could adversely impact the Bank's objectives;

- the Risk Management Committee, the Executive Committee, the ALCO (Asset and Liability Management Committee) and the Board of Directors - through information provided by the Risk Management Division on the Bank's exposure to this risk;
- Treasury Division and Operations Division at operational level.

Scope of coverage and liquidity risk reporting and measurement system type

The liquidity risk is identified, evaluated, managed, and monitored differently according to the factors that determine it, in accordance with the Bank's Policy on Liquidity Risk Management. For identification, the Bank uses a set of analyzes of elements / situations/ events / developments / of the indicators (Early Warning System) that support the process of identifying the increase in risk or vulnerabilities in terms of liquidity position or potential funding needs. Also, in assessing liquidity risk, the Bank uses a series of indicators that provide relevant information about liquidity status.

The main tools for managing this risk are: setting limits and early warning levels, performing periodic stress tests, and maintaining a proper liquidity reserve at the Bank level.

Quantification and monitoring of liquidity risk is done using the following instruments or indicators, which are calculated on a daily, weekly and monthly basis: the liquidity gap model; the intra-day liquidity position model; the liquidity indicator determined in accordance with the national regulations of the NBR transposed at internal level; the immediate liquidity indicator; the Liquidity coverage ratio (LCR); other structure indicators such as credits / total assets, external sources / total assets, credits / sources, liquidity ratio (liquid assets /attracted deposits), deposits / credits, liquid assets/ gross assets etc.

The tracking of the approved internal limits is done (daily) within the Treasury Division and the Operations Division and independently at the level of the Risk Management Division. Daily monitoring is done by making calculations of existing data / indicators at the end of the previous day. Monthly monitoring is done by making calculations of existing data / indicators at the end of the previous month.

In the event of exceeding limits, the Risk Management Division communicates to the involved factors (the Treasury Division, the Operations Division) the non-compliance within the limits, and they inform about the causes that led to the non-compliance within the established limits, the measures taken to frame within the established limits and the deadline. Information on the activity within the established limits is made by the Risk Management Division to the Executive Committee (monthly) and to the Risk Management Committee and the Board of Directors (quarterly), with the status of the indicators / limit being presented.

Liquidity risk coverage and mitigation policies, as well as strategies and processes to monitor the continuity of effectiveness of hedging and mitigation elements

Liquidity risk monitoring is done through the following instruments: liquidity risk exposure limits (including warning thresholds or warning levels); oversight of the high liquidity risk towards a single person (single creditor); a reporting system for liquidity risk generating events or indicators.

The measures taken by the Bank to reduce liquidity risk are:

- Ensure the existence of a stock of assets that can be used as financial guarantees
- Ensuring a liquidity reserve
- Ensure a good diversification of resources
- Risk limit framing monitoring and running crisis scenarios
- Establishing the Liquidity Crisis Plan
- Concluding alternative financing agreements in the event of a liquidity crisis

The liquidity risk statement, which briefly describes the Bank's overall liquidity risk profile associated with the business strategy, including key indicators and key data, which provides external stakeholders with a comprehensive overview of how the Bank manages its risk including the manner in which the Bank's liquidity risk profile interacts with the risk tolerance set by the management body is presented in Annex 5. The Liquidity Coverage Ratio (LCR) is presented in Annex 6.

Operational risk

Operational risk is the risk of loss determined by the use of inadequate human processes, systems and resources, or that have failed to fulfil its function properly, or by external events and actions. The operational risk includes also:

- Information technology (IT) risk - represents the loss that may be caused by breach of confidentiality, loss of systems and data integrity, improperness or unavailability of systems and data or inability to change information technology (IT) in a reasonable period of time and at reasonable costs, when the requirements of environment or business is changing. This includes security risks arising either from inadequate internal processes or which have not performed their function properly, or from external events, including cyber attacks or inadequate physical security.
- Legal risk - risk of loss due to both the fines, penalties and sanctions that the credit institution is liable to in case of failure to apply or defective application of the legal or contractual provisions, as well as the fact that the credit institution's contractual rights and obligations and/or of its counterparty, are not properly established.
- Model risk - which is a possible loss that the Bank may record as a result of decisions that may be based mainly on the results of internal models due to errors in the development, implementation or use of these models.
- Conduct risk - the recorded or potential loss arising from the improper provision of financial services, including cases of intentional or negligent disciplinary misconduct.

The operational risk management process contains the following steps: the identification process, the evaluation process, the monitoring and reporting process, the control / mitigation and prevention process. The main causes that may determine the occurrence of operational risk are:

- Internal factors (inside the Bank): inadequate separation of staff attributions, insufficient staff training, inadequate internal control, inadequate security measures, improper systems design, inappropriate policies on human resources, lack of internal regulations / inappropriate regulations, internal regulations not adjusted to legislation in force.
- External Factors (outside the Bank): false documents or presentation of forged money, information theft / computer piracy, robbery / theft / vandalism and destruction of bank property, fire / floods / earthquakes / natural factors or events, terrorism.

In the operational risk management process, the Bank uses the following approaches:

- **Proactive approach:** Oversight of the risk factors → Identification and assessment of the operational risk → Quantification of the risks (potential effects and occurrence probabilities) → control/risk factors mitigation => Oversight of the risk factors
- **Reactive approach:** Consequences → Event ascertainment and operational risk rate monitoring → Causes research → Control/risk factors mitigation => Consequences

Risk identification should be made by analysing the potential operational risk that arises from the Bank's activities and the recording of emerging operational risk events. Identifying operational risk consists of detecting operational risk events, classifying them, investigating the causes that determined them, the resulting consequences and determining the recorded losses.

Regarding the methodology of the operational risk assessment, the procedures involve the conduct of the potential operational risk assessment, the effective operational risk assessment, the operational risk assessment of the new products / services / outsourcing, the operational risk self-assessment.

The Bank's procedural framework contains procedures for monitoring and reporting of the operational risk. The procedures refer to the implementation and management of a system of limits, a system of rates with warning levels (monitoring the compliance within the approved internal limits and the warning levels associated with the rates is done monthly at centralized level by the Risk Management Division), as well as of a system of reporting and analysis of the operational risk generating events (loss-making and loss-free). Each reported event is subject to an analysis at the Risk Management Division, which analyses how the involved structures solve the issues and take action. Where appropriate, the division may propose additional remedial measures or sets up operational risk provisions.

The procedural framework at the Bank level develops the measures envisaged by the Bank for operational risk control. These are, but are not limited to, the following:

- measures to mitigate the consequences of the risk in case of operational risk events recorded;
- preventive measures, before the risk is produced;
- risk hedging measures by making operational risk provisions;
- external risk transfer measures by providing insurance for buildings, bank's cars, ATMs and / or complex insurance policies for banks.

Other measures to control / mitigate and prevent operational risk consist of: implementing the anti-fraud framework; using the analysis system of the profitability and income and expense budget; the use of the control and operational risk self-assessment process in order to identify, assess the operational risk within the bank and develop actions to eliminate / mitigate operational losses/ risks.

The Bank cannot fully eliminate the effects of operational risk, but it has control and limitation tools for this type of risk and monitors through a permanent process all events that generate operational risk, applying additional internal capital requirements depending on the incidence of such operational risk events, with a quarterly frequency.

In calculating the regulated capital requirement, the bank uses the BIA relevant rate approach, not using the methodology regulated in the basis of internal rating and within the ICAAP the bank analyzes the establishment of an internal capital requirement.

To limit the effects of operational risk, the Bank also considers the conclusion of specific insurance policies.

Reputational risk

Reputational risk represents the current or future risk of adverse impact on profits and capital due to unfavourable perception of the Bank's image by customers, counterparties, shareholders, investors or the supervision authority.

The Bank calculates monthly the reputational risk to which the bank is exposed, based on a measurement indicator framework for exposure to this risk and according to its level, quarterly proceeds to the allocation of additional internal capital within the ICAAP process.

The process of managing reputational risk includes the identification process, the evaluation process, the monitoring and reporting process, the control / mitigation and prevention process.

Identifying reputational risk involves the set of measures adopted to determine phenomena, factors and events that have a negative influence on the Bank's image, using specific rules, methods, procedures and tools.

The identification of exposure to risk occurs mainly through the analysis of reputational risk generating events. At the same time, for the new products and services offered by the Bank, in the event of significant changes in the features of existing products or services or outsourcing of activities, the Risk Management Division identifies and assesses factors that may contribute to increasing exposure to reputational risk.

In assessing reputational risk, the Bank should consider the following reputational risk generating factors (internal and external):

Internal factors:

- Lack of compliance or breach of the regulatory framework may lead to the application of contravention sanctions which, in the local and central press, may affect the reputation and perception of the Bank;
- Lack of effective communication between the Bank and its shareholders;
- Application by the regulator of sanctions or prohibitions to its shareholders;
- Providing inadequate or incorrect information to clients on how to use and operate the Bank's services;
- Inappropriate behavior of employees in the relationship with the Bank's clients;
- unawareness or insufficient knowledge of the product characteristics of the Bank within the product portfolio and of the internal and / or external regulations;
- Transmission by the Bank of erroneous / non-conforming information to the media, clients and various external bodies.

External factors:

- Negative advertising in mass-media, whether or not it conforms to reality;
- Deliberate actions of an individual or interest group aimed at reducing the credibility of the Bank;
- Negative publicity of an institution / company in the Bank group that can be assimilated to it;
- Serious damage to the Bank's IT security following internal or external attacks on the IT system;
- Encountering problems by clients in using certain products / services;
- Misinterpretations by the public of certain information, thus affecting the perception of the Bank;
- Triggering processes in which the Bank may be involved in targeting highly-traded companies or publics or the occurrence of lawsuits involving employees of the Bank investigated for committing offenses;
- Potential crisis situations in which the Bank lost its image of a viable, credible and solvent partner capable of providing stability;
- Changes in the economic conditions, legislative changes or related to the competitive environment in the banking sector, technological progress.

The Bank's procedural framework contains monitoring and reporting procedures for the reputational risk and refer to the implementation and management of a system of reputational risk rates, to which levels of warning, a system of limits, a reporting system and analysis of reputational risk generating events (loss-making and loss-free) are assigned.

The Bank's procedural framework develops the measures envisaged by the Bank to control / mitigate reputational risk. These are, without limitation, measures to mitigate the consequences of risk occurrence in the event of reputational risk-generating events, as well as preventive measures, before the risk is produced, as follows:

- the Bank, through specialized structures, develops customer education tools to use the new products and services provided, including knowledge of commissions / fees, to identify issues that may arise and how to address them.
- taking steps to attract the best partners, both in terms of customers and suppliers;
- ensuring optimal prices for products and / or services;
- recruitment and retaining the best employees.

The Bank has thus set out to ensure and maintain a positive perception of its image, of its recognition as a credit institution in line with its reputation and the values it promotes. To achieve these objectives, the bank proceeds to:

- promoting and enforcing corporate values, social responsibilities and appropriate business practices
- achieving a high degree of customer satisfaction with its products and services, staff behavior and working environment in territorial units
- fulfilling the obligations to clients and third parties at an adequate quality level, its products and services to be well defined and to meet the needs of the clients in order to allow the Bank to continuously improve its image in the market
- avoiding damage caused by image deterioration, by paying special attention to complaints and articles in the local and central press.

Strategic risk

Strategic risk is the current or future risk of adverse impacted profits and capital damage caused by changes in business environment or unfavourable business decisions, inappropriate implementation of decisions or lack of responsiveness to business changes.

The strategic risk to which the Bank may be exposed may be caused by the following factors:

- forecasting of unrealistic or unrelated to the changes of the competitive / business / legislative and economic environment in which the Bank operates working conditions and hypotheses;
- incorrect / inappropriate determination of the main strategic indicators;
- lack of balance between resources and placements;
- the non-correlation of indicators from the income and expenditure budget with those of other Bank planning documents.

In order to control the strategic risk, the Bank is constantly concerned with increasing the efficiency of planning and monitoring of market developments so that it can adapt to new developments properly and on time.

The management of the strategic risk includes the processes of identification, evaluation, monitoring and reporting, as well as strategic risk management.

The bank identifies strategic risk from 4 perspectives:

- Establishing unrealistic or uncorrelated strategic objectives with internal and / or external factors that may influence their realization;
- existence of deviations from the achievement of the strategic objectives provided in the annual budget of revenues and expenditures as a result of the adoption of inadequate strategic decisions with the internal and external risk factors;
- deviations from the achievement of the strategic objectives provided in the annual budget of revenues and expenditures due to the inadequate implementation of strategic decisions;
- deviations from the achievement of the strategic objectives provided in the annual budget of revenues and expenditures as a result of the lack of reaction or a delayed reaction to changes in the business environment.

Strategic risk assessment is carried out using the following tools:

- Monthly analysis and presentation to the Bank's management of the degree of achievement of the budgetary projections set at the beginning of the financial year for the main groups of expenditures and incomes, as well as the main targets set by the Bank;
- Evaluation of the strategic risk profile, described in the risk assessment methodology of the Risk Management Strategy;
- Strategic risk is determined to be always significant and the Bank calculates the internal capital requirement for strategic risk;
- Crisis simulation within the process of assessing the adequacy of internal capital to risks.

The Bank calculates within the internal risk assessment process, an internal capital requirement specific to the strategic risk degree recorded by the Bank. Strategic risk monitoring is carried out through:

- monthly analysis of the strategic risk profile to ensure that its level is consistent with the strategic risk objectives outlined in the Risk Management Strategy;
- within the budgetary planning process through:
 - a monthly follow-up of Income and Expenditure Budget;
 - monitoring of the fulfillment of the objectives by the bank's branches / sales structures;
 - monitoring the market situation (the competitive changes in the banking market that may impair the implementation of strategic decisions of the bank);
 - an analysis of new products and services.

Strategic risk management is carried out qualitatively within the budgetary planning processes (development of strategic objectives) and in the implementation phase of the decision-making strategy in order to achieve the strategic objectives.

Compliance risk

According to the NBR Regulation no. 5/2013 on prudential requirements for credit institutions, which provides for compliance risk management obligations, provisions transposed into Patria Bank's internal regulatory framework (revised in 2018), it ensures the maintenance of an adequate risk control system compliance. Compliance risk represents the current or future risk of impairment of results and equity, which may result in fines, damages and / or termination of contracts or that may affect the Bank's reputation as a result of breaches or noncompliance with the legal and regulatory framework, with agreements, recommended practices or ethical standards.

It is the responsibility of the Managing Board of Patria Bank to ensure an adequate and effective framework for the compliance function, as well as the responsibility for the regular assessment of the effectiveness of compliance risk management. It actively promotes a culture of compliance risk within the organization as an essential and integral part of the Bank's business, establishing its employees and employees with high standards of professionalism and integrity.

The Bank continuously assesses the compliance risk and compliance with regulatory frameworks, recommended agreements, practices, or ethical standards, while setting a comprehensive internal regulatory framework that it continually reviews and adapts to changes in the legislative framework.

The compliance risk, assessed monthly through a set of qualitative and quantitative rates, was determined to be of **medium-low level**, consistent with the risk appetite defined in the Risk Management Strategy.

Risk of excessive usage of leverage effect

The risk associated with the excessive usage of leverage effect is the risk resulting from the Bank's vulnerability towards a leverage effect or a contingent leverage effect that may require unplanned business plan corrections, including the sale of assets in an emergency, which could lead to losses or revaluations of the remaining assets.

This risk may arise as a result of the excessive use of the bank's assets against the level of own funds available to it.

The Bank is constantly concerned to assess this risk, which is basically quantified by calculating of the so-called leverage ratio, which is determined by dividing the capital measurement rate by the total exposure rate of the institution and it is expressed as a percentage. This rate is a calculation method complementary to the rates of the regulated own funds ratios, indicating a minimum capital level that the Bank has to maintain compared to the Bank's total exposure, while the solvency ratios limit the assuming of excessive risks by the Bank.

8.9 Subsequent events

The bank signed on 05.01.2021 the Addendum no. 2 to the Subordinated Loan Agreement of 18.12.2018, in the amount of EUR 3 Million, granted by EEAF Financial Services BV (majority shareholder of Patria Bank SA), regarding the extension of the maturity from 7 to 8 years.

The bank was cited by the High Court of Cassation and Justice, with the mention of a counterclaim, in file no. 22659/3/2018, having as object the appeal filed by Mr. Ilie Carabulea against the Civil Decision no. 904 / 23.07.2020, pronounced by the Bucharest Court of Appeal. Next, the Bank will file an objection within the procedural term.

9 Bank's capital adequacy and other prudential rates

Internal Capital Adequacy Assessment Process (ICAAP)

The internal assessment of the internal capital adequacy to risks is carried out on a quarterly basis and allows the Bank to permanently ensure an internal capital level covering the significant risks to which the Bank is exposed.

The current and projected level of ICAAP (quantified by the internal capital adequacy ratio) is a key element of the Bank's risk management strategy and must be properly implemented and taken into account.

The capital adequacy assessment process has the following structure:

- identifying the risks to which the Bank is or may be exposed;
- establishing methods (quantitative and / or qualitative) for assessing risks and establishing their materiality;
- capital adequacy: the relationship between own funds needs and own funds;
- regular reporting of the internal capital adequacy to the Board of Directors and the Executive Committee;
- description of the internal capital planning process.

Capital requirements

- To determine the credit risk capital requirements, Patria Bank SA applies the standard approach. Thus, according to the standard approach of CRR, in the table below 8% of the risk-weighted exposure amounts for each exposure category referred to in Art. 112 of CRR is mentioned:

Exposure category	8% of the risk-weighted exposure value (RON)	
	Individual	Consolidated
Central administrations or central banks	4,246,916	4,350,993
Local administrations or local authorities	1,534,957	1,534,957
Units or shares held in collective investments undertakings	518,887	518,887
Companies	16,533,381	15,907,742
Exposures guaranteed with real estate mortgage	17,127,876	17,131,620
Exposures in default	10,122,732	10,192,350
Equity securities	6,530,683	1,152,025
Exposures associated with a high level of risk	2,857	2,881
Institutions	1,097,036	1,327,093
Other elements	19,828,841	20,394,483
Retail	38,381,559	42,693,461
Multilateral development banks	-	-
International institutions	-	-
Public sector entities	-	-
Positions coming from securitization	-	-
Exposures towards institutions and companies with a short term credit assessment	-	-
Guaranteed bonds	390,000	390,000
TOTAL	116,315,785	115,596,494

- To determine the minimum capital requirements for operational risk, Patria Bank SA uses the basic approach. According to this approach, the minimum capital requirement as at 31.12.2020 is RON 25,006,359 (on individual basis) and respectively RON 26,212,251 (on consolidated basis).
- The Bank does not calculate the countercyclical capital buffer established by art. 440 of the CRR.

RON Thousand

	Individual 31.Dec.2020	Consolidated 31.Dec.2020
Tier 1 capital	298,808	290,715
Subscribed and paid-up share capital	313,780	313,780
Share premium	2,050	2,050
Merger premium	-67,569	
Reserves	64,531	-2,921
Retained earnings	-3,071	-17,050
Current year result	2797	3,505
Intangible assets & Goodwill	-44,882	-45,828
IFRS9 Transitional approach filter allocation	6,228	6,608
Equities deductions	-5,629	
DTA deductions	0	

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Minority interests	0	
Other prudential deductions	-638	-638
	0	
<i>Tier 2 capital</i>	82,743	83,938
Subordinated debt included in Tier 2 capital	83,938	83,938
(-) Subordinated loan	-1,195	
Total own funds	381,551	374,654
RON Thousand	31.Dec.20	31.Dec.20
Exposure value to credit risk	1,453,947	1,444,956
Exposure value to market risk, currency risk	-	-
Exposure value to operational risk	312,579	327,653
Exposure value to credit valuation adjustment (CVA)	5	5
Total Risk Exposure	1,766,532	1,772,614
Total capital requirement	141,323	141,809
Capital Adequacy Ration	21.60%	21.14%

The leverage effect

In addition to the minimum capital requirements, CRR has introduced the leverage ratio as an instrument for limiting the risk of excessive indebtedness. The leverage effect is the excessive accumulation of exposures by banks in relation to their own funds. The leverage ratio can be considered a simplified solvency rate because it measures the volume of risk unweighted assets compared to Tier 1 own funds.

The leverage effect ratio is the relation between Tier 1 capital and the exposure related to the leverage effect, according to the Article 429 of the CRR. Basically, the exposure to leverage effect is the sum of unweighted on and off balance-sheet positions, taking into account the evaluation and risk adjustments as defined in the CRR.

The risk management process associated with the excessive usage of leverage effect

The Bank monitors the level and changes in the leverage effect ratio as well as the risk on leverage effect as part of the internal capital adequacy assessment process (ICAAP). Depending on the calculated level of the leverage effect ratio, the Bank calculates an internal capital requirement for that risk.

The leverage effect ratio, calculated for 31.12.2020, based on the Bank's own Tier 1 funds - the transitional approach (RON 298,807,777) was of 8.71% on individual basis and respectively of 8.28% (RON 290,715,313) on consolidated basis.

The breakdown of the total exposure rate for on and off balance-sheet elements and derivatives financial instruments:

Exposure item	Individual	Consolidated
	Value (RON)	
Derivative financial instruments: initial exposure method*	742,672	742,672
Off balance sheet items with a credit conversion factor of 10% as per art. 429 para. (10) of CRR (EU Reg. 575/2013)**	24,777,711	24,210,233
Off balance sheet items with a credit conversion factor of 20 % as per art. 429 para. (10) of CRR (EU Reg. 575/2013)**	6,136,066	6,136,066
Off balance sheet items with a credit conversion factor of 50 % as per art. 429 para. (10) of CRR (EU Reg. 575/2013)**	15,562,070	15,907,070
Off balance sheet items with a credit conversion factor of 100 % as per art. 429 para. (10) of CRR (EU Reg. 575/2013)**	5,397,531	19,479,281
Other assets***	3,430,320,444	3,490,329,927
Total exposure measurement indicator	3,432,145,885	3,510,977,293

*as per initial exposure method of EU Reg. 575/2013, represents 2% of the notional value of the exposure

**the amounts in column "value" are calculated after applying the credit conversion factors

***contains the sum of all asset balance sheet items, with the exception of the ones below and netted of all the value adjustments and including the IFRS9 transitorial approach filter allocation

Individual:

Asset items	Debit balance (before value adjustments)	Value adjustments	Net value adjustments	Out of which, the value not included in the total exposure calculation ratio	Reason for non inclusion
Equity shares held in subsidiaries	40,128,979	-	-	5,628,722	amount deducted from own funds
Intangible assets (including intangible assets in progress and goodwill)	79,093,465	34,211,317	44,882,148	44,882,148	amount deducted from own funds
Subordinated loans on term	1,195,040	-	1,195,040	1,195,040	amount deducted from own funds
Deferred profit tax	40,128,979	-	-	5,628,722	amount deducted from own funds

The value of the allocation of the the IFRS9 transitorial approach filter (=0.95*(filter value as per UE 2017/2395 Regulation – tax on profit)	6,227,926
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Consolidated:

Patria Bank S.A. – Bucharest, District 2, Globalworth Plaza Building, Pipera no 42, floors 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 | www.patriabank.ro

Assets items	Debit balance (before value adjustments)	Value adjustments	Net value adjustments	Out of which, the value not included in the total exposure calculation ratio	Reason for non inclusion
Intangible assets (including intangible assets in progress and goodwill)	84,433,981	38,556,939	45,827,956	45,703,432	amount deducted from own funds

The value of the allocation of the the IFRS9 transitorial approach filter (=0.95*(filter value as per UE 2017/2395 Regulation – tax on profit)	6,608,456
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Between 1.01.2020 – 31.01.2020, the value of the leverage effect was mainly influenced by the increase of the own funds.

The Bank considers that it has used "excessive" leverage when this leverage effect rate records a value below 5% at the end of a quarter. Because the Bank records a value lower than 5%, but above the 3% threshold, the Bank's exposure to this risk is considered to be "low" currently.

Exposures from equity securities not included in the trading book

These are detailed in the Notes 19 and 26 of the Audited Financial Statements for year ended 2020

Exposures to securitization positions

The bank does not have securitization positions in the portfolio.

10 Social responsibility – nonfinancial statement

The non-financial statement drawn up by the Bank for 31.12.2020 in accordance with the Order of the NBR no. 27/2010 with subsequent changes and amendments (Order of the NBR no. 7/2016) is presented in Annex 8.

DRAGOS HORIA MANDA

CHAIRMAN OF THE BOARD OF DIRECTORS

ANNEXES

**Statement of compliance with the principles
of the Corporate Governance Code of the Bucharest Stock Exchange on 31.12.2020**

Provizion to comply with		Complies	Does not comply or partially comply	Explanations (for non-compliance)
A.1	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A	x		
A.2	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	x		
A.3	The Board of Directors or the Supervisory Board should have at least five members.	x		
A.4	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice and according to the following criteria:	x		
A.4.1.	Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous five years;	x		As per the independent director statement.
A.4.2.	Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years;	x		As per the independent director statement.
A.4.3.	Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director;	x		As per the independent director statement.

A.4.4.	Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it;	x		As per the independent director statement.
A.4.5.	Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/ Director, CEO/executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity;	x		As per the independent administrator statement.
A.4.6.	Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it;		Partially complies	In the period 1997-2016 Mr. Vasile Iuga, independent administrator, was the partner of PwC Audit Romania, a company that was the financial auditor of the former Patria Bank SA during 2015-2016. According to the independent administrator's statement, Vasile Iuga was not involved in the audit work carried out by this company for former Patria Bank SA.
A.4.7.	Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director;	x		As per the independent director statement.
A.4.8.	Not to have been a non-executive director of the company for more than twelve years;	x		As per the independent director statement.
A.4.9.	Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.	x		As per the independent director statement.
A.5.	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	x		Detailed in the BoD's annual report
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	x		The Board of Directors did not receive such information from its members
A.7.	The company should appoint a Board secretary responsible for supporting the work of the Board.	x		
A.8.	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	x		Detailed in the BoD's annual report

A. 9	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	x		Detailed in the BoD's annual report
A. 10	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	x		Detailed in the BoD's annual report
A.11	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		Does not comply	According to the art. Art. 24 - (1) of NBR Regulation no. 5/2013 "The credit institutions which are significant in terms of size, internal organization and nature, extent and complexity of their activities, should establish a nomination committee composed of members of the management body who do not exercise any executive function in the respective credit institution". In this context, given the size, the scale and the complexity of the Bank's activity, there isn't any nomination committee in its structure.
B.1	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.		Complies partially	Most members, including the chairman, have adequate qualifications relevant to the functions and responsibilities of the committee. Two members of the audit committee have proven and appropriate audit or accounting experience. The chairman of the audit committee is a non-executive independent member.
B.2	The audit committee should be chaired by an independent non-executive member.	x		
B.3	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	x		
B.4	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	x		
B.5	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	x		
B.6	The audit committee should evaluate the efficiency of the internal control system and risk management system.	x		

B. 7	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	x		
B. 8	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	x		
B. 9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	x		
B.10	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	x		
B. 11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	x		
B.12	To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	x		
C.1	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential	x		The Bank has a remuneration policy, approved and periodically reviewed by the Board of Directors. In the Board of Directors' report, the principles regarding the remuneration and the remuneration's level of the members of the Board of Directors and identified persons are included.

	change of the remuneration policy should be published on the corporate website in a timely fashion.			
D.1	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	x		
D.1.1	Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	x		
D.1.2	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	x		
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	x		
D.1.4	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	x		
D.1.5	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	x		
D.1.6	The name and contact data of a person who should be able to provide knowledgeable information on request;	x		
D.1.7	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	x		
D.2	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	x		

D.3	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.		Complies partially	The Bank has a strategic risk management policy as well as revenue and expense budget procedures, based on which the Bank's effective performance against the budget plan is reviewed periodically (at monthly frequency) in order to monitor and adjust its decisions properly and appropriate to the changes that have occurred. If the effective performance deviates from the estimated (or planned), the Bank adjusts the target or revises the decision in order to adapt to the changing environment or circumstances. These policies and procedures are not published on the company's website
D. 4	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	x		
D. 5	The external auditors should attend the shareholders' meetings when their reports are presented there.	x		
D.6	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	x		The internal control system and the significant risks administration are detailed in the Annual Report of the Board of Directors
D.7	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		Does not comply	At the GSM are entitled to attend only the shareholders registered in the Shareholders Register at the reference date, the Bank's management body's members, the bank's employees involved in the meeting process organization and the consultants/external auditors invited by management.
D.8	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial rates, both on quarter-on-quarter and year-on-year terms.	x		
D.9	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/ conference calls.	x		In 2020 Patria Bank SA organised 2 teleconferences with analysts and investors in accordance with the financial communication timetable.
D.10	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	x		The Bank has in place a general communication policy which includes aspects specific to the sustainability activity. In 2020 the Bank involved in actions in the fields of: artistic, cultural and social, detailed in the Sustainability Report available on the Bank's website.

DRAGOS HORIA MANDA
CHAIRMAN OF THE BOARD OF DIRECTORS

Annex 2

LIST OF AFFILIATES AS OF 31.12.2020

SAI PATRIA ASSET MANAGEMENT
SURDU NICOLAE
FDI PATRIA GLOBAL - SAI PATRIA ASSET
FDI PATRIA OBLIGATIUNI - SAI PATRIA
FDI PATRIA STOCK - SAI PATRIA ASSET
MERFEA BOGDAN
PATRIA CREDIT INSTITUTIE FINANCIARA
VANCEA GRIGORE VALENTIN
NICOLAU CODRUT STEFAN
PRODEA RAZVAN VASILE
BUMBAC ALEXANDRU-NICUSOR
EEAF FINANCIAL SERVICES BV
SAI GLOBINVEST SA
ROM WASTE SOLUTIONS SA
BD SOFT NV
MANDA MIRELA
RADUTOIU ELENA
MANAGERO-RECRUTARE ONLINE SRL
FDI PATRIA EURO OBLIGATIUNI ADM SAI
NICODINESCU ELENA
FRATICA DANIEL-CORNEL
ELEFANT ONLINE S.A.
YILDIRAN SULEYMAN BURAK
CARPATICA INVEST SA
BARDASAN IOAN-DANIEL
SALAGEAN DANIEL
LAZAR CRISTINA
STEFAN GEORGETA GINA
QUATRO CONSULTING SRL
MS PROIECT CONSULTING SRL
STANCIULESCU GEORGIANA MIHAELA
BUFTEA THEO-DORIAN
DORA DORINA-RAMONA
ILIESCU DANIELA-ELENA
MANDA DRAGOS-HORIA
PRODEA CORALIA IUNIA
EMERGING EUROPE ACCESSION FUND COOPERATIEF U.A
AXXESS CAPITAL PARTNERS
VASILE IUGA
GASOIL EXPLORATION & PRODUCTION SRL

GASOIL SERVICE SRL - INCIDENTA LEGII 85/2014
MOARA CORBEANCA COMMERCIAL CENTER SRL
EAD.RO INTERACTIVE SRL
FIRST CAPITAL CONSULTING
MERFEA BOGDAN PERSOANA FIZICA AUTORIZATA
FRONTEX INTERNATIONAL B.V. (OLANDA)
ILIESCU V. DANIELA ELENA - AUDITOR FINANCIAR
SEACORN LLP MAREA BRITANIE
FRONTEX INTERNATIONAL EAD (BULGARIA)
SOUTH - EASTERN EUROPE CAPITAL PARTENERS LLP MAREA BRITANIE
QUALLA HOLDING&FINANCE
FRONTEX INTERNATIONAL SERVICES EOOD (BULGARIA)
QUANTUM PROJECTS SRL
QUANTUM ADVISORS S.R.L
MERFEA ADVISING S.R.L
QUANTUM CAPITAL PROJECTS
QUANTUM TELECOM SRL
MANDA ANDREI
IUGA CATALINA CORNELIA
STAR ACCESSION B.V. (OLANDA)
IUGA RUXANDRA
ILIESCU BOGDAN
VANCEA MIHAELA
NICOLAU CASANDRA
EUROPAINT INTERNATIONAL GROUP BV P1859071
OZGE ULUSAY YILDIRAN
STAR STORAGE SA
SEAKORN UK LLP
SINGULARITY SOFTWARE S.R.L.
ROM WASTE SOLUTIONS NETHERLANDS B.V. (OLANDA)
OLIF B.V.
VINTRUVIAN ESTATES SRL
VANCEA ALEXANDRA
VANCEA ANDREI
3DG SOFT CONSULTING SERVICES

DRAGOS HORIA MANDA

CHAIRMAN OF THE BOARD OF DIRECTORS

Annex 3

Statement on the adequacy of the risk management framework

In accordance with the requirements of the NBR Regulation no. 5/2013 on the prudential requirements for credit institutions, corroborated with the provisions of art. 435 lit. e) of the European Parliament and Council Regulation 575/2013 on prudential requirements for credit institutions and investment companies and with the Guide on the publication of the liquidity coverage indicator (LCR) - EBA / GL / 2017/1 - 21.06.2017

Through this statement, the Board of Directors of Patria Bank SA certifies that the existing risk management systems are in line with the Bank's risk strategy and risk profile.

The risk management framework is one of the basic components of the Bank's activity management framework, being adapted to the institution's structure activity, and the nature and complexity of the risks inherent in the business model. It ensures the sound and prudent management of the Bank's activity, including the separation of responsibilities within the organization, the prevention of conflicts of interest and, at the same time, the pursuit of the strategic risk objectives in order to be included in the Bank's target risk profile.

The implementation of the risk profile at the Bank's level is achieved by establishing the strategy for each significant risk and by implementing the related policies. The Bank has adopted significant risk management policies to ensure the implementation of the appropriate risk profile. The main objective of the risk management activity is to maintain an adequate capital level in relation to the risks assumed.

As of 31.12.2020, the individual risk profile of the Bank was as follows:

Risk category	Individual Level		Consolidated Level		Risk appetite
	Risk score December'20	Risk Profile@ December'20	Risk score December'20	Risk Profile@ December'20	
Credit risk	2.67	Medium	2.53	Medium	Medium- Medium High
Market risk	0.27	Low	0.18	Low	Low - Medium Low
Operational risk	2.06	Medium	2.06	Medium	Medium Low - Medium
Residual risk	1.80	Medium Low	1.82	Medium Low	Medium Low - Medium
Credit risk currency debtors exposed to currency risk	3.26	Medium High	3.26	Medium High	Medium- Medium High
IRRBB	1.93	Medium Low	2.18	Medium	Medium Low - Medium
Concentration risk	1.93	Medium Low	1.96	Medium Low	Medium Low - Medium
Strategic risk	2.39	Medium	2.35	Medium	Medium- Medium High
Reputational risk	1.54	Medium Low	1.54	Medium Low	Medium Low - Medium
Overall risk profile	2.48	Medium	2.39	Medium	Medium- Medium High
Compliance risk	1.56	Medium Low	1.56	Medium Low	Medium- Medium High
Liquidity risk	1.42	Medium Low	1.39	Medium Low	Medium- Medium High
Leverage effect related risk	0.00	Low	0.00	Low	Low - Medium Low

The Bank frames within the risk profile degree, set for the year 2020.

Regarding the developing of the ICAAP process, on 31.12.2020, the Bank reports the following key indicators:
Internal capital in amount of RON 374,654 Thousand at consolidated level, respectively RON 381,551 Thousand at individual level.

Required internal capital RON 175,396 Thousand at consolidated level, respectively RON 174,345 Thousand at individual level, out of which:

- 79.6%/80% at consolidated / individual level related to the credit risk and other associated risks (including country risk, concentration risk, FX lending, residual risk);
- 15.4%/14.9% at consolidated/individual level related to the operational risk;
- 0.3% at consolidated/individual level related to the market risk;
- 2.5% at consolidated level, respectively 2.3% at individual level related to the interest rate risk outside the trading portfolio;
- 2.2% at consolidated level, respectively 2.4% at individual level related to other risk categories addressed in the internal capital adequacy to risks assessment process (ICAAP).

As the internal capital (RON 375 million at consolidated level, respectively RON 382 million) is higher than the internal capital requirement (totaling RON 175 million at consolidated level, respectively RON 174 million), as at December 31, 2020, Patria Bank S.A. had an adequate level of internal capital to hedge risks.

DRAGOS HORIA MANDA

CHAIRMAN OF THE BOARD OF DIRECTORS

Annex 4

Statement

I, the undersigned, Dragos Horia Manda, Chairman of the Board of Directors, as the legal representative of Patria Bank S.A., in accordance with the provisions of art. 30 of the Accounting Law no. 82/1991 republished and of art. 63 para. (1) lit. c) of Law no. 24/2017 regarding the issuers and of art. 223 lit. A para. 1 c) of the ASF Regulation 5/2018 regarding the issuers of financial instruments and market operations, I assume the responsibility for the preparation of the annual and consolidated financial statements as at 31.12.2020 and certify that, to my knowledge:

- a) The accounting policies used to prepare the individual and consolidated annual financial statements as at 31.12.2020 are in accordance with the accounting regulations applicable to credit institutions, based on the NBR Order no. 27/2010 for approving the accounting regulations in compliance with the International Financial Reporting Standards adopted by the European Union;
- b) The financial statements as at 31.12.2020 present a fair view of the financial position, financial performance and other information regarding the activity of Patria Bank SA and its subsidiaries included in the consolidation of the financial statements;
- c) Patria Bank SA operates in terms of continuity;
- d) the Board of Directors' report on the aforementioned financial statements includes an accurate analysis of the evolution and performance of the Bank and the Group, as well as a description of the main risks and uncertainties specific to the business performed.

DRAGOS HORIA MANDA

CHAIRMAN OF THE BOARD OF DIRECTORS

Annex 5

Statement on the liquidity risk

In accordance with the requirements of the NBR Regulation no. 5/2013 on the prudential requirements for credit institutions, corroborated with the provisions of art. 435 of the European Parliament and Council Regulation 575/2013 on prudential requirements for credit institutions and investment companies and EBA / GL / 2017/1 - 21.06.2017 Guideline on the publication of the liquidity coverage ratio (LCR)

With this statement, the Board of Directors of Patria Bank SA certifies that the Bank has an adequate setting for the liquidity risk management framework in accordance with the Bank's risk profile and strategy. The bank manages its liquidity in a cautious manner, allowing sufficient access to liquidity at any time and also pursuing the diversification of financing sources so that the Bank is not exposed to excessive risk.

The Risk Management Strategy presents the indicators that determine the liquidity risk profile and the level of appetite for liquidity risk.

The Bank has proposed a medium-medium-high level of the risk liquidity appetite and throughout the year 2020 it has observed the established limits. Also throughout the year 2020, the Bank recorded an appropriate level of prudential ratios on the liquidity risk management line and has permanently observed within the optimal levels (above the regulated minimum limit) of these ratios.

As regards the determination of the Bank's liquidity risk profile, this is established according to the following ratios:

Risk profile	Weight	Risk profile								
		Low		Low-Medium		Medium		Medium-High		High
Liquidity risk										
Financing risk	50.00%	0.00	1.00	1.01	2.00	2.01	3.00	3.01	4.00	>4.01
Liquidity risk	50.00%	-	1.00	1.01	2.00	2.01	3.00	3.01	4.00	>4.01

		RISK SIGNIFICANCE THRESHOLDS								
Liquidity Risk		low		Low to medium		Medium		Medium high		High
Financing risk	50.00%	0.00	1.00	1.01	2.00	2.01	3.00	3.01	4.00	>4.01
Assets encumbered in total assets	25.00%	0.00%	1.00%	1.01%	2.00%	2.01%	3.00%	3.01%	4.00%	>4.01%
Customer deposits in total debt	25.00%	100.00%	90.00%	89.99%	80.00%	79.99%	70.00%	69.99%	60.00%	<60%
Loan-to-Deposits Ratio RON	25.00%	0.00%	60.00%	60.01%	70.00%	70.01%	85.00%	85.01%	100.00%	>100%
Top 10 depositors in total funds attracted from non-bank clients	25.00%	0.00%	5.00%	5.01%	10.00%	10.01%	15.00%	15.01%	20.00%	>20%
Liquidity risk	50.00%	-	1.00	1.01	2.00	2.01	3.00	3.01	4.00	>4.01%
LCR	25.00%	500.00%	240.00%	239.99%	200.00%	199.99%	140.00%	139.99%	100.00%	<100
Immediate liquidity	50.00%	60.00%	45.00%	44.99%	40.00%	39.99%	35.00%	34.99%	30.00%	<30%
NBR Liquidity ratio (the lowest value on all due dates)	25.00%	2.50	1.70	1.69	1.40	1.39	1.25	1.24	1.10	<1.10

Status of risk profile ratios at individual/consolidated level as at 31.12.2020:

Liquidity risk	Individual 31.12.2020		Consolidated 31.12.2020		RISK SIGNIFICANCE THRESHOLDS								
	Actual score	Actual level	Actual score	Actual level	low		Low to medium		Medium		Medium high		High
Liquidity risk profile	1.42	Medium-Low	1.39	Medium-Low									
Financing risk	1.32	1.32	1.44	1.44	0.00	1.00	1.01	2.00	2.01	3.00	3.01	4.00	>4.01
Assets encumbered in total assets	0.00	0%	-	0%	0.00%	1.00%	1.01%	2.00%	2.01%	3.00%	3.01%	4.00%	>4.01%
Customer deposits in total debt	0.59	94%	0.80	92%	100.00%	90.00%	89.99%	80.00%	79.99%	70.00%	69.99%	60.00%	<60%
Loan-to-Deposits Ratio RON	1.89	69%	2.17	73%	0.00%	60.00%	60.01%	70.00%	70.01%	85.00%	85.01%	100.00%	>100%
Top 10 depositors in total funds attracted from non-bank clients	2.80	14%	2.80	14%	0.00%	5.00%	5.01%	10.00%	10.01%	15.00%	15.01%	20.00%	>20%
Liquidity risk	1.51	1.51	1.33	1.33	-	1.00	1.01	2.00	2.01	3.00	3.01	4.00	>4.01%
LCR	1.85	206%	1.88	205%	500.00%	240.00%	239.99%	200.00%	199.99%	140.00%	139.99%	100.00%	<100
Immediate liquidity	2.07	40%	2.07	40%	60.00%	45.00%	44.99%	40.00%	39.99%	35.00%	34.99%	30.00%	<30%
NBR Liquidity ratio (the lowest value on all due dates)	0.05	2.46	0.05	2.46	2.50	1.70	1.69	1.40	1.39	1.25	1.24	1.10	<1.10

DRAGOS HORIA MANDA

CHAIRMAN OF THE BOARD OF DIRECTORS

Annex 6

Liquidity Coverage Ratio

In accordance with the requirements of the NBR Regulation no. 5/2013 on the prudential requirements for credit institutions, corroborated with the provisions of art. 435 of the European Parliament and Council Regulation 575/2013 on prudential requirements for credit institutions and investment companies and EBA / GL / 2017/1 - 21.06.2017 Guideline on the publication of the liquidity coverage ratio (LCR)

With this statement, the Board of Directors of Patria Bank SA certifies that the Bank has the following liquidity coverage ratios:

Area of consolidation (consolidated)

Currency and Units (RON Million)

ENDING QUARTER (DD MONTH YEAR)	31 March 2020	30 June 2020	30 September 2020	31 December 2020
LIQUIDITY RESERVE	828.99	839.59	841.47	1,011.43
TOTAL NET CASH OUTPUT	285.55	366.94	411.32	494.35
LIQUIDITY COVERAGE RATIO (%)	290%	229%	205%	205%

Area of consolidation (individual)

Currency and Units (RON million)

ENDING QUARTER (DD MONTH YEAR)	31 March 2019	30 June 2019	30 September 2019	31 December 2019
LIQUIDITY RESERVE	828.99	839.59	841.47	1,011.43
TOTAL NET CASH OUTPUT	282.56	368.37	408.93	491.43
LIQUIDITY COVERAGE RATIO (%)	293%	228%	206%	206%

DRAGOS HORIA MANDA

CHAIRMAN OF THE BOARD OF DIRECTORS

Annex 7

Consolidation perimeter and own funds

Starting January 1, 2012, the Bank applies International Financial Reporting Standards (IFRS) as its accounting basis, in accordance with Order 27/2010 of the NBR, thus the analysis of the financial position below is based on the individual and consolidated financial statements in accordance with the Bank's IFRS for the period ended on 31 December 2019 and for the comparative periods.

The Patria Bank Group in Romania consists of all the entities included in the consolidation perimeter as presented in the consolidated financial statements. Due to the different applicable regulations, two categories of consolidated groups are distinguished:

- Consolidated group for the purpose of accounting - IFRS 10 "Consolidated Financial Statements"
- Consolidated group for the purpose of prudential regulations - Articles 18 and 19 of the CRR.

The main regulated features of own funds

Capital instruments

Common Equity Tier 1 (CET1) include Tier 1 capital instruments, following the progressive application of the rules that are provided in the CRR for the purpose of adapting to the new European Union regulations and deductions from CET1 after the application of exemptions under Article 48 CRR.

All the instruments included are eligible under Article 28 CRR. Changes in equity during the reporting period are available in the table "Equity changes report" in the consolidated financial statements.

Tier 1 capital

Tier 1 capital include CET1 plus additional Tier 1 (AT1), less deductions from additional Tier 1, mainly consisting of intangible assets and goodwill.

At end-of year 2020, the Group's Tier 1 capital amounted to RON 290,715 Thousand (2019: RON 278,485 Thousand) and the Bank's CET1 amounted to RON 298,808 Thousand (2019: RON 287,301 thousand).

Tier 2 Capital

The Group's Tier 2 capital after deductions amounted to RON 83,938 Thousand (2019: RON 46,356 Thousand), mainly consisting of subordinated loans and subordinated bonds.

The Bank's Tier 2 capital after deductions amounted to RON 82,743 thousand (2019: RON 45.161 Thousand), mainly consisting of subordinated loans and subordinated bonds.

Starting with January 1, 2018, the Bank and the Group have fully used the *Transitional Approach* in the implementation of IFRS 9. This means that between this date and December 31, 2022, the Bank and the Group include in its Tier 1 Capital the entire amount (less the charge and adjustment with a variable factor of 1 for 2020) calculated in accordance with and permitted by EU Regulation 2017/2395. On December 31, 2020, the amount after tax and the 1 factor is of RON 6,227,926.

Consolidated group for accounting purposes

(i) Subsidiaries

Subsidiaries are entities under the control of the Group. The control exists when the Group has the power to manage, directly or indirectly, the financial and operating policies of an entity to obtain benefits from its operations. At the time of the control assessment, the potential or convertible voting rights that can be exercised at present also have to be taken into account. The Group consolidated the financial statements of its subsidiaries in accordance with IFRS 10 "Consolidated Financial Statements".

As at December 31, 2020, the Group's subsidiaries are Patria Credit IFN SA, SAI Patria Asset Management SA together with the managed investment funds: FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni and FDI Patria EURO Obligatiuni and SSIF Carpatica Invest SA - in dissolution.

All of the bank's subsidiaries presented above, including the four investment funds managed by SAI Patria Asset Management SA were included in the accounting consolidation perimeter of the consolidated financial statements for 2020, the only subsidiary excluded from the consolidation perimeter being SSIF Carpatica Invest SA which undergoing dissolution.

Subsidiaries excluded from the consolidation perimeter

Carpatica Invest SA (former SSIF Carpatica Invest SA) is a company that is currently under dissolution, being under the control of Patria Bank SA, by taking over the share held by the former Banca Comerciala Carpatica SA of 95.68% of the share capital and the voting rights. By decision A/394/16.05.2014, FSA decided to suspend, for a period of 90 days, the authorization for the operation of SSIF CARPATICA INVEST SA (granted by CNVM Decision 1826 / 16.06.2003), in order to remedy the financial situation and to attract new capital resources. On September 29, 2014, SSIF Carpatica Invest shareholders approved the dissolution of the company and the voluntary liquidation, as the company had been involved in a scandal involving unauthorized transactions by clients, investigated by DIICOT prosecutors. Subsequently, the BSE Board approved the request of SSIF Carpatica Invest SA to withdraw its status of Participant to the Regulated spot market and to the Regulated term market and its deletion from the Participants' Registry, on the Regulated spot market and the Regulated futures market sections. Currently, the liquidator of the company is Grup Insolv SPRL of Sibiu, 8 Justitiei Street.

Considering the dissolution decision and the insignificant impact of consolidation of Carpatica Invest SA, the Group took the decision to modify the consolidation perimeter in 2016, excluding Carpatica Invest SA, fully provisioning its net asset.

(ii) Joint ventures

The group does not have joint ventures.

(ii) Associated entities

Associated entities are those entities in which the Group may exercise significant influence but not control over financial and operating policies.

The Bank owns a 20% stake in SAI Globinvest SA, which was not included in the consolidation due to the fact that the Bank does not have control over the financial and operational policies of this company.

Consolidated group for prudential regulations purposes

The basis for consolidation for the purpose of prudential regulation is CRR. Unlike the consolidated group for accounting purposes, only the companies specialized in banking activities and other financial activities should be considered in the prudential consolidation perimeter. This means that affiliated companies that do not carry out banking or other financial activities should not be included in the consolidated group for prudential purposes.

The consolidated group for the purpose of **prudential** regulations includes only **Patria Bank SA** and **subsidiary Patria Credit IFN SA**.

Global consolidation

Currently, the consolidated Group for the purposes of prudential regulations applies the **global consolidation** for:

- Patria Credit IFN SA
- SAI Patria Asset Management SA together with the 4 investment funds managed (FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni, FDI Patria EURO Obligatiuni)

Proportional consolidation

Under Article 18 (2) and Article 18 (4) of CRR, competent authorities may grant permission to carry out proportional consolidation on a case-by-case basis.

Currently, the Group **does not apply proportional consolidation**.

Stake deducted from own funds items

As per art. 36 (1) f-i of the CRR, an institution's direct, indirect and synthetic holding of own instruments of CET1 should be deducted from CET1. The deduction value depends on the threshold calculated in accordance with art. 46 and 48 of CRR.

Patria Bank S.A. deducts from own funds items the values resulted from the application of art. 46 and 48 of the CRR, the values of direct holdings in the following subsidiaries: Patria Credit IFN, SAI Patria Asset Management SA, SAI Globinvest SA.

Neither consolidated nor deducted

Not applicable

Transfer of own funds

Currently, no significant practical or legal impediments, actual or potential, are being identified within the Group that impede the prompt transfer of own funds or the repayment of debts between the parent company and its subsidiaries.

With the exception of the capital distribution restriction regulations resulting from the CRR and applicable to all financial institutions in Romania, including those relating to the redemption of shares held by minority shareholders who have expressed their withdrawal rights as a result of the merger, the Patria Bank Group does not have any significant restrictions on its ability to access or use its assets and to settle the Group's debts. Also, interest holders not controlling the Group's subsidiaries have no protective rights that could significantly restrict the Group's ability to access or use the assets and settle the Group's debts.

Total capital deficit per total subsidiaries not included in consolidation

As at December 31, 2020, Patria Bank SA (individual level) recorded a level of the total own funds rate of 21.60% over the OCR level of 13.85% (TSCR of 11.35% plus 2.5% capital conservation buffer).

As at December 31, 2020, the Patria Bank Group (consolidated level) recorded a level of the total own funds rate of 21.14% over the OCR level of 14.91% (TSCR of 11.41% plus 2.5% capital conservation buffer and 1% systemic risk buffer).

For the other companies within the Group there was no capital deficit recorded.

Reconciliation of own funds items (in accordance with the provisions of Article 436 of the CRR) published in the Consolidated and Separate Financial Statements as at 31.12.2020.

The Bank's own funds as at 31 December 2020 amounted to RON 381,551 Thousand (2019: RON 332,462 Thousand) and consisted of Common Equity Tier 1 (CET1) instruments and Tier 2 capital, classified according to CRR.

The main features and details of the capital instruments are presented below:

Annex I - Reconciliation of Own Funds items with audited financial statements	BANK		GROUP		
	Accounting value (FINREP)	Value included in Own Funds	Accounting value Financial Statements (accounting consolidation)	Accounting value FINREP (prudential consolidation)	Value included in Own Funds
BALANCE SHEET ITEMS					
Paid-in share capital	313,779,676.00	313,779,676	312,645,917	313,779,676	313,779,676.00
Share premiums	2,049,596.00	2,049,596	2,049,596	2,049,596	2,049,596.00
Reserve from the revaluation of tangible assets included in Common Equity Tier 1 (CET1)	41,648,001.00	41,648,001	43,359,543	41,648,001	41,648,001.00
Reserve related to the available financial assets for sale included in CET1	11,668,289.00	11,668,289	11,668,289	11,668,289	11,668,289.00
Retained earnings	-3,070,862.00	-3,070,862	-17,838,503	-16,933,925	-16,933,924.00
Other reserves	-24,837,839.00	-24,837,839	-24,837,839	-24,721,389	-24,721,389.00
Profit or (-) loss related to the financial year Intangible assets deducted from CET1	2,491,897.00	2,491,897	2,585,416	3,082,601	3,082,600.00
Intangible assets deducted from CET1	-44,882,148.00	-44,882,148	-45,877,042	-45,827,956	-45,827,956.00
Items deductible from CET1		-5,628,722			0.00
Eligible deductions from Additional Tier 1 capital (AT1) that exceeds the institution's AT1		0			0.00
Value adjustments due to prudent valuation requirements		-638,037			-638,037.00
Other transitoral adjustments related to CET1		6,227,926			6,608,457.00
Total Common Equity Tier 1 (CET1)		298,807,777			290,715,313.00
Intangible assets deducted from Additional Tier 1 (AT1)	0.00	0		0	0.00
Provisions prudential filter (50%)		0			0.00
Eligible deductions exceeding the institution's Additional Tier 1 (AT1)		0			0.00
Total Additional Tier 1 capital (AT1) Total Tier 1 Equity		0			0.00
Total Tier 1 Equity		298,807,777			290,715,313.00
Tier 2 capital items:					
Paid capital instruments and subordinated loans	83,938,318	83,938,318	83,938,318	83,938,318	83,938,318.00
(-) Tier 2 capital instruments of entities from the financial sector where the institution does not have a significant investment	-1,195,040	-1,195,040	0	0	0.00
Additional deductions and prudential filters		0			0.00
Excess of deductions from Tier 2 capital		0			0.00
Total Tier 2 capital		82,743,278			83,938,318.00
Total Own Funds		381,551,055			374,653,631.00

Annex II - Capital instruments' main features		
Capital instruments main features template ⁽¹⁾		
1	Issuer	PATRIA BANK SA
2	Unique identifier (eg. CUSIP, ISIN or Bloomberg identifier for private placement)	ROBACRACNOR6
3	Governing law(s) of the instrument	Law no. 24/2017
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Tier 1 Reg. EU 575/2013, art. 26 and 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	313.78 million lei
9	Nominal amount of instrument	0.1000
9a	Issue price	0.1000
9b	Redemption price	according to the capital market legislation
10	Accounting classification	Shareholders' equity
11	Original date of issuance	15.07.1999
12	Perpetual or dated	Perpetual
13	Original maturity date	no maturity
14	Issuer call subject to prior supervisory approval	no
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	no
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of timing)	fully discretionary
21	Existence of step up or other incentive to redeem	no
22	Noncumulative or cumulative	noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible info	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	yes, according to the Law no. 31/1990
31	If write-down, write-down trigger(s)	covering losses or refunds to shareholders
32	If write-down, full or partial	Fully or partially
33	If write-down, permanent or temporary	permanent
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	subordination specific for shares, according to the legislation
36	Non-compliant transitioned features	no
37	If yes, specify non-compliant features	N/A
⁽¹⁾ Insert "N/A" if the question is not applicable		

Annex VI - Transitional own funds disclosure template				
Common Equity Tier 1 capital: instruments and reserves		(A)		(B)
		Amount at disclosure date		Regulation (EU) No 575/2013 Article Reference
		GROUP	BANK	
1	Capital instruments and the related share premium accounts	315,829,272	315,829,272	Art. 26 (1), art. 27, 28, 29, ABE list from art 26 (3)
	of which: instrument type 1	313,779,676	313,779,676	List ABE from art 26 (3)
	of which: instrument type 2	2,049,596	2,049,596	List ABE from art 26 (3)
	of which: instrument type 3	0	0	List ABE from art 26 (3)
2	Retained earnings	-16,933,924	-3,070,862	Art 26 (1) letter (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	16,719,720	16,603,269	Art 26 (1)
3a	Funds for general banking risk	11,875,182	11,875,182	Art 26 (1) letter (f)
	Interim profits independently checked, after deducting any foreseeable obligations or dividends	3,082,600	2,491,897	Art 26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	330,572,850	343,728,758	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
8	Intangible assets (net of related tax liability) (negative amount)	-45,827,956	-44,882,148	Art 36 (1) letter (b), art 37, art 472 (4)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	-562,872	Art 36 (1) letter (i), art 43, 45, 47, art 48 (1) letter (b), art 49 (1) - (3), art 79, 470, art 472 (11)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	0	0	Art 36 (1) letter (c), art 38, art 48 (1) letter (a), art 470, art 472 (5)
25a	Losses for the current financial year (negative amount)	0	0	Art 36 (1) letter (a), art 472 (3)
	Value adjustments due to the prudential evaluation requirements	-638,037	-638,037	
	Other transitional adjustments related to CET1	6,608,456	6,227,926	
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	-39,857,537	-44,920,981	
29	Common Equity Tier 1 (CET1) capital	290,715,313	298,807,777	
Additional Tier 1 (AT1) capital: instruments				
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0	0	
Additional Tier 1 (AT1) capital: regulatory adjustments				
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0	
	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0	
44	Additional Tier 1 (AT1) capital	0	0	
45	Tier 1 capital (T1 = CET1 + AT1)	290,715,313	298,807,777	
Tier 2 capital: instruments and provisions				
51	Tier 2 capital before regulatory adjustments	0	0	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct or indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	83,938,318	83,938,318	Art 63 letter (b) pct (i), art 66 letter (a), art 67, art 477 (2)
55	Direct or indirect holdings by an institution of own T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	-119,504	Art 66 letter (d), art 69, 79, art 477 (4)
57	Total regulatory adjustments to Tier 2 (T2) capital	83,938,318	82,743,278	
58	Tier 2 (T2) capital	83,938,318	82,743,278	
59	Total capital (TC = T1 + T2)	374,653,631	381,551,055	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no. 575/2013 (i.e. CRR residual amounts)	5,963,381	5,827,850	
	Of which: elements that are not deducted from CET1 [Reg (EU) no. 575/2013, residual values] (elements to be detailed line by line, for example, deferred tax assets that are based on future profitability, excluding related tax obligations, indirect holdings of CET1 etc)	52,938,885	118,871,158	
	1. deferred tax liabilities that are based on future profitability, excluding related tax obligations	34,602,280	33,301,325	
	2. own common Tier 1 instruments, including CET1 instruments, which an institution has a real or contingent obligation to purchase under an existing contractual obligation	0	0	
	3. own common Tier 1 instruments of the entities in the financial sector where the institution does not have a significant investment in those entities	11,017,690	11,017,690	
	4. own common Tier 1 instruments of the entities in the financial sector in which the institution has a significant investment in those entities	7,318,915	74,552,143	
60	Total risk weighted assets	1,772,614,713	1,766,532,204	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of the risk exposure value)	16.40%	16.91%	Art 92 (2) letter (a), art 465
62	Tier 1 (as a percentage of the risk exposure value)	16.40%	16.91%	Art 92 (2) letter (b), art 465
63	Total capital (as a percentage of the risk total exposure value)	21.14%	21.60%	Art 92 (2) letter (c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with Art 92 (1) (a) plus capital conservation and counter-cyclical buffer, plus systemic risk buffer, plus institution buffer of systemic importance (G-SII or O-SII shock absorber) expressed as a percentage of the risk exposure value)	3.50%	2.50%	CRD 128, 129, 130
	out of which: capital conservation buffer requirement	2.50%	2.50%	
	out of which: counter-cyclical buffer requirement	0.00%		
	out of which: systemic risk buffer requirement	1.00%		
	CET1 available to meet the buffers related requirements (as a percentage of the risk exposure value)	0.00%		
Capital ratios and buffers				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	11,017,690	11,017,690	Art 36 (1) letter (b), art 45, 46, art 472 (10) art 56 letter (c), art 59, 60, art 475 (4) art 66 letter (c), art 69, 70, art 477 (4)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,927,566	29,820,857	Art 36 (1) letter (i), art 45, 48, 470, art 472 (11)
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	13,840,912	13,320,530	Art 36 (1) letter (c), art 38, 48, 470, art 472 (5)

DRAGOS HORIA MANDA
CHAIRMAN OF THE BOARD OF DIRECTORS

Patria Bank S.A. – Bucharest, District 2, Globalworth Plaza Building, Pipera no 42, floors 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 | www.patriabank.ro

Annex 8

Non-financial statement

In accordance with the requirements of the NBR Order no. 27/2010 with subsequent changes and amendments and of NBR Order no. 7/2016, which transpose the provisions of Directive 2014/95/EU, the large enterprises that are entities of public interest and which, at the balance sheet date, exceed the criterion of having an average of 500 employees during the financial year, include in their Board of Directors report a non-financial statement containing, to the extent that they are necessary to understand the development, performance and position of the enterprise and the impact of its activity, information on at least environmental, social and personnel aspects, respect for human rights and the fight against corruption and bribery, including:

A brief description of the business model of the Group

Patria Bank SA is a joint stock company, being managed under unitary system, authorized as a credit institution for carrying out banking activities on Romanian territory. The Bank offers banking services and other financial services to individuals and legal entities, having a market share based on assets below 1%. These include: opening of accounts and deposits, internal and external payments, foreign exchange operations, financing for current activity, medium-term financing, issuing letters of guarantee, letters of credit.

The Bank's business focuses on the retail and corporate segment, integrating technology to streamline customer access to performing financial services and continues to be a solid and trustworthy partner for small and medium-sized Romanian companies, contributing to the development of local entrepreneurship. The commercial strategy of the Bank aims at consolidating and differentiating through the microfinance, SME and Agro segments, development of retail by expanding lending to new environments and products (mortgage loans), and maintaining a solid and trustworthy relationship with depositors, the key objectives being financial performance and profitability in the years to come.

On 31.12.2020 the Patria Bank Group includes:

- **Patria Bank SA**, a credit institution authorized to carry out banking activities on the territory of Romania
- **Patria Credit IFN SA**, a non-bank financial institution, authorized by the National Bank of Romania to carry out lending activities on the territory of Romania, specialized in rural lending and microfinance
- **SAI Patria Asset Management SA** and the 4 investment funds managed - FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni, FDI Patria Euro Obligatiuni. The company is authorized by FSA to manage investment funds.

A description of the policies adopted by the Group in relation to these aspects, including the necessary diligence procedures applied

Patria Bank and Group policies regarding environmental, social and human resources issues, respect for human rights and combating corruption and bribery include the following:

1. Establishing lending policies, which restrict the financing of activities that involve high environmental or social risk, as follows:
 - pornography;
 - production of ammunition and weaponry, explosives, military fighting vehicles;
 - Casinos, gambling and betting;
 - Trade with endangered wild animals and plants, protected by domestic and international legislation;
 - Oil transport with oil tankers without IMO certificates;
 - Production and sale of asbestos fibers and products containing asbestos;
 - Production, storage, treatment, disposal or sale of radioactive products and radioactive waste;
 - Nuclear fuel energy production;
 - Sea fishing with floating nets, using nets longer than 2.5 km;
 - Processing of crude stones, sterile rocks and residues for precious metals using cyanide;
 - Activities of employees' unions;
 - Activities of religious organizations;
 - Activities of political organizations
2. Corporate governance policy and a code of business ethics that discourages anti-competitive and corruption practices, encouraging cooperation and collaboration with entities in the Romanian banking system, as well as with national and international institutions / authorities.
3. The human resources policy that encourages diversity and equality in rights, combating discrimination, encouraging training and professional development, developing appropriate working relationships and management, a proper wages policy, as well as developing an organizational culture based on trust and performance
4. Investment policy that ensures the establishment and maintenance of fair and transparent relationships in the process of selecting and carrying out contracts with suppliers of goods, works and / or services of the Bank
5. Policies and working procedures for the products promoted by the Bank, ensuring the confidentiality of the personal data / information of the clients, responsible financing / storage products and services, practices for promoting the correct and comprehensive financing and storage products and services; transparent for the clients of the Bank.

The results of those policies

These policies have resulted in the Group assuming the role of bringing banking products close and accessible to all social categories and organizational forms in Romania and promoting a transparent and responsible business policy towards the environment, customers, partners and employees.

Also, at a strategic level, the Group's involvement in 2020 led to the development of projects and partnerships in the field of entrepreneurship education, civil society support and involvement in social causes and humanitarian aid, especially considering the pandemic context in which we operated. Through specially allocated budgets, people

involved or project ideas, Patria Bank helped the smooth running of some projects that made a difference in society.

Maintaining the physical and emotional health of the Group's employees was an important priority in 2020, followed mainly in all communication actions and in the preventive measures taken for their protection.

The main risks associated with these issues

A significant objective of the Group is related to the risk component of its activity, namely the identification, evaluation, monitoring and control or mitigation of the risks arising from the activity, including the aforementioned aspects, such as: credit risk, market risk, liquidity risk, operational risk, reputational risk, strategic risk, compliance risk (including risk of money laundering and terrorist financing).

Key non-financial performance indicators relevant to the specific activity of the Group.

The key non-financial performance indicators relevant to the Bank's activity include:

- As of 31.12.2020, the Bank serves a number of 118,245 customers (approximately 17.94% less than the previous year, following the start of a campaign to close dormant accounts), through 612 active employees
- During 2020, the Bank granted to the low mass market customers a number of 762 credits, representing a cumulative value of RON 23 Million (EUR 4.8 million) increased with approx 44% compared with the previous year recorded volume. For corporate segment, for micro-enterprises a number of 1,958 credits were granted, representing a cumulative value of RON 186 million (EUR 38 million), decreasing with 32% compared with the number/volume registered in the previous year
- During the reporting period, the Patria Bank Group did not record corruption incidents involving employees or business partners, nor any public lawsuits filed against the organization or its employees for corruption causes
- During the reporting period, no actions were registered in the court regarding the anti-competitive behavior or violations of the antitrust legislation and regarding the monopoly in which the organization was identified as a participant
- In 2020 Patria Bank SA has not received any notification from the National Supervisory Authority for the Processing of Personal Data, not registering warnings or fines from this authority. During the year there were no security incidents regarding the protection of personal data recorded or reported.
- At the end of 2020 Patria Bank SA had 612 active employees, of which 437 women and 175 men, Patria Credit IFN SA had a number of 132 active employees, of which 79 women and 53 men and SAI Patria Asset Management SA had a number of 9 active employees, of which 3 women and 6 men
- In total, the investments of Patria Bank SA for the community amounted to about EUR 75,000 in 2020 and were focused on three main directions: educational projects and support for entrepreneurs in basic agriculture, social & volunteer projects and projects to support the NGO community.

Further information on the above topics is presented in the Sustainability Report of the Patria Bank Group for 2020, which is available on the Bank's website www.patriabank.ro.

DRAGOS HORIA MANDA

CHAIRMAN OF THE BOARD OF DIRECTORS



2020

SUSTAINABILITY REPORT

Together for a sustainable
Patria Bank!

 **PATRIA BANK**

**CORPORATE SOCIAL
RESPONSIBILITY REPORT**

TOGETHER FOR A
SUSTAINABLE PATRIA BANK!

2020

Statement of the General Manager



Daniela Iliescu
General Manager Patria Bank

Dear friends,

2020 was an atypical year for everyone, filled with a lot of uncertainty, but also a lot of hope. It was a year in which we remembered how fragile we are and how strong we can be.

2020 was the year of TOGETHER, a physically distant together, but which united people and organizations more than ever. It was a year with many personal and existential fears, with human thoughts and concerns, normal in moments of deep uncertainty.

But it was also a year of impressive mobilization. We have all joined forces to protect the health of our co-workers and customers, in order not to put pressure on the healthcare system, to support those in the front line, to keep the bank “open”, to support our customers and to support us all to keep moving. We exposed our vulnerability, showed our compassion to our fellow human beings and we built and rebuilt new links and bridges to the future.

In 2020 we managed to serve our customers without interruption, to keep our co-workers healthy and to be open to lend and support the economy, entrepreneurs and retail customers. And last but not least, we managed to be close to the community and supported it to get through the pandemic as easily as possible. And we are glad we managed to do so.

I think that the entire banking system

finished 2020 stronger and more resilient, even if in some places an emotional and financial erosion has been felt and is still being felt. The quick adaptation to the new context and reality of our customers has been one of our success stories in 2020. I am proud that the Patria Bank team has proved to be resilient and quick at implementing simple solutions for our customers and I am optimistic that the important steps we took towards digitalization will bring us new opportunities and growth prospects

Daniela Iliescu
CEO

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Introduction

In all the aspects of our activities in the Patria Bank Group, we promote and support a sustainable, responsible and transparent behaviour, in accordance with our brand and the values that define us. We continuously and constantly seek to achieve a high level of satisfaction of all actors and we take into account the market in which we operate, based on the 4C Principle – Company, Customers, Community, Context, as follows:

Company.

We include here the management, shareholders, bank strategy and institutional partners. A solid and sustainable development and growth are the Bank's priorities, which is why the way the management team is involved in all 4Cs, the transparent information we provide to our shareholders and the responsibility with which we cooperate with our institutional partners and public authorities are very important to us. The bank management is constantly focused on monitoring closely the operations, performance and results of the company.

Customers.

We include here our customers and partners. Whether we are talking about the bank customers (individuals and legal entities) or its commercial partners, the Bank is constantly striving to develop optimum collaboration relations and to provide high quality services.

Community.

Our internal community, the Patria Bank employees, are very important to us. Our human resource philosophy is an integral part of the management philosophy. This philosophy is embedded in our organizational culture and reflected in the management team's attitude towards identifying and meeting employees' training needs. In this respect, we constantly implement training and development programs, we invest in technology and financial solutions able to simplify the way we interact, we promote ethical and responsible behavior among employees and we choose our business partners responsibly.

Context.

We include here our attention to the environment and the market in which we operate. We respect the environment and we seek in everything we do to minimize our impact on it by complying with applicable rules and building employees' awareness about the responsible use of resources.

In regards to the market in which we operate, we develop an open collaboration relationship, based on ethical principles and professional deontology. We are aware that a good collaboration among all those who operate on the financial banking market (besides the fact that we are competitors) leads to market development and better services for customers. In this respect we are actively involved in banking associations and banking industry projects.

Company
Customers
Community
Context





THE COMPANY

The Company

*Patria Bank is a Romanian bank dedicated to Romanian hard – working people and entrepreneurs who keep the economy moving. It provides specialized products and services organized in four divisions:
Retail, Small Businesses (micro-enterprises), SMEs and Agribusinesses.*



About Us

Patria Bank SA is a joint stock company, managed in a unitary system, authorized as a credit institution to carry out banking activities in Romania. The Bank carries out banking operations and provides other financial services to individuals and legal entities. It has a market share of less than 1% (by assets).

The Bank activity takes place at its registered office located in Bucharest, 42 Pipera Road, Globalworth Plaza, Floors 8 and 10, sector 2 and in the branches.

Patria Bank S.A. is the result of the merger by absorption between the former “Banca Comercială Carpatica S.A.”, as an acquiring firm, and the former Patria Bank S.A. (former Nextebank), as an acquired firm. This process was finalized on May 1, 2017.

Once the merger was implemented, the absorbing company, “Banca Comercială Carpatica S.A.” changed its name to “Patria Bank S.A.” In 2017 the stock exchange symbol also changed from “BCC” to “PBK”.



2020 in Figures and Actions

In 2020, for the second consecutive year, Patria Bank reported a profit and managed to improve the Total Equity Rate by over 350 pp, confirming the positive evolution recorded in previous years. The net profit of 2020 is RON 2.8 million. It was influenced by the pandemic context in which the predictability was very low and the volatility of macroeconomic conditions was high. These elements affected the financial result of 2020 and explain the contraction by RON 2.5 million of the net result as compared to the previous year.

The current results represent the sum of the strategic decisions the Bank has implemented. They materialize in the following financial benchmarks reached in 2020:

New loans granted worth over RON 823 million in 2020 (at a faster pace than the average of the banking system), which led to an increase in the portfolio of performing loans by 13%, that is + RON 191 million as compared to December 2019

Improvement of the bank's balance sheet structure by increasing the share of gross loans in total assets to 56%, up from 53% in December 2019, in conjunction with the continuous development of a solid deposit base (retail)

Optimization and reduction of operational expenses by 11%, - RON 15.7 million in 2020 as compared to 2019 by optimizing processes and accelerating digitalization

Thus in 2020 the Bank managed to fully offset the contraction of the operating income with the results of the cost recalibration and to obtain a better operational result than in 2019, even if 2020 was a pandemic year.

From a commercial standpoint, the Bank continued to be an active player on the segments of legal entities representative for its activity (SMEs, microenterprises and agribusinesses), targeting both urban and rural areas, and it accelerated its growth strategy on the retail segment (individuals), mainly in urban areas, including by increasing its number of mortgages and optimizing lending without collateral.

One of the main objectives of the Bank in 2020 was to significantly increase the efficiency and productivity of each branch, sign new external partnerships and develop intra-group ones with Patria Credit IFN and SAI Patria Asset Management, as well as to implement alternative operating models that would further ensure the service of all geographical areas of interest. Also in 2020 a series of digitalization projects were accelerated and will be implemented and launched in 2021.

In the area of legal entities the Bank consolidated the three main directions:

- SMEs and Small Corporate (IMM/SME)
- Microenterprises (MICRO)
- Agribusiness (AGRO)

In terms of increasing the credit balance, in 2020 Patria Bank managed to grow at least twice more than the Romanian banking system. Thus the increase of the credit balance was of*:

- 11.90% in the retail segment, as compared to 4.80% growth rate of the banking system
- 11.91% in the business segment, as compared to 7.46% growth rate of the banking system.

**as of December 31, 2020.*

During 2020, Patria Bank continued to grow in terms of loans at a higher rate than the current market share (especially on the business segment). Out of the total new loans granted in 2020, Patria Bank attracted:

- 1.7% of the total new loans nationwide in the business segment (as compared to the current market share of approximately 0.9%). The result is all the more notable as the Bank does not intend to finance certain segments of business customers that ensure a significant growth in the system (municipalities, multinational companies, large companies, etc.)
- 0.5% of the total new loans granted nationwide in the household segment while broker agreements entered into force de facto only in December 2020

Despite all these achievements, in 2020 the budgeted targets were not achieved entirely because of the negative impact of the Covid-19 crisis. In terms of attracted sources, in 2020

Patria Bank continued to consolidate its solid deposit base, recording a 6% increase in commercial liabilities as compared to 2019.

Since the outbreak of the COVID-19 pandemic in March 2020, the Bank has assumed three main roles:

1. Supporting individual and legal entity debtors affected by the COVID-19 crisis, either by implementing a debt deferral program (both through its own solution and the legal moratorium solution), or by providing financing to bridge the temporary liquidity gap

2. Role of active funder of entrepreneurs (in unaffected economic sectors and in markets where the COVID-19 crisis has even generated development opportunities) and individuals (especially for real estate purchases). Patria Bank has continued to support the Micro and SME customers throughout the pandemic. In 2020, the business strategy was adapted accordingly, including by accessing new guarantee instruments (including SME Invest, increased EASI ceiling, etc.). The acceleration of the lending process was achieved at the end of the lockdown, including by constantly increasing the number of new customers, in an appropriate risk framework.

3. Continuous and permanent provision of banking services to customers:

- both through the permanent operation of branches and the ATM network
- and through the development of remote operation channels.

The relationship with customers – companies that have benefited from payment deferral, both through Patria Bank's own solution and

through GEO37, has constantly been maintained, in order to verify, in each case, the evolution of the cash-flow, the creditworthiness, the likelihood of repayment once the deferral period expires, the additional needs that may arise, etc. Throughout the year (but especially in the fourth quarter, when the deferred payments began to mature), the Bank constantly carried out a superior analysis and monitoring of the customer portfolio to counteract the negative effects of the pandemic and ensure an effective management of the portfolio and the relationship with each customer.

A distinct goal of the bank in 2020 was related to the acceleration of the digitalization and customer financial education programs:

- Further development of the Internet & Mobile Banking Platform of the Bank, Patria Online, with new digital options for customers who perform transactions with the Bank (the platform is available at <https://www.patriabank.ro/noua-platforma-patria-online>)
- As of 12.31.2020, Patria Online recorded an increase of more than 127% in the number of users as compared to the date of customer migration on the new platform, implemented in the last part of 2019
- Promotion of new retail current account packages with a significant digital component embeded and with optimized costs for customers
- Provision of products that facilitate remote transactions/information (Internet & Mobile Banking Service, SMS Alert Service, Cards and transaction packages)
- Accelerated continuation of digitalization projects: biometric authentication at card payment, instant payment, Online

Onboarding, Online Customer Lending

- Continuation of the technologization project of traditional commercial spaces, such as the "POS at the market" project, which involved the installation of POS terminals in 7 other agri-food markets in 2020 (we provide the card payment service in a number of 12 farmers' markets in Romania). The number of transactions increased by more than 350% and the volumes traded through POS terminals in the farmers' markets increased more than 3 times in 2020 as compared to the same period in 2019 when this program was launched (exceeding RON1.6 mil.).
- Development of the Patria Bank Blog with additional components of financial education for customers and potential customers.

In terms of business operations,

during 2020 the Bank continued the optimization processes, the development of processes of remote interaction with customers and digitalization, taking into account the objectives set in the 2020 Action Plan and Budget. The main priorities and investments in the development and projects of the Bank, with an impact on the commercial area, were as follows:

- New features of the Internet Banking platform for legal entities: package payments, scheduled payments, and salary module optimization. The facilities made available on the platform provide users with a much easier access to Bulk payments and salary payments.
- Flow optimization and adaptation of transactional packages and lending products to customer

needs, in order to attract new customers, improve portfolio performance and maintain competitiveness on the market:

- Transaction packages for individuals ("Patria Start", "Patria Pensionar", "Patria Avantaj" and "Patria Premium")
- Relaunch of Overdraft and real estate collateral lending products: Multiple Purposes and 5-year fixed-interest credit
- Constantly looking for new opportunities to expand the network of branches in attractive locations
- Optimization of credit management flows and processes by implementing a Credit documentation archive module
- Flow of taking-over the business leads received from the Bank partners to improve the credit flows within the bank
- Implementation of the "IMM Invest" (Small and Medium-Sized Enterprise Invest) national program - development of distinct business flows regarding the accommodation of IMM Invest guarantees, loan withdrawals and monitorization of loan applications
- Guarantee Module for an efficient process of management and administration of collateral in the form of real estate and other types of assets.

Projects with an impact on the commercial area implemented during the fourth quarter of 2020:

- Implementation of the Strong Customer Authentication (SCA) facility that allows customers to access online services easily and securely and to carry out transactions on all digital channels while having access also to the biometrics feature. Currently Patria Bank offers all cardholders/users the possibility to use biometric authentication (by fingerprint / facial recognition) when making an e-commerce transaction (online) using the Patria SecurePay app. The implementation combines the advantages of 3D Secure with the risk-based authentication approach and customer uniqueness through biometric authentication
- Launch of a new web platform, "Ghepard" (en. Cheetah), which allows remote interaction with the Bank customers by developing flows that ensure business efficiency and flexibility:
 - Card services - online access to card-specific services: change/set card spending limit/e-commerce, card cancellation and card re-issuance
 - Brokers - the project aimed to develop and implement a platform dedicated to the broker segment for the transmission of loan applications
- Foreclosure Module - development and implementation of a CRM application that allows end-to-end management of flows in the field of bad debt recovery.

What Defines Us

Who We Target, What Types of Products We Provide and Where We Have a Presence

What Defines Us

We aspire to contribute to the wide access of the public to modern financial-banking services, for the progress of Romania's banking process while supporting Romanian entrepreneurship through personalized, prompt and beneficial solutions, with the ultimate goal to maximize our financial results in order to generate profit for our shareholders.

The direct and permanent contact with our customers helps us to get to know their needs in depth and we use our professional experience to advise and serve them with commitment and responsibility. We seek to provide them with customized solutions and support them constantly.

We maintain our commitment to small entrepreneurs in local communities in Romania and we constantly seek solutions to provide development opportunities beyond mere financing.

The commitment of the Patria team to its customers focuses on four objectives:

- To be with our customers constantly, when and where they need our support
- To help our customers make the best, most responsible decisions by giving them the tools, advice and information they need
- To develop simple, user-friendly products and services
- To try to be better every day, in everything we do

What Defines Us

Our Values

The activity of Patria Bank is inspired by people in general and by responsible hardworking Romanians in particular.

We put integrity and professional ethics first and believe that success can only be achieved through an approach based on responsibility, flexibility and the willingness to place an emphasis on people rather than papers.

We have a set of values that define our activity and transmit to the general public and partners the behavior expected from us:



HUMAN APPROACH

With patience, dedication, attention and openness to understand the needs of our customers, we put our professional competence to their disposal in order to help them make informed, effective decisions. In addition, we support them at all times during our interactions.



FLEXIBILITY

We are open — we adapt our services in order to constantly find the right solutions for every single customer. We seek to understand and meet every need, which helps us to constantly evolve and be more and more helpful to our customers.



PROFESSIONAL RESPONSIBILITY

We represent the interests of our company and follow the rules of the financial-banking sector and current legislation. We are aware that our decisions affect both the owners of our company and the lives of our customers and the smooth running of the community in which we do business.

INITIATIVE

Our entrepreneurial spirit helps us see opportunities and take advantage of them. We are dynamic and that helps us to be competitive. At Patria Bank, it is ideas that make a difference, and last but not least, their implementation.



INVOLVEMENT

We care about our projects from start to finish and are committed to always be available with solutions dedicated to our customers and help them reach their goals.

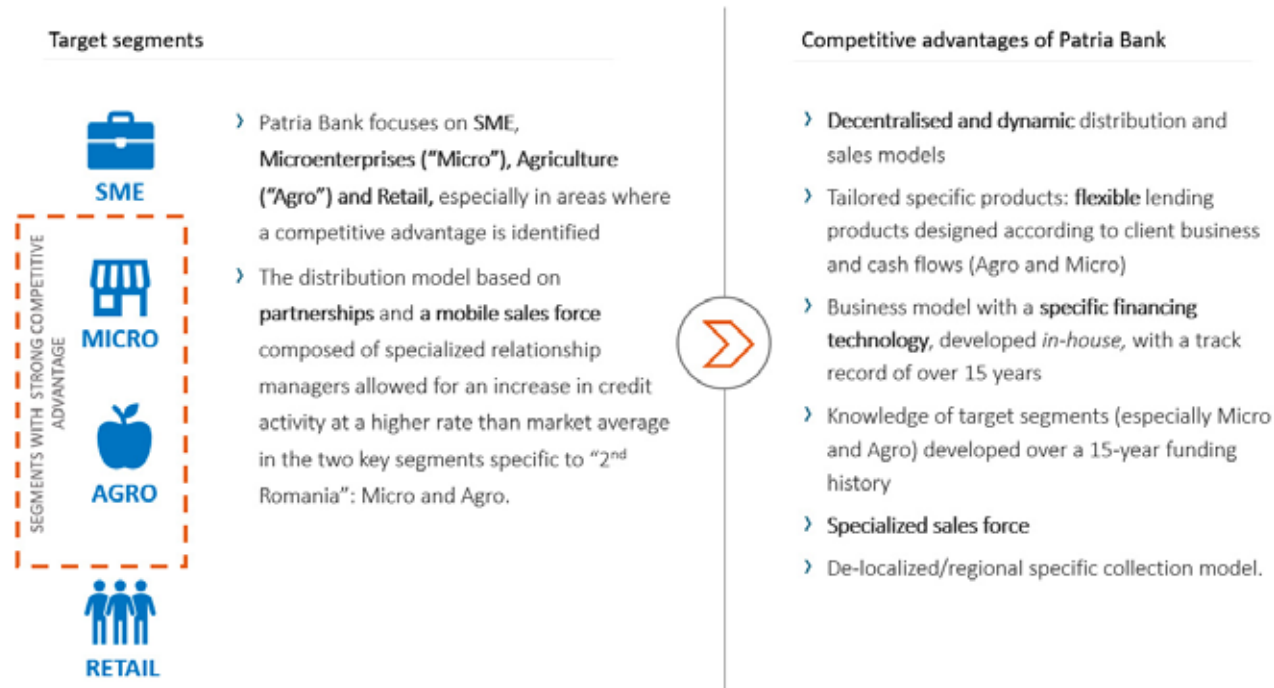


Our behaviour:

- We are mature, rooted in the present and pragmatic
- The entrepreneurial spirit rooted in our DNA gives us energy and creativity
- We are open and we adapt to all situations
- We are straightforward, honest and wise
- We are empathetic and we care about every customer, partner or project we decide to get involved in

Who We Target

Patria Bank is well positioned to capture the potential of banking services in Romania. Patria Bank has developed a significant loan portfolio in the Microenterprises and Agricultural Producers segments and it uses the expertise it has gained in the last ten years within Patria Credit. The Bank is also posting strong growth on the SME & Small Corporate and Retail segments.



SMEs

- Focus on growing the SME customer base through personalized offers and constant improvement of the quality of the customer relationship
- Portfolio: optimal combination of secured and unsecured lending, together with sector diversification and comfortable level of the maximum loan value
- Implementation of the IMM Invest government program to support small and medium-sized enterprises. Patria Bank targets both SMEs and Corporate, as well as large customers in the agriculture sector and microenterprises.
- The initial amount of RON 135 million for the IMM Invest program has been increased to approx. RON 280 million.

Microenterprises

- Patria Bank is one of the main players on the market in this segment (in the top 3)
- Partnerships with various regional and international centers of expertise such as the European Investment Fund (EIF)
- In June 2020 Patria Bank signed an agreement with EIF to increase the EASI guarantee limit by another RON 300 million
- In 2020 the average value of the ticket was EUR 22.4 thousand
- In 2020 38% of the new loans were generated by partners and collaborators (lead providers).

AGRO

- Key segment for Patria Bank, affected to a small extent by the Covid-19 pandemic
- Portfolio focused mainly on vegetable crops and the growing interest in obtaining funding for irrigation equipment
- Patria Bank is one of the main partners of the National Rural Credit Guarantee Fund
- Development of business relationships with agricultural equipment and inputs producers
- Development of the relationship with the Agency for Payments and Intervention in Agriculture (APIA) - one of the first banks that signed the APIA 2020 Convention
- Creation of new products designed together with our customers and partners, which benefited from the experience of the bank specialists and agricultural engineers

Retail

- Provision of a high level of services through the network of branches (which remained entirely open during the pandemic)
- Increase in the balance of retail loans by 10% in 2020
- Migration of traditional banking to new technologies - internet / mobile banking, contactless
- Supporting customers by offering payment deferrals through both the bank's and government programs
- Additional offer for the segment of employees and retired people in big cities, together with the classic strategy of entering the medium-sized urban market
- Expansion of partnerships with credit brokers and digital lead provider platforms
- Online onboarding and online lending under preparation, to be launched in 2021

Our Products

RETAIL

BANK ACCOUNTS AND SERVICES FOR RETAIL CUSTOMERS

- Current account
- Patria current account packages
- Patria SMS Alert
- Patria Online Banking
- Online banking: the new Patria Online for individuals
- Western Union

CARDS – RETAIL

- Debit cards
- 3D secure cards

LOANS

- Overdraft
- Patria Plus personal loan
- Patria Acasă home mortgage
- Econom Credit
- Secured personal loan
- Bancassurance. Bank Insurance
- Credit Patria Refinancing

SAVINGS

- Savings deposits for retail customers
- Patria Invest

PATRIA SENIOR (RETIRED PEOPLE)

- Loans
- Cards
- Savings accounts for retired people
- Collection of the retirement benefits

PATRIA EVERYWHERE

- Online card services
- Patria SecurePay



SMEs

SME Loans

SME loans for current operations

- Multi-currency overdraft
- Fast loan for SMEs
- SME loan for general expenses
- Revolving credit ceiling
- Factoring

Funding for SME investments

- Investment loan
- SME investment ceiling

CASH MANAGEMENT, CURRENT ACCOUNT PACKAGES FOR SMEs

- PatriaONG
- Current account
- Current account packages
- Internet Banking
- The new Online Patria
- SMS Alert
- Patria POS terminals

SAVINGS DEPOSITS FOR SMEs

- Deposits for small and medium-sized enterprises
- Accumulation account for small and medium-sized enterprises
- Patria Invest for companies

BUSINESS CARDS FOR SMEs

- Business debit card
- 3D Secure cards

EUROPEAN FUNDS FOR SMEs

- Bridge loan for European funds
- Letters of bank guarantee for pre-financing



AGRO

BANK DEPOSITS FOR AGRICULTURE

BANK AT THE MARKET

CASH MANAGEMENT - AGRICULTURE

- Current account for APIA payments
- Current account
- Current account packages
- Internet Banking
- InfoAlert

FARM CREDIT FOR CURRENT OPERATIONS

Farm credit for current operations

- Credit line
- APIA loan

Agro investments

- Loans for investments in agriculture
- Loans for purchasing agricultural land

Working and mixed capital

Unsecured loans

- Gold Agro loan
- Unsecured EaSi loan

EUROPEAN FUNDS FOR AGRICULTURE

- Bridge loan for European funds
- Letters of bank guarantee for pre-financing



SMALL BUSINESSES

PATRIA PARTENER

CASH MANAGEMENT

- PatriaONG
- Current account
- Current account packages
- Internet Banking
- The new Online Patria
- SMS Alert
- Patria POS terminals

CARDS

- Business debit card
- 3D Secure cards

LOANS

- Company financing - loans for current operations
- Working capital loan
- Factoring
- Company development – investment loans
- Patria Micro
- Unsecured business loans
- Unsecured EaSI business loans

SAVINGS DEPOSITS

- Deposits for small and medium-sized enterprises
- Accumulation account for small and medium-sized enterprises
- Patria Invest for Companies

NON-CASH FINANCIAL SOLUTIONS

- Letters of bank guarantee for pre-financing
- Letters of bank guarantee

FONDURI EUROPENE

- Bridge loan for European funds
- Letters of bank guarantee for pre-financing



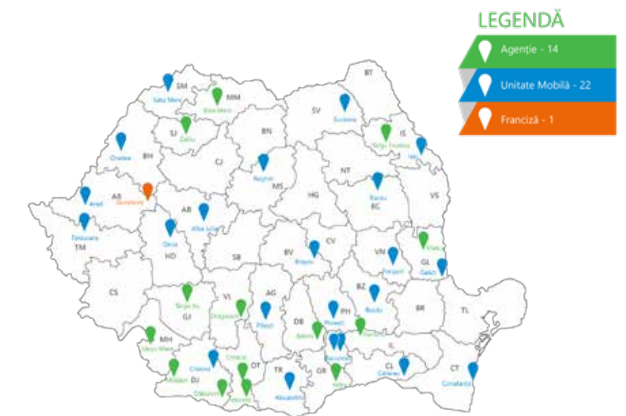
Where We Have a Presence



We are present in 41 cities countrywide. We have 45 branches and three operational centers (Bucharest – head office, Sibiu and Târgu Mureș).



14 branches, 22 local mobile representatives and one franchise partner



Size of the organization

Patria Bank SA is a growth-focused organization. We pay attention to the evolution of the figures that reflect the size of the organization and manage closely the growth of each indicator.

As of 12.31.2020, the Bank served a number of 118.245 customers (approximatively 17.94% less than the

previous year, as a result of the start of a campaign of closing dormant accounts), with the help of 612 employees. As for the product promotion strategy, the Bank uses both the classic model of promoting its banking services through its network of branches, as well as the promotion through lead providers.

Patria Bank SA

FINANCIAL POSITION -thousands RON-				
ASSETS	31.dec.20	31.dec.19	dec.20/ dec.19 (abs.)	dec.20/ dec.19 (%)
Cash and cash equivalents	350,940	428,495	(77,555)	(18.1%)
Loans and advances to banks	7,428	5,683	1,745	30.7%
Securities	957,569	817,143	140,426	17.2%
Investments in subsidiaries	33,322	30,469	2,853	9.4%
Loans and advances to customers, net	1,778,298	1,588,274	190,024	12.0%
Other assets	302,448	323,747	(21,299)	(6.6%)
Total ASSETS	3,430,005	3,193,811	236,194	7.4%
LIABILITIES	31.dec.20	31.dec.19	dec.20/ dec.19 (abs.)	dec.20/ dec.19 (%)
Due to banks & REPO	37,459	18,627	18,832	101.1%
Due to customers	2,904,771	2,733,713	171,058	6.3%
Borrowings and other liabilities (including subordinated debt)	144,050	107,940	36,110	33.5%
Total Liabilities	3,086,280	2,860,280	226,000	7.9%
Total Equity	343,725	333,531	10,194	3.1%
Total LIABILITIES AND EQUITY	3,430,005	3,193,811	236,194	7.4%

PATRIA BANK GROUP

FINANCIAL POSITION -thousands RON-				
ASSETS	31.dec.20	31.dec.19	dec.20/ dec.19 (abs.)	dec.20/ dec.19 (%)
Cash and cash equivalents	354,793	437,958	(83,165)	(19.0%)
Loans and advances to banks	7,428	5,683	1,745	30.7%
Securities	983,623	844,390	139,233	16.5%
Investments in subsidiaries	-	-	-	-
Loans and advances to customers, net	1,861,888	1,653,586	208,302	12.6%
Other assets	306,091	329,577	(23,486)	(7.1%)
Total ASSETS	3,513,823	3,271,194	242,629	7.4%
LIABILITIES	31.dec.20	31.dec.19	dec.20/ dec.19 (abs.)	sep.20/ dec.19 (%)
Due to banks & REPO	37,459	18,627	18,832	101.1%
Due to customers	2,898,050	2,728,114	169,936	6.2%
Borrowings and other liabilities (including subordinated debt)	248,682	204,847	43,835	21.4%
Total Liabilities	3,184,191	2,951,588	232,603	7.9%
Total Equity	329,632	319,606	10,026	3.1%
Total LIABILITIES AND EQUITY	3,513,823	3,271,194	242,629	7.4%

Patria Bank – Financial Performance

FINANCIAL PERFORMANCE STATEMENT -thousands RON-	12 mth 31.dec.20	12 mth 31.dec.19	Δ 2020/ 2019 (abs.)	Δ 2020/ 2019 (%)
Net interest income	104,355	115,601	(11,246)	(10%)
Net fees and commission income	24,405	26,724	(2,319)	(9%)
Net gains from financial activity & other income	24,489	24,689	(200)	(1%)
Net banking Income	153,249	167,014	(13,765)	(8%)
Staff costs	(57,502)	(63,556)	6,054	(10%)
Depreciation and amortization	(22,889)	(22,230)	(659)	3%
Other operating and administrative expenses	(43,144)	(53,474)	10,330	(19%)
Total operating expense	(123,535)	(139,260)	15,725	(11%)
Operating Result	29,714	27,754	1,960	7%
Net impairment of financial assets	(23,604)	(16,549)	(7,055)	43%
Gain/ (Loss) before tax	6,110	11,205	(5,095)	(45%)
Expense from deferred tax	(3,313)	(5,873)	2,560	(44%)
Gain/ (Loss) for the year	2,797	5,332	(2,535)	(48%)

Patria Bank Group – Financial Performance

FINANCIAL PERFORMANCE STATEMENT -thousands RON-	12 mth 31.dec.20	12 mth 31.dec.19	Δ 2020/ 2019 (abs.)	Δ 2020/ 2019 (%)
Net interest income	120,684	129,861	(9,177)	(7%)
Net fees and commission income	23,979	26,316	(2,337)	(9%)
Net gains from financial activity & other income	20,848	19,529	1,319	7%
Net banking Income	165,511	175,706	(10,195)	(6%)
Staff costs	(63,150)	(68,408)	5,258	(8%)
Depreciation and amortization	(24,019)	(22,691)	(1,328)	6%
Other operating and administrative expenses	(46,655)	(58,495)	11,840	(20%)
Total operating expense	(133,824)	(149,594)	15,770	(11%)
Operating Result	31,687	26,112	5,575	21%
Net impairment of financial assets	(24,793)	(16,404)	(8,389)	51%
Gain/ (Loss) before tax	6,894	9,708	(2,814)	(29%)
Expense from deferred tax	(4,003)	(6,292)	2,289	(36%)
Gain/ (Loss) for the year	2,891	3,416	(525)	(15%)

Changes in Capital Structure

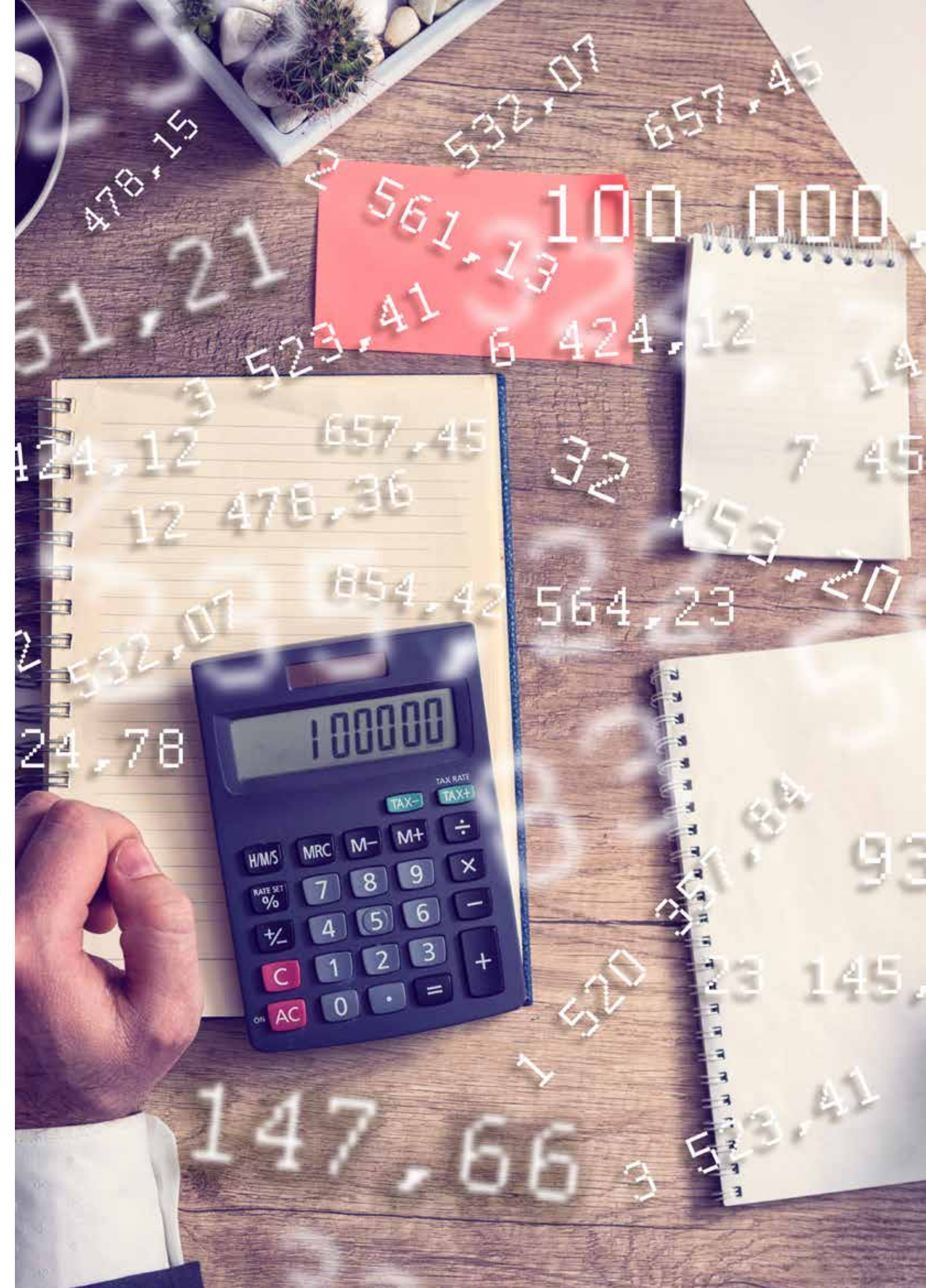
In 2020, Patria Bank successfully placed on the market a second issuance of subordinate bonds worth EUR 8,187,000. The bonds were issued in European currency and sold through a private placement on the capital market. They were issued with eight years to maturity and have a coupon rate of 6.50% per annum (fixed, in euro), paid semi-annually.

The nominal value of a bond is EUR 500, and the total number of issued bonds is 16,374. The offer for bond sale took place between September 28 and 30, 2020.

The bonds were listed on the regulated market managed by the Bucharest Stock Exchange, based on a bond prospectus prepared for admission to trading and approved by the Financial Supervisory Authority. They have been traded on the exchange market with the PBK28E symbol since December 15, 2020.

The bank's first subordinate bond issuance was launched in 2019 and it has been traded on the regulated market of the Bucharest Stock Exchange with the PBK27E symbol.

The amount of the bank's share capital did not change in 2020.



Patria Bank Group

At the end of 2020 the Patria Bank Group included:



a lending institution authorized to carry out banking activities in Romania



a non-banking financial institution authorized by the National Bank of Romania (NBR) to carry out lending activities, registered in the Special Register of Non-Banking Financial Institutions managed by NBR and specialized in rural lending and microfinance. It is controlled by Patria Bank, which has 99.99% of the share capital and voting rights



and the four equity funds controlled by it - FDI Patria Stock, FDI Patria Global, FDI Patria Obligațiuni and FDI Patria Euro Obligațiuni, authorized by the Financial Supervisory Authority to manage equity funds. It is a company controlled by Patria Bank, which has 99.99% of the share capital and voting rights.



Corporate Governance

The General Meeting of Shareholders (GMS)

is the highest decision-making body of the Bank. It sets its economic and commercial policies and decides on its activity. During 2020, the Board of Directors convened three General Meetings of Shareholders.

In accordance with the size, nature and complexity of the Bank business and in line with its corporate governance objectives, the Bank governing body comprises the Board of Directors and the Management Committee.

On December 31, 2020 the Board of Directors consisted of five members elected by the General Meeting of Shareholders for a four-year term, with the possibility to be re-elected for subsequent four-year terms.

Strong and experienced board and management team with successful M&A track record



Horia Manda
BoD Chairman

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



Vasile Iuga
BoD member
(independent)

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



Bogdan Merfea
BoD member

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



Nicolae Surdu
BoD member
(independent)

Ex CEO and President BCC
Ex-CEO Fortis Bank Romania, Ex-VP Credit Europe Bank
Ex-Director, Operations-Tiriac Bank, Ex-BoD member: Piraeus Bank RO



Burak Yildiran
CEO
(pending NBR approval)

COO TotalSoft
Almost 20 years with the Garanti BBVA group, out of which 6 years as Deputy General Manager of Garanti BBVA Romania



Daniela Iliescu
CEO & BoD member

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



Valentin Vancea
COO & Deputy
General Manager

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



Codruț Nicolau
CCO & Deputy
General Manager

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

The Board of Directors

Composition of the Board at the End of 2019:

At the end of 2020, the composition of the Board of Directors was as follows:

Surname and First name	Position held in the Board of Directors	Approved by	Mandate duration
Dragoş Horia Manda	President	GMS Decision of 04.02.2016, Merger prior approval by NBR Prior approval by NBR (April 2016, respectively merger prior approval by NBR November 2016) A new 4-year term, granted by the OGMS decision of April 10, 2020, starting from April 26, 2020	4 years 04.26.2016 - 04.26.2020 4 years, 04.26.2020 – 04.26.2024
Daniela Elena Iliescu	Non-executive member until 04.01.2019, Executive member since 04.01.2019 (1 term in the bank after the merger)		4 years 04.26.2016 - 04.26.2020 4 years, 04.26.2020 – 04.26.2024
Bogdan Merfea	Executive member between 04.30.2017 and 04.01.2019, Non-executive member between 04.26.2016 and 04.30.2017 and since 04.01.2019 until now		4 years 26.04.2016 - 26.04.2020
Nicolae Surdu	Independent member (1 term in the bank after the merger)	GMS Decision of 27.04.2017, GMS Decision of 05.02.2019 Prior approval of the NBR on the merger (November 2016)	4 years 05.01.2017 - 04.27.2021
Vasile Iuga	Independent member (1 term in the bank after the merger)	GMS Decision of 04.27.2017, GMS Decision of 07.28.2017, Prior approval of the NBR (December 2017)	4 years 12.06.2017 - 04.27.2021

Senior Management – The Management Committee

The Management Committee represents senior management and it is responsible for the management of Bank operations. The duties and responsibilities of this committee have been established by the Articles of Incorporation, its Bylaws and the Bank Organization and Operations Manual.

Thus, on 12.31.2020 the operation management and coordination of the daily activities of the Bank were delegated by the Board of Directors to several managers who form the Management Committee.

Composition of the Management Committee in 2020

First name, last name	Position held in the Executive Committee	Position in the Bank	Mandate term
Daniela Elena Iliescu	Member, 1 term	General Manager	04.01.2019 - present
Valentin Grigore Vancea	Member, 1 term	Deputy General Manager Operations and IT Division	05.01.2017 – present (term renewed on 07.05.2020 for a period of 4 years)
Codin Radu Nastase	Member, 1 term	Deputy General Manager Risk Division	07.01.2019 – 09.01.2020
Lucica Cristina Pitulice	Member, 1 term	Deputy General Manager Financial Division	01.16.2018 - 01.06.2020
Codruţ Ştefan Nicolau	Member, 1 term	Deputy General Manager, Commercial Division	07.01.2018 - present
Suleyman Burak Yildiran	Member, 1 term	General Manager (pending approval by the NBR; after his approval Mrs. Daniela Iliescu will hold the position of Deputy General Manager, Financial and Risk Division)	

The Management Committee has provided the Board of Directors on a regular basis with comprehensive detailed information on all important aspects of the Bank's business, including those related to risk management, potential risk assessment and compliance, measures taken and recommended and irregularities identified during the performance of its duties.

Partners for Sustainability

At Patria Bank we believe that social and financial inclusion is important in our business. It is part of the Group's sustainability strategy.

Committees Set Up in Support of the Management Committee

The committees set up in support of the Management Committee assist it in carrying out its duties in various lines of business, especially with regard to the Bank operations. These committees include members of the Management Committee and representatives of the management of the concerned divisions. The responsibilities and competences of each committee are laid out in its terms of reference.

1. Assets and Liabilities Management Committee (ALCO)
2. Loans Committee
3. Loan Restructuring and Recovery Committee
4. Projects Committee
5. Asset Recovery Committee
6. Other committees: Labor Health and Safety Committee

Patria Bank is affiliated to:

- Romanian Association of Banks (RAB)
- Bank Deposit Guarantee Fund (BDGF)
- Association of Electronic Payments in Romania (AEPRO)
- Romanian Exporters' Association (REXA)
- Romanian Factoring Association (RFA).
- Banking System Dispute Resolution Center (BSDRC)
- Investor Compensation Fund (ICF)

Patria Credit IFN is affiliated to:

- European Microfinance Network (EMN), A European organization that assists in the fight against social and financial exclusion and plays an active role in building a legal and regulatory framework at the European level for the microfinance market. It includes over 90 members and partners from over 21 European countries.
- Microfinance Centre (MFC), A regional microfinance resource organization that brings together 106 organizations (including 77 non-banking financial institutions) in 34 countries in Europe, Central Asia and beyond, which together provide responsible microfinance services to over 1,000,000 low-income customers.
- Pay Point Partner (the main processor of bill payments, electronic cash loading and money transfer in stores).
- The Romanian Microfinance Association, established on December 29, 2020 (Patria Credit IFN is a founding member), which aims to promote the education and development of the business community and the public in the field of microfinance financial services.

SAI Patria Asset Management is affiliated to:

- The Association of Fund Managers in Romania (FMA)



Major Impact, Risks and Opportunities

Patria Bank operates in accordance with the provisions of Emergency Ordinance No. 99/2006 on lending institutions and capital adequacy, with subsequent amendments and additions, NBR Regulation No. 5/2013 on prudential requirements for lending institutions, EBA Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms, as well as other national and international legal requirements and standards on social risks and environment protection.

Patria Bank plays an important role on the Romanian banking market. It has a market share of about 0.61% by the the volume of managed assets and it ranks in the top 20 banking institutions in Romania.

For this reason Patria Bank plays an important role in supporting local communities and businesses, especially those in the small urban and rural areas. It has a comprehensive network made up of 45 branches and a solid liquidity base, consisting of a mix of shareholder capital and a strategic base of savings deposit customers.

From a strategic point of view, the Bank has aimed to provide loans to traditional customers (retail and legal entities: SMEs, Corporate and Agribusinesses), as well as to continue lending in an area underserved by the Romanian banking system, aiming to offer banking products to less attractive customers for the banking industry:

Low-mass market retail, customers who earn lower income (between RON 700 - 2,500) and who are less “visible”/targeted by the Romanian banking system (represented by a population estimated at a total of 3.6 million prospects: 15% young people aged between 21-35 years, 55% adults aged between 35 and 65 years and 30% retired people aged between 65 and 75 years);

Legal entities: **microenterprises** (with a turnover of up to EUR 500 thousand) and **small agri-businesses/family farms**. On the former segment Patria Bank is one of the market leaders, ranking in the top 3. The bank has a specialized sales force and relevant experience in agribusiness.

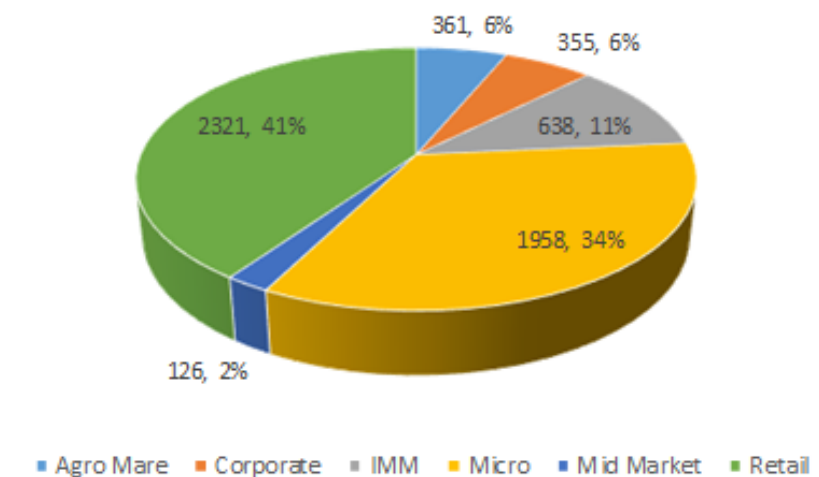
During 2020, the bank provided loans to the above-mentioned segments, as follows:

- for low mass market customers, a number of 762 loans representing a cumulated value of RON 23 million (EUR 4.8 million), a growth of approx. 44% as compared to the volume of the previous year;
- for micro-enterprises, 1,958 loans representing a cumulated value of RON 186 million (EUR 38 million), down by approx. 32% as compared to the number/volume of the previous year.

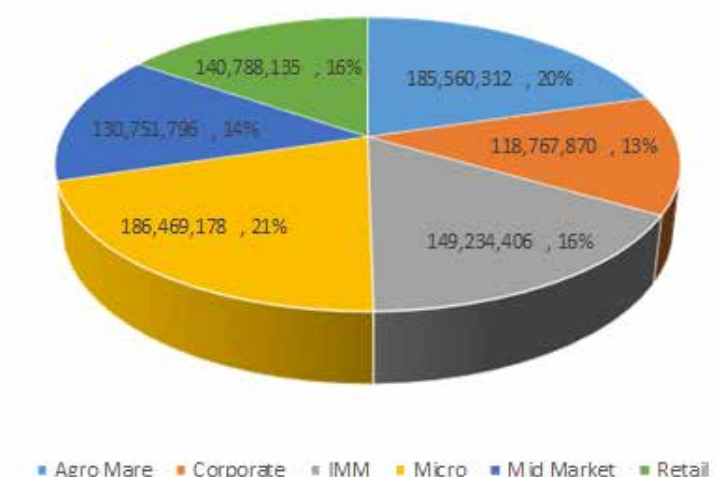
The Bank has been involved in financing small-scale producers and thus supported their access to banking products. For this customer segment, the Bank has products which have been tested and validated over the past 7 years. It also provides products with European Union guarantees (through the EaSI program), as well as guarantee schemes provided by the local guarantee funds (National Fund for SME Credit Guarantee NFSMECG and Rural Credit Guarantee Fund RCGF). On the sub-segment of microenterprises with an annual turnover of up to EUR 500 thousand, Patria Bank SA is one of the market leaders, ranking in the TOP 3 according to our estimates.

As regards the loans provided by the Bank during 2020, the situation is as follows:

Number of credits



Credit value



Strategy to Combat Potential Impact on Society

Patria Bank has assumed the role of bringing banking products close and accessible to all types of retail and business customers in Romania and promoting a transparent and responsible business policy towards the



2. corporate governance policy and a code of business ethics that discourages anti-competition and corruption practices while encouraging cooperation and collaboration with entities in the Romanian banking system, as well as with national and international institutions/authorities

3. human resource policy that encourages diversity and equal rights while combating discrimination, encouraging training

environment, customers, partners and employees. To this end, the Bank proceeded to:

- 1. establishing lending policies** that restrict the provision of loans for activities involving high environmental or social risk, such as:
 - Pornography
 - Production of ammunition and weapons, explosives, military combat vehicles
 - Casinos, gambling and betting
 - Trade in endangered wild animals and plants, protected by national and international law
 - Transport of oil by tankers without IMO certificates
 - Production and trade in asbestos fibres and products that contain asbestos
 - Production, storage, treatment, disposal of or trade in radioactive products and radioactive waste;
 - Nuclear fuel energy production
 - Marine fishing with floating nets, using nets longer than 2.5 km
 - Processing of crude stones, waste rocks and precious metal residues using cyanide;
 - Activities of trade unions
 - Activities of religious organizations
 - Activities of political organizations.

and professional development, development of appropriate labour and management relationships, an appropriate remuneration policy, and development of an organisational culture based on trust and performance

4. investment policy that ensures the establishment and maintenance of fair and transparent relationships in the selection and execution of contracts with Bank suppliers of goods, works and/or services

5. operational policies and procedures for the products promoted by the Bank while ensuring the confidentiality of customers' personal data/information, responsible lending /savings products and services and fair, comprehensive and transparent promotion practices regarding the Bank's lending/savings products and services for its customers

Values, Principles, Standards and Rules of Conduct

Patria Bank promotes and operates following a high standard of banking ethics by promoting and maintaining professional values and standards (such as integrity, impartiality, non-discrimination, compliance with the relevant regulations in force, fair competition, cooperation with the authorities and so on). These values and standards help the Bank achieve its vision and mission in relation to all the stakeholders in the financial-banking sector (customers, employees, contractors, providers and suppliers, other financial-banking institutions and public authorities).

The Bank brings to the attention of its employees and contractors these values and standards both upon hiring or signing

the cooperation agreement and later, by constantly highlighting the provisions of the Code of Ethics as an essential component of its corporate governance and organizational culture. Patria Bank has designated an independent structure in the organization which is responsible for managing and upholding these values, principles, standards and rules of conduct, as well as for managing the notification flow of any incidents of non-compliance with the standards Patria Bank adheres to, as described in the Bank's Code of Ethics.

In regard to the above-mentioned notification flow, Patria Bank ensures access to this flow to all its employees and contractors, as well as its customers and non-customers and it ensures the confidentiality of any notification that brings up legitimate and significant concerns regarding matters of banking ethics.

The Bank's priority is to protect the identity of individuals who have reported incidents. Patria Bank does not tolerate harassment, persecution or injustice and it has taken all the necessary measures to protect the employees/customers who have made complaints, as well as to investigate, analyze and report the findings to the management in order to take measures to resolve the complaints.

During 2020 Patria Bank did not have any incidents of violation of its Code of Ethics.

Anti-Competitive Behavior

During the reporting period there were no court cases on anti-competitive behavior or violations of the antitrust and monopoly legislation in which the organization was identified as a participant.

The Corporate Governance Code and the Code of Business Ethics of the Patria Group discourage anti-competitive and corruption practices and encourage cooperation with the other entities in the Romanian banking system, as well as with national and international institutions/authorities.

Conflict of Interest

The bank promotes **legitimacy, impartiality and fairness** as sine-qua-non values in the decision-making process and the performance of day-to-day tasks.

In order to prevent situations that may generate conflicts of interest, the internal regulatory framework of the Bank establishes rules of conduct applicable to all employees/contractors of the Bank. They aim to identify, analyse, monitor and report on conflicts of interest (potential, current or past), in order to establish a framework that provides safety in terms of preventing

and avoiding situations that may generate conflicts of interest.

The main responsibilities of the Patria Bank management, as well as of any employee /contractor are:

- To fill in the Conflict of Interest Statement both on an annual basis and whenever a conflict of interest occurs;
- To act only in the interest of the Bank and make decisions without being influenced by their own interest or the interest of their relatives/in-laws/entities in which they have shares or with which they have another type of relationship;
- To abstain, in case the employees/contractors of the Bank find themselves in a conflict of interest by the nature of their activity.

We also want to add that the situations pertaining to conflicts of interests identified during 2020 have been brought to the management's attention. The Bank took measures to mitigate the risks.

Anticorruption Measures

The Bank has Zero Tolerance for fraud!

The company attaches importance to the prevention, identification and reporting of any event that presents a risk of fraud and constantly seeks to implement an effective culture of fraud prevention and implicitly, to discourage the occurrence of such events.

At the same time, the Bank conducts internal training of its employees and it organizes training sessions both at its branches in the

country and at the head office. Additionally there is a specific session dedicated to this topic in the onboarding program for new hires.

All the Bank employees have the responsibility to prevent, report and stop fraud (whenever it is possible). They need to ensure that they perform their duties in a loyal and honest manner and they continuously consider the protection of the assets, resources, image and reputation of the Bank and its customers. This includes also the responsibility to report suspicions of fraud or any other evidence related to prohibited conduct and employees are encouraged to report it whenever it occurs.

During the reporting period, there were no incidents of corruption involving Patria Bank Group employees or business partners and no public lawsuits were filed against the organization or its employees for corruption cases. The Bank Group will continue its efforts to maintain and improve these standards.





CUSTOMERS

CUSTOMERS.

Although cities are becoming more and more crowded, much of Romania's population still lives in rural areas, namely 43%, meaning 9.7 million Romanians. That being the case, 50% of the Patria Bank SA branches are located in small towns and rural areas and they meet the population's need for access to banking services.

External Customers

Protection of Personal Data

As a Data Processor, Patria Bank SA attaches great importance to the confidentiality and security of the personal data of its customers and contractors and it processes personal data in accordance with the legal provisions in force.

The year 2020, with its events, was a continuous challenge in terms of personal data protection. It was marked by a continuous adaptation of traditional methods of identification and collection of personal data to the new communication and data collection technologies in the virtual environment, so that the Bank would offer to its customers the opportunity to securely access its products, using the online applications and platforms developed to this end.

Throughout the year, Patria Bank constantly followed the opinions and decisions issued by the National Supervision Authority for Personal Data Processing (NSAPDP), so as to take proactive measures to ensure the protection of the fundamental rights and freedoms of its customers and operate under optimum conditions. Particular attention was paid to the analysis of the examples of previous sanctions issued by the Authority, which allowed the bank to constantly check its coherent and legal action in implementing personal data protection measures.

Patria Bank SA cooperates with the National Supervision Authority for Personal Data Processing and it follows with maximum priority the complaints it receives from it. In 2020 Patria Bank SA did not receive any complaints from the National Supervision Authority for Personal Data Processing. It did not receive any warnings or fines from it either. During 2020 there were no recorded and reported security incidents regarding data protection. At the same time, the Bank received an insignificant number of complaints regarding personal data processing and resolved all of them.

The information regarding personal data processing by Patria Bank SA is available on the Bank's website at <https://www.patriabank.ro/datepersonale> and it reflects the Bank's continuous efforts to properly inform its customers about the methods of processing the data they transmit and which the Bank processes as part of their business relationships.



Financial Inclusion

The Patria Bank Group, through the microfinance and agro segments, as well as through Patria Credit IFN SA, plays an important role in supporting local communities and businesses, especially those in small urban and rural areas.

From a strategic point of view, in 2020 the Patria Bank Group aimed to provide lending to traditional customers (retail and legal entities: SMEs, Corporate and Agribusinesses), and especially through Patria

Credit, it continued to finance a segment of customers that is underserved by the Romanian banking systems while seeking to provide banking services to less attractive customers for the banking industry.

We got involved in lending to small-scale agricultural producers and thus we facilitated their access to finance and the well-being of their families and communities. For this segment, the Patria Bank Group has products that were tested and validated in the last 10 years, with guarantees provided by the European Union (through the EaSI program). This program was expanded in rural areas in 2020, when Patria Credit signed an agreement with the European Investment Fund. The Patria Bank Group is one of the oldest and most active players in the market on the sub-segment of micro-enterprises with a turnover of up to EUR 500 thousand per year.

Innovation and Technology

Strong focus on digitalization – foundation for PBK's business model

On an operational level, during 2020 the Bank continued the optimization and digitalization processes while taking into consideration the objectives set and the new reality of the consumers and entrepreneurs. The pandemic context has accelerated the digitalization processes and support projects:

- The Law 129 on prevention and combating of money laundering and terrorist financing, implementation of the new provisions on the prevention and combating of money laundering. Some of the most important provisions include: expansion of the definition of "customer", monitoring of transactions in order to report suspicious operations, mandatory reporting on external transfers to/from accounts and cash transactions
- The Internet & Mobile Banking platform for the RETAIL segment is aligned with European standards in the field of personal data security and complies with the new PSDII payment directive
- Strong Customer Authentication (issuance and acceptance) that enables customers to easily and securely access online services and make transactions across all digital channels, by adding a second authentication element
- Implementation of GEO 37 and Methodological rules of implementation - implementation of the system on the management of requests for temporary suspension of loan payments for individuals and legal entities in the context of the COVID-19 pandemic
- Implementation of the "IMM Invest" program - implementation of the national IMM Invest program which aims to support small and medium-sized enterprises in Romania by providing working and investment capital in the current context
- Retail packages - review and launch of current account packages adapted to the market conditions, in order to attract new customers who want to manage their income through PBK accounts and obtain additional benefits by purchasing these packages (e.g. overdraft margin discount, cash back for debit card transactions, etc.)
- Patria Invest - diversification of the offer for term deposits with an investment component, for both individuals and legal entities
- Extension of term deposits through the Call Center - opening of term deposits for existing customers through the branches and Call Center, without going to the Bank, during the state of emergency

- Relaunch of the Overdraft facility
- Loan Pre-scoring flow - both for unsecured personal needs loans and for those with real estate mortgage
- Multiple purpose mortgage loans - the possibility of opting for a wider range of purposes, in the case of Real Estate Investment Loan (LTV and own contribution, depending on the purpose); e.g. Reunification of the property right (by balancing payment based on divorce decrees, asset division documents or transactions between co-owners); purchase of a non-residential property
- Launch of the "Credit for real estate investments" product with mixed interest rate - fixed interest rate in the first five years and variable interest rate subsequently
- Possibility of providing loans (PLUS and Credit for real estate investments) to customers referred by Leads and Brokers
- Granting of unsecured personal needs loans (PLUS) with life insurance option (Allianz)
- Launch of online services related to card products - a new platform that enables the Bank to interact with its customers in one place where they can send requests related to card products (change in threshold amounts, card reissuance, activation of the e-commerce transaction option, etc.);
- Launch of biometrics for card products - enhanced security for e-commerce transactions;
- Internet Banking platform, Corporate segment – inclusion of additional facilities of Payments Packages and Standing Orders.

In 2021 Patria Bank will continue its strategy to streamline processes and optimize operational costs by implementing several strategic projects. The continuous modernization of digital services is one of our main objectives and we will improve our service offer by:

- Digitalizing the customer enrolment process when he/she purchases various banking products (package, card, deposit, internet & mobile banking, Patria SMS Alert) and the process of customer data updating
- Digitalizing the lending process for unsecured personal needs loans (e.g. Online lending flow; Automatic approval)
- Providing products and services to existing customers through the Online Platform;
- Online updating of personal data
- Implementing biometrics for Mobile Banking for retail customers
- Launching the Mobile Banking service for legal entities

- Opening term deposits by existing customers through the Call Center without going to the Bank, on a permanent basis;
- Automatically sending documents to customers by e-mail, specifically those that do not require their signature (general banking conditions, terms and conditions of products/services, etc.);
- Automating notifications/information necessary to reach customers so that they could be as well-informed as possible about their banking activity;
- Asset Management module within the Internet Banking application;
- Implementation of instant credit transfer services (payments) – Instant Payments
- Access to fully automated cash operations (by installing multifunctional devices) simultaneously with the implementation of a new branch concept;
- Delivery of cards by courier as well as PIN setting by SMS;
- Launch of a consumer credit intended exclusively for refinancing for a seven-year period;
- Change of price structure for unsecured consumer loans, depending on the customer profile (Risk-Based Pricing).



COMMUNITY

INTERNAL COMMUNITY

In our vision of human resources, we regard performance as a precondition for sustainability. Through everything we do we support talented people, we reward development and we believe in diversity, innovation and everyone's involvement. The figures below illustrate the position status of Patria Group employees and their distribution by gender, age and type of employment contract.

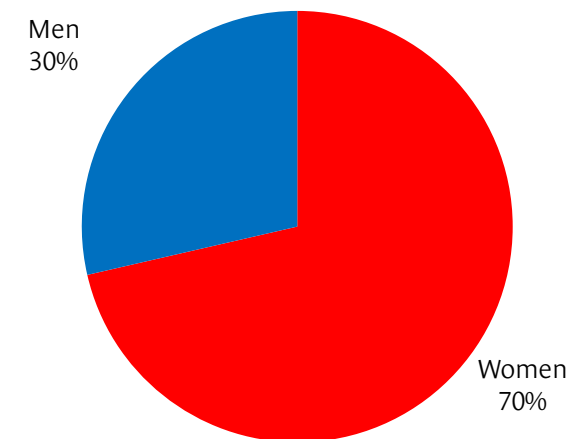
The Patria People



612
active employees

The figures below illustrate the status of Patria Group employees and their distribution by gender, age and type of employment contract.

Total number of employees by type of employment contract (permanent or temporary) and by gender



437 women
out of which 421 with a fixed-term employment contract and 16 with an open-ended employment contract;

175men
out of which 174 with a fixed-term employment contract and 8 with an open-ended employment contract.

Total number of employees by type of employment contract (full-time or part-time) and by gender

- 588 employees with a full-time contract, out of which 422 women and 166 men;
- 24 employees with a part-time contract, out of which 15 women and 9 men.

There is a very small number of workers who are not Patria Bank employees, but provide services for the bank, namely the employees of the cleaning companies and those in charge with security.

The Patria People



Total number of employees by type of employment contract (permanent or temporary) and by region

Contract type	nr active employees
Temporary	17
București	8
Constanța	1
Dolj	1
Maramureș	1
Mureș	2
Olt	1
Prahova	1
Sibiu	1
Teleorman	1

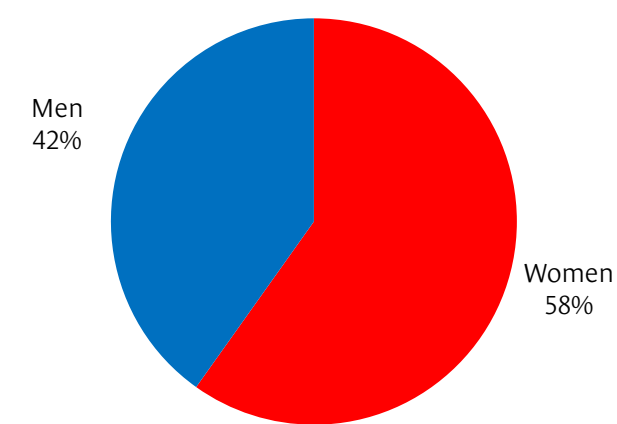
Contract type	nr active employees
Permanent	595
Alba	8
Arad	5
Argeș	9
Bacău	13
Bihor	10
Bistrița Năsăud	6
Brăila	3
Brașov	10
București	195
Buzău	8
Calarași	5
Cluj	15
Constanța	13
Dolj	18
Galați	16
Giurgiu	3
Hunedoara	7
Ialomița	5
Iași	19
Maramureș	23
Mureș	69
Neamț	3
Olt	7
Prahova	10
Punct de lucru mobil	18
Satu Mare	6
Sibiu	58
Suceava	3
Teleorman	5
Timișoara	11
Vaslui	9
Vrancea	5



132
active employees

At the end of 2020, Patria IFN SA had a number of 132 active employees, out of which

Total number of employees by type of employment contract (permanent or temporary) and by gender



79 women

76 with an open-ended employment contract and 3 with a fixed-term employment contract

53 men

out of which 4 with a fixed-term employment contract and 53 with an open-ended employment contract

Total number of employees by type of employment contract (permanent or temporary) and by region (also divided by location: head office and branches)

- 3 employees with a fixed-term employment contract, out of which 1 works at the head office and 2 work in the branches
- 129 employees with an open-ended employment contract, out of which 47 work at the head office and 82 work in the branches

Total number of employees by type of employment (full-time or part-time) and by gender

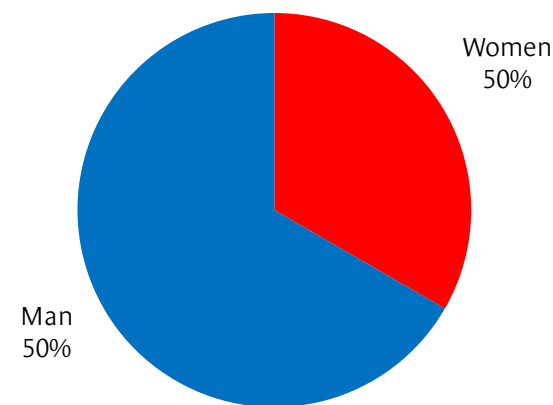
- 56 employees with a full-time employment contract, out of which 35 women and 21 men
- 76 employees with a part-time employment contract, out of which 44 women and 32 men



9
active employees

At the end of 2020, SAI PATRIA ASSET MANAGEMENT SA had a number of 9 active employees, out of which:

Total number of employees by type of employment contract (permanent or temporary) and by gender



3 women with an open-ended employment contract

4 men with an open-ended employment contract

2 men with a fixed-term employment contract

Total number of employees by type of employment contract (permanent or temporary) and by region:

- 7 employees work at the Bucharest office, out of which 5 employees have an open-ended employment contract and 2 employees have a fixed-term employment contract
- 2 employees work at the Sibiu office and have an open-ended employment contract

Total number of employees by type of employment (full-time or part-time) and by gender

- 8 employees with a full-time employment contract, of which 3 women and 5 men;
- 1 male employee with a part-time employment contract

New Employees and Staff Turnover

In 2020 the Bank had a 20% staff turnover



106
people were hired

Total number of employees recruited by the company during the reporting period, by gender and age:

- 21 men, out of which 15 aged between 30 and 50 years and 6 under 30 years
- 85 women, out of which 64 aged between 30 and 50 years, 15 under 30 years and 6 over 50 years



26
people were hired

During 2020, 26 people were recruited (22 staff and 4 management), out of which

New hires by region:

- 10 at the head office
- 16 in the branches

New hires by gender:

- 18 women;
- 8 men

New hires by age group:

- Under 30 years: 8 employees
- Between 30 and 50 years: 16 employees
- Over 50 years: 2 employees



1
people were hired

During 2020, 1 person was recruited (1 staff and no management), out of which

- 1 woman
- Between 30 and 50 years: 1 employee

Total number of employees who left the company during the reporting period, by gender, age and region (if applicable)

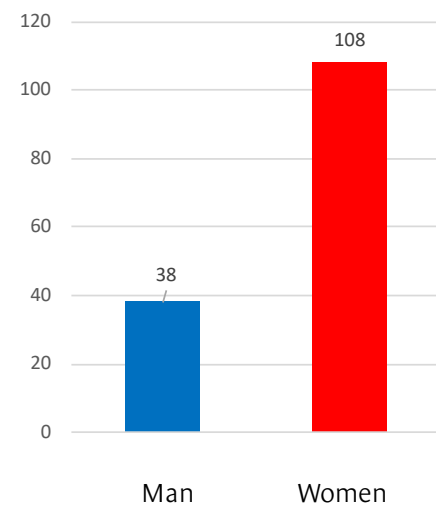
During the reporting period, 146 employment contracts were terminated, out of which



146
terminated

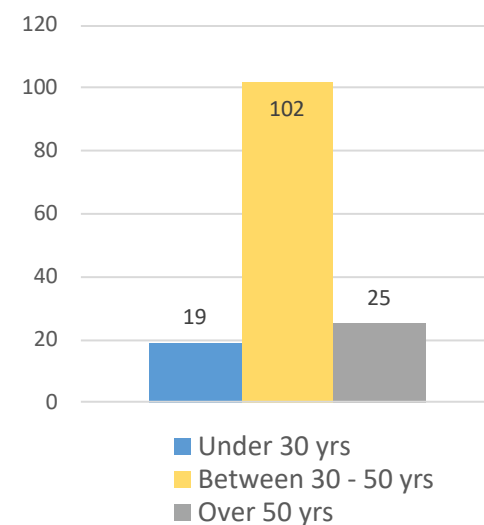
by gender:

- 108 women;
- 38 men



by age group:

- Under 30 years: 19 employees
- Between 30 and 50 years: 102 employees
- Over 50 years: 25 employees



0 terminated

During the reporting period no employment contract was terminated.
During the reporting period, there was no staff turnover.

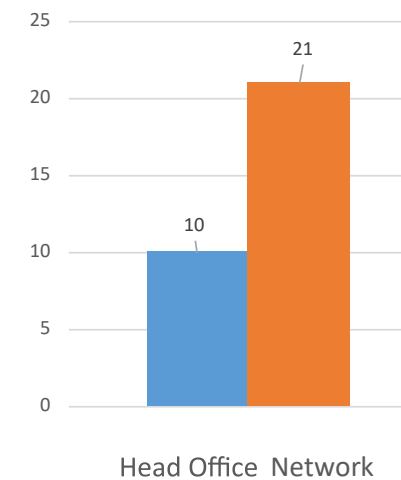


31
terminated

During the reporting period, 31 employment contracts were terminated (28 staff and 3 management), out of which:

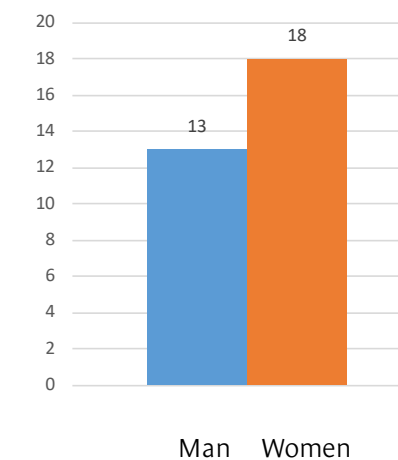
by region:

- 10 at the head office;
- 21 in the branches



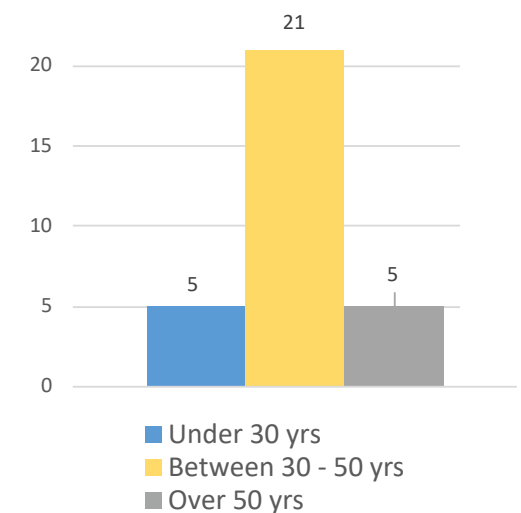
by gender:

- 18 women;
- 13 men



by age group:

- Under 30 years: 5 employees
- Between 30 and 50 years: 21 employees
- Over 50 years: 5 employees



Benefits for the Patria Group Employees

Employees receive the following benefits:

- The number of annual paid vacation days ranges between 21 and 25, depending on the employee's seniority
- Loans provided to Patria Group employees under favorable conditions
- Meal vouchers worth RON 15/day of work
- Christmas bonus worth RON 100 lei/employee

Benefits for the SAI Employees, Only SAI employees have the following additional benefits:

- The number of annual paid vacation days ranges between 21 and 27, depending on the employee's seniority
- Christmas bonus worth RON 150 lei/employee

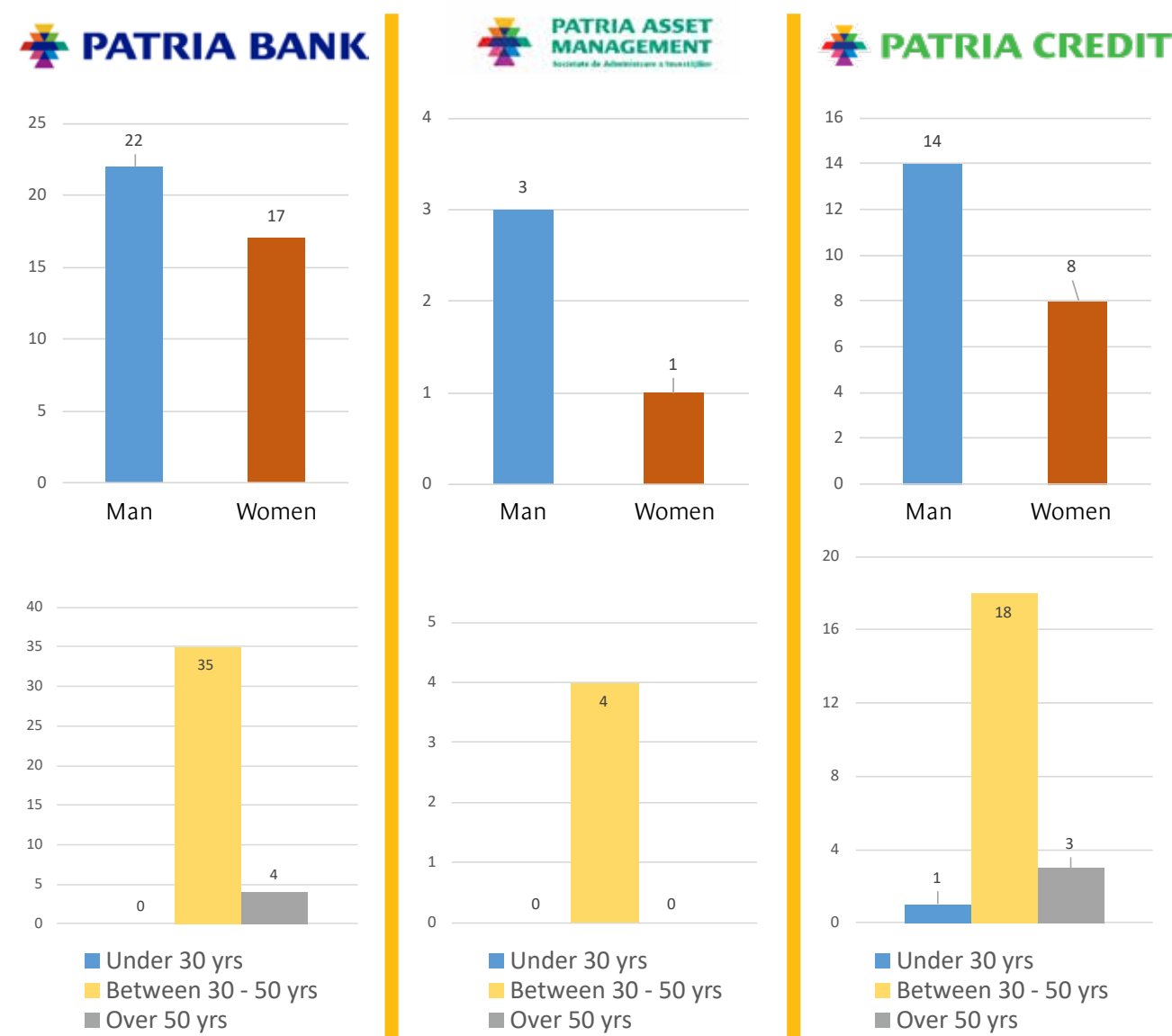
Diversity at Work

The Bank ensures that there is a balance in the candidates' selection process, both on managing and executive positions, ensuring a sufficiently diverse composition in terms of age, gender, education and professional experience.

Proposed objectives to ensure diversity:

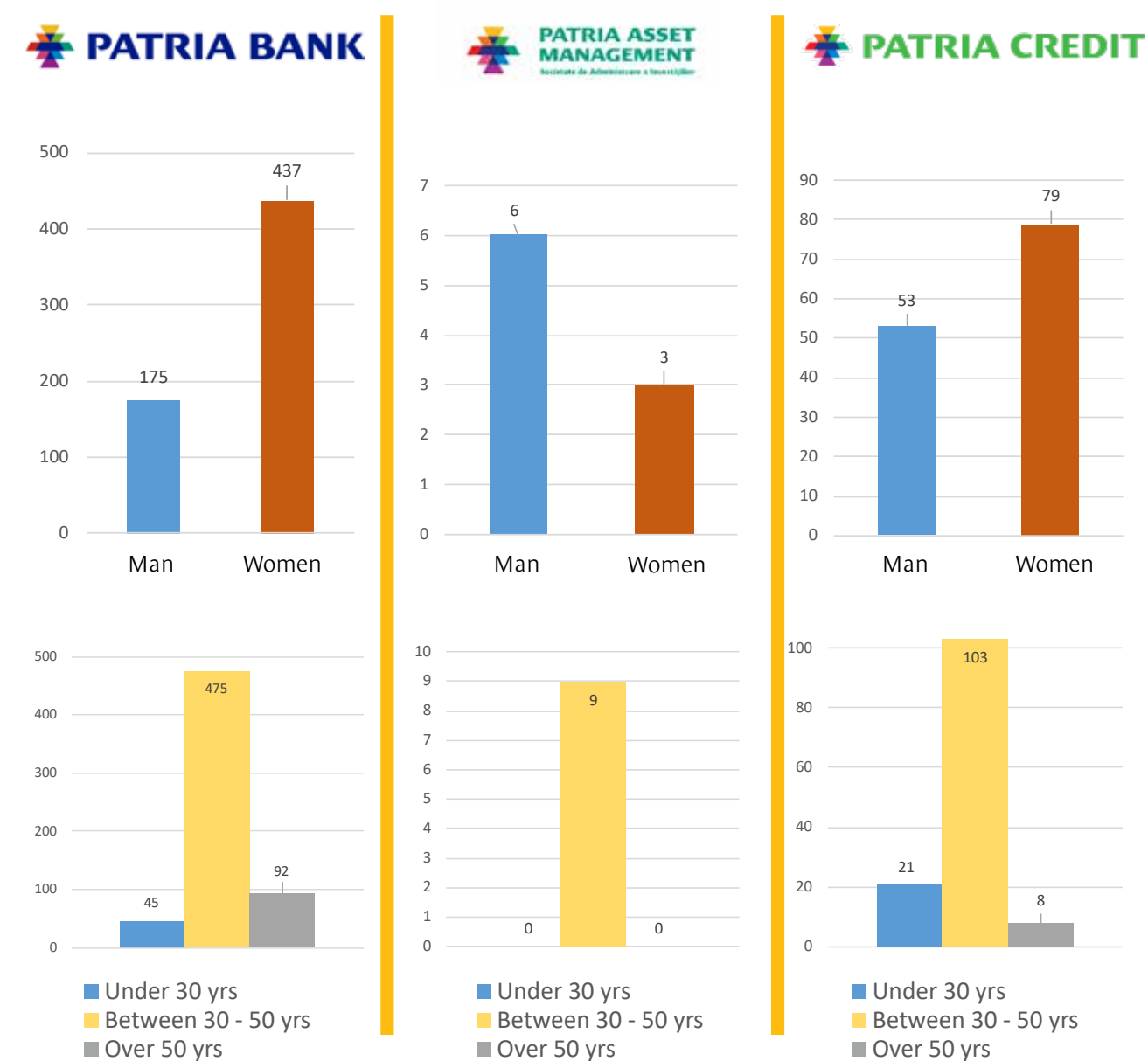
- Selecting people of both genres
- Selecting people whose studies cover different areas
- Selecting people whose experience covers different levels of leadership

Number and percentage of people in management positions in each of the following diversity categories

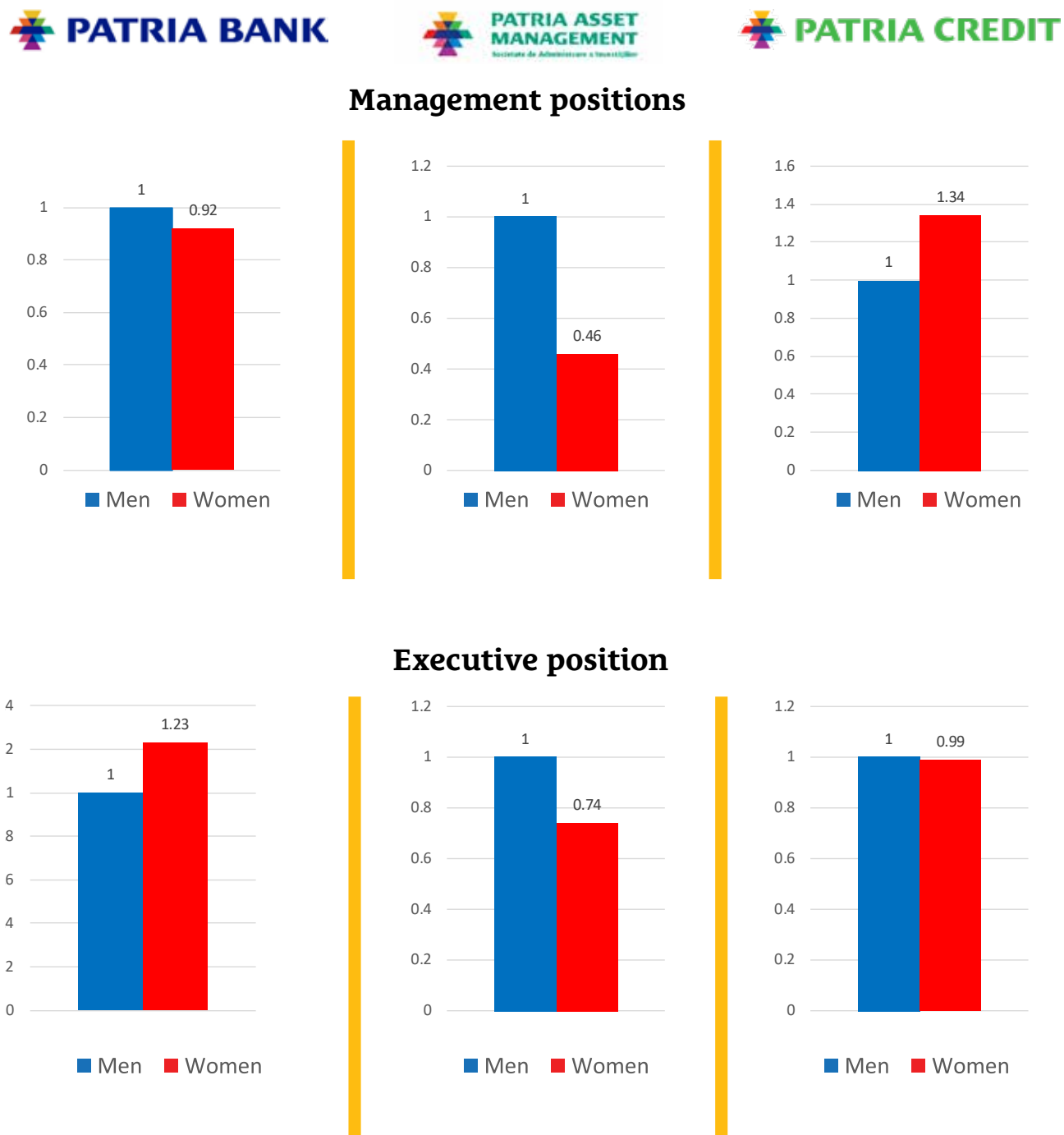


Diversity at Work

Number and percentage of staff by categories of employees in each of the following diversity categories



The ratio between men’s and women’s salaries, depending on their position in the company:



Patria Bank Policy on Employee Professional Development

During 2020, Patria Bank also continued to develop high ethical and professional standards in order to promote professional and responsible behavior among staff. This way it contributed to reducing the risks the organization faces.

Given the quarantine which was introduced in Romania for two consecutive months and subsequently the state of emergency that was accompanied by a package of regulations focused on social distancing and restricting business meetings / training, Patria Bank rescheduled the initial training plan for the second half of 2020.

These government decisions had an impact on the training indicators and the average number of training hours per employee was adjusted to 60% of the initial plan in order to protect the Bank employees and immediate community.

The training activity had to be conducted with an emphasis on employee, as well as customer safety, so online training activities were introduced, using remote communication technology (video conferencing, online courses and tests).

Training program statistics :

- Average number of training hours in 2020 (per year/ per employee, by gender): Men – 2 h; Women – 1 h (total number of employees: 612);
- Average number of training hours (per year/per employee depending on the position they hold): Managers: 2.04 h; Division Managers: 1.26 h; Staff: 0.84 h
- Types of training provided to the employees:
 - In-house, focused on hard skills (workshops, business presentations focused on PBK products, services (IB, WU, etc.), meetings on how to strategically approach the target market, etc.) and soft skills (communication, customer care, sales)
 - External: certifications (such as GDPR, Security Info, Romanian Banking Institute, National Association of Romanian Authorized Valuers - ANEVAR, etc.), hard skills – acquisition of specialized knowledge (such as legal, operational risk, IFRS9, KYC/AML, ethics, etc.) and soft skills (such as leadership, persuasive negotiation, sales, customer service skills, etc.)

In 2020, the Board of Directors decided that the performance evaluation process should be postponed until the following year, given the major changes that occurred in the strategic business objectives that were reflected in the

quantitative and qualitative professional objectives of the employees. Since the emergency and alert period had a major impact on the staff's individual results, their evaluation against the initial objectives is no longer adequate.

Organizational Policy on Employee Professional Development.

During 2020, Patria Bank continued the series of professional development programs with a view to promote responsible and professional behaviours at the bank level. 2020 brought the implementation of new training programs dedicated to acquiring specialized banking knowledge, as well as programs with an impact on the development of leadership, negotiation and communication skills and the interactions with internal and external customers.

A significant part of the in-house training moved to online sessions that ended with tests that verified the degree of knowledge acquisition. 80% of the employees went through at least one online study program that ended with a test. We noted the importance of Induction programs dedicated to new hires. The process of integration in the organization was done completely through online sessions (synchronously and asynchronously). Online libraries of specific materials per employee category were created. After studying the materials, the employees took part in tests to verify the knowledge they gained.

The new programs implemented and customized to business lines and types of activity were highly interactive, including the online sessions, and they contained new personal development tools that were met with great success among the participants. Many such programs have a follow-up in 2021. It is also worth noting the implementation of business – coaching sessions within classical programs, provided by in-house certified experts. These sessions were also in high demand and much appreciated.

Bank Policy on Optimal Working Conditions in the Context of the Pandemic

The Bank provided all the necessary personal protective materials (masks, gloves, protective screens) to all its branches and offices. At the same time we introduced additional sanitation measures and new rules for interaction with the customers in the Bank branches. All these measures aimed to enable the Bank to operate continuously and optimally and employees to practice social distancing at work. We also reduced the customer working hours, but kept serving all the customers through digital channels (telephone and e-mail). In parallel, the Bank continued to operate through staff rotation. The increase of telework and the flexibility of the work schedule provided the employees with increased confidence and security to continue to operate under optimal parameters, while limiting to the maximum the cases of illness among employees.

Community Involvement



Community Involvement Strategy

2020 was the year of the pandemic. This was reflected also in the level of involvement in the Patria communities, whether we are talking about the internal or external community. We focused on three main directions:

Projects

Educational and support projects for farmers

We Grow Romania Together

The pandemic increased the distance between small entrepreneurs and final customers as it initially affected the distribution channels. Under these circumstances, we continued our partnership with the “Creștem România Impreună” (“We Grow Romania Together”) Association in order to expand the www.malltaranesc.ro (“Peasant Mall”) platform and we initiated a new project, “Coșul Săptămânal” (“The Weekly Basket”). These were new ways to help households and agricultural producers to distribute their products.



Vegetables, fruits and other goodies right to your home

Also, the Patria Credit IFN SA initiative to create a space for promotion, exhibition and sale of small farmers' products took the form of a Facebook group and became an alternative channel of online orders for fruit and vegetable producers and traders. The Legume, fructe și alte bunătăți, direct acasă group (“Vegetables, fruits and other goodies right to your home”) is available here.



Association of Farmers' Market Managers of Romania

In 2020 Patria Bank continued to support the efforts of the Association of Farmers' Market Managers of Romania and it highlighted the importance and need to maintain the farmers' markets open to the general public.



Foundation for Agriculture Development

We laid the foundation of a strategic partnership for vegetable farming with the Foundation for Agriculture Development, established by Carrefour, and we signed a strategic protocol for 5 years, aiming to:



- Support the development of small agricultural producers and vegetable farmers in rural areas through a joint, constant and dedicated effort
- Promote and support the creation of farmers' associations, a desideratum in agriculture. This topic has been on the public agenda for many years and it can happen through concentrated, joint endeavors of private companies

that have assumed the role of active promoters and supporters of agricultural producers

- Support the effort to increase the degree of association and stimulate solutions for the sale of vegetable production.

“For the Patria Bank Group, joining this initiative is a natural continuation of what we have been doing for years: we support agricultural producers, vegetable producers and large farmers. In our experience of over 15 years of grassroots work, we have seen how communities grow and prosper when economic and agricultural activity develops. And as often one single effort, from one direction, is not enough, it is important to come together, several players in agriculture, to generate a greater impact. This is what we want to achieve by entering into this strategic partnership: to join forces, with financial resources and complementary skills for a common goal: to create an ecosystem through which agricultural producers have access to resources that help them at all the stages of the production and distribution process.” said **Daniela Iliescu, Patria Bank General Manager**

“I think it is time for us, who work closely with agricultural producers - retailers, lenders, insurers, input producers, etc., to set an example of association and joint work. By bringing together resources and know-how we can stimulate the association of agricultural producers and increase the autonomy and power of cooperatives and associations. Everything should be specific and pragmatic, with actions and interventions that should have a real impact. At Patria Credit, we have created and developed models of support and association that have led to the development of rural communities and we will bring

this knowledge to the partnership with the Foundation for Agriculture Development.” stated **Raluca Andreica, Patria Credit General Manager**.

World Vision

We have also initiated a partnership with World Vision in order to support agricultural education and the "Proud to Be a Farmer" program, set to be developed and implemented in 2021.



Projects

NGO Community Support

Redirectioneaza.ro

Through the Code4Romania Association, the partner with whom we contribute to changing the community we belong to, we supported the Redirectioneaza.ro (“Redirect.ro”) platform that recorded a significant increase in 2020. (The extension of the deadline for submitting the 230 Income Tax Redirection Form helped a lot in this regard.) At the end of 2020 the platform hosted almost 2,000 NGOs and supporters filled in over 10,000 income tax redirection forms. A promotional campaign was carried out with the support of the bank, to employees, online but also in the network of branches all over the country.

3,5%

REDIRECTIONEAZA.RO

Social and Volunteering Projects

Give Life Association

As a gesture of solidarity with the efforts of the healthcare system and support for the purchase of medical equipment needed in hospitals and healthcare centers, the Patria Bank Group financially supported the efforts of the Asociația Dăruiește Viața (“Give Life Association”) to purchase equipment and distribute it according to the priorities identified countrywide.

Dăruiește Viață



Code 4 Romania's

In the same pandemic context, aware of the importance of correct public information and transparent dissemination of this information, we joined Code 4 Romania's efforts to support the development of the <https://cineceface.ro/institutii-publice> portal (“Who does what/Public Institutions”). This is an addition to the ecosystem of Task Force applications designed to combat the effects of the Covid-19 pandemic.



Together with the Bucharest Community Foundation

Together with the Bucharest Community Foundation, we continued to contribute to the support fund for serious medical cases, meant to support people, including co-workers who go through tough times due to medical conditions.

FUNDAȚIA
COMUNITARĂ
BUCUREȘTI

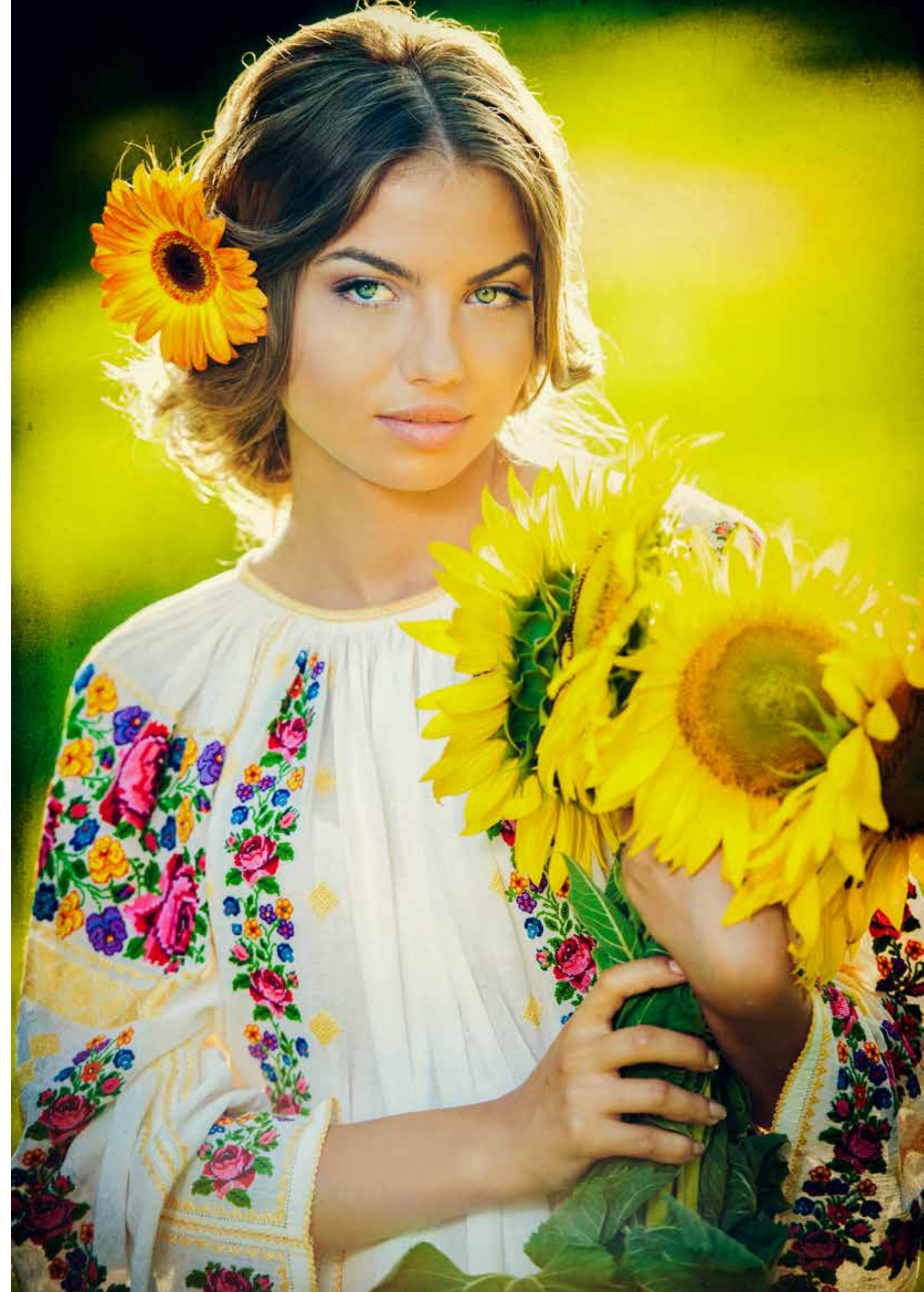
Volunteering.

In 2020 the Patria employees' volunteer involvement in social causes, blood donation and their participation in sporting events were severely affected because of the pandemic context and the importance of complying with physical distancing rules.

Through #PatriaFaptelorBune („the Patria of Good Deeds”), several co-workers from Patria Bank volunteered to buy Christmas gifts for children who study at a school in Valcea County and took part in the Letters to Santa Program initiated by World Vision. 35 children from Stoilești still believe in Santa Claus thanks to the contribution of #OamenilorPatria (“Patria People”)

Total Investment

In 2020 the Patria Bank and Patria Credit community financial support amounted to about EUR 75,000 in total.





THE CONTEXT

THE CONTEXT

In order to identify the impact on customers responsibility towards the environment, the company classifies their activities according to their field of activity



Evaluation of Funding Applications Using Environmental Compliance Criteria

In order to identify the impact of the customers' activities on the environment, the company classifies them according to their field of activity, as follows

Class A: customers who carry out activities with a strong adverse impact on the environment, which can be considered irreversible. This category comprises activities that can affect the environment on a great scale, such as: construction of reservoirs, production of chemicals such as pesticides, herbicides and so on, forestry and mining activities and so on.

Class B: customers who carry out activities with a low, but specific impact on the environment and which can rarely have irreversible effects. This category includes activities that use in the production process chemicals that can affect the environment, such as textile production, metal processing, food processing and so on.

Class C: customers who carry out activities with a minimal or non-existent impact on the environment: consulting services, technical assistance, IT systems development, food and non-food shops, small farms and so on.

Classification in these classes is based on two criteria:

1. **CANE Code** - the company classifies these final beneficiary codes depending on their field of activity and impact on the environment, as described above.
2. **Site visits** by Credit Counselors/ Officers.

In the case of loans provided by PATRIA CREDIT IFN, following the site visit and discussions with the customers, our employees fill in a questionnaire titled “Environmental Impact”, which specifies both the activities that have an impact on the environment and the actions to be undertaken by the customers in order to reduce the negative impact, which the customers commit to implement.

In case the risk class is:

Class A

customers in this category, which have the potential to negatively impact the environment, will not receive a loan unless they have all the authorizations/licenses necessary to operate.

Class B

customers in this impact category will be subject to an annual monitoring process

Class C

customers are eligible for credit from an environmental impact point of view, customers are eligible for credit from an environmental impact point of view and don't require further action.

For activities that are included in risk class A, B or C, that require additional measures meant to reduce the negative impact on the environment, Credit Counselors/ Officers propose actions agreed upon with the customers whose ultimate goal is to reduce it.

The classification of customers by type of activity and CANE code in order to identify the environmental impact does not apply to the PATRIA ASSET MANAGEMENT customers

Supplies Used in Operations

Total volume of office supplies used in the Bank's operations

- Approximately 29.6 tons of paper were used by the bank in 2020, down 18% compared to 2019. We estimate that the drop will increase in 2021, with the expansion of the digitization process at Patria Bank.



The Organization's Policy Regarding the Procurement of Office Supplies Used in Operations

The centralized and uniform management of the procurement of goods, works and/or services is designed to ensure an effective approach and adequate monitoring and control of the procurement of goods, works and/or services by the Bank, as well as of the expenditures incurred.

The principles underlying the award of contracts are:

- Non-discrimination
- Equal treatment
- Transparency
- Promoting competition
- Mutual recognition
- Planning
- Standardization
- Applying best practices
- Efficient use of available funds
- Taking responsibility
- Ethics, conduct and social responsibility.

The process of procurement of goods, works and/or services must meet a series of criteria determined according to the specificity of each good/work/service, such as, but not limited to:

- To meet the Bank's needs in terms of quantity and quality
- To obtain an optimal price-quality ratio
- To be compatible with the bank's systems, if

applicable, depending on the type of procurement

- If the purchase is repetitive, it will take into account the Bank's existing contracts for that particular type of goods/works and/or services
- Providers who have relevant experience for the purchased goods, works and/or services will be used
- The evaluation of entering into a business relationship with a potential supplier will be conducted based on an analysis that takes into account financial, business, and technical and risk elements. Contractual relationships with suppliers will be evaluated annually in order to determine the timeliness and need to continue such collaborations.

For 2020, we aim for an internal regulation of the procurement process that involves compliance with the principle of traceability of goods / products / services, as well as that of treating employees with dignity.



CORPORATE SOCIAL RESPONSIBILITY REPORT
TOGETHER FOR A SUSTAINABLE PATRIA BANK!
2020



CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020 (All amounts are in thousand RON)

<i>Thousand RON</i>	Note	Group		Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Interest and similar income calculated using the effective interest rate	8	170,506	173,477	150,125	155,720
Interest and similar expense	8	(49,822)	(43,616)	(45,770)	(40,119)
Net interest income	8	120,684	129,861	104,355	115,601
Fee and commission income	9	28,986	31,716	28,285	30,814
Fee and commission expense	9	(5,007)	(5,400)	(3,880)	(4,090)
Net fee and commission income	9	23,979	26,316	24,405	26,724
Net gain/(loss) from financial assets measured at fair value through profit or loss	10	5	1,786	(108)	1,353
Net gain/(loss) from disposal of investment securities at fair value through other comprehensive income	11	5,095	4,275	5,095	4,275
Net gain/(loss) on derecognition of financial assets measured at amortised cost		(475)	(1,539)	(475)	(1,539)
Net gains/(losses) on investment properties	23	(524)	(3,160)	(524)	(1,535)
Net gains/(losses) on non-current assets held for sale	24	936	1,103	936	1,085
Other operating income	12	15,811	17,064	19,565	21,050
Net Operating income		165,511	175,706	153,249	167,014
Personnel expenses	14	(63,150)	(68,408)	(57,502)	(63,556)
Administrative and other operating expenses	15	(46,655)	(58,495)	(43,144)	(53,474)
Depreciation and amortization	28,29	(24,019)	(22,691)	(22,889)	(22,230)
Operational result before impairment		31,687	26,112	29,714	27,754
Net charge with impairment of financial assets	13	(24,793)	(16,404)	(23,604)	(16,549)
Profit before tax		6,894	9,708	6,110	11,205
Income tax charge for the year	16	(4,003)	(6,292)	(3,313)	(5,873)
Net profit for the period		2,891	3,416	2,797	5,332

This version of our report 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 or opinions, the original language version of our report takes precedence over this translation.

CONSOLIDATED AND SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020 (All amounts are in thousand RON)

<i>Thousand RON</i>	Note	Group		Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Net profit for the period		2,891	3,416	2,797	5,332
Other elements of the comprehensive income					
Items that may be reclassified to profit or loss:					
Gains on debt instruments measured at FVOCI, recycled in the profit or loss account		(5,095)	(4,275)	(5,095)	(4,275)
Gains from fair value measurement of debt instruments measured at FVOCI		11,829	11,445	11,829	11,445
Variation of expected credit loss related to debt instruments measured at FVOCI		38	(12)	38	(12)
Income tax recorded directly in other comprehensive income		(461)	(1,152)	(461)	(1,152)
Items that may not be reclassified to profit or loss:					
Changes in revaluation reserve of property		-	(2,198)	-	(2,198)
Income tax recorded directly in other comprehensive income, related to the changes of revaluation reserve		422	1,558	422	1,558
Gain on equity investments measured at FVOCI		794	5,904	794	5,904
Income tax recorded directly in other comprehensive income, related to investments measured at FVOCI		(127)	(945)	(127)	(945)
Losses from the liquidation of subsidiaries		(265)	-	-	-
Other elements of the comprehensive income, net of tax		7,135	10,325	7,400	10,325
Comprehensive income		10,026	13,741	10,197	15,657
Profit attributable to:					
-Equity holders of the parent entity		2,891	3,416	2,797	5,332
-Non-controlling interests		-	-	-	-
Profit for the period		2,891	3,416	2,797	5,332
Comprehensive income attributable to:					
-Equity holders of the parent entity		10,026	13,741	10,197	15,657
-Non-controlling interests		-	-	-	-
Comprehensive income		10,026	13,741	10,197	15,657
Earnings per share (basic and diluted)	39	0.0009	0.0011	0.0009	0.0017

The financial statements were approved by the Board of Directors on the 24th of March 2021 and were signed on its behalf by:

Daniela Iliescu
General Manager

Valentin Vancea
Deputy General Manager

This version of our report 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 or opinions, the original language version of our report takes precedence over this translation.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(All amounts are in thousand RON)

<i>Thousand RON</i>	<i>Note</i>	Group		Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Assets					
Cash and cash equivalents	17	354,793	437,958	350,943	428,495
Financial assets measured at fair value through profit or loss	18	54,155	58,293	28,101	31,046
Financial asset measured at fair value through other items of comprehensive income	19	609,936	445,338	609,936	445,338
Due from other banks	20	7,428	5,683	7,428	5,683
Loans and advances to customers	21	1,861,888	1,653,586	1,778,298	1,588,274
Investments in debt instruments at amortized cost	22	319,532	340,759	319,532	340,759
Investment property	23	115,823	130,302	115,823	130,100
Fixed assets held for sale	24	19,936	7,417	19,936	7,417
Investment in subsidiaries	25	-	-	33,322	30,469
Other financial assets	26	9,428	8,270	10,070	8,591
Other assets	27	11,551	12,322	10,656	11,197
Deferred tax assets	16	13,515	16,914	13,320	16,800
Intangible assets	28	45,877	45,763	44,882	44,377
Property and equipment	29	89,961	108,589	87,761	105,265
Total assets		<u>3,513,823</u>	<u>3,271,194</u>	<u>3,430,008</u>	<u>3,193,811</u>
Liabilities					
Due to other banks	30	37,459	18,627	37,459	18,627
Customer deposits	31	2,898,050	2,728,114	2,904,771	2,733,713
Loans from banks and other financial institutions	32	56,562	46,772	-	-
Other financial liabilities	33	82,406	86,455	45,233	47,655
Provisions	34	8,444	8,724	8,022	8,348
Other liabilities	35	3,918	5,527	3,595	4,965
Subordinated debts	36	34,555	34,348	24,403	23,951
Debt securities in issue	37	62,797	23,021	62,797	23,021
Total liabilities		<u>3,184,191</u>	<u>2,951,588</u>	<u>3,086,280</u>	<u>2,860,280</u>
Equity					
Share capital and equity premiums	38	315,829	315,829	315,829	315,829
Merger premium	38	(67,569)	(67,569)	(67,569)	(67,569)
Treasury shares	38	(1,134)	(1,134)	-	-
Accumulated losses	38	(15,253)	(24,184)	(579)	(9,595)
Revaluation reserve	41	55,028	54,238	53,316	52,440
Reserves for general banking risks	41	15,301	15,301	15,301	15,301
Statutory legal reserve	41	12,752	12,447	12,752	12,447
Other reserves	41	14,678	14,678	14,678	14,678
Total equity		<u>329,632</u>	<u>319,606</u>	<u>343,728</u>	<u>333,531</u>
Total liabilities and equity		<u>3,513,823</u>	<u>3,271,194</u>	<u>3,430,008</u>	<u>3,193,811</u>

The financial statements were approved by the Board of Directors on the 24th of March 2021 and were signed on its behalf by:

Daniela Iliescu
General Manager

Valentin Vancea
Deputy General Manager

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CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in thousand RON)
Group

<i>Thousand RON</i>	Share capital	Merger premium	Treasury shares	Revaluation reserves for financial assets at FVOCI	Revaluation reserve for property	Statutory legal reserve	Reserves for general banking risks	Other reserves	Accumulated losses	Total equity attributable to the parent	Non-controlling interest	Total equity
Balance at 1 January 2020	315,829	(67,569)	(1,134)	8,575	45,663	12,447	15,301	14,678	(24,184)	319,606	-	319,606
Restatement at 1 January	-	-	-	(3,886)	-	-	-	-	3,886	-	-	-
Adjusted balance at 1 January	315,829	(67,569)	(1,134)	4,689	45,663	12,447	15,301	14,678	(20,298)	319,606	-	319,606
Comprehensive income												
Profit for the period	-	-	-	-	-	-	-	-	2,891	2,891	-	2,891
Other comprehensive income												
Net gain related to FVOCI debt instruments recycled in profit or loss account	-	-	-	(4,281)	-	-	-	-	-	(4,281)	-	(4,281)
Expected credit loss related to FVOCI debt instruments	-	-	-	38	-	-	-	-	-	38	-	38
Net gains from the measurement at fair value of debt instruments FVOCI	-	-	-	10,554	-	-	-	-	-	10,554	-	10,554
Net profit on FVOCI equity instruments	-	-	-	667	-	-	-	-	-	667	-	667
Changes in the reserve for the revaluation of property	-	-	-	-	422	-	-	-	-	422	-	422
Losses from the liquidation of subsidiaries	-	-	-	-	(86)	-	-	-	(179)	(265)	-	(265)
Total comprehensive income	-	-	-	6,978	336	-	-	-	2,712	10,026	-	10,026
Revaluation reserve realized	-	-	-	-	(2,638)	-	-	-	2,638	-	-	-
Establishment of legal reserves	-	-	-	-	-	305	-	-	(305)	-	-	-
Balance at 31 December 2020	315,829	(67,569)	(1,134)	11,667	43,361	12,752	15,301	14,678	(15,253)	329,632	-	329,632

In 2020, the Group corrected its accounting treatment for VISA INC shares in accordance with IFRS 9. These were reclassified from financial assets measured at fair value through other comprehensive income to financial assets measured at fair value through profit or loss and the measurement was adjusted accordingly to reflect the appropriate asset category.

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CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in thousand RON)
Group

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

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CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in thousand RON)

Bank

<i>Thousand RON</i>	Share capital	Merger premium	Revaluation reserves for financial assets at FVOCI	Revaluation reserve for property	Statutory legal reserve	Reserves for general banking risks	Other reserves	Accumulated losses	Total equity
Balance at 1 January 2020	315,829	(67,569)	8,575	43,865	12,447	15,301	14,678	(9,595)	333,531
Restatement at 1 January	-	-	(3,886)	-	-	-	-	3,886	-
Adjusted balance at 1 January	<u>315,829</u>	<u>(67,569)</u>	<u>4,689</u>	<u>43,865</u>	<u>12,447</u>	<u>15,301</u>	<u>14,678</u>	<u>(5,709)</u>	<u>333,531</u>
Comprehensive income									
Profit for the period	-	-	-	-	-	-	-	2,797	2,797
Other comprehensive income									
Net gain related to FVOCI debt instruments recycled in profit or loss account	-	-	(4,280)	-	-	-	-	-	(4,280)
Expected credit loss related to FVOCI debt instruments	-	-	38	-	-	-	-	-	38
Net gains from the measurement at fair value of debt instruments FVOCI	-	-	10,554	-	-	-	-	-	10,554
Net profit on FVOCI equity instruments	-	-	667	-	-	-	-	-	667
Changes in the reserve for the revaluation of property	-	-	-	421	-	-	-	-	421
Total comprehensive income	-	-	6,979	421	-	-	-	2,797	10,197
Establishment of legal reserves	-	-	-	-	305	-	-	(305)	-
Revaluation reserve realized	-	-	-	(2,638)	-	-	-	2,638	-
Balance at 31 December 2020	315,829	(67,569)	11,668	41,648	12,752	15,301	14,678	(579)	343,728

In 2020, the Bank corrected its accounting treatment for VISA INC shares in accordance with IFRS 9. These were reclassified from financial assets measured at fair value through other comprehensive income to financial assets measured at fair value through profit or loss and the measurement was adjusted accordingly to reflect the appropriate asset category.

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CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in thousand RON)
Bank

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

The financial statements were approved by the Board of Directors on the 24th of March 2021 and were signed on its behalf by:

Daniela Iliescu
General Manager

Valentin Vancea
Deputy General Manager

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**CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR
ENDED 31 DECEMBER 2020
(All amounts are in thousand RON)**

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash flows from operating activities				
Interest received	157,478	170,643	143,204	156,993
Interest paid	(52,202)	(39,818)	(47,751)	(36,411)
Fees and commissions received	28,986	31,716	28,285	30,814
Fees and commissions paid	(5,007)	(5,400)	(3,880)	(4,090)
Gain / (Loss) from financial derivatives	(1,094)	54	(1,094)	115
Net gain from financial instruments and other operating income	3,753	(5,902)	3,375	(7,871)
Recoveries from off balance sheet items	5,835	23,804	5,819	23,749
Cash payments to employees	(63,627)	(68,820)	(58,131)	(63,907)
Cash payments to suppliers	(46,695)	(58,924)	(43,199)	(53,961)
Income taxes paid	(2,126)	(876)	(1,346)	-
Net cash-flow from operating activities before changes in operating assets and liabilities	25,301	46,477	25,282	45,431
Changes of operating assets				
<i>(Increase)/Decrease of:</i>				
- loans and advances to banks	(2,100)	(66)	(2,111)	(66)
- financial assets measured at fair value through profit or loss	4,114	18,368	2,921	(10,637)
- loans and advances to customers	(217,556)	(87,694)	(204,061)	(76,218)
- other financial assets	(903)	12,622	(1,466)	14,637
Total changes of operating assets	(216,445)	(56,770)	(204,717)	(72,284)
Changes of operating liabilities				
<i>Increase/(Decrease) of:</i>				
- due to other banks	18,814	11,668	18,814	11,667
- deposits from customers	164,056	(331,155)	165,180	(333,130)
- other financial liabilities	(1,051)	(47,324)	1,436	(14,765)
Total changes of operating liabilities	181,819	(366,811)	185,430	(336,228)
Net cash flow from / (used in) operating activities	(9,325)	(377,104)	5,995	(363,081)
Cash flows from investing activities				
Acquisition of investment securities at FVOCI	(662,815)	(326,623)	(662,815)	(326,623)
Proceeds from investment securities at FVOCI	518,602	538,908	518,602	534,034
Acquisition of equity instruments	-	-	(4,020)	-
Proceeds from sale of equity instruments	410	-	669	-
Purchase of investments at amortized cost	-	(23,726)	-	(23,726)
Maturities of investments at amortized cost	24,141	54,706	24,141	54,706
Proceeds from dividend	1,885	1,721	5,904	8,786
Sale of investment property and non-current assets held for sale and premises	17,150	27,769	18,122	25,355
Acquisition of tangible and intangible assets	(22,516)	(21,893)	(23,507)	(18,796)
Net cash from investing activities	(123,143)	250,862	(122,904)	253,736
Cash flows from / (used in) financing activities				
Withdrawals from loans from other financial institutions	20,691	17,079	-	-
Repayments of loans from other financial institutions	(10,743)	(7,802)	-	-
Subordinated debt	-	10,396	-	-
Issuance of debt securities	39,128	23,430	39,128	23,430
Net cash generated from financing activities	49,076	43,103	39,128	23,430
Effect of exchange rate changes on cash and cash equivalents	227	3,661	229	3,663
Net (decrease) in cash and cash equivalents	(83,165)	(79,478)	(77,552)	(82,252)
Cash and cash equivalents at 1 January	437,958	517,436	428,495	510,747
Cash and cash equivalents at 31 December	354,793	437,958	350,943	428,495

The financial statements were approved by the Board of Directors on the 24th of March 2021 and were signed on its behalf by:

Daniela Iliescu
General Manager

Valentin Vancea
Deputy General Manager

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1. REPORTING ENTITY

As at 31 December 2020, the Structure of the Patria Bank Group is the following:

- **Patria Bank S.A. – Parent company**– “The Bank / PBK” is a Romanian credit institution resulted from the merger by absorption between the former Banca Comerciala Carpatica S.A. (as an absorbing entity) and former Patria Bank S.A. (as an absorbed entity), which took place on 1st of May 2017. According to the decision of the General Meeting of Shareholders regarding the approval of the merger, the decision to change the name of the absorbing company from Banca Comerciala Carpatica S.A. in Patria Bank S.A. was implemented at the same time with the merger date.

The Registered office: 42, Pipera Road, Globalworth Plaza Building, 8 and 10 Floors, Bucharest, Sector 2, postal code 020112.

As at 31 December 2020 and 31 December 2019 the Bank is ultimately controlled by Emerging Europe Accession Fund Cooperatief U.A. (“EEAF”) sole owner of EEAF Financial Services B.V.. The main investors in EEAF are EBRD - European Bank for Reconstruction and Development, EIF - European Investment Fund (part of the European Investment Bank group), DEG - Deutsche Investitions- und Entwicklungsgesellschaft GmbH, Black Sea Trade and Development Bank.

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

- **Patria Credit IFN SA – Subsidiary** – (“IFN”) is a company registered in Romania since February 12, 2004 and it is authorized by the National Bank of Romania (“NBR”) to carry out lending activities. Starting with September 28, 2007, IFN is registered with the General Register of the NBR's Non-banking Financial Institutions (“IFN”), and as of February 26, 2008 Patria Credit IFN was also registered with the NBR Special Register.

Patria Credit IFN is specialized in rural lending and microfinance and it is under the control of Patria Bank SA (99,99%).

- **SAI Patria Asset Management SA (former SAI Carpatica Asset Management SA) – Subsidiary** - and the 4 managed investment funds - FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni, FDI Patria Euro Obligatiuni authorized by the Financial Supervision Authority (“FSA”) for the management of open investment funds. SAI Patria Asset Management SA together with the managed investment funds are under the control of Patria Bank SA by holding 99.99% of the share capital and voting rights of the subsidiary.
- **Carpatica Invest SA (undergoing dissolution) – Subsidiary** – Carpatica Invest S.A. with its headoffice in Sibiu, 5 Mihai Viteazu Street. Carpatica Invest S.A. was a financial investment services company, authorized, regulated and supervised by the FSA; Patria Bank SA holds 95.68% of its shares.

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The Financial Supervisory Authority has ruled to suspend the trading activity of SSIF Carpatica Invest SA, considering that the company is not compliant with the legal requirements regarding the level of own funds and the main shareholder at that time, Banca Comerciala Carpatica SA, decided to dissolve the company. Considering the dissolving decision and the insignificant impact of consolidating SSIF Carpatica Invest SA, the Group has decided to modify the scope of the consolidation by excluding Carpatica Invest SA for the 2019 and 2020 statements.

The criminal case no. 19883/3/2017 * a1, in which Carpatica Invest S.A. has the quality of defendant, is on the role of the Bucharest Court. By decision of 24.04.2018, it was ordered to suspend the dissolution or liquidation process, the measure which was challenged by the judicial liquidator and favorably resolved.

The continuation of the bankruptcy procedure depends on the solution adopted in the criminal case and the lifting of the seizure on the debtor's assets.

The insolvency case 2127/85/2016 pending before the Sibiu Tribunal has a deadline of 08.04.2021 and the criminal case is pending at the Bucharest Tribunal and has a deadline of 31.03.2021.

As at 31 December 2019 - The Group Patria Bank ("The Group") includes Patria Bank S.A. ("The Bank"/"PBK"), (resulted from the 2017 reverse merger between Banca Comerciala Carpatica and Patria Bank, former Nextebank until 2016), Patria Credit IFN SA ("IFN"), SAI Patria Asset Management SA (former SAI Carpatica Asset Management SA) together with the managed investment funds: FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni and FDI Patria Euro Obligatiuni, Imobiliar Invest SRL – undergoing liquidation and SSIF Carpatica Invest SA (in bankruptcy, ongoing insolvency procedure, unconsolidated). Patria Bank SA is the Parent company of the Group.

SC Imobiliar Invest SRL was liquidated in May 2020. The main activity was buying and selling of own real estate. The Bank decided the early dissolution and the voluntary liquidation of the company.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The accounts of the Group are maintained in RON in accordance with Romanian accounting law and National Bank of Romania's banking regulations. These accounts of the Group are defined hereafter as the statutory accounts.

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

Patria Bank Group prior to the merger was controlled by EEAF, the majority shareholder of Patria Bank SA, and the consolidation perimeter included the two banks: Patria Bank SA and Banca Comerciala Carpatica SA, as well as their subsidiaries .

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The highest level of consolidated financial statements are Patria Bank's consolidated financial statements, with Patria Bank being the highest parent of the Group.

Patria Bank SA as the entity resulted from the merger adopted as accounting policy applied to the merger process between Patria Bank SA and Banca Comerciala Carpatica SA the method of Predecessor accounting, according to which the financial statements of the entity resulted from the merger represent a continuation of the consolidated financial statements of the two pre-merger entities, resulting from the application of IFRS 3 which identifies the acquisition date as March 2016 and the buyer as Patria Bank SA.

b) Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of properties and equipment, financial assets at fair value through other comprehensive income, and financial instruments at fair value through profit or loss and non-current assets held for sale. The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented. For the preparation of these consolidated and separate financial statements, some comparatives were restated to present comparable information to the one reflected for 31 December 2020.

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

c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Patria Bank SA and all its subsidiaries for the year ended December 2020 and December 2019.

In the separate financial statements the Bank records the participations in subsidiaries separately at cost, less investment funds, which are measured at fair value – the unit value of the net asset and presented in the category Assets measured at fair value through profit and loss.

All balances between Group companies, transactions, income and expenses, losses and gains arising from transactions between Group companies are eliminated in full.

Subsidiaries are entities controlled by the Bank. An investor controls an investee when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The entities in the Group are incorporated in Romania, keep their accounting books and prepare their statutory financial statements as follows:

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- the Bank, SAI Patria Asset Management, FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni, FDI Patria EURO Obligatiuni in accordance with IFRS as adopted by the European Union;
- Patria Credit IFN SA , Imobiliar Invest S.R.L. in accordance with Romanian accounting regulations applicable to non-banking financial institutions.

The Group presents the non-controlling interest in its consolidated financial position within equity, separated from the equity of the parent company's owners.

The non-controlling interest is measured proportionally with the percentage held in the net assets of the subsidiary. Changes in a parent's ownership interest in a subsidiary, which do not result in the loss of parent control of the subsidiary, are reflected as equity transactions.

d) Going concern

The preparation of the consolidated and separate financial statements is based on the going concern assumption that involves management's assessments, estimates and hypotheses related to the income, expenses, assets, liabilities, cash flows, liquidity and capital requirements of the Bank and the Group. The uncertainty in relation to these hypotheses and estimates could determine results that require significant adjustments of the assets, liabilities and capital requirements in the future periods.

(1) Operational considerations

For the second consecutive year Patria Bank reports a profit and improves the Capital Adequacy Ratio in 2020 by more than 350 bps. The net profit of 2020 is RON 2.8 Million and was influenced by the pandemic context in which the predictability was very low and the volatility of macroeconomic conditions was high; these factors affected the financial result of 2020 and explain in part the contraction by RON 2.5 Million of the net result compared to the previous year.

Current results represent the cumulation of strategic decisions that the Bank has implemented, materializing in the following financial benchmarks reached in 2020:

- New loans granted in the amount of over RON 823 Million during 2020 (at a faster pace than the banking system average) which led to an increase in the portfolio of performing loans (stage 1 and stage 2) by 13%, respectively RON +191 Million compared to December 2019;
- Improving the bank's balance sheet structure by increasing the share of gross loans in total assets to 56% from 53% in December 2019 correlated with the continued development of a strong (retail) deposit base ;
- Optimization and reduction of operational expenses by 11%, RON -15.7 Million in 2020 compared to 2019 via process optimization and acceleration of digitalization;
- Thus, In 2020 the Bank managed to fully offset the contraction of operating revenues with the results from recalibration of costs, achieving an improved operating result before impairment than in 2019 despite the pandemic conditions of 2020.

Loans and Advances to Customers increased by 12%, or RON +190,024 Thousand, compared to December 31, 2019, this positive evolution being the result of the efforts of sales teams of all business lines: Micro, Agro, SME & Small Corporates and Retail which generated new loans in 2020 amounting to RON 823 Million. Optimizing balance sheet structure is an action that targets strategic goals by redistributing part of the excess liquidity into loans and advances to customers, leading to an increase of gross loans in total assets from 53% at December 31, 2019 to 56% at December 31, 2020.

The increase in the loan portfolio lead to an improvement of the gross loans / deposits ratio (66% as of 31 December 2020 compared to 62% as of 31 December 2019).

(2) Capital Ratios considerations

Strengthening the Bank's capital base during 2020

In order to improve the capital ratios imposed by the National Bank of Romania based on regulations applicable to EU credit institutions, in October 2020, Patria Bank placed an unsecured, non-convertible, subordinated bond offering, issued in Euros, in total amount of EUR 8,187,000.

The bonds were issued on October 05, 2020, with a nominal value of EUR 500 per bond, an 8-year maturity and a (fixed) interest rate of 6.50% / year.

On October 26, 2020, the National Bank of Romania has approved, at the Bank's request, the inclusion of the unsecured, subordinated, EUR denominated bonds, amounting to EUR 8,187,000 in Patria Bank's Tier 2 Capital. The bond issue was listed on the regulated market managed by the Bucharest Stock Exchange (BVB), based on a prospectus for admission to trading approved by the Financial Supervision Authority. The bonds started trading with the ticker PBK28E on December 16, 2020 and based on market price, there is no evidence of impairment.

As of 31 December 2020:

At individual level the Bank's Capital Adequacy Ratio (Total Capital Ratio) is 21.60%, being over the TSCR limit (11.35%) and over the minimum OCR limit of 13.85% (TSCR plus capital conservation buffer of 2.5%), registering an increase compared to 17.75% level at the end of 2019. The increase in the capital adequacy ratio was due to the increase in Tier 2 Equity that took place in October 2020 (as mentioned below) and the net positive result from 2020. The TSCR limit for the Total Capital Requirements has been decreased starting with December 2020 from 11.71% to 11.35% following the completion of the Surveillance and Evaluation Process (SREP) conducted by the National Bank of Romania in 2020.

The CET 1 ratio is 16.91%, above TSCR limit (6.38%) and above OCR limit (8.88%) and Tier 1 ratio is 16.91%, above TSCR limit (8.51%) and above OCR limit (11.01%).

At consolidated level the Group's Capital Adequacy Ratio (Total Capital Ratio) is 21.14%, being over the TSCR limit (11.41%) and over the minimum OCR limit of 14.91% (TSCR plus capital conservation buffer of 2.5% plus 1% systemic shock buffer, which was diminished in March 2019 from 2% level to 1%). The level of the systemic buffer of 1% is set according to the current NBR methodology for the calculation of one of the parameters that define the matrix of the systemic shock buffer i.e. of the NPL coverage ratio.

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In March 2019 the regulation covering the calculation methodology of the NPL coverage ratio specifically applicable to banks which acquired loan portfolios (of which value incorporated a market value adjustment) has been modified (through NBR Order 2/26.02.2019 published in the Official Gazette no.213 Part I/18.03.2019). The Bank is qualifying for the level of 1% systemic risk buffer at the end of 2020. This had a positive impact in the level of minimum capital requirements at consolidated level.

The CET 1 ratio is 16.40%, above TSCR limit (6.42%) and above OCR limit (9.92%) and Tier 1 ratio is 16.40%, above TSCR limit (8.56%) and above OCR limit (12.06%).

At the date when the consolidated and separate financial statements are authorized for issue, the Bank complies with capital ratios requirements.

(3) Other considerations

During 2020 the Bank has implemented a set of measures to comply with the provisions of NBR requirements addressed to the Bank. These requirements address operational as well as business aspects and their implementation comes in line with management's objectives.

The management of the Bank believes that it is appropriate for the going concern principle to be applied in the preparation of the consolidated and separate financial statements, due to the plans to continue growing the business while optimizing the cost base such that the Bank achieves sustained profitability, the strengthening of the tier 2 capital base and its comfortable liquidity position. These factors are set out below:

i) Business plan for 2021

For 2021, the Bank plans to leverage on the income drivers developed during 2019 and 2020, as it plans to continue to increase the weight of the higher yielding assets (loans to customers) in its total assets, implying also a corresponding increase of the risk weighted assets. The increase in the size of the loan portfolio is expected to lead to an increase of the operating income of the Bank, while in parallel the management aims to continue the optimization of the operating costs of the Bank, including the cost of funding, in order to achieve the profitability targets. The business plan also includes a continuation of actions started in previous years for decreasing the size of the non-productive assets through a strategy of sale (for those properties classified as Non-current assets held for sale) or a strategy of lease-out (for those classified as investment property). Through the sale actions the usage of the capital base of the Bank will be improved, as these assets are also very capital intensive.

The Bank performed a stress scenario on the by considering a reduced growth of the loan portfolio without diminishing the underlying impairment losses. The resulted impact in capital adequacy ratio is not significant.

ii) Strengthening the Bank's Tier 2 capital base in 2019 and 2020

Following the successful increase of the Tier 2 capital base during 2019, in 2020 the Bank placed another subordinated bond issue amounting to EUR 8.2 Million, with an eight-year maturity.

The above-mentioned actions aim to strengthen the capital base during the process of driving lending book growth to reach an optimal balance sheet structure.

iii) Liquidity considerations

As noted above, the Bank has a strong liquidity position demonstrated by the level of key liquidity indicators such as LCR (206% at the end of December 2020 –above the minimum level required for this indicator of 100%) and a ratio of liquid assets to total assets of 38.2%. For LCR in 2021 the Bank will have to maintain a level of minimum 100% for the main currencies (RON and EUR). The extra liquidity placed at the end of 2020 in low yielding assets will be gradually shifted to loans portfolio.

Based on all of the above, the Bank's management has made an assessment regarding the going concern principle and has concluded that the going concern principle is appropriate as basis for the preparation of the consolidated and separate financial statements as at and for the year ended 31 December 2020.

e) Use of estimates and judgments

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the Notes 5.

3. SIGNIFICANT ACCOUNTING POLICIES**Financial assets and financial liabilities*****Initial recognition and measurement***

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions.

Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss;
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Measurement methods***Amortised cost and effective interest rate***

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect the contractual cash flows and the contractual cash flows are Solely Payment of Principal and Interest (SPPI).

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets ("POCI") the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

In the statement of financial position these assets are measured at amortised cost which is the gross carrying value less impairment allowances. These assets are included within the following statement of financial position line items: "Investments in debt instruments at amortised cost", "Loans and advances to customers", "Cash and cash equivalents", "Due from other banks" and "Other Financial Assets".

In Patria Bank SA the financial assets at amortised cost represent the largest financial asset category; these include: the largest majority of loans and advances to customers (except for certain loans mandatory measured at fair value through profit or loss), interbank placements and loans (including reverse repo transactions), deposits with Central Bank, amounts in course of settlement, trade receivables and other receivables. Investments in securities measured at amortised cost may be acquired for different business purposes such as: compliance with internal/external liquidity risk requirements, efficient investment of surplus liquidity, strategic position set by the Bank's management, origination and support for client relationships, replacement of loan activity with other activities in order to improve the yield.

Fair value option for financial assets

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. The Group does not hold financial assets designated at fair value through profit or loss using the fair value option.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or Originated Credit Impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset;
- Financial assets that are not POCI but have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Interest income for these assets are valued using the effective interest rate and are included in the line item “Interest and similar income calculated using the effective interest rate” in the statement of comprehensive income.

Gains or losses from impairment are included in the line item “Net charge with impairment of financial assets”.

Financial assets

i. Classification and subsequent measurement

From 1 January 2018, the Group has implemented IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss („FVPL”);
- Fair value through other comprehensive income („FVOCI”); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- The Group’s business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in the (ii) *Impairment* section below. Interest income from these financial assets is included in “Interest income” using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets’ cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument’s amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in “Net investment income”. Interest income from these financial assets is included in “Interest income” using the effective interest rate method;
- **Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI

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are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within “Net trading income” in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not measured at fair value through profit or loss, in which case they are presented separately in “Net investment income”. Interest income from these financial assets is included in “Interest income” using the effective interest rate method.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are measured at fair value through profit or loss purposes), then the financial assets are classified as part of ‘other’ business model and measured at FVPL.

Factors considered by the Group in determining the business model for a group of assets include:

- Past experience on how the cash flows for these assets were collected
- How the asset’s performance is evaluated and reported to key management personnel
- How risks are assessed and managed
- How managers are compensated

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments’ cash flows represent solely payments of principal and interest (the “SPPI test”). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group considers the following factors in applying the SPPI benchmark test:

- Whether payment terms are “not genuine” or “de minimis”
- Rights in bankruptcy or when non-payment happens
- Arrangements denominated in a foreign currency
- Prepayment and term extending options
- Other contingent payment features
- Non-recourse arrangements
- The time value of money element of interest
- Contractually linked instruments (tranches) and negative interest rates.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

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Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Basic ordinary shares held by the Group are such equity instruments.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the "Gain / (loss) from financial assets measured at fair value through profit or loss account" line in the statement of profit or loss.

ii. Impairment of financial instruments in accordance with IFRS 9

IFRS 9 impairment model applies to financial assets measured at amortized cost or at FVOCI and to certain credit commitments and financial guarantees.

Expected credit losses on assets measured at amortized cost are recognized in the income statement and reduces the value of the asset.

For credit commitments and financial guarantees, the expected credit losses are recognized as liabilities.

Expected credit losses on assets measured at FVOCI are recognized in the income statement and reduces the value of asset.

The main assets to which the Expected Credit Loss model applies are:

- Loans to customers
- Due to banks (current accounts, deposits)
- Government securities
- Corporate bonds
- Other assets (other receivables, cash in transit etc.)

iii. Modification of loans

If the Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

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- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

iv. *Derecognition other than a modification*

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Control is retained when the other party does not have the practical ability to sell the asset in its entirety to a third party, without imposing restrictions to selling the asset.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

v. *Derecognition of non-recoverable loans*

The Group performs derecognition of non-recoverable loans by recording them off balance sheet (and their respective impairment losses) when the Bank's Risk Committee / Board of Directors decides that they are irrecoverable. This decision is made after analysing information such as the occurrence of significant changes in the debtor / issuer's financial position so that the debtor / issuer is no longer able to pay the obligation, or that the income from guarantees will not be enough to pay the entire exposure. For lower value credits with homogeneous characteristics, decisions are made based on the number of days of late payment at the specific product level.

For loans that are 100% impaired, the Group closes the book value of the loans directly in counterparty with the impairment allowance. Subsequently, the Group records all receipts from debtors directly to the profit or loss account under Net impairment of financial assets ".

vi. *Restructured loans*

Restructured loans are considered impaired if the forbearance measure is applied to a loan already impaired or if the loan has more than 1 restructuring measure or number of days overdue is more than 30.

A loan is considered to be restructured if the Group / Bank grant a concession that, in other conditions it would not have made, to a debtor due to a deterioration in the debtor's financial position. Once the loan is restructured, it remains in this category independent of the subsequent satisfactory performance, for a minimum of 2 years, the period called the probation period.

Financial liabilities

i. *Classification and subsequent measurement*

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies.
- Financial guarantee contracts and loan commitments

ii. ***Derecognition***

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described by IFRS 9); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15. The Group defers the income on a straight-line basis in profit or loss account.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in this note – the ECL model).

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Derivatives

Derivatives, including foreign exchange contracts, forward rate agreements, foreign exchange swaps and interest rate swaps, and options exchange rate and interest rate contracts, are accounted for at their fair values.

All derivatives are accounted for as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of financial derivatives are included in the current period result (earnings minus losses from derivatives). The Group does not apply hedge accounting for derivative financial instruments.

Certain derivatives embedded in other instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the framework contract.

Subsidiaries

Subsidiaries are those investees that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from This version of our report 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 or opinions, the original language version of our report takes precedence over this translation.

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

In the separate financial statements, the Bank records the participations in subsidiaries separately at cost. The investments are tested for impairment whenever there are indicators that the carrying amount of an investment may not be recoverable. If the recoverable amount of an investment (the higher of its fair value less cost to sell and its value in use) is less than its carrying amount, the carrying amount is reduced to its recoverable amount.

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

The investments funds are also under Group control; in the separate financial statements they are classified at fair value through profit and loss (FVTPL) and the revaluation is performed using the market quotation on related date. The carrying amount of units fund are derecognized on disposal, the difference between selling price and carrying amount is recognized in profit and loss.

Associates

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

Functional and presentation currency

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

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

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

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

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in thousand RON)**

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

The exchange rates of major foreign currencies were:

Currencies	31 December 2020	31 December 2019	% Increase/(Decrease)
Euro (EUR)	1: LEI 4.8694	1: LEI 4.7793	1,02%
US Dollar (USD)	1: LEI 3.9660	1: LEI 4.2608	(0,93%)

	31 December 2020		31 December 2019		% Increase/ (Decrease)	
	EUR	USD	EUR	USD	EUR	USD
At 31 December	4.8694	3.9660	4.7793	4.2608	1.89%	(6.92%)
Average for the period	4.8376	4.2413	4.7452	4.2379	1.95%	0.08%
Maximum for the period	4.8750	4.5316	4.7808	4.3605	1.97%	3.92%
Minimum for the period	4.7642	3.9660	4.6634	4.0573	2.16%	(2.25%)

Income tax expense

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

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

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

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

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

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The tax rate used to calculate the current and deferred tax position at 31 December 2020 and 31 December 2019 is 16%.

Investment property

On recognition in the balance sheet, an investment property is accounted at cost or fair value in the case of Non Current Assets Held for sale. The investment property cost includes the trading costs and any expenses directly attributable to the investment property. Subsequent to initial recognition, investment property is measured using the revaluation model (fair value model). The gains or losses from the change in the fair value of the investment property are included in the other operating income of consolidated statement of profit or loss.

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

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

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

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount.

They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Income and expense recognition

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method.

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

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

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

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

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- interest on financial assets at fair value through other comprehensive income calculated on an effective interest basis;
- interest income on impaired loans is recognized according to the provisions of IFRS 9.

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

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

Dividend income

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

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include mandatory reserve deposits with the National Bank of Romania, all interbank placements.

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

Due from other banks

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

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Loans and advances to customers

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

Non Current Assets held for sale

Non Current Assets held for sale represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognized at fair value when acquired. The Group's intention in respect of Non Current Assets Held for Sale is to sell these properties.

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

Credit related commitments

The Group issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable commitment to make payments if a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Goodwill

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

Property and equipment

Buildings and lands are carried at revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required. Equipment is stated and measured at cost less accumulated depreciation and provision for impairment, where required.

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

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

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

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

At the end of each reporting period, management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss for the year (within other operating income or expenses).

Depreciation

Depreciation is calculated using the straight-line method and charged to profit and loss of the year to allocate their cost or revalued amounts over their estimated useful lives:

	<u>Useful lives in years</u>
Buildings	48 - 60 years
Equipment's	4 years
Motor vehicles	5- 6 years
Other tangible fixed assets(*)	3 – 30 years

(*) Other tangible fixed assets includes bright lights, mobile phones, with a useful live time of 3 years, and also safes deposits with a useful live time of 30 years.

The lands and constructions in progress are not depreciated.

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

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When premises and land are revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Depreciation methods, useful lives and residual values are reassessed at each financial year and adjusted if appropriate.

Intangible assets

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

Impairment of non-financial assets

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

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

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

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

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

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

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

Deposits from customers and from banks, loans from banks and other financial institutions, subordinated liabilities and debts securities in issue

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

Employee benefits**i) Short term employee benefits**

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

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

ii) Provisions for employee benefits

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

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

iii) Defined contribution plans

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

The Group, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Group are members and are also legally obliged to make defined contributions (included in the social security contributions)

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to the Romanian State pension plan (State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense as incurred in the profit or loss account of the year. The Group does not have any further obligations.

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

iv) Other long-term employee benefits

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

Operating leases

The Group has applied IFRS 16 using the modified retrospective approach from 1 January 2019.

The Group used the transition available exception and considered that all contracts identified prior to the transition for the purposes of IAS 17 and IFRIC 4 are for the purpose of IFRS 16.

On initial application of IFRS 16, the Group has made the following changes in how it accounted for the operational leasing contracts in force at transition date:

- a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments. The lease liability has been measured at the present value of future lease payments discounted with the Group's incremental borrowing rate. In this assessment the Group took into account all lease payments made in advance or accumulated for the contracts in scope of the measurement. At transition date the Group excluded from measurement the initial directly attributable costs;
- b) Recognise depreciation of right-of-use assets in the consolidated statement of comprehensive income;
- c) Recognise interest expense on lease liabilities in the consolidated statement of comprehensive income (under line item *Interest expense*);
- d) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

The Group has applied the exception from IFRS 16 by excluding from its scope contracts which:

- Are short-term leases (lease term of 12 months or less)
- Are leases of low-value assets (the Group's policy is to apply a threshold of the equivalent of USD 5,000 to these assets)

For these contracts the Group has opted to recognise a lease expense on straight-line basis.

Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined by applying the USD 5,000 threshold). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate (considered at 1%).

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments less any lease incentives
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented in line "Other Financial Liabilities" (Note 33) in the consolidated and individual statement of financial position.

The lease liability is subsequently measured by:

- Increasing the carrying amount to reflect interest on the lease liability (using the effective interest method)
- Reducing the carrying amount to reflect the lease payments made
- Any increase or reduction to reflect any remeasurement or change of the leasing contract (making a corresponding adjustment to the related right-of-use asset)

The Group did not make any such adjustments during the period ended 31 December 2019.

The right-of-use assets comprise:

- The initial measurement of the corresponding lease liability
- Lease payments made at or before the commencement date
- Any initial direct costs supported by the lessee

Following the initial recognition, the right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. These costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group

expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in Property and equipment (Note 29) in the consolidated and separate statement of financial position.

According to IFRS 16 the rights of use will be tested annually for depreciation in compliance with the requirements of IAS 36 Impairment of assets. This process will replace the previous requirement to recognize a provision for expensive leasing contracts.

Variable rents that do not depend on an index or a rate are not included in the measurement of the lease liability and right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur and are included in the line 'Other operating and administrative expenses' in the consolidated statement of comprehensive income.

Group as a lessor

The Group enters into lease agreements as a lessor for both contracts concluded with third parties for part of its investment property portfolio as for the sublease contracts concluded with its subsidiaries for the rent of office space.

Leases for which the Group is a lessor in contracts for renting out part of its investment property portfolio are classified as operating leases and the accounting for rental income is done on a straight-line bases during the lease term.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. For the sublease concluded by the Bank with two of its subsidiaries (Patria Credit IFN and SAI Patria Asset Management) the Group classified them as finance lease considering that the right-of-use assets are substantially transferred by the contracts to the lessees.

Amounts due from lessees under finance leases are recognised as receivables (included in the line item '*Other financial assets*') at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Changes in payments that are not changes in the lease resulting from the 2020 pandemic conditions

If a change in the lease payment is not the result of a change in the contract, but rather the result of changes in economic conditions in a pandemic climate, it will generally be accounted for as a variable lease payment. In this case, the Group as lessee recognizes the effect of the concession from the payment of the rent in profit or loss.

Other financial and non-financial liabilities

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

Accounting for the effects of hyperinflation

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

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

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

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

Standards and interpretations that are not yet effective

The following new Standards, *amendments to Standards* and Interpretations are not yet mandatorily effective for annual periods beginning on or after 1st of January 2020 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. The pronouncements are not yet endorsed by the EU.

- **Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions** (*Effective for annual periods beginning on or after 1 June 2020*)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease

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This practical expedient is not available for lessors.

The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.

- **Amendments to IAS 1 *Presentation of Financial Statements* *Presentation of Financial Statements Classification of Liabilities as Current or Non-current* (Effective for annual periods beginning on or after 1 January 2023)**

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.

- **Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture***

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.

- **Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* *Onerous Contracts – Cost of Fulfilling a Contract* (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)**

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.

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- **Annual Improvements to IFRS Standards 2018-2020** *(Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)*
 - **Amendment to IFRS 9 Financial Instruments**

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- **Amendment to Illustrative Examples accompanying IFRS 16 Leases**

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

4. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

According to the Risk Strategy for the year 2020, the Group has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk - foreign currency risk and trading book
- liquidity risk
- interest rate risk from banking book

The group also pursues in its risk management activity the following:

- credit concentration risk
- residual risk
- FX lending risk
- operational risks
- compliance risk
- strategic risk
- excessive leverage risk;
- reputational risk.

b) Risk management policies

The level of tolerance established for most important risk indicators will be considered also an early warning level in order to contribute to the process of identifying those areas where the risk exposure is increasing compared to the assumed level through the risk strategy. These risks are managed and controlled through dedicated policies and procedures together with specific processes, tools and indicators. Part of the risks described are assigned a dedicated risk profile and also for them is set an risk appetite in the risk admin Strategy, while for the others the Group has decided towards a qualitative/quantitative assessment, dedicated monitoring and set up a specific capital requirement under the Pillar II (ICAAP) in order to properly cover the respective risk exposure.

In 2020 the Group has aligned the risk policies so they are consistent across all entities in the Group. The Board of Administration established an overall risk appetite for the Group and also individual risk appetite for each and every significant risks identified by the Group and detailed in its Risk Strategy.

Therefore, for 2020, the Group has established the following individual target risk appetites for each significant risk:

<u>No.</u>	<u>Risk category</u>	<u>Maximum appetite level expected</u>
1	Credit risk	Medium- High
2	FX lending risk	Medium- High
3	Credit concentration risk	Medium
4	Residual risk	Medium
5	Liquidity risk	Medium-Low
6	Market risk - foreign currency risk and trading book	Medium-Low
7	Interest rate risk from banking book	Medium- High
8	Operational risk	Medium- High
9	Strategic risk	Medium- High
10	Compliance risk	Medium- High
11	Reputational risk	Medium- High
12	Leverage risk	Medium - Low

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing financial risks, and the Group's capital management principles and processes.

Risk management framework

The fundamental principle underlying the risk management within the Group is that is not allowed to take risks that exceed its risk-taking capacity. Therefore, the Board of Directors has established a general risk profile and individual profiles for each of the significant risks identified by the Group and detailed in its Risk Management Strategy (presented above). The main purpose of the risk profile is to define the risk appetite and tolerance in which it must be confined in the activity of the Group, in order for the Group to achieve its planned business objectives.

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The Group's Board of Directors is responsible for establishing and monitoring the risk management framework. The Board of Directors of the Group established the Executive Committee of Directors, the Audit Committee and the Risk Management Committee that are responsible for the development and monitoring the Group's risk management policies in the areas specified by them. All committees mentioned report regularly to the Group's Board of Directors. The Executive Committee of Directors established Credit Committee, the Credit Restructuring and Recovery Committee, the Assets and Liabilities Management Committee (ALCO) and the Projects Committee.

The Risk Management Committee is consulted by the management in the process of establishing the risk appetite to which the Group may be exposed and in establishing the general risk management strategy of the credit institution. Also, the Risk Management Committee assists the executive team in overseeing the implementation of the risk strategy by the Executive Committee.

The Audit Committee has the responsibility to monitor the Group's compliance with the risk management policies and procedures and to review the adequacy of the risk management framework for the risks faced by the Group. The Audit Committee is assisted in these activities by the Internal Audit Department. The internal audit carries out both the regular and the ad-hoc review of the controls and procedures of risk management, the result being communicated to the Audit Committee.

The Executive Committee of Directors ensures the operational management and coordination of the Group's daily activities. The Executive Committee of the Directors shall implement the necessary measures related to the operational management of the group's activity, within the limits of the commercial purpose of the group and of the exclusive attributions of the Board of Directors and the General Meeting of Shareholders.

The Assets and Liabilities Management Committee performs efficient management of assets and liabilities for all components of the group, analyzes the adequacy of the risk capital and the risk appetite level of the group, but also coordinates the management of assets and liabilities in the group. or a continuous way.

The Credit Restructuring and Recovery Committee ensures the correct management of the loan portfolio, including the portfolio of exposures managed by the Restructuring and Workout Department, the loan portfolio that requires reorganization operations and the asset portfolios held by the group in order to be sold or in the process of being sold.

The Credit Committee approves the exposures related to the credits / their modifications that fall within its competence, according to the rules of the Credit Approval Regulation. Supports loan proposals that exceed its competence; it decides on the operational and methodological considerations regarding the credit risk, the importance of which does not require a decision at the level of the Executive Committee or the Board of Directors. The Group's risk management policies are established to identify, evaluate and analyze the risks to which the Group is exposed, to establish appropriate risk and control limits, and to monitor risks and adherence to risk limits. The policies and risk management system are reviewed periodically, at least annually, to reflect changes in market conditions, products and services offered.

The group through training and management standards aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

c) Credit risks

Credit risk is the current or future risk which negatively affects profit and capital as a consequence of the debtors' default or failure in fulfilling their contractual obligations.

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Exposure to credit risk occurs as a result of both the Group's lending activities and other transactions with third parties that generate financial assets.

The main objective of the group, in the short and medium term, according to the Business Strategy established by the management, is to strengthen the group's profitability, in order to protect capital ratios, by:

- increasing the productive assets of the group (under the conditions of keeping at reasonable levels the risks that will be generated by the development of the lending activity),
- valorification of non-productive assets and
- permanent optimization of the business model and the organizational structure of the group, including by resizing the structure / number of branches and the power station, so that the increase of efficiency will determine the attainment of a sustainable COST / INCOME.

For risk management reporting, we will refer both to the actual credit risk, as well as to the risk of credit concentration, the residual risk and the risks generated by the foreign currency lending of the debtors exposed to the foreign currency risk.

The maximum exposure of the group to the credit risk is reflected in the carrying amounts of the financial assets from the statement of financial position of the group. For guarantees and credit commitments, the maximum exposure to credit risk is the sum of the commitment. Credit risk is mitigated by the use of collaterals and other risk enhancements.

Management of credit risks

The Board of Directors, through the Executive Committee of Directors, has assigned the responsibility of managing the credit risk to the Board of Directors, the Credit Committee / the Credit Restructuring and Recovery Committee and the Risk Management Committee. The Credit Risk Assessment Division and the Credit Risk Management Department are the structures responsible for monitoring the credit risk to which the Group is exposed, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorization structure* for the approval and renewal of credit facilities. Authorization limits are allocated on different levels to Credit Committee/ The Credit Restructuring and Recovery Committee, Directors' Committee and Board of Directors, as appropriate.
- *Reviewing and assessing credit risk.* Credit Committee/ The Credit Restructuring and Recovery Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by issuer, and collateralization.
- *Developing the Group's risk provisioning policy* on the main product categories according to the degree of homogeneity. The provisioning policy is subject to regular reviews function also of the statutory regulations.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected geographies areas, economic sectors and maturities.
- Regular reports are provided to Risk Management Committee, Directors' Committee and to the Board of Administration on the credit risk exposure development and risk profile level

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- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Group in the management of credit risk.

The Group is exposed to credit risk through its lending and investments activities and in cases where it acts as an intermediary on behalf of customers or other third parties or it issues guarantees. The Group's primary exposure to credit risk arises through its lending activity. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet.

The Group is exposed to credit risk on various other financial assets, including debt securities investments (i.e. Treasury Bills issued by the Romanian Government) or money market placements, financial assets held for trading, investments held to maturity, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's loans and advances to customers.

I. Expected Credit Loss (ECL) measurement

IFRS 9 outlines a "three stage" model for impairment based on changes in credit quality from initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified as "Stage 1" and has its credit risk continuously monitored by the Group
- If a significant increase in credit risk ("SICR") since initial recognition is identified the financial instrument is moved in "Stage 2" but it is not yet deemed credit-impaired. See Note "Staging" for a description of how the Group determines when a significant increase in credit risk occurred.
- If the financial instrument is credit-impaired then it is moved in "Stage 3". See Note "Default definition".
- Financial instruments in Stage 1 have their ECL measured as an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Financial instruments in Stages 2 or 3 have their ECL measured as based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is the fact that the model should also consider forward-looking information.
- Financial assets classified as POCI are those assets impaired at initial recognition. Their ECL is always measured using lifetime assessment.

The following chart presents the requirements regarding impairment under IFRS 9:

Change in credit quality since initial recognition



Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition – SICR)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

II. Default definition

The Standard does not directly define default status but mentions that the definition must be aligned with internal credit risk management practices.

Under the Group's policy on asset identification and management, as well as segmentation of borrowers and credit portfolio, default applies to a financial asset when one or both of the following conditions are met:

- The Group considers it unlikely that the client will comply with its contractual payment obligations in full, without the Group taking enforcement;
- The customer records a delay of more than 90 days at the end of the month for any contractual credit obligation.

Starting with 31.12.2020, the Group applied the new way of counting the days of delay, in accordance with the regulatory requirements (the European Banking Authority's – EBA, definition of default (GL 2016-07), taking into account the number of consecutive days in which a debtor has outstanding amounts that simultaneously exceed the materiality thresholds. This new indicator is considered a new "add-on" to default definition applied by the Group and was used in the classification of Stage 3.

The following items are considered for unlikeliness to pay (default identification):

a) *For credit obligations without restructuring measures*

- The Bank ceases to account for interest on the loan obligation
- The Bank recognized a specific adjustment for credit risk, resulting from the perception of a significant deterioration in credit quality, subsequent to the time when the institution was exposed to risk, for individually forced customers for whom there is a decision of a competent committee (Credit Committee / Credit Restructuring and Recovery Committee / Board of Directors / Board of Directors)
- The Bank sells the loan obligation with a significant economic loss of more than 5%
- The client is in the procedure of general insolvency / reorganization / preventive arrangement / temporary interruption of activity
- The client is in bankruptcy proceedings or has been deregistered
- Fraud

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- The client died
- The debtor notified the bank regarding the intention to transfer the ownership right over the real estate in order to settle the debt related to the credit contract according to Law no. 77/2016 regarding the payment of real estate in order to settle the obligations assumed through loans.
- The Bank has initiated enforcement proceedings in order to recover the exposure.
- The Bank declared the early maturity of the loan, without starting the execution procedures
- Recording significant delays in payments to other creditors in the relevant credit register
- Violation of contractual clauses
- Sale of the guarantee by the bank or by the client, in order to cover the outstanding debts
- The Bank requested an additional guarantee due to the deterioration of the credit risk.
- Other macro indices of payment improbability
- Existence of justified concerns about the debtor's future ability to generate stable and sufficient cash flows
- Acquisition or origination of an impaired credit (POCI)
- Identification of cases of improbability of non-payment in case of delays in payment, granted based on the internal moratorium or OUG 37

b) For credit obligations with restructuring measures:

- All non-repayment criteria applicable to unstructured credit exposures;
- Registration of arrears of more than 30 days
- Carrying out a new restructuring operation for a credit exposure classified at the time of carrying out the operation as a restructured credit exposure
- Carrying out the first restructuring operation for a credit exposure classified prior to the moment of carrying out the operation as a default credit exposure, will lead to the further classification of the default exposure.

III. Risk parameters

Probability of default (PD)

In order to determine the loss from collective assessment and completing the segmentation of the exposure in the 3 stages, it is important to group the credit exposure according to the common risk characteristics. The main step for estimating PDs is the selection of relevant risk factors (drivers).

PD is a key component when calculating the ECL and assessing whether there has been a significant increase in credit risk.

For ECL calculation, two different PDs are required:

- PD calculated for a 12-month period: the probability that default will occur within the next 12 months (or over the remaining life of the financial instrument if it is less than 12 months and the facility type is not revolving);
- Life expectancy PD (LT PD): the probability of default occurring over the entire life of the financial instrument.

Loss given default (LGD)

LGD reflects cash flows that are collected from the customer, after the default date.

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For unsecured portfolio, cash flows include earnings during the recovery cycle while for secured portfolio cash flows includes amounts obtained from collateralization. All amounts are net of recovery costs and consider time value of money.

Exposure at default (EAD)

IFRS 9 does not explicitly require an entity to model the EAD, but it is important to create a model that highlights how exposures are expected to change over time to achieve adequate ECL result.

On the one hand, for "Stage 2" exposures, when credit loss is estimated over the entire lifetime of the asset, it is essential to model lifetime exposure, corresponding to the amortization of the contractual maturity schedule. On the other hand, an increase in estimated in EAD (withdrawals of funding commitments under agreed credit limits) is required to be considered.

Staging

According to IFRS 9, the expected credit losses are based on the expected total loss for the entire lifetime of the credit or expected credit losses over a 12-month period, depending on whether the credit risk of that financial instrument has increased significantly or not since the initial recognition.

The Group assesses the impairment loss for a financial instrument at an amount equal to the lifetime expected loss of credit, if the credit risk of that financial instrument has increased significantly since the initial recognition. If at the reporting date the credit risk of a financial instrument has not increased significantly since the initial recognition, the Group will measure the expected loss for that financial instrument at an amount equal to the expected credit loss of over a 12-month period.

As such, the Group will measure and assess a significant increase in credit risk by comparing the default risk at "initial recognition date" with the default risk at the reporting date.

The following approach is implemented at financial asset level:

- If at the "reporting date," the asset is considered "default" (see definition below), it will be included in "Stage 3" and an impairment loss will be assessed at an amount equal to the credit loss expected for the entire life of the financial asset.
- If the credit risk of the financial asset at the "reporting date" is greater than the credit risk at "initial recognition date", it will be included in "Stage 2" and an expected loss of credit will be calculated for the entire duration life of the asset.
- If the financial asset is POCI and is not in default at the reporting date, it will be included in Stage 2 and an expected loss of life will be calculated for the entire lifetime of the asset
- All other financial assets will be included in "Stage 1" and will be calculated a credit loss estimated at an amount equal to the expected credit losses over a 12-month period.

The Group will classify assets in the POCI category if any of the following criteria apply:

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- The financial assets acquired were in the state of default at the acquisition date
- Financial assets are in default at the date of derecognition

Modification of the terms and conditions of the credit agreement may be considered to be meeting the requirements of derecognition in IFRS, if any of the following applies:

- Change of debtor: the debtor of the new financial asset is different from that of the changed asset;
- Change in currency denomination: the currency of the new financial asset is different from that of the changed asset;
- Strengthening or dividing the existing financial assets: several credit facilities of the same customer are consolidated into a new credit agreement or a client's contract is split into several credit agreements.

In the case of restructured assets, the Group will not derecognise assets if the derecognition requirements are not met. If the asset is in default at the date of the restructuring, it will be reflected as "Stage 3," and when the default will be cured, it will be reflected as "Stage 2" or "Stage 1" if the criteria is met.

The staging model of the Group is based on combination of quantitative and qualitative criteria, as follows:

Quantitative criteria

Although IFRS 9 does not require the use of an explicit non-payment probability of default to perform this assessment, the quantitative analysis of the Group is based on the comparison between the current estimate of the life time PD and the life time PD estimates at initial recognition.

A loan will be transferred to "Stage 2" when:

1. there is an increase in the value of PDs over its entire lifetime as follows: (i) the relative increase is higher than 100%; and (ii) the increase in absolute value is higher than 1%, by comparing the values of the current PDs with the values of estimated PDs at initial recognition date.
2. the loan was overdue, at least once, more than 30 days in the last 6 months

Qualitative criteria

The group opted for the following indicators to be used in the qualitative approach to Stages classification.:

- More than 30 days of delay recorded at reporting date
- Restructuring measures recorded at reporting date
- Significant increase of credit risk for companies, based on early warning signals, resulting from monitoring reports
- Other criteria such as: breach of the contract clauses, requiring additional collateral or guarantees, significant change in price, as result of increase of the credit risk, significant changes in the value of the collateral

IV. Forward-looking information incorporated in ECL models

The assessment of SICR and the calculation of ECL must both incorporate past, current and also forward-looking information that is available without undue cost and effort. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each defined portfolio.

These economic variables and their associated impact on risk parameters vary by portfolio type and the selection process has been determined by statistical regressions between historic default rates and macroeconomic variables. Expert judgement has also been applied in this process.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of uncertainty and therefore the actual outcomes may be significantly different to those projected.

The Group incorporates forward-looking information as follows: for collective portfolio within the process of updating the PD curves (semiannual), for individual assessed portfolio within scenarios applied at the client level.

Forward Looking PD curves – the Group uses macro economic factors which proved to be relevant from statistical point of view: GDP and unemployment rate (UR).

There are used two scenarios: base scenario (70%) and crisis scenario (30%). The same weights were used in 2019 and in 2020.

The source in setting up the Unemployment Rate ("UR") and GDP values used in the scenarios are public information (from Statistical National Institute / National Forecast Commission / ECB forecast / European Commission)

V. Low default portfolio

Low default portfolio are typically represented by exposures to sovereigns or to banks. The bank includes in the class treasury bills issued by Ministry of Public Finance of Romania, bonds.

For quantitative disclosure regarding credit risk, please see Note 21.

d) Market risk

Market risk is the risk that the fair value or the future cash flow related to the financial instruments will fluctuate due to changes in the variables of the market (currency risk, price of shares, interest rates, etc).

The Group is inherently exposed to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products (still the main exposure being towards the foreign currency risk), all of which are exposed to general and specific market movements. Management sets limits on the value of risk and trading book portfolio level that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements

Currency risk

The Group's main goal is to close its currency positions and ensure that open foreign exchange positions remain within conservative limits all the time.

The foreign currency risk is the risk to record losses or not to achieve the estimated profits due to the fluctuations on the market of the foreign exchange rate. The object of the identification, assessment, monitoring and management of the foreign currency risk is represented, according to the Group's policies and procedures, by the elements denominated in foreign currency from the banking book portfolio of the Group.

The Group is exposed to currency risk through transactions in foreign currencies against RON. The Group manages its exposure to movements in exchange rates by modifying its assets and liabilities mix. On the Romanian market, exchange rates have a moderate volatility; therefore open foreign exchange positions represent a source of currency risk. In order to limit losses arising from adverse movements in exchange rates, the Group is currently pursuing the policy of maintaining an overall balanced foreign exchange position.

Capital requirements for currency risk is calculated using Standard Approach, and group's policy is to monitor and maintain a level lower than 2% in own funds for overall FX risk exposure. For internal risk management purposes the Group employs a VaR model for all currencies with a confidence level of 99% and a holding period of one year. FX VaR is calculated using a daily database for a one year period exchange rate differences compared with the same date of the previous year (currency position is considered in absolute value without compensations between currencies according to the sign of the currency position for the respective month) and using an increased level of the exchange rate for the main currencies to which the group is exposed (exchange rate increased by 10% to Eur; 10% CHF and 15% USD - representing the maximum margin of increase / decrease of the last year).

As VaR is an integral part of the Group's market risk management policy, VaR limits have been set individually, and exposures can be compared by management on a daily basis with limits set.

In order to anticipate how capital adequacy can be affected in crisis conditions, the Group uses a currency risk crisis simulation that evaluates a potential exchange rate increase for the major currencies (using a 20% increase in Eur; 20% CHF and 30% USD - representing the maximum increase / decrease margin for the last 3 years for these currencies) and calculating the potential loss from this increase using the VaR model with 99% confidence level over a 1-year observation period).

From the perspective of capital, the differences in the exchange rate on an annual basis are considered to be relevant for the capital coverage of losses that may be generated by underestimating the requirement for this risk.

The following table shows dominant (for EUR) foreign currency VaR model as 31 December 2020 at different confidence level:

Confidence level:	95.0%	99.0%	99.9%
FX EUR			
	763,696	1,030,989	1,221,913
Impact estimate for confidence level	23,194	35,319	46,352
FX VaR for EUR/ Own funds	0.004%	0.006%	0.008%
	Low Risk	Low Risk	Low Risk
	<=1%	<=1%	<=1%

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The following table shows dominant (for EUR) foreign currency VaR as 31 December 2019 at different confidence level:

Confidence level:	95.0%	99.0%	99.9%
FX EUR	418,387	564,823	669,420
Impact estimate for confidence level	12,707	19,349	25,394
FX VaR for EUR/ Own funds	0.004%	0.006%	0.008%
	Low Risk	Low Risk	Low Risk
	<=1%	<=1%	<=1%

The table below summarises the Group's assets and liabilities expressed in RON and foreign currency at the end of the 31 December 2020:

Thousand RON	RON	EUR	Other	Total
Financial Assets				
Cash and cash equivalents	266,906	65,857	22,030	354,793
Financial assets measured at fair value through profit or loss	42,830	7,362	3,964	54,155
The financial assets evaluated at fair value through other comprehensive income	405,388	164,978	39,570	609,936
Due from other banks	-	2,134	5,294	7,428
Loans and advances to customers	1,436,580	414,125	11,182	1,861,888
Investments in debt instruments at amortised cost	119,184	200,348	-	319,532
Investment in subsidiaries	-	-	-	-
Other financial assets	6,866	1,658	904	9,428
Total financial assets	2,277,754	856,462	82,943	3,217,159
Financial liabilities				
Due to other banks	36,659	783	17	37,459
Customer deposits	2,108,760	707,012	82,279	2,898,050
Loans from banks and other financial institutions	56,562	-	-	56,562
Other financial liabilities	50,647	31,587	172	82,406
Subordinated debt	10,152	24,403	-	34,555
Debt securities issued	-	62,797	-	62,797
Total financial liabilities	2,262,780	826,582	82,468	3,171,829
Net financial assets/(liabilities)	14,974	29,880	476	45,330
Off Balance sheet items				
Loans commitments to customers	264,128	35,968	-	300,095
Guarantees issued	11,708	2,892	-	14,600

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk. The Group close the open position with currency swaps.

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The table below summarises the Group's exposure to currency risks at the end of the 31 December 2019:

Thousand RON	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Financial Assets				
Cash and cash equivalents	262,541	115,779	59,638	437,958
Financial assets measured at fair value through profit or loss	42,814	8,074	7,405	58,293
The financial assets evaluated at fair value through other comprehensive income	352,293	83,494	9,551	445,338
Due from other banks	3	0	5,680	5,683
Loans and advances to customers	1,255,461	385,796	12,329	1,653,586
Investments in debt instruments at amortised cost	142,920	197,839	-	340,759
Investment in subsidiaries	-	-	-	-
Other financial assets	5,122	2,160	988	8,270
Total financial assets	<u>2,061,155</u>	<u>793,142</u>	<u>95,591</u>	<u>2,949,888</u>
Financial liabilities				
Due to other banks	12,673	4,369	1,585	18,627
Customer deposits	1,934,675	704,993	88,446	2,728,114
Loans from banks and other financial institutions	46,772	0	0	46,772
Other financial liabilities	54,777	31,490	188	86,455
Subordinated debt	10,396	23,951	-	34,347
Debt securities issued	-	23,021	-	23,021
Total liabilities	<u>2,059,293</u>	<u>787,824</u>	<u>90,219</u>	<u>2,937,336</u>
Net financial assets/(liabilities)	<u>1,863</u>	<u>5,317</u>	<u>5,372</u>	<u>12,552</u>
Off Balance sheet items				
Loans commitments to customers	254,882	47,126	-	302,008
Guarantees issued	10,799	2,816	-	13,615

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The table below summarises the Bank's assets and liabilities expressed in RON and foreign currency at the end of the 31 December 2020:

<i>Thousand RON</i>	RON	EUR	Other	Total
Financial Assets				
Cash and cash equivalents	263,070	65,843	22,030	350,943
Financial assets measured at fair value through profit or loss	19,265	4,873	3,964	28,101
The financial assets evaluated at fair value through other comprehensive income	405,388	164,978	39,570	609,936
Due from other banks	-	2,134	5,294	7,428
Loans and advances to customers	1,353,034	414,088	11,175	1,778,298
Investments in debt instruments at amortised cost	119,184	200,348	-	319,532
Investment in subsidiaries	33,322	-	-	33,322
Other financial assets	7,508	1,658	904	10,070
Total financial assets	<u>2,200,771</u>	<u>853,922</u>	<u>82,936</u>	<u>3,137,629</u>
Financial liabilities				
Due to other banks	36,659	783	17	37,459
Customer deposits	2,115,481	707,012	82,279	2,904,771
Loans from banks and other financial institutions	-	-	-	-
Other financial liabilities	14,938	30,123	172	45,233
Subordinated debt	-	24,403	-	24,403
Debt securities issued	-	62,797	-	62,797
Total financial liabilities	<u>2,167,078</u>	<u>825,118</u>	<u>82,468</u>	<u>3,074,663</u>
Net financial assets/(liabilities)	<u>33,693</u>	<u>28,804</u>	<u>469</u>	<u>62,966</u>
Off Balance sheet items				
Loans commitments to customers	263,438	35,968	-	299,405
Guarantees issued	11,708	2,892	-	14,600

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The table below summarises the Bank's assets and liabilities expressed in RON and foreign currency at the end of the 31 December 2019:

Thousand RON

Financial Assets	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Cash and cash equivalents	253,558	115,299	59,638	428,495
Financial assets measured at fair value through profit or loss	18,869	4,772	7,405	31,046
The financial assets evaluated at fair value through other comprehensive income	352,293	83,494	9,551	445,338
Due from other banks	3	-	5,680	5,683
Loans and advances to customers	1,190,452	385,511	12,311	1,588,274
Investments in debt instruments at amortised cost	142,920	197,839	-	340,759
Investment in subsidiaries	30,469	-	-	30,469
Other financial assets	5,443	2,160	988	8,591
Total financial assets	<u>1,994,007</u>	<u>789,075</u>	<u>95,573</u>	<u>2,878,655</u>
Financial liabilities				
Due to other banks	12,673	4,369	1,585	18,627
Customer deposits	1,940,274	704,993	88,446	2,733,713
Loans from banks and other financial institutions	-	-	-	-
Other financial liabilities	17,685	29,782	188	47,655
Subordinated debt	-	23,951	-	23,951
Debt securities issued	-	23,021	-	23,021
Total liabilities	<u>1,970,632</u>	<u>786,116</u>	<u>90,219</u>	<u>2,846,967</u>
Net financial assets/(liabilities)	<u>23,375</u>	<u>2,958</u>	<u>5,354</u>	<u>31,687</u>
Off Balance sheet items				
Loans commitments to customers	254,366	47,126	-	301,492
Guarantees issued	10,799	2,816	-	13,615

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The following table presents the sensitivity of impact in profit or loss to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

	Group		Bank	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	Impact on	Impact on	Impact on	Impact on
	profit or loss	profit or loss	profit or loss	profit or loss
Euro strengthening by 5%	878	1,061	835	1,014
Euro weakening by 5%	(878)	(1,061)	(835)	(1,014)
Other strengthening by 5%	192	136	183	123
Other weakening by 5%	(192)	(136)	(183)	(123)

The following table presents the sensitivity of the Impact on equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

	Group		Bank	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	Impact on	Impact on	Impact on	Impact on
	equity	equity	equity	equity
Euro strengthening by 5%	878	1,061	835	1,014
Euro weakening by 5%	(878)	(1,061)	(835)	(1,014)
Other strengthening by 5%	192	136	183	123
Other weakening by 5%	(192)	(136)	(183)	(123)

On sensitivity calculation the change of FX rate was 5% in weakening/ strengthening FX currencies, taken in consideration that maximum change in FX rate for EUR (as difference between max and min FX rate) is around 5% for the last 3 years (2019 ,2018 and 2017), so the Bank consider a 5% sensitivity exchange is adequate for purpose of this disclosure.

e) Interest rate risk in the banking book

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

The main sources of interest rate risk are imperfect correlation between the maturity (for fixed interest rates) or re-pricing date (for floating interest rates) of the interest-bearing assets and liabilities, adverse evolution of the slope and shape of the yield curve (the nonparallel shift of the interest rate yields of the interest-earning assets

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and interest-earning liabilities), correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. Asset-liability risk management activities are conducted in the context of the Group's sensitivity to interest rate changes.

The Group generally grants loans with floating interest rates, according to the Group's policy, with re-pricing based on reference interest rates like ROBOR, EURIBOR and LIBOR. On the deposits side, the Group offers fixed interest rates only on short periods with maturity lower than 1 year. For longer maturities, deposits have variable interest rates (according to Group's policy or indexed interest rates reference.)

In order to measure the impact of non-trading book interest rate risk, the Group uses the analysis of the potential change in the economic value as a result of the change in interest rates, this instrument is based on the standardized methodology described in Annex 1 to the NBR Regulation 5/2013 regarding prudential requirements for credit institutions, with subsequent amendments and completions.

During 2020, the Group was within the limits of prudence and did not record exceedances of the maximum level stipulated by Regulation 5/2013 - and according to risk appetite/profile established for this risk (respectively the 20% limit of the economic value).

The interest rates related to the local currency and the major foreign currencies as at 31 December 2020 and 2019 were as follows:

Currency	Interest rate	31 December 2020	31 December 2019
Leu (RON)	Robor 3 months	2.030%	3.180%
Euro (EUR)	Euribor 3 months	(0.545%)	(0.383%)
Euro (EUR)	Euribor 6 months	(0.526%)	(0.324%)
American Dollar (USD)	Libor 6 months	0.258%	1.909%

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The following table shows the average interest rates obtained or offered by the Group's and Bank's as at 31 December 2020 and 31 December 2019 for its interest-bearing assets and liabilities:

	31 December 2020			31 December 2019		
	RON	EUR	USD	RON	EUR	USD
Group						
Financial Assets						
Cash and cash equivalents	1.80%	0.00%	0.00%	1.90%	0.00%	1.61%
Due from other banks	0.00%	0.00%	0.00%	0.26%	0.00%	0.16%
Loans and advances to customers	6.63%	3.96%	7.42%	7.74%	4.19%	7.90%
Financial assets measured at fair value through other comprehensive income	4.07%	1.57%	5.27%	4.04%	1.44%	6.75%
Investments in debt instruments at amortised cost	5.73%	1.47%	n/a	5.73%	1.49%	n/a
Financial assets measured at fair value through profit or loss	0.00%	0.00%	n/a	n/a	n/a	n/a
Liabilities						
Due to other banks	1.61%	n/a	n/a	0.02%	0.00%	n/a
Current accounts from customers	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%
Term deposits from customers	2.52%	0.12%	0.59%	2.80%	0.17%	0.64%
Loans from banks and other financial institutions	3.09%	n/a	n/a	3.77%	n/a	n/a
Subordinated Debt	n/a	5.64%	n/a	2.66%	5.64%	n/a
Debt securities issued	n/a	6.50%	n/a	n/a	6.50%	n/a
Bank						
	31 December 2020			31 December 2019		
	LEI	EUR	USD	LEI	EUR	USD
Financial Assets						
Cash and cash equivalents	1.80%	0.00%	0.00%	1.90%	0.00%	1.61%
Due from other banks	0.00%	0.00%	0.00%	0.26%	0.00%	0.16%
Loans and advances to customers	6.31%	3.95%	7.48%	7.43%	4.18%	7.92%
Financial assets measured at fair value through other comprehensive income	4.07%	1.57%	5.27%	4.04%	1.36%	6.75%
Investments in debt instruments at amortised cost	5.73%	1.47%	n/a	5.73%	1.49%	n/a
Financial assets measured at fair value through profit or loss	0	0	n/a	n/a	n/a	n/a
Liabilities						
Deposits from banks	1.61%	n/a	n/a	0.02%	0.00%	n/a
Current accounts from customers	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%
Deposits from customers	2.52%	0.12%	0.59%	2.80%	0.17%	0.64%
Borrowings	n/a	n/a	n/a	n/a	n/a	n/a
Subordinated debt	n/a	5.64%	n/a	n/a	5.64%	n/a
Debt securities issued	n/a	6.50%	n/a	n/a	6.50%	n/a

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The table below summarizes the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates at 31.12.2020:

Group <i>Thousand RON</i>	31 December 2020					
	Carrying value	Less 3 months	3-12 month	1-5 years	More 5 year	Non-interest bearing
Financial assets						
Cash and cash equivalents	354,793	23,388	-	-	-	331,405
Financial assets measured at fair value through profit or loss	54,155	-	-	-	-	54,155
Financial asset measured at fair value through other items of comprehensive income	609,936	57,918	65,600	359,063	118,146	9,209
Due from other banks	7,428	-	-	-	-	7,428
Loans and advances to customers	1,861,888	11,930	1,633,861	69,866	138,855	7,376
Investments in debt instruments at amortized cost	319,532	108,214	31,424	157,089	22,805	0
Other financial assets	9,428	114	305	933	0	8,076
Total financial assets	<u>3,217,160</u>	<u>201,564</u>	<u>1,731,190</u>	<u>586,951</u>	<u>279,806</u>	<u>417,649</u>
Financial liabilities						
Due to other banks	37,459	35,000	-	-	-	2,459
Customer deposits	2,898,050	1,060,592	1,139,811	61,524	5,827	630,296
Loans from banks and other financial institutions	56,562	-	56,562	-	-	-
Other financial liabilities	82,406	2,738	4,808	18,653	4,276	51,931
Subordinated debts	34,555	-	24,403	-	10,152	-
Debt securities in issue	62,797	-	-	-	62,797	-
Total financial liabilities	<u>3,171,829</u>	<u>1,098,330</u>	<u>1,225,584</u>	<u>80,177</u>	<u>83,052</u>	<u>684,686</u>
Net Interest rate risk position	<u>45,331</u>	<u>(896,766)</u>	<u>505,606</u>	<u>506,774</u>	<u>196,754</u>	<u>(267,037)</u>

The Group closely assesses the net interest rate risk position in order to reduce the risk and optimize the net interest margin. As of 31st of December 2020, and 31st of December 2019 the Group records a negative interest rate risk position only on the second bucket, higher financial liabilities compared to the financial assets, mainly due to the deposits from customers with fixed interest rate. The customers deposits at the maturing date are roll-overed at the standard/negotiated interest rate communicated by the Group and the interest rate is not automatically updated at a market benchmark.

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The table below summarizes the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates at 31.12.2019:

Group	31 December 2019					
Thousand RON	Carrying value	Less 3 months	3-12 month	1-5 years	More 5 year	Non-interest bearing
Financial assets						
Cash and cash equivalents	437,958	92,155	-	-	-	345,803
Financial assets measured at fair value through profit or loss	58,293	-	-	-	-	58,293
Financial asset measured at fair value through other items of comprehensive income	445,338	55,923	46,525	313,033	21,442	8,415
Due from other banks	5,683	-	-	-	-	5,683
Loans and advances to customers	1,653,586	42,077	1,349,229	169,575	79,907	12,798
Investments in debt instruments at amortized cost	340,759	-	44,910	236,593	59,256	-
Other financial assets	8,270	71	320	1,312	-	6,567
Total financial assets	<u>2,949,887</u>	<u>190,226</u>	<u>1,440,984</u>	<u>720,513</u>	<u>160,605</u>	<u>437,559</u>
Financial liabilities						
Due to other banks	18,627	10,000	-	-	-	8,627
Customer deposits	2,728,114	945,695	1,147,066	70,111	7,283	557,959
Loans from banks and other financial institutions	46,772	38,459	2,400	5,406	-	507
Other financial liabilities	86,455	2,120	7,811	20,297	624	55,603
Subordinated debts	34,348	-	34,348	-	-	-
Debt securities in issue	23,021	-	-	-	23,021	-
Total financial liabilities	<u>2,937,337</u>	<u>996,274</u>	<u>1,191,625</u>	<u>95,814</u>	<u>30,928</u>	<u>622,696</u>
Net Interest rate risk position	<u>12,550</u>	<u>(806,048)</u>	<u>249,359</u>	<u>624,699</u>	<u>129,677</u>	<u>(185,137)</u>

The Group presented as non-interest bearing assets the following: customer loans that no longer accrue interest, accrued interest on loans and T-bills, unit funds administrated by SAI Patria Asset Management SA and equity investments.

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The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates at 31.12.2020:

Bank	31 December 2020					
Thousand RON	Carrying value	Less 3 months	3-12 month	1-5 years	More 5 year	Non-interest bearing
Financial assets						
Cash and cash equivalents	350,943	20,000	-	-	-	330,943
Financial assets measured at fair value through profit or loss	28,101	-	-	-	-	28,101
Financial asset measured at fair value through other items of comprehensive income	609,936	57,918	65,600	359,063	118,146	9,209
Due from other banks	7,428	-	-	-	-	7,428
Loans and advances to customers	1,778,298	11,930	1,643,310	5,038	110,644	7,376
Investments in debt instruments at amortized cost	319,532	108,214	31,424	157,089	22,805	-
Other financial assets	10,070	114	305	933	0	8,718
Total financial assets	3,104,308	198,176	1,740,639	522,123	251,595	391,775
Financial liabilities						
Due to other banks	37,459	35,000	-	-	-	2,459
Customer deposits	2,904,771	1,064,661	1,139,811	61,524	5,827	632,948
Loans from banks and other financial institutions	-	-	-	-	-	-
Other financial liabilities	45,233	2,738	4,808	18,653	2,982	16,052
Subordinated debts	24,403	-	24,403	-	-	-
Debt securities in issue	62,797	-	-	-	62,797	-
Total financial liabilities	3,074,663	1,102,399	1,169,022	80,177	71,606	651,459
Net Interest rate risk position	29,645	(904,223)	571,617	441,946	179,989	(259,684)

The Bank closely assesses the net interest rate risk position in order to reduce the risk and optimize the net interest margin. As of 31st of December 2020, and 31st of December 2019 the Bank records a negative interest rate risk position only on the first bucket, higher financial liabilities compared to the financial assets, mainly due to the deposits from customers with fixed interest rate. The customers deposits at the maturing date are roll-overed at the standard/negotiated interest rate communicated by the Bank and the interest rate is not automatically updated at a market benchmark.

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The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates at 31.12.2019:

Bank <i>Thousand RON</i>	Carrying value	Less 3 months	31 December 2019			Non- interest bearing
			3-12 month	1-5 years	More 5 year	
Financial assets						
Cash and cash equivalents	428,495	89,829	-	-	-	338,666
Financial assets measured at fair value through profit or loss	31,046	-	-	-	-	31,046
Financial asset measured at fair value through other items of comprehensive income	445,338	55,923	46,525	313,033	21,442	8,415
Due from other banks	5,683	-	-	-	-	5,683
Loans and advances to customers	1,588,274	50,848	1,341,541	103,227	79,860	12,798
Investments in debt instruments at amortized cost	340,759	-	44,910	236,593	59,256	-
Other financial assets	8,591	71	320	1,312	-	6,888
Total financial assets	<u>2,848,186</u>	<u>196,671</u>	<u>1,433,296</u>	<u>654,165</u>	<u>160,558</u>	<u>403,496</u>
Financial liabilities						
Due to other banks	18,627	10,000	-	-	-	8,627
Customer deposits	2,733,713	950,367	1,147,066	70,111	7,283	558,886
Loans from banks and other financial institutions	-	-	-	-	-	-
Other financial liabilities	47,655	2,120	7,811	18,537	625	18,562
Subordinated debts	23,951	-	23,951	-	-	-
Debt securities in issue	23,021	-	-	-	23,021	-
Total financial liabilities	<u>2,846,967</u>	<u>962,487</u>	<u>1,178,828</u>	<u>88,648</u>	<u>30,929</u>	<u>586,075</u>
Net Interest rate risk position	<u>1,219</u>	<u>(765,816)</u>	<u>254,468</u>	<u>565,517</u>	<u>129,629</u>	<u>(182,579)</u>

The management of interest rate risk through limits is enhanced by monitoring the sensitivity of the Group's financial assets and liabilities to various interest rate scenarios. The interest rate risk management uses monthly GAP model of interest rate risk and sensitivity analyzes of the Group's financial asset and liability to various interest rates scenarios, as exemplified below:

The impact on the Group's financial results at 31 December 2020 by applying a possible change in interest rate of +/- 100 bps (as a percentage of the Group's own funds) for items with a maturity of up to 12 months could lead to a impact of 5,647 thousand RON, respectively 1.49% impact on own funds assuring a low risk profile in accordance with internal rules regarding interest rate risk (as of 31 December 2019: RON 5,908 thousand RON impact and respectively 1.82% impact on own funds assuring a low risk profile according to internal rules).

A sensitivity in interest rates change of 100 bps is reasonable given the fact that average evolution for maximum levels in last year 2020 period (as difference between maximum level in year for 3M and 6M ROBOR) was 128 bps and 38/41 bps for main FX currency EUR (for both 3M and 6M EURIBOR) and also considering the balance sheet structure in main currencies.

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f) Liquidity risk

i) Management of liquidity risk

Liquidity risk is the risk that the Group will not be able to fulfil their obligations at maturity or will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or a financial asset.

Liquidity risk can arise from providing general funding of the Group's activities and in the process of management of the asset positions. It includes both the risk of being unable to fund assets at appropriate maturities or/and rates and the risk of being unable to liquidate an asset at a reasonable price (eliminating/reducing potential loss) and in an appropriate time frame.

The Group has access to a diversified funding base. Funds are raised using a broad range of instruments including deposits, borrowings and share capital. This improves funding flexibility, limits dependence on a single source of funding and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding, diversifying the funding base, limiting the concentrations.

The liquidity position and intraday liquidity position are monitored on daily basis. All liquidity policies and procedures are subject to at least annual review and approved by The Executive Committee, Risk Management Committee and Board of Administration.

A contingency funding plan (CFP) has been elaborated that establishes tasks and measures to be followed in the case of sudden event or/and unexpected emergencies of unusual market and operating conditions in order to maintain a proper level for liquidity in every given circumstances. This plan covers the management of special conditions caused by the "unusual" changes in markets conditions and in the general economic, political and regulatory environment, as well as the management of situations originating from the loss of trust in the Group.

ii) Exposure to liquidity risk

One of the key measures used by the Group for managing liquidity risk is Loan to Deposits ratio.

Details of the reported ratio of loans to deposits at the reporting date and during the reporting period were as follows:

	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
At 31 December	66.36%	63.41%	65.59%	62.16%
Average for the period	68.81%	64.88%	67.57%	63.29%
Maximum for the period	70.13%	67.32%	68.86%	65.21%
Minimum for the period	66.36%	62.30%	65.59%	60.72%

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The Group maximum recorded level of 70.13% of gross loans to deposits ratio was as of the end of September 2020, while the minimum recorded level of 66.36 % was as of the end of December 2020.

The Bank maximum recorded level of 68.86 % of gross loans to deposits ratio was as of the end of September 2020, while the minimum recorded level of 65.59% was as of the end of December 2020.

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

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The residual maturity analysis of the monetary assets and liabilities of the Group at 31 December 2020 is presented below:

Group	31 December 2020						Total
	Due on demand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	
Thousand RON							
Financial Assets							
Cash and cash equivalents	331,405	23,388	-	-	-	-	354,793
Financial assets measured at fair value through profit or loss	-	-	-	-	10,412	43,742	54,155
Financial assets evaluated at fair value through other comprehensive income	-	57,918	65,600	359,063	118,146	9,209	609,936
Due from other banks	-	2,134	5,294	0	0	0	7,428
Loans and advances to customers, including future interest	-	155,263	397,878	998,778	737,550	7,050	2,296,519
Investments in debt securities at amortised cost	-	108,214	31,424	157,116	22,805	0	319,559
Other financial assets	-	114	305	933	0	8,076	9,428
Total financial assets	331,405	347,031	500,501	1,515,889	888,914	68,077	3,651,818
Financial liabilities							
Due to other banks	10,000	25,005	-	-	-	2,459	37,464
Customer deposits, including future interest	623,228	1,063,359	1,155,624	64,941	9,030	105	2,916,287
Loans from banks and other financial institutions, including future interest	-	56,562	-	-	-	-	56,562
Other financial liabilities	-	2,738	4,808	18,653	4,276	51,931	82,406
Subordinated debt and debt securities in issue, including future interest	-	-	-	11,925	116,670	-	128,595
Total financial liabilities	633,228	1,147,664	1,160,432	95,519	129,976	54,495	3,221,314
Liquidity excess/(deficit)	(301,823)	(800,633)	(659,931)	1,420,370	758,938	13,582	430,504

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Derivatives are presented based on their contractual maturities.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

Thousand Ron Off-Balance items	Due on demand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Loans Commitments given to customers	300,095	-	-	-	-	-	300,095
Guarantees issued to customers	14,600	-	-	-	-	-	14,600

Based on the historical evolution, at the maturity date, a significant part of the customer deposits are rollover resulting that the remaining contractual maturity of the deposits is in average 3-6 months.

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The residual maturity analysis of the monetary assets and liabilities of the Group at 31 December 2019 is presented below:

Group	31 December 2019						
Thousand RON	Due on demand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Financial Assets							
Cash and cash equivalents	437,958	-	-	-	-	-	437,958
Financial assets measured at fair value through profit or loss	-	-	-	-	-	58,293	58,293
Financial assets evaluated at fair value through other comprehensive income	-	55,923	46,525	313,033	21,442	8,415	445,338
Due from other banks	-	-	5,683	-	-	-	5,683
Loans and advances to customers, including future interest	-	75,584	429,964	854,860	173,669	524,004	2,058,081
Investments in debt securities at amortised cost	-	-	20,978	260,525	59,256	-	340,759
Other financial assets	-	71	320	1,312	-	6,567	8,270
Total financial assets	437,958	131,578	503,470	1,429,730	254,367	597,279	3,354,382
Financial liabilities							
Due to other banks	-	10,000	-	-	478	8,149	18,627
Customer deposits, including future interest	547,627	947,382	1,163,868	72,729	10,354	10,337	2,752,297
Loans from banks and other financial institutions , including future interest	-	38,459	2,400	5,406	-	507	46,772
Other financial liabilities	-	2,120	7,811	20,297	624	55,603	86,455
Subordinated debt and debt securities in issue, including future interest	-	-	-	-	82,313	-	82,313
Total financial liabilities	547,627	997,961	1,174,079	98,432	93,769	74,596	2,986,464
Liquidity excess/(deficit)	(109,669)	(866,383)	(670,609)	1,331,298	160,598	522,683	367,918

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(All amounts are in thousand RON)**

Thousand Ron Off-Balance items	Due on demand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Loans Commitments given to customers	301,492	-	-	-	-	-	301,492
Loan commitments received from customers	13,615	-	-	-	-	-	13,615

The Group presents a shortage of liquidity on the first three buckets “due on demand”, “up to three months” and “3 months to 1 year”, as result of a large amounts of commercial deposits in this category. Management expects this deficit to be covered through renewal of deposits.

As has already been mentioned, the liquidity is eliminated by the renewal for liabilities for private individuals or companies in a significant proportion (around 90%). Generally, the renewal takes place through the extension of the existing structure of deposits, for amount and due date, too.

To manage liquidity risk, the Group holds liquid assets comprising cash and cash equivalents and investment securities (treasury bills issued by the Minister of Public Finance of Romania) for which there is an active liquid market. These assets can be readily sold to meet liquidity requirements.

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The residual maturity analysis of the monetary assets and liabilities of the Bank at 31 December 2020 is presented below:

Bank <i>Thousand RON</i>	31 December 2020						No fixed maturity	Total
	Due on demand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years			
Financial Assets								
Cash and cash equivalents	330,943	20,000	-	-	-	-	-	350,943
Financial assets measured at fair value through profit or loss	-	-	-	-	10,412	17,688	-	28,101
Financial assets evaluated at fair value through other comprehensive income	-	57,918	65,600	359,063	118,146	9,209	-	609,936
Due from other banks	-	2,134	5,294	-	-	-	-	7,428
Loans and advances to customers, including future interest	-	153,587	380,301	902,023	709,308	7,050	-	2,152,269
Investments in debt securities at amortised cost	-	108,214	31,424	157,116	22,805	-	-	319,559
Other financial assets	-	114	305	933	-	8,718	-	10,070
Total financial assets	330,943	341,967	482,924	1,419,134	860,672	42,665	3,478,306	
Financial liabilities								
Due to other banks	10,000	25,005	-	-	-	2,459	-	37,464
Customer deposits, including future interest	625,880	1,067,596	1,155,624	64,941	9,030	105	-	2,923,176
Loans from banks and other financial institutions, including future interest	-	-	-	-	-	-	-	-
Other financial liabilities	-	2,738	4,808	18,653	2,982	16,052	-	45,233
Subordinated debt and debt securities in issue, including future interest	-	-	-	11,925	114,134	-	-	126,059
Total financial liabilities	635,880	1,095,339	1,160,432	95,519	126,146	18,616	3,131,932	
Liquidity excess/(deficit)	(304,937)	(753,372)	(677,508)	1,323,615	734,526	24,049	346,374	
Off-Balance items								
Loans Commitments given to customers	299,405	-	-	-	-	-	-	299,405
Guarantees issued to customers	14,600	-	-	-	-	-	-	14,600

The residual maturity analysis of the monetary assets and liabilities of the Bank at 31 December 2019 is presented below:

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Bank	31 December 2019						Total
Thousand RON	Due on demand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	
Financial Assets							
Cash and cash equivalents	428,495	-	-	-	-	-	428,495
Financial assets measured at fair value through profit or loss	-	-	-	-	5,420	25,626	31,046
Financial assets evaluated at fair value through other comprehensive income	-	55,923	46,525	313,033	21,442	8,415	445,338
Due from other banks	-	-	5,683	-	-	-	5,683
Loans and advances to customers, including future interest	-	83,085	407,765	763,847	173,601	524,004	1,952,302
Investments in debt securities at amortised cost	-	0	20,978	260,525	59,256	-	340,759
Other financial assets	-	71	320	1,312	-	6,888	8,591
Total financial assets	<u>428,495</u>	<u>139,079</u>	<u>481,271</u>	<u>1,338,717</u>	<u>259,719</u>	<u>564,933</u>	<u>3,212,214</u>
Financial liabilities							
Due to other banks	-	10,000	-	-	478	8,149	18,627
Customer deposits, including future interest	548,724	952,051	1,163,871	72,729	10,359	10,162	2,757,896
Loans from banks and other financial institutions, including future interest	-	-	-	-	-	-	-
Other financial liabilities	-	2,120	7,811	18,537	625	18,562	47,655
Subordinated debt and debt securities in issue, including future interest	-	-	-	-	66,015	-	66,015
Total financial liabilities	<u>548,724</u>	<u>964,171</u>	<u>1,171,682</u>	<u>91,266</u>	<u>77,477</u>	<u>36,873</u>	<u>2,890,193</u>
Liquidity excess/(deficit)	<u>(120,229)</u>	<u>(825,092)</u>	<u>(690,411)</u>	<u>1,247,451</u>	<u>182,243</u>	<u>528,060</u>	<u>322,021</u>
Off-Balance items							
Loans Commitments given to customers	301,492	-	-	-	-	-	301,492
Guarantees issued to customers	13,615	-	-	-	-	-	13,615

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g) Capital management

The Group is active in the Romanian banking sector, which is regulated by The National Bank of Romania ("NBR"), acting as local regulator under the EU regulation for the sector, which requires banks to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Group's and Bank's regulatory capital is analysed into two tiers:

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

At 31 December 2020 and 31 December 2019 the Group's own fund calculated as per statutory regulations and capital requirement for 31 December 2020 and 31 December 2019 are within the regulatory limits and requirements of the NBR.

At 31 December 2020 and 31 December 2019 the Bank's own fund calculated as per statutory regulations and capital requirement for 31 December 2020 and 31 December 2019 are within the regulatory limits and requirements of the NBR.

5. USE OF ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Provisions for other risks and charges

The Bank operates in a regulatory and legal environment that, by nature has a heightened element of litigation risk inherent to its operations and, as a result it is involved in various litigations or is subject to various obligations arising from legislation in force.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case, as mentioned in this note. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Generally, the first step is to establish the existence of the present obligation followed by the estimation of the amount needed to settle that obligation taking into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates.

In case of litigations:

- (i) For a single individual litigation the Bank assess whether there is more likely than not to have an unfavourable court decision considering the factors mentioned above; then it estimates the amount at risk; in case there are several scenarios possible with different outcomes, the amount at risk is the weighted average of the amounts at risk for each scenario using the probability distribution for all scenarios (100% is allocated to the possible scenarios) and provisions 100% of the estimated amount;
- (ii) For multiple litigations, the assessment of “more likely than not” could be substantiated for the entire population using statistics and provision computation to be made at pool level.

In case of obligations arising from various legislation, the bank assesses first if there is no realistic alternative of settling that obligation, and if not, it estimates the amount needed to settle that obligation (using similar approach as above) and books provisions representing 100% of the estimated amount.

Expected credit loss on loans and advances to customers

Measurement of expected credit losses (ECL) for financial assets at amortised cost, in accordance with the evaluation procedures in force, is an area where complex models and significant assumptions regarding the future economic conditions and loans behavior (for example, the probability of default-PD and loss given default-LGD) are used.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any gaps between estimated losses and actual losses, but also to assess the effects of the local financial market uncertainties on the valuation of assets and the debtors’ operating environment. The loan loss estimation considers the visible effects of the current and future expected market conditions on the individual/collective assessment of expected credit losses on loans and advances to customers. Hence, the Group and the Bank have estimated the expected credit losses for loans and advances to customers based on the internal methodology and assessed that no further expected credit losses is required except as already provided for in the consolidated and separate financial statements.

A series of significant decisions are also used in ECL measurement, such as:

- Establishing criteria for SICR;
- Choosing the models and adequate assumptions for ECL measurement;
- Establishing the number and weight of forward-looking macroeconomic scenarios;
- Establishing the homogenous groups of financial assets for the purpose of ECL measurement.
- Establishing overlays in the context of the covid environment

Covid-19

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Presidency declared a state of emergency on 16 March 2020. Responding to the potentially serious threat the COVID – 19 presents to public health, the Romanian government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries. Pending further developments regarding the spread of the virus, the following were closed: schools, universities, restaurants, cinemas, theatres and museums, sport facilities and retailers excluding food retailers.

Other severely affected sectors include: transport and HoReCA, construction and connected sectors. In addition, major manufacturers in the automotive industry decided to shut-down for a period their operations in both Romania and other European countries. Some companies in Romania have also instructed employees to remain at home and have curtailed or temporarily suspended business operations.

FED cut the interest rate with 100 bps in March 2020, followed by other central banks including NBR who cut the interest rate also with 100bps.

In less than 8 months, central bank assets grew by more than 7 trillion USD during the initial response to simultaneous supply and demand shocks associated with this year's pandemic. This is more than double the increase in central-bank assets during the Great Financial Crisis, which happened over a longer period (2008-2009). Also in Romania we had some assets purchasing program made by the NBR.

The pandemic and efforts to contain it have triggered an unprecedented collapse in oil demand and a crash in oil prices in end of April 2020.

The stock market dropped more than 30% in March 2020, but recovered later after central banks interventions, closing the year on positive.

The macroeconomic scenarios applied have been changed from those applied in Q4 2019 to reflect the worsening of the macroeconomic outlook due to the COVID 19 pandemic.

The incorporation of forward-looking elements reflects the expectations of the Group and the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario. A large part of the impact on the expected credit losses in 2020 is resulting from the COVID-19 pandemic referring to changes to the forward-looking information.

The Bank uses two scenarios: base scenario (which is the most probable scenario of the economic environment), and adverse scenario.

Scenarios weights

	Base case	Adverse
Y2019	70%	30%
Y2020	70%	30%

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The most important assumptions affecting the forward-looking information used in the calculation of ECL allowance are as follows:

Values used as of 31.12.2020

GDP (real)	2020	2021	2022	2023
Central 70%	(4.00)	4.00	4.20	4.20
Adverse 30%	(6.00)	2.00	3.00	3.50
GDP -average	(4.60)	3.40	3.84	3.99
Unemployment	2020	2021	2022	2023
Central 70%	5.80	6.00	5.10	5.10
Advers 30%	6.50	6.70	5.60	5.60
UR average	6.01	6.21	5.25	5.25

Values used as of 31.12.2019

GDP (real)	2019	2020	2021	2022
Central 70%	2.40	2.30	1.70	2.30
Advers 30%	0.00	0.50	0.60	1.50
GDP -average	1.68	1.76	1.37	2.06
Unemployment	2019	2020	2021	2022
Central 70%	3.90	4.30	4.60	5.00
Advers 30%	5.60	6.40	7.20	7.30
UR average	4.41	4.93	5.38	5.69

Considering the GDP and UR scenarios above, the PD curves for all segments shifted upwards.

Also, due to the COVID-19 pandemic, management applied supplementary judgement when determining the need for post-model adjustments.

In order to address potential drawbacks of the models, which couldn't be corrected through the normal ECL models, Post Model Adjustments ("PMA") have been used. PMAs are used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, or forward-looking information being examples of such circumstances.

As such, the PMAs were represented by the following, applied to all portfolios:

- Add to the values forecasted through the models, one standard deviation (computed on quarterly default rates from 2017 onwards)
- Application of a limit of maxim floor between:
 - Minimum forecasted rate: maximum default rate observed in the last 2 years;
 - Maximum forecasted rate: average default rate computed on quarterly default rates from 2017 onwards + 1.4 standard deviation.

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The additional provision resulting from the application of post-model adjustments (MAP) was RON 2.2 million..

In order to identify potential impact on ECL as a result of a stress test scenario, The Group also perform stress test on the macro factors within the ICAAP process (quarterly). For assessing a potential growth on ECL, Bank has stressed GDP and UR, using factors and scenarios presented bellow and potential impact on ECL growth, including the PMA adjustment based on on the methodology described above, was the following:

<i>Thousand RON</i>	<i>Individual</i>	<i>Consolidated</i>
Base scenario	306	346
Crisis scenario	8,873	9,745

Scenarios used for calculating potential impact on ECL in ICAAP model:

For the base case are used:

- for GDP - the lowest vales between EBA forecast ("Macro-financial scenario stress test") and the average scenario used by the Bank
- for UR - the highest value between EBA forecast ("Macro-financial scenario stress test") and the average scenario used by the Bank.

In the crisis scenario, these values are again subjected to a stress scenario, by increasing the unemployment rate and declining GDP

Base scenario

GDP (real)	2020	2021	2022	2023
GDP -average scenario used by the Bank	(4.60)	3.40	3.84	3.99
GDP - base scenario EBA forecast	(4.60)	3.30	3.80	3.80
GDP -ICAAP - base scenario	(4.60)	3.30	3.80	3.80

Unemployment	2020	2021	2022	2023
UR average scenario used by the Bank	6.01	6.21	5.25	5.25
UR - base scenario EBA forecast	6.20	6.20	5.10	5.10
UR - ICAAP - base scenario	6.20	6.21	5.25	5.25

Crisis scenario

GDP (real)	2020	2021	2022	2023
GDP -average scenario used by the Bank	(4.60)	3.40	3.84	3.99
GDP - crisis scenario EBA forecast	(4.60)	2.20	3.50	3.50
GDP -ICAAP - crisis scenario	(4.60)	2.20	3.50	3.50

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Unemployment	2020	2021	2022	2023
UR average scenario used by the Bank	6.01	6.21	5.25	5.25
UR - crisis scenario EBA forecast	7.00	7.00	7.50	7.50
UR - ICAAP - crisis scenario	7.00	7.00	7.50	7.50

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

In order to maintain the resilience of the banking sector and the capacity of banks to absorb shocks, the Romanian Government has taken a series of measures to support especially the population and the SME segment (OUG no. 37/2020, IMM Invest Program), and the National Bank of Romania proceeded to reduce the monetary policy rate and start the process of buying government securities denominated in RON on the secondary market, in order to ensure the financing in good conditions of the real economy and of the sector.

The response to the Covid-19 pandemic included some forms of payments holiday of credit obligations (aiming to support the operational and liquidity problems faced by borrowers) introduced either legislative moratorium (GEO 37/2020 and GEO 227/2021) or non-legislative moratorium.

The legislative moratorium introduced through GEO 37/2020 has the following main features:

- Validity period from 31st of March 2020 to 15th of May 2020 and further prolonged to 15th of June 2020;
- Grace period up to 9 months (not beyond end of 2020);
- Interest is accrued (capitalized for consumer loans, repaid in 60 equal installments for housing loans);
- Available to debtors without due past due and affected by the crisis (based on declaration for individuals or loss of 25% of revenues for companies).

Loans with moratorium measures were not classified as impaired, consistent with the position of EU regulators, but were included into continuous monitoring program in order to determine whether the financial difficulties of the debtors would be longer term and would trigger the classification as impaired.

The Group has designed its internal payments holiday of credit obligations program in order to support its debtors under temporary distress. The measures fall into legislative (compliant with the code of conduct developed at the level of the banking industry) or non-legislative category. All moratorium deferrals ended as at 31 December 2020.

For the eligible debtors the moratorium – related changes to the contract are not automatically considered forbearance measures, hence not automatically default trigger. During 2020 the Group implemented payment holiday for more than 1,500 clients with a total exposure of RON 356,611 thousand, representing 17% of the

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total Group's loans portfolio. Out of the total exposure of RON 356,611 thousand, 16% represents Loans granted to individuals and 84% represents Loans granted to companies.

An additional measure that the Romanian Government has taken to support the SME segment was IMM Invest Program. For 2020, the total ceiling of guarantees that could be granted under the program was RON 20 billion. As of 31 December 2020, the Group has approved 138 financing request, amounting to approx. RON 100,108 thousand.

In January 2021, the Government approved the extension of the measure of payments holiday of credit obligations, until March 15, 2021, for people who have financial difficulties, due to the Coronavirus pandemic. The request can be formulated by the debtor until March 15, 2021 at the latest, and the Bank must communicate the decision within a maximum of 15 calendar days, until March 31, 2021. The modification of the contractual clauses, as an effect of the approval of the debtor's request is made without concluding additional documents to the credit contract, by notifying the debtor within 30 calendar days from the receipt of the complete request. The normative act approved by the Government stipulates that the persons may benefit from the suspension of the payment of the obligations resulting from the accessed credits for a period of maximum nine months.

The conditions for requesting the suspension of the payment of the obligations are:

- The credits were granted until March 30, 2020 inclusive;
- The loan has not matured until the date of the request made by the debtor;
- The early maturity of the loan was not declared until December 31, 2020;
- The debtor did not register arrears until the date of requesting the suspension of the payment obligation.

The Group's forbearance practices have been updated to pay attention to customers affected by the COVID-19 pandemic. These practices include additional guidance to ensure that COVID-19 concessions are fully complied with EBA/ NBR decision on moratoria operations respectively it is considered that the operations will not automatically generate a stricter classification of exposures (should not be considered as an automatic trigger, but should be considered in correlation with other risk indicators), and the Group should develop and strengthen its own mechanisms to identify in early stages, increase of credit risk and unlikeliness to pay situation.

As mentioned, moratoria program did not have a direct impact on staging (is not considered a trigger for a significant increase in credit risk). The definition of forborne credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program.

The Bank implemented a continuous monitoring process for all the exposures subject to legislative or non-legislative moratoria. On a quarterly basis, the Bank analysed the updated situation of each exposure, above certain limit, which benefit of a moratorium solution, covering most part of the portfolio. Additionally, on a monthly basis, in the previous months before the first payment after the grace period, the Bank analysed the current situation of the client at its capacity to continue the payments.

Overdue payments or restructuring request, just after the postponement period it is subject of in depth analysis in order to assess the probability of significant increase in credit risk or unlikeness to pay.

The Bank has evaluated the industries at high risk of being impacted by the pandemic situation (for example HORECA industry), and considered from the beginning of the pandemic situation, in the category of exposures with significant increase in credit risk.

The Group has taken a series of measures for the protection of employees and customers, the measures taken aiming at:

- **Protection and prevention** measures against the spread of the virus to employees. At the level of the territorial units and all the bank's offices, all the necessary individual protection materials were provided (masks, gloves, protective screens), simultaneously with the supplementation of the sanitation measures and the introduction of new rules of interaction with the clients in the unit. All these aimed to carry out the activity continuously and optimally, keeping a proper distance in interaction, along with reducing the public relations program, but maintaining the service of all customers through digital channels (telephone and e-mail). In parallel, the activity through staff rotation, the increase of the activity carried out in the work from home system and the flexibility of the work schedule offered an increased degree of confidence and security to the employees to continue the activity in optimal parameters, as well as the maximum limitation of illness among employees. At the headquarters, during the state of emergency, a number of 237 employees worked continuously for 2 weeks from home. After the end of the emergency period, the bank implemented an alternative work from home schedule to maintain a safe distance to the office, in order to limit the number of illnesses.
- **Measures to make the customer service channels more flexible and improved.** The communication with the clients and the recommendations to use remote trading tools, the card and internet banking were made in a transparent and continuous way through its own website (www.patriabank.ro/covid) and through the use of direct communication channels. Moreover, a number of processes and flows have been optimized in order to facilitate or limit face-to-face interaction during this period, such as: the possibility of extending deposits by a simple phone call and postponing, during the state of emergency, the obligation to be present in bank units for updating personal data.

Deferred income tax asset recognition

Deferred income tax asset represents tax recoveries from future deductions of taxable profit and are recognized in the statement of financial position.

The deferred tax asset is recognized if future taxable profits are available so that the deferred tax assets are realized. Deferred tax assets are reduced accordingly, if it is not probable that the Group will be able to obtain such future taxable profits.

Future taxable profits and profit tax deductions, which are estimated to be generated/deducted in the future are based on:

- The expected fiscal profit for the following years;
- A medium-term strategic plan prepared by management .

Impairment testing of goodwill and other intangible assets registered under the merger

In testing for impairment of goodwill and other intangible assets registered under the merger, the Group considers forecasts regarding future profitability, interest rates, yield rates.

Going concern

Management prepared these consolidated and separate financial statements on a going concern basis. In making this judgement management considered the Group's and Bank's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the Covid-19 pandemic crisis on future operations of the Group. For other details please refer to note 2.d).

Control over investment funds

The Group manages the assets invested in the investment funds on behalf of investors. The analysis regarding the control over the investment funds consisted of the following: the Group's power to coordinate the relevant activities of the investment funds, exposure to variable returns according to the investment decisions and the Group's ability to coordinate relevant activities of funds in order to obtain benefits - in making decisions the Group acts as a principal or as an agent of the owners of fund units. Given the fact that holders of fund units can't revoke the appointment of the Group as manager of the investment funds and also the fact that the liquidation of the funds' administrator (SAI Patria Asset Management SA is the administrator of the for investment funds that the Group is consolidated) can only be carried out by the Group in its capacity as shareholder, the Group concluded that it acts as principal in the management activity of the investment funds and decided it has control over the funds, thereby the funds (FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni, FDI Patria Euro Obligatiuni), are consolidated.

31 December 2020:

Investment Fund	Total fund units in circulation	Total value of the fund units (Thousand RON)	Number of units held by the Bank	Total value of the fund units held by the Bank (Thousand RON)	Percentage of the Bank holdings
FDI Patria Global	483,435	11,356	213,717	5,020	44%
FDI Patria Stock	191,739	3,843	160,853	3,224	84%
FDI Patria Euro Obligatiuni	125,957	6,138	100,000	4,873	79%
FDI Patria Obligatiuni	1,885,769	26,025	-	-	0%

6. FAIR VALUE DISCLOSURES

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

The management uses significant judgements to select the method of evaluating the financial instruments based on the fair value hierarchy.

If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a level three measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

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(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorized is as follows:

Group
Thousand RON
Assets at fair value
Financial assets

Financial assets measured at fair value through profit or loss

Financial asset measured at fair value through other items of comprehensive income

- Treasury bills issued by the Ministry of Public Finance of Romania

- Equity investments

Derivative financial instruments

Non-financial assets

Investment Property

Fixed assets held for sale

Total assets at fair value
Liabilities at fair value

- Foreign exchange forward contracts

Total liabilities at fair value

	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	54,155	-	-	54,155	58,293	-	-	58,293
Financial asset measured at fair value through other items of comprehensive income	600,727	-	9,209	609,936	436,923	-	8,415	445,338
- Treasury bills issued by the Ministry of Public Finance of Romania	600,727	-	-	600,727	436,923	-	-	436,923
- Equity investments	-	-	9,209	9,209	-	-	8,415	8,415
Derivative financial instruments	-	-	36	36	-	-	-	-
Investment Property	-	-	115,823	115,823	-	-	130,302	130,302
Fixed assets held for sale	-	-	19,936	19,936	-	-	7,417	7,417
Total assets at fair value	654,882	-	145,004	799,886	495,216	-	146,134	641,350
Liabilities at fair value								
- Foreign exchange forward contracts	-	-	-	-	-	-	142	142
Total liabilities at fair value	-	-	-	-	-	-	142	142

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Bank

	31 December 2020				31 December 2019			
<i>Thousand RON</i>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Financial assets								
Financial assets measured at fair value through profit or loss	28,101	-	-	28,101	31,046	-	-	31,046
Financial asset measured at fair value through other items of comprehensive income	<u>600,727</u>	<u>-</u>	<u>9,209</u>	<u>609,936</u>	<u>436,923</u>	<u>-</u>	<u>8,415</u>	<u>445,338</u>
- Treasury bills issued by the Ministry of Public Finance of Romania	600,727	-	-	600,727	436,923	-	-	436,923
- Equity investments	-	-	9,209	9,209	-	-	8,415	8,415
Derivative financial instruments	-	-	36	36	-	-	-	-
Non-financial assets	-	-	-	-	-	-	-	-
Investment Property	-	-	115,823	115,823	-	-	130,100	130,100
Fixed assets held for sale	-	-	19,936	19,936	-	-	7,417	7,417
Total assets at fair value	<u>628,828</u>	<u>-</u>	<u>145,004</u>	<u>773,832</u>	<u>467,969</u>	<u>-</u>	<u>145,932</u>	<u>613,901</u>
Liabilities at fair value								
- Foreign exchange forward contracts	-	-	-	-	-	-	142	142
Total liabilities at fair value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142</u>	<u>142</u>

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Financial asset measured at fair value through other items of comprehensive income

Treasury bills denominated in RON, EUR, USD issued by the Ministry of Public Finance of Romania.

Investments in unit funds

These mutual funds are collective investment in transferable securities, whose units are subject to continue issuing and repurchasing. The return obtained from operations with fund units is given by the difference between the redemption price (VUAN) and subscription price (VUAN).

VUAN is determined as the ratio between net assets of the fund and the number of shares in circulation at a given time; the Fund's asset and, implicitly, the VUAN is evaluated on a daily basis and certified by the fund depository.

Equity investments

The financial asset measured at fair value through other items of comprehensive income include equity investments that are not traded in on an active market. Due to the nature of local capital markets, it is not possible to obtain the market value for these instruments. Shares are not listed and recent values regarding their trading prices are not publicly available.

Management does not intend to sell these shares in the near future. The Group has determined the fair value using the fair value of the net assets based on published financial statements of these entities and general valuation models.

Financial assets

The financial assets measured at fair value through profit or loss or through other items of comprehensive income are recorded in the consolidated statement of financial position at fair value. This classification may include the treasury bills issued by Ministry of Public Finance of Romania, bonds, shares and short positions in bonds and shares, including fund units, that were purchased for the purpose of sale or repurchase in the near future.

Non- financial assets**Premises and Equipment**

Tangible assets include land and buildings held by the Group that it uses to carry out current activities. These are reviewed regularly to reflect their fair value accounting.

Based on the analysis of the changes in the real estate market as at 31 December 2020 and based on the revaluation of the buildings and land owned by the Group, performed by a certified evaluator in December 2018 the Group's management considers that the value of land and buildings as at 31 December 2020 represents a correct estimation of their fair value at reporting date.

There were no changes in valuation technique for level three recurring fair value measurements during the year ended 31 December 2020 (2019: none).

Investment property

The Group accounts for the investment property at fair value, the changes in fair value being recognized in the comprehensive income. The land and buildings are subject to revaluation, and the changes in fair value are recognized in other comprehensive income. The assets taken over during foreclosure proceedings are recognised in other assets and are subject to fair value revaluation; the impairment, if any, is recognized in the comprehensive statement of profit or loss. The Group appointed expert appraisers to determine the fair value on 31 December 2020. The appraisers used the direct capitalization method and the sales comparison method, in compliance with the valuation principles and techniques provided by the International Valuation Standards.

In view of the current market conditions, including the low liquidity of the actual asset transactions, the prices of the recent market transactions and the lack of actual offers for these types of assets, the future cash flows estimated to be recovered could be different from those considered by external appraisers when determining the market value of these types of assets.

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(All amounts are in thousand RON)
(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

Group

	31 December 2020				31 December 2019			
<i>Thousand RON</i>	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
Financial Assets								
Cash and cash equivalents	266,904	87,889	-	354,793	368,864	69,094	-	437,958
Placements with banks having short term maturity	-	7,428	-	7,428	-	5,683	-	5,683
Loans and advances to customers	-	-	1,899,587	1,861,888	-	-	1,712,570	1,653,586
Investments in debt instruments at amortized cost	324,487	-	-	319,532	342,397	-	-	340,759
Other financial assets	-	-	9,392	9,392	-	-	8,270	8,270
Tangible Assets (Land & Buildings)	-	-	73,638	73,638	-	-	84,098	84,098
Total	586,436	95,317	1,982,617	2,626,671	711,261	74,777	1,804,938	2,530,354

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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(All amounts are in thousand RON)
Group

	31 December 2020				31 December 2019			
<i>Thousand RON</i>	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
Financial liabilities								
Deposits from banks:	-	37,459	-	37,459	-	18,627	-	18,627
- Correspondent accounts and overnight placements of other banks	-	11,967	-	11,967	-	18,149	-	18,149
- Term deposits from banks	-	25,005	-	25,005	-	-	-	-
- Collateral deposits from banks	-	487	-	487	-	478	-	478
Customer deposits:	-	-	2,903,368	2,898,050	-	-	2,740,748	2,728,114
- Current accounts and transitory amounts of companies	-	-	319,807	319,807	-	-	287,581	287,581
- Term deposits of companies	-	-	669,020	667,496	-	-	396,525	393,929
- Current accounts and transitory amounts of individuals	-	-	305,566	305,566	-	-	274,051	274,051
- Term deposits of individuals	-	-	1,608,975	1,605,181	-	-	1,782,591	1,772,553
Loans from banks and other financial institutions:	-	-	56,562	56,562	-	-	46,772	46,772
- Loans from banks	-	-	4,389	4,389	-	-	6,132	6,132
- Loans from other financial institutions	-	-	52,173	52,173	-	-	40,640	40,640
Subordinated debts	-	-	34,555	34,555	-	-	34,348	34,348
Debt securities in issue	-	-	62,797	62,797	-	-	23,021	23,021
Other financial liabilities:	-	-	82,406	82,406	-	-	86,313	86,313
- Financial liabilities to owners of fund units	-	-	33,480	33,480	-	-	35,711	35,711
- Other financial liabilities	-	-	48,926	48,926	-	-	50,602	50,602
Total	-	37,459	3,139,688	3,171,829	-	18,627	2,931,202	2,937,195

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
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Bank

	31 December 2020				31 December 2019			
<i>Thousand RON</i>	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
Financial Assets								
Cash and cash equivalents	266,441	84,502	-	350,943	359,402	69,093	-	428,495
Placements with banks having short term maturity	-	7,428	-	7,428	-	5,683	-	5,683
Loans and advances to customers	-	-	1,815,997	1,778,298	-	-	1,647,258	1,588,274
Investments in debt instruments at amortized cost	324,487	-	-	319,532	342,397	-	-	340,759
Other financial assets	-	-	10,034	10,034	-	-	8,591	8,591
Tangible Assets (Land & Buildings)	-	-	72,194	72,194	-	-	81,476	81,476
Total	585,973	91,930	1,898,225	2,538,429	701,799	74,776	1,737,325	2,453,278

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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(All amounts are in thousand RON)
Bank

	31 December 2020				31 December 2019			
<i>Thousand RON</i>	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
Financial liabilities								
Deposits from banks:	-	37,459	-	37,459	-	18,627	-	18,627
- Correspondent accounts and overnight placements of other banks	-	11,967	-	11,967	-	18,149	-	18,149
- Term deposits from banks	-	25,005	-	25,005	-	-	-	-
- Collateral deposits from banks	-	487	-	487	-	478	-	478
Customer deposits:	-	-	2,910,089	2,904,771	-	-	2,746,347	2,733,713
- Current accounts and transitory amounts of companies	-	-	322,291	322,291	-	-	288,506	288,506
- Term deposits of companies	-	-	673,257	671,733	-	-	401,199	398,603
- Current accounts and transitory amounts of individuals	-	-	305,566	305,566	-	-	274,051	274,051
- Term deposits of individuals	-	-	1,608,975	1,605,181	-	-	1,782,591	1,772,553
Subordinated debts	-	-	24,403	24,403	-	-	23,951	23,951
Debt securities in issue	-	-	62,797	62,797	-	-	23,021	23,021
Other financial liabilities	-	-	45,233	45,233	-	-	47,513	47,513
Total	-	37,459	3,042,522	3,074,663	-	18,627	2,840,832	2,846,825

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Placements with banks

The Group's short-term placements with Banks include current accounts and deposits. The fair value of floating rate placements and overnight deposits is their carrying amount. Fixed interest bearing deposits mature in less than three months and it is assumed that their fair values are not significantly different from its carrying value and are convertible into cash or are settled without significant transaction costs.

Investments in debt instruments at amortized cost

The financial assets measured at amortized cost are represented by debt instruments, at initial recognition, their valuation is made at the fair value that is formed from the purchase price including the transaction costs. For the purpose of presentation, fair value is determined using market interest rates.

Loans and advances to customers

Loans and advances are net of expected credit losses. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Evolution for the principal balance (and thus staggering cash flow) was estimated considering reductions mainly generated by the following elements: principal repayments, early repayment and impairment of loans outstanding (PD - probability of default). For each category of credit was considered a discount rate specified, starting from the interest rate practiced that was later adjusted to eliminate adjustments for impairment at a level estimated by management for the new loans production and the cost of origination for loan portfolio. The fair value of the portfolio was calculated by aggregating the discounted cash flow for the forecast period.

Due to other banks, deposits from customers and loans from banks and other financial institutions, debt securities issued

Deposits from banks and customers

For demand deposits and deposits with no defined maturities, fair value is considered to be the amount payable on demand at the balance sheet date. For deposits maturing within one-year, it is assumed that their fair value is not significantly different from carrying value. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on current cash flows using current rates available for deposits with similar residual maturities.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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(All amounts are in Thousand RON)**

Financial assets and liabilities

The management considered that the fair value is not significantly different from accounting value considering that these financial assets and liabilities are expected to be settled within one month or with no fixed maturity and the carrying amount is not materially different from fair value.

7. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

For the purposes of measurement, IFRS 9 classifies financial assets into the following categories:

- (a) financial assets at amortised cost;
- (b) financial assets at fair value through profit or loss ("FVTPL");
- (c) financial assets measured at fair value through other comprehensive income ("FVOCI").

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The following table provides a reconciliation of Group's financial assets with these measurement categories as of 31 December 2020:

Group	31 December 2020			
<i>Thousand RON</i>	Financial assets at amortized cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive	Total
Financial assets				
Cash and cash equivalents	354,793	-	-	354,793
Financial assets measured at fair value through profit or loss	-	54,155	-	54,155
Financial assets measured at fair value through other items of comprehensive income:	-	-	609,936	609,936
- <i>Treasury bills</i>	-	-	600,727	600,727
- <i>Equity investments</i>	-	-	9,209	9,209
Placements with banks having short term maturity	7,428	-	-	7,428
Loans and advances to customers:	1,861,888	-	-	1,861,888
- <i>Corporate loans</i>	1,224,620	-	-	1,224,620
- <i>loans to individuals – consumer loans</i>	153,372	-	-	153,372
- <i>loans to individuals – entrepreneurs</i>	207,663	-	-	207,663
- <i>Mortgage loans</i>	240,676	-	-	240,676
- <i>State and municipal organizations</i>	35,557	-	-	35,557
Investments in debt instruments at amortized cost	319,532	-	-	319,532
Other Financial assets	9,392	36	-	9,428
Total financial assets	2,553,033	54,191	609,936	3,217,160

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)

The following table provides a reconciliation of Group's financial assets with these measurement categories as of 31 December 2019:

Group	31 December 2019			
Thousand RON	Financial assets at amortized cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive	Total
Financial assets				
Cash and cash equivalents	437,958	-	-	437,958
Financial assets measured at fair value through profit or loss	-	58,293	-	58,293
Financial assets measured at fair value through other items of comprehensive income:	-	-	445,338	445,338
- <i>Treasury bills</i>	-	-	436,923	436,923
- <i>Equity investments</i>	-	-	8,415	8,415
Placements with banks having short term maturity	5,683	-	-	5,683
Loans and advances to customers:	1,653,586	-	-	1,653,586
- <i>Corporate loans</i>	1,080,300	-	-	1,080,300
- <i>loans to individuals – consumer loans</i>	152,597	-	-	152,597
- <i>loans to individuals – entrepreneurs</i>	180,710	-	-	180,710
- <i>Mortgage loans</i>	196,493	-	-	196,493
- <i>State and municipal organizations</i>	43,486	-	-	43,486
Investments in debt instruments at amortized cost	340,759	-	-	340,759
Other Financial assets	8,270	-	-	8,270
Total financial assets	2,446,256	58,293	445,338	2,949,887

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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The following table provides a reconciliation of Bank's financial assets with these measurement categories as of 31 December 2020:

Bank	31 December 2020			
Thousand RON	Financial assets at amortized cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive	Total
Financial assets				
Cash and cash equivalents	350,943	-	-	350,943
Financial assets measured at fair value through profit or loss	-	28,101	-	28,101
Financial assets measured at fair value through other items of comprehensive income:	-	-	609,936	609,936
- <i>Treasury bills</i>	-	-	600,727	600,727
- <i>Equity investments</i>	-	-	9,209	9,209
Placements with banks having short term maturity	7,428	-	-	7,428
Loans and advances to customers:	1,778,298	-	-	1,778,298
- <i>Corporate loans</i>	1,224,275	-	-	1,224,275
- <i>loans to individuals – consumer loans</i>	153,297	-	-	153,297
- <i>loans to individuals – entrepreneurs</i>	124,493	-	-	124,493
- <i>Mortgage loans</i>	240,676	-	-	240,676
- <i>State and municipal organizations</i>	35,557	-	-	35,557
Investments in debt instruments at amortized cost	319,532	-	-	319,532
Other Financial assets	10,034	36	-	10,070
Total financial assets	2,466,235	28,137	609,936	3,104,308

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts are in Thousand RON)

The following table provides a reconciliation of Bank's financial assets with these measurement categories as of 31 December 2019:

Bank	31 December 2019			
<i>Thousand RON</i>	Financial assets at amortized cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive	Total
Financial assets				
Cash and cash equivalents	428,495	-	-	428,495
Financial assets measured at fair value through profit or loss	-	31,046	-	31,046
Financial assets measured at fair value through other items of comprehensive income:	-	-	445,338	445,338
- <i>Treasury bills</i>	-	-	436,923	436,923
- <i>Equity investments</i>	-	-	8,415	8,415
Placements with banks having short term maturity	5,683	-	-	5,683
Loans and advances to customers:	1,588,274	-	-	1,588,274
- <i>Corporate loans</i>	1,083,183	-	-	1,083,183
- <i>loans to individuals – consumer loans</i>	152,400	-	-	152,400
- <i>loans to individuals – entrepreneurs</i>	112,711	-	-	112,711
- <i>Mortgage loans</i>	196,494	-	-	196,494
- <i>State and municipal organizations</i>	43,486	-	-	43,486
Investments in debt instruments at amortized cost	340,759	-	-	340,759
Other Financial assets	8,591	-	-	8,591
Total financial assets	<u>2,371,802</u>	<u>31,046</u>	<u>445,338</u>	<u>2,848,186</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Presentation of financial instruments by measurement category:

Group	31 December 2020		31 December 2019	
<i>Thousand RON</i>	Items measured at amortised cost	Financial instruments designated at fair value through profit or loss	Items measured at amortised cost	Financial instruments designated at fair value through profit or loss
Financial liabilities				
Due to other banks	37,459	-	18,627	-
Customer deposits	<u>2,898,050</u>	=	<u>2,728,114</u>	=
- Current accounts and transitory amount of companies	319,807	-	287,581	-
- Deposits of companies	667,496	-	393,929	-
- Current accounts and transitory amount of private individuals	305,566	-	274,051	-
- Deposits of private individuals	1,605,181	-	1,772,553	-
Loans from banks and other institutions	46,772	-	46,772	-
Other financial liabilities	82,406	-	86,313	142
Subordinated debt	34,555	-	34,348	-
Debt securities in issue	62,797	-	23,021	-
Total financial liabilities	<u>3,162,039</u>	=	<u>2,937,195</u>	<u>142</u>

Bank	31 December 2020		31 December 2019	
<i>Thousand RON</i>	Items measured at amortised cost	Financial instruments designated at fair value through profit or loss	Items measured at amortised cost	Financial instruments designated at fair value through profit or loss
Financial liabilities				
Due to other banks	37,459	-	18,627	-
Customer deposits	<u>2,904,771</u>	=	<u>2,733,713</u>	=
- Current accounts and transitory amount of companies	322,291	-	288,506	-
- Deposits of companies	671,733	-	398,603	-
- Current accounts and transitory amount of private individuals	305,566	-	274,051	-
- Deposits of private individuals	1,605,181	-	1,772,553	-
Other financial liabilities	45,233	-	47,513	142
Subordinated debt	24,403	-	23,951	-
Debt securities in issue	62,797	-	23,021	-
Total financial liabilities	<u>3,074,663</u>	=	<u>2,846,825</u>	<u>142</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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(All amounts are in Thousand RON)**

8. NET INTEREST INCOME

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Interest and similar income				
Loans and advances to customers (*)	149,742	153,367	130,939	137,639
Debt instruments at amortised cost	5,442	5,961	5,442	5,961
Financial assets at fair value through other comprehensive income	14,780	12,230	13,275	10,382
Due from other banks	538	1,914	459	1,729
Interest income on lease receivables	4	5	10	9
Total interest and similar income using effective interest method	<u>170,506</u>	<u>173,477</u>	<u>150,125</u>	<u>155,720</u>
Interest and similar expense				
Customer deposits	40,846	37,445	40,926	37,469
Loans from banks and other financial institutions	4,248	3,690	798	565
Subordinated liabilities	1,987	1,692	1,316	1,296
REPO operations	51	125	51	125
Other interest expense	277	180	266	180
Subordinated bonds	2,413	484	2,413	484
Total interest and similar expense	<u>49,822</u>	<u>43,616</u>	<u>45,770</u>	<u>40,119</u>
Net interest income	<u>120,684</u>	<u>129,861</u>	<u>104,355</u>	<u>115,601</u>

(*) Interest income at Group level includes RON 6,643, thousand (2019: RON 8,173 thousand) interest income recognized on impaired loans to customers.

(*) Interest income at Bank level includes RON 5,877 thousand (2019: RON 7,564 thousand) interest income recognized on impaired loans to customers.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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(All amounts are in Thousand RON)**

9. NET FEE AND COMMISSION INCOME

Thousand RON	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Fee and commission income				
Cards activity (VISA & MC)	6,510	6,254	6,510	6,255
Account transactions	11,496	13,361	11,509	13,363
Non-deferrable commissions related to loans	1,749	1,928	1,749	1,928
Cash transactions	5,525	5,911	5,525	5,911
Income from other financial services	3,113	3,402	2,399	2,497
Bancassurance services	-	-	-	-
Interbank settlements	355	609	355	609
<u>Total fee and commission income from contracts with customers</u>	<u>28,748</u>	<u>31,465</u>	<u>28,047</u>	<u>30,563</u>
Issuing financial guarantees	238	251	238	251
Total fee and commission income	<u>28,986</u>	<u>31,716</u>	<u>28,285</u>	<u>30,814</u>
Fee and commission expense				
Cards activity (VISA & MC)	950	863	950	863
Interbank settlements	1,942	1,816	1,940	1,816
Expenses from other financial services	1,464	2,288	353	1,015
Other	651	433	637	396
Total fee and commission expense	<u>5,007</u>	<u>5,400</u>	<u>3,880</u>	<u>4,090</u>
Net fee and commission income	<u>23,979</u>	<u>26,316</u>	<u>24,405</u>	<u>26,724</u>

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

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10. NET GAIN/(LOSS) FROM FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Net gain/(loss) from financial assets measured at fair value through profit or loss	921	1,802	808	1,308
Net gain/(loss) from derivatives	(916)	(16)	(916)	45
Net gain/(loss) from financial assets measured at fair value through profit or loss	5	1,786	(108)	1,353

11. NET GAIN/(LOSS) FROM DISPOSAL OF INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
Thousand RON	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Gains from disposals of investment securities at fair value through other comprehensive income	5,744	4,561	5,744	4,561
Losses from disposals of investment securities at fair value through other comprehensive income	(649)	(286)	(649)	(286)
Gain/loss from disposals of investment securities at fair value through other comprehensive income	5,095	4,275	5,095	4,275

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12. OTHER OPERATING INCOME

Thousand RON	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Net gain/ (loss) from foreign exchange transactions	7,687	7,702	7,570	7,513
Dividend income	2,020	2,155	5,904	6,017
Other operating income	1,250	1,663	1,153	1,450
Gain / (Loss) from disposal of premises and equipment sales	(616)	635	(532)	1,163
Income from rental of real estate	5,470	4,909	5,470	4,907
Total other operating income	<u>15,811</u>	<u>17,064</u>	<u>19,565</u>	<u>21,050</u>

For the Bank, dividend income of RON 5,904 thousand (2019: RON 6,017 thousand) represents share of profits paid proportionally to the Bank, as follows:

- RON 4,019 thousand, received from Patria Credit IFN (2019: RON 4,275 thousand);
- RON 1,201 thousand, received from TRANSFOND SA(2019: RON 1,156 thousand) (also included in the consolidated figures);
- RON 625 thousand, received from GLOBINVEST SA (2019: RON 547 thousand) (also included in the consolidated figures);
- RON 59 thousand, received from other investments (2019: RON 38 thousand) (also included in the consolidated figures).

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13. IMPAIRMENT OF FINANCIAL ASSETS

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Charge/(Release) with adjustments for impairment of loans and advances to customers:	29,315	19,432	28,025	18,459
Loss from written off loans	481	383	461	248
Recoveries from loans previously written off	(5,796)	(2,577)	(5,781)	(2,567)
Charge/(Release) with the adjustments for impairment of debt instruments at amortised cost	(1)	(6)	(1)	(6)
Charge/(Release) with the adjustments for impairment of financial asset measured at fair value through other items of comprehensive income	38	(13)	38	(13)
Charge/(Release) with the adjustments for impairment of credit commitments and financial guarantees	498	(812)	604	(824)
Impairment adjustment for equity investments	258	(3)	258	1,252
Net impairment of financial assets	<u>24,793</u>	<u>16,404</u>	<u>23,604</u>	<u>16,549</u>

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14. PERSONNEL EXPENSES

Thousand RON	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Wages and salaries	60,992	65,990	55,804	61,423
Social security contributions	2,221	2,356	1,921	2,129
Net expense/(income) with provisions related to wage costs	(4770)	(293)	(629)	(351)
Other personnel expense	414	355	406	355
Total	63,150	68,408	57,502	63,556

The Group number of employees at 31 December 2020 was 751 employees (31 December 2019: 789 employees).

The Bank number of employees at 31 December 2020 was 612 employees (31 December 2019: 651 employees).

15. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Thousand RON	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Third parties services *)	36,351	38,399	34,835	36,748
Rent	(120)	1,433	(111)	1,387
Materials and small inventories	1,774	2,002	1,546	1,742
Annual contribution to Guarantee Fund	1,449	5,945	1,449	5,945
Other taxes	3,624	5,539	3,260	5,051
Advertising and publicity	1,382	1,793	1,262	1,585
Net charge/(release) of litigation provisions	(691)	(314)	(55)	(221)
Other operating expenses	1,834	1,513	958	1,237
The expense related to the financial debt for the fund unit holders	1,052	2,185	-	-
Total	46,655	58,495	43,144	53,474

*) The Group's cards related expenses for 2020 are RON 3,930 thousand (2019: RON 3,812 thousand) and IT related expenses for 2020 are RON 3,500 thousand (2019: RON 6,600 thousand).

The Group's audit expenses for 2020 were RON 766 thousand (2019: RON 726 thousand) and the Bank's audit expenses for 2020 were RON 652 thousand (2019: RON 600 thousand).

Due to pandemic conditions, de Bank received during 2020 rent concessions amounting RON 210 thousand for a period of 2 – 7 months.

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16. INCOME TAX

(a) Components of income tax expense / (credit)

Income tax expense recorded in profit or loss for the year comprises the following:

	Group		Bank	
Thousand RON	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deferred tax	3,232	5,540	3,313	5,873
Current tax expense	771	752	-	-
Net income tax	4,003	6,292	3,313	5,873

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

A reconciliation between the expected and the actual taxation charge is provided below.

	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Profit before income tax	6,894	9,708	6,110	11,205
Income tax at standard rate	1,103	1,553	978	1,793
Tax effect of items which are not deductible:				
- Non-deductible expenses	3,632	4,270	3,420	3,993
- Income which is exempt from taxation	(3,105)	(4,866)	(3,273)	(4,709)
- Elements similar with taxable income	1,043	33,664	1,043	33,664
- Elements similar with deductible expenses	(27)	(110)	(49)	(90)
Temporary differences	2,226	1,011	2,226	1,011
Recognised tax loss carry forwards	(2,646)	(33,759)	(2,119)	(34,652)
Unrecognised tax loss carry forwards	1,777	4,529	1,087	4,862
Income tax expense/(credit) for the year	4,003	6,292	3,313	5,873

(c) Tax loss carry forwards

Fiscal year loss:

- Partially from the fiscal loss related to 2014, the unused value of 45,573 thousand RON that expires in 2021;
- Fiscal loss related to 2015 in amount of 4,957 thousand RON that expires in 2022;
- Fiscal loss related to 2016, in amount of 46,583 thousand RON that expires in 2023.

At the end of 2020, Patria Bank has a total fiscal loss for 2014 – 2016 period of RON 97,113 thousand (at the end of 2019 year had RON 107,298 thousand).

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(d) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Romania give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below:

Group

Thousand RON

Tax effect of deductible temporary differences

	1 January 2020	Income tax recognized in profit or loss	Charged to comprehensive income	31 December 2020
Revaluation reserve for Premises	(7,784)	-	422	(7,362)
Revaluation reserve securities at fair value through other comprehensive income	(1,636)	-	(588)	(2,224)
Tax loss carry forwards	18,370	(1,087)	-	17,283
Purchase Price allocation adjustment	-	-	-	-
Other temporary differences	7,965	(2,147)	-	5,818
Net deferred tax asset/(liability)	16,914	(3,234)	(166)	13,515

Group

Thousand RON

Tax effect of deductible temporary differences

	1 January 2019	Income tax recognized in profit or loss	Charged to comprehensive income	31 December 2019
Revaluation reserve for Premises	(9,343)	-	1,558	(7,784)
Revaluation reserve securities at fair value through other comprehensive income	464	-	(2,097)	(1,636)
Tax loss carry forwards	19,955	(1,585)	-	18,370
Purchase Price allocation adjustment	3,276	(3,276)	-	-
Other temporary differences	8,643	(678)	-	7,965
Net deferred tax asset/(liability)	22,995	(5,539)	(539)	16,914

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Bank
Thousand RON

	1 January 2020	Income tax recognized in profit or loss	Charged to comprehensive income	31 December 2020
Tax effect of deductible temporary differences				
Revaluation reserve for Premises	(7,785)	-	422	(7,363)
Revaluation reserve securities at fair value through other comprehensive income	(1,636)	-	(588)	(2,224)
Tax loss carry forwards	18,370	(1,087)	-	17,283
Purchase Price allocation adjustment	-	-	-	-
Other temporary differences	7,851	(2,226)	-	5,625
Net deferred tax asset/(liability)	16,800	(3,313)	(166)	13,321

Bank
Thousand RON

	1 January 2019	Income tax recognized in profit or loss	Charged to comprehensive income	31 December 2019
Tax effect of deductible temporary differences				
Revaluation reserve for Premises	(9,343)	-	1,558	(7,785)
Revaluation reserve securities at fair value through other comprehensive income	464	-	(2,097)	(1,636)
Tax loss carry forwards	19,956	(1,586)	-	18,370
Purchase Price allocation adjustment	3,276	(3,276)	-	-
Other temporary differences	8,862	(1,011)	-	7,851
Net deferred tax asset/(liability)	23,215	(5,873)	(539)	16,800

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17. CASH AND CASH EQUIVALENTS

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash on hand	18,590	19,216	18,591	19,215
Cash in ATMs	43,764	49,878	43,764	49,878
Mandatory minimum reserve	240,041	221,283	240,041	221,282
Correspondent accounts and sight deposits with other banks	49,010	99,987	48,547	88,294
Placements with other banks with original maturities of less than three months	2,384	47,594	-	49,826
Placements with other banks with original maturities between 3-6 months	1,004	-	-	-
Total	354,793	437,958	350,943	428,495

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

As of 31 December 2020 the mandatory minimum reserve requirement was 8% (2019: 8%) for RON funds raised from customers and 5% (2019: 8%) for foreign currency denominated funds raised.

For the mandatory minimum reserve in EUR, the National Bank of Romania granted during 2020 an interest between 0.00% and 0.01% p.a. (2019 0.01% p.a.). For the mandatory minimum reserve in RON, the National Bank of Romania granted during 2020 an interest an interest between 0.10%-0.19% p.a. (2019 0.14% p.a.).

As of 31 December 2020 the amounts presented in the statement of financial position of cash and equivalents and cash at Central Banks are neither past due no impaired.

In higher credit quality grade category of the Group's investments are included the credit institution with the following ratings: AAA, AA+, AA, AA-, A+, A-, A, BBB+, BBB, BBB-. In lower credit quality grade category of the Group's investments are included in the credit institution with the following ratings: BB+, BB, BB-, B+, B, B-, CCC.

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The credit quality analysis is performed by external institutions eligible for credit assessment (Fitch, Moody's and Standard and Poor's) and is presented below:

Group		31 December 2020					31 December 2019			
Thousand RON	Cash on hand and ATMs	Mandatory minimum reserve	Correspondent accounts and sight deposits with other banks	Placements with banks having short term maturity	Total Cash and Cash Equivalents	Cash on hand and ATMs	Mandatory minimum reserve	Correspondent accounts and sight deposits with other banks	Placements with banks having short term maturity	Total Cash and Cash Equivalents
<i>Neither impaired nor past due</i>										
Higher credit quality grade	-	240,041	26,863	-	266,904	-	221,283	99,987	47,594	368,864
Lower credit quality grade	-	-	341	-	341	-	-	-	-	-
Unrated	62,354	-	21,806	3,388	87,548	69,094	-	-	-	69,094
Total	62,354	240,041	49,010	3,388	354,793	69,094	221,283	99,987	47,594	437,958
Bank										
Thousand RON	Cash on hand and ATMs	Mandatory minimum reserve	Correspondent accounts and sight deposits with other banks	Placements with banks having short term maturity	Total Cash and Cash Equivalents	Cash on hand and ATMs	Mandatory minimum reserve	Correspondent accounts and sight deposits with other banks	Placements with banks having short term maturity	Total Cash and Cash Equivalents
<i>Neither impaired nor past due</i>										
Higher credit quality grade	-	240,041	26,400	-	266,441	-	221,282	88,294	49,826	359,402
Lower credit quality grade	-	-	341	-	341	-	-	-	-	-
Unrated	62,355	-	21,806	-	84,161	69,093	-	-	-	69,093
Total	62,355	240,041	48,547	-	350,943	69,093	221,282	88,294	49,826	428,495

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18. FINANCIAL ASSETS EVALUATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Thousand RON	31 December 2020	Group 31 December 2019	31 December 2020	Bank 31 December 2019
Equity instruments(i)	9,095	20,820	17,689	25,626
Debt instruments (ii)	45,060	37,473	10,412	5,420
Total	54,155	58,293	28,101	31,046

(i) In this category the Group included shares held at Visa Inc. in amount of RON 3,964 thousand(2019: RON 7,404 thousand) and listed equity instruments, held by the consolidated funds and other funds held by the Group;

(ii) In this category the Group include:

- Bonds issued in RON, EUR and USD by financial and non-banking financial institutions as well as central and local public authorities;
- Treasury bills issued by the Ministry of Public Finance of Romania.

Analysis by credit quality of financial assets measured at fair value through profit or loss is as follows:

Thousand RON	Group 31 December 2020			Group 31 December 2019		
	Equity instruments	Debt instruments	Total	Equity instruments	Debt instruments	Total
<i>Neither impaired nor past due</i>						
-Higher credit quality grade	3,964	45,060	49,024	7,405	37,473	44,878
- Unrated	5,131	-	5,131	13,415	-	13,415
Total	9,095	45,060	54,155	20,820	37,473	58,293

Thousand RON	Bank 31 December 2020			Bank 31 December 2019		
	Equity instruments	Debt instruments	Total	Equity instruments	Debt instruments	Total
<i>Neither impaired nor past due</i>						
-Higher credit quality grade	3,964	10,412	14,376	7,405	5,420	12,825
- Unrated	13,725	-	13,725	18,221	-	18,221
Total	17,689	10,412	28,101	25,626	5,420	31,046

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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19. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Thousand RON	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Debt securities at fair value through other items of comprehensive income				
<i>Treasury bills issued by the Ministry of Public (i)</i>	600,727	436,923	600,727	436,923
Equity investments at fair value through other comprehensive income				
<i>Equity investments</i>	9,209	8,415	9,209	8,415
Total	<u>609,936</u>	<u>445,338</u>	<u>609,936</u>	<u>445,338</u>

- i) Treasury bills are issued by the Ministry of Public Finance of Romania and includes listed discounted treasury bills and bonds denominated in RON, EUR and USD. As of 31st of December 2020 the Group has no assets pledged for Repo contracts (31 December 2019: the Group has no pledged assets for Repo Contracts).

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The Group held the following equity investments FVOCI at 31 December 2020 and at 31 December 2019:

Thousand RON		Group				Bank			
		31 December 2020		31 December 2019		31 December 2020		31 December 2019	
	Nature of business	Carring amount	Effective Holding (%)	Carring amount	Effective Holding (%)	Carring amount	Effective Holding (%)	Carring amount	Effective Holding (%)
Transfond SA	Clearing House	6,696	5.69	6,453	5.69	6,696	5.69	6,453	5.69
Globinvest	Investments fund administrator	2,128	20	1,875	20	2,128	20	1,875	20
Biroul de credit S.A.	Collection and processing of customer data	61	0.32	64	0.32	61	0.32	64	0.32
BIOFARM S.A.	Pharmaceutical Company	27	0.01	23	0.01	27	0.01	23	0.01
SWIFT	Payment activities	297	0.01	-	0.01	297	0.01	-	0.01
Total equity investments		<u>9,209</u>		<u>8,415</u>		<u>9,209</u>		<u>8,415</u>	

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Analysis by credit quality of debt securities outstanding is as follows:

Thousand RON	Group 31 December 2020			Group 31 December 2019		
	Treasury bills issued by the Ministry of Public Finance of Romania	Equity investments	Total	Treasury bills issued by the Ministry of Public Finance of Romania	Equity investments	Total
Neither impaired nor past due						
-Higher credit quality grade	600,727	-	600,727	436,923	-	436,923
- Unrated	-	9,209	9,209	-	8,415	8,415
Total	<u>600,727</u>	<u>9,209</u>	<u>609,936</u>	<u>436,923</u>	<u>8,415</u>	<u>445,338</u>

Thousand RON	Bank 31 December 2020			Bank 31 December 2019		
	Treasury bills issued by the Ministry of Public Finance of Romania	Equity investments	Total	Treasury bills issued by the Ministry of Public Finance of Romania	Equity investments	Total
Neither impaired nor past due						
-Higher credit quality grade	600,727	-	600,727	436,923	-	436,923
- Unrated	-	9,209	9,209	-	8,415	8,415
Total	<u>600,727</u>	<u>9,209</u>	<u>609,936</u>	<u>436,923</u>	<u>8,415</u>	<u>445,338</u>

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The debt securities are not collateralized.

Interest rate analysis of financial assets measured at fair value through other comprehensive income is disclosed in Note 4 e).

20. DUE FROM OTHER BANKS

The deposits to banks presented below include collateral deposits for settlement amounts from Visa and MasterCard related to cards activity.

Analysis by credit quality of amounts outstanding is as follows:

Thousand RON	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Collateral deposit Banca Transilvania S.A.	397	426	397	426
Collateral deposit U.S. Bank N.A.	4,897	5,257	4,897	5,257
Collateral deposit CITIBANK EUROPE PLC	2,134	-	2,134	-
Total	<u>7,428</u>	<u>5,683</u>	<u>7,428</u>	<u>5,683</u>

Interest rate analysis of Due from other banks is disclosed in Note 4.

Thousand RON	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Neither impaired nor past due				
-Higher credit quality grade	7,031	5,257	7,031	5,257
-Lower credit quality grade	397	426	397	426
Total neither impaired nor past due	<u>7,428</u>	<u>5,683</u>	<u>7,428</u>	<u>5,683</u>

21. LOANS AND ADVANCES TO CUSTOMERS

Thousand RON	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Gross carrying amount of loans and advances to customers at AC	1,998,954	1,771,570	1,907,111	1,699,332
Credit loss allowance	(137,066)	(117,984)	(128,813)	(111,058)
Total net loans and advances to customers	<u>1,861,888</u>	<u>1,653,586</u>	<u>1,778,298</u>	<u>1,588,274</u>

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The structure of loan portfolio classified per main business lines is as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Consumer loans	163,362	164,045	162,895	163,574
Mortgage loans	247,250	203,697	247,250	203,697
Loans to entrepreneurs	219,683	191,151	129,307	117,039
SME loans	1,333,102	1,169,191	1,332,102	1,171,535
State and municipal organizations	35,557	43,486	35,557	43,486
Total gross loans and advances to customers	1,998,954	1,771,570	1,907,111	1,699,332
Less: Provision for loan impairment	(137,066)	(117,984)	(128,813)	(111,058)
Total net loans and advances to customers	1,861,888	1,653,586	1,778,298	1,588,274

Risk concentrations by economic sectors within the customer loan portfolio were as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Loans to individuals	<u>410,612</u>	<u>367,743</u>	<u>410,146</u>	<u>367,272</u>
Loans to corporate customers:	<u>1,588,342</u>	<u>1,403,827</u>	<u>1,496,965</u>	<u>1,332,060</u>
Agriculture	474,772	413,559	382,544	337,124
Trade	274,463	246,418	271,303	245,117
Industry	322,468	310,244	321,013	309,365
Hotels and restaurants	61,551	40,600	60,573	40,186
Constructions	145,413	93,956	144,111	93,317
Transport	68,825	57,272	68,064	56,715
Professional Services	37,572	34,971	35,511	33,200
Services	51,015	53,990	50,663	53,764
Financial and real estate activities	82,437	74,559	93,470	85,167
Others	21,932	24,972	21,932	24,972
IT, research and development	16,690	15,044	16,577	14,891
Public Administration and Defence	31,204	38,242	31,204	38,242
Total loans and advances to customers before provisions	1,998,954	1,771,570	1,907,111	1,699,332
Less provision for impairment losses on loans	<u>(137,066)</u>	<u>(117,984)</u>	<u>(128,813)</u>	<u>(111,058)</u>
Total	1,861,888	1,653,586	1,778,298	1,588,274

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)

The structure of the Group's loan portfolio is as follows:

Group

<i>Thousand RON</i>	31 December 2020						Total
	Stage 1 Collective	Stage 2 Individual	Collective	Stage 3 Individual	Collective	POCI	
Performing loans	1,389,759	8,477	372,214	-	-	1,073	1,771,523
Non-performing loans	-	-	-	97,989	37,120	92,322	227,431
Total gross exposure	<u>1,389,759</u>	<u>8,477</u>	<u>372,214</u>	<u>97,989</u>	<u>37,120</u>	<u>93,395</u>	<u>1,998,954</u>
Less: Provision for loan impairment	(16,343)	(1,785)	(12,263)	(44,907)	(19,329)	(42,439)	(137,066)
Net Exposure	<u>1,373,416</u>	<u>6,692</u>	<u>359,951</u>	<u>53,082</u>	<u>17,791</u>	<u>50,956</u>	<u>1,861,888</u>

<i>Thousand RON</i>	31 December 2019						Total
	Stage 1 Collective	Stage 2 Individual	Collective	Stage 3 Individual	Collective	POCI	
Performing loans	1,309,543	777	246,775	-	-	949	1,558,044
Non-performing loans	892	-	3,602	75,136	25,549	108,347	213,526
Total gross exposure	<u>1,310,435</u>	<u>777</u>	<u>250,377</u>	<u>75,136</u>	<u>25,549</u>	<u>109,296</u>	<u>1,771,570</u>
Less: Provision for loan impairment	(12,773)	(403)	(14,733)	(36,879)	(13,879)	(39,317)	(117,984)
Net Exposure	<u>1,297,662</u>	<u>374</u>	<u>235,644</u>	<u>38,257</u>	<u>11,670</u>	<u>69,979</u>	<u>1,653,586</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts are in Thousand RON)

The structure of the Bank's loan portfolio is as follows:

Bank

<i>Thousand RON</i>	31 December 2020						Total
	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3 Individual	Stage 3 Collective	POCI	
Performing loans	1,314,983	8,477	361,409	-	-	1,073	1,685,942
Non-performing loans	-	-	-	97,989	30,858	92,322	221,169
Total gross exposure	<u>1,314,983</u>	<u>8,477</u>	<u>361,409</u>	<u>97,989</u>	<u>30,858</u>	<u>93,395</u>	<u>1,907,111</u>
Less: Provision for loan impairment	(14,753)	(1,785)	(11,097)	(44,907)	(13,832)	(42,439)	(128,813)
Net Exposure	<u>1,300,230</u>	<u>6,692</u>	<u>350,312</u>	<u>53,082</u>	<u>17,026</u>	<u>50,956</u>	<u>1,778,298</u>

<i>Thousand RON</i>	31 December 2019						Total
	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3 Individual	Stage 3 Collective	POCI	
Performing loans	1,245,191	777	243,837	-	-	949	1,490,754
Non-performing loans	892	-	3,598	75,137	20,603	108,348	208,578
Total gross exposure	<u>1,246,083</u>	<u>777</u>	<u>247,435</u>	<u>75,137</u>	<u>20,603</u>	<u>109,297</u>	<u>1,699,332</u>
Less: Provision for loan impairment	(10,933)	(403)	(13,868)	(36,879)	(9,657)	(39,318)	(111,058)
Net Exposure	<u>1,235,150</u>	<u>374</u>	<u>233,567</u>	<u>38,258</u>	<u>10,946</u>	<u>69,979</u>	<u>1,588,274</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts are in Thousand RON)

Structure of the Group's loans outstanding classified on stages is as follow:

Group

Thousand RON	31 December 2020						POCI	Total
	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3 Individual	Stage 3 Collective			
Neither past due nor impaired	1,372,816	8,477	320,451	-	-	440	1,702,184	
Less impairment provisions	(15,343)	(1,785)	(6,043)	-	-	(6)	(23,177)	
Net exposure	1,357,473	6,692	314,408	=	=	434	1,679,007	
Past due but not impaired	16,943	-	51,763	-	-	633	69,339	
- less than 30 days overdue	16,943	-	46,017	-	-	633	63,593	
- 30 to 90 days overdue	-	-	5,746	-	-	-	5,746	
- 91 to 180 days overdue	-	-	-	-	-	-	-	
- 181 to 360 days overdue	-	-	-	-	-	-	-	
- over 360 days overdue	-	-	-	-	-	-	-	
Less impairment provisions	(1,000)	-	(6,220)	-	-	(28)	(7,248)	
Net exposure	15,943	=	45,543	=	=	605	62,091	
Loans impaired	-	-	-	97,989	37,120	92,322	227,431	
- less than 30 days overdue	-	-	-	15,838	16,569	6,921	39,328	
- 30 to 90 days overdue	-	-	-	2,522	6,418	87	9,027	
- 91 to 180 days overdue	-	-	-	4,849	2,102	17	6,968	
- 181 to 360 days overdue	-	-	-	10,667	1,218	-	11,885	
- over 360 days overdue	-	-	-	64,113	10,813	85,297	160,223	
Less impairment provisions	-	-	-	(44,907)	(19,329)	(42,405)	(106,641)	
Net exposure	=	=	=	53,082	17,791	49,917	120,790	
Total loans (gross)	1,373,416	6,692	359,951	53,082	17,791	50,956	1,861,888	
Less impairment provisions	-	-	-	97,989	37,120	92,322	227,431	
Total loans (net)	1,373,416	6,692	359,951	53,082	17,791	50,956	1,861,888	

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)

Thousand RON	31 December 2019						POCI	Total
	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3 Individual	Stage 3 Collective			
Neither past due nor impaired	1,273,207	777	176,497	-	-	451	1,450,932	
Less impairment provisions	(11,212)	(403)	(3,104)	-	-	(7)	(14,726)	
Net exposure	1,261,995	375	173,393	-	-	444	1,436,206	
Past due but not impaired	37,228	-	73,880	-	-	498	111,606	
- less than 30 days overdue	37,228	-	46,668	-	-	360	84,256	
- 30 to 90 days overdue	-	-	27,212	-	-	138	27,350	
- 91 to 180 days overdue	-	-	-	-	-	-	-	
- 181 to 360 days overdue	-	-	-	-	-	-	-	
- over 360 days overdue	-	-	-	-	-	-	-	
Less impairment provisions	(1,561)	-	(11,630)	-	-	(59)	(13,249)	
Net exposure	35,667	-	62,251	-	-	439	98,357	
Loans impaired	-	-	-	75,136	25,548	108,348	209,032	
- less than 30 days overdue	-	-	-	2,285	6,723	7,580	16,588	
- 30 to 90 days overdue	-	-	-	11,425	2,845	17,287	31,557	
- 91 to 180 days overdue	-	-	-	3,473	5,352	123	8,948	
- 181 to 360 days overdue	-	-	-	6,812	2,413	0	9,225	
- over 360 days overdue	-	-	-	51,141	8,216	83,357	142,714	
Less impairment provisions	-	-	-	(36,879)	(13,879)	(39,251)	(90,009)	
Net exposure	-	-	-	38,257	11,670	69,096	119,023	
Total loans (gross)	1,310,436	777	250,377	75,136	25,549	109,296	1,771,570	
Less impairment provisions	(12,773)	(403)	(14,733)	(36,879)	(13,879)	(39,317)	(117,984)	
Total loans (net)	1,297,662	374	235,644	38,257	11,670	69,979	1,653,586	

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts are in Thousand RON)

Structure of the Bank's loans outstanding classified on stages is as follows:

Bank

Thousand RON	31 December 2020						POCI	Total
	Stage 1 Collective	Individual	Stage 2 Collective	Individual	Stage 3 Collective			
Neither past due nor impaired	1,299,688	8,477	311,922	-	-	440	1,620,527	
Less impairment provisions	(13,968)	(1,785)	(5,762)	-	-	(6)	(21,521)	
Net exposure	1,285,720	6,692	306,160	-	-	434	1,599,006	
Past due but not impaired	15,295	-	49,487	-	-	633	65,415	
- less than 30 days overdue	15,295	-	44,546	-	-	633	60,474	
- 30 to 90 days overdue	-	-	4,941	-	-	-	4,941	
- 91 to 180 days overdue	-	-	-	-	-	-	-	
- 181 to 360 days overdue	-	-	-	-	-	-	-	
- over 360 days overdue	-	-	-	-	-	-	-	
Less impairment provisions	(785)	-	(5,334)	-	-	(28)	(6,148)	
Net exposure	14,510	-	44,152	-	-	605	59,267	
Loans impaired	-	-	-	97,989	30,858	92,322	221,169	
- less than 30 days overdue	-	-	-	15,838	15,656	6,921	38,415	
- 30 to 90 days overdue	-	-	-	2,522	6,179	87	8,788	
- 91 to 180 days overdue	-	-	-	4,849	1,629	17	6,495	
- 181 to 360 days overdue	-	-	-	10,667	1,073	0	11,740	
- over 360 days overdue	-	-	-	64,113	6,321	85,297	155,731	
Less impairment provisions	-	-	-	(44,907)	(13,832)	(42,405)	(101,144)	
Net exposure	-	-	-	53,082	17,026	49,916	120,025	
Total loans (gross)	1,314,983	8,477	361,409	97,989	30,858	93,395	1,907,111	
Less impairment provisions	(14,753)	(1,785)	(11,097)	(44,907)	(13,832)	(42,439)	(128,813)	
Total loans (net)	1,300,230	6,692	350,312	53,082	17,026	50,956	1,778,298	

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts are in Thousand RON)

Thousand RON	31 December 2019						POCI	Total
	Stage 1 Collective	Individual	Stage 2 Collective	Individual	Stage 3 Collective			
Neither past due nor impaired	1,212,096	777	175,667	-	-	451	1,388,991	
Less impairment provisions	(9,665)	(403)	(3,064)	-	-	(7)	(13,139)	
Net exposure	1,202,431	374	172,603	-	-	444	1,375,852	
Past due but not impaired	33,987	-	71,768	-	-	498	106,253	
- less than 30 days overdue	33,987	-	46,337	-	-	360	80,684	
- 30 to 90 days overdue	-	-	25,431	-	-	138	25,569	
- 91 to 180 days overdue	-	-	-	-	-	-	-	
- 181 to 360 days overdue	-	-	-	-	-	-	-	
- over 360 days overdue	-	-	-	-	-	-	-	
Less impairment provisions	(1,268)	-	(10,804)	-	-	(59)	(12,131)	
Net exposure	32,719	-	60,964	-	-	439	94,122	
Loans impaired	-	-	-	75,137	20,603	108,348	204,088	
- less than 30 days overdue	-	-	-	2,285	6,399	7,580	16,264	
- 30 to 90 days overdue	-	-	-	11,425	2,663	17,287	31,375	
- 91 to 180 days overdue	-	-	-	3,473	4,577	123	8,173	
- 181 to 360 days overdue	-	-	-	6,812	2,129	0	8,941	
- over 360 days overdue	-	-	-	51,142	4,835	83,358	139,335	
Less impairment provisions	-	-	-	(36,879)	(9,657)	(39,252)	(85,788)	
Net exposure	-	-	-	38,258	10,946	69,096	118,300	
Total loans (gross)	1,246,083	777	247,435	75,137	20,603	109,297	1,699,332	
Less impairment provisions	(10,933)	(403)	(13,868)	(36,879)	(9,657)	(39,318)	(111,058)	
Total loans (net)	1,235,150	374	233,567	38,258	10,946	69,979	1,588,274	

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)

Analysis of Group's gross carrying amount is as follow:

Group

Thousand RON

Gross carrying amount as at 1 January 2020

Transfers to Stage 1	
Transfers to Stage 2	
Transfers to Stage 3	
Other changes (normal payments, interest accruals)	
New financial assets originated or purchased	
Financial assets that have been derecognised (excluding write offs)	
Write offs	
Foreign exchange adjustments	
Gross carrying amount as at 31 December 2020	

2020				
Stage 1	Stage 2	Stage 3	POCI	Total
<u>1,310,435</u>	<u>251,154</u>	<u>100,685</u>	<u>109,296</u>	<u>1,771,570</u>
306,574	(304,777)	(1,798)	-	(1)
(533,943)	539,006	(5,063)	-	-
(8,969)	(55,711)	64,677	4	1
(514,819)	(70,908)	(7,987)	(11,534)	(605,248)
824,740	20,493	603	1,277	847,113
-	-	(1,228)	-	(1,228)
(11)	-	(15,391)	(5,954)	(21,356)
5,752	1,434	611	306	8,103
<u>1,389,759</u>	<u>380,691</u>	<u>135,109</u>	<u>93,395</u>	<u>1,998,954</u>

Group

Thousand RON

Gross carrying amount as at 1 January 2019

Transfers to Stage 1	
Transfers to Stage 2	
Transfers to Stage 3	
Other changes (normal payments, interest accruals)	
New financial assets originated or purchased	
Financial assets that have been derecognised (excluding write offs)	
Write offs	
Foreign exchange adjustments	
Gross carrying amount as at 31 December 2019	

2019				
Stage 1	Stage 2	Stage 3	POCI	Total
<u>1,252,795</u>	<u>190,889</u>	<u>197,312</u>	<u>150,796</u>	<u>1,791,792</u>
211,046	(209,764)	(1,282)	-	-
(355,304)	361,345	(6,041)	-	-
(3,981)	(48,916)	52,897	-	-
(701,592)	(82,439)	(16,517)	(11,683)	(812,231)
901,553	38,006	92	210	939,861
(1)	-	(62,654)	(28,071)	(90,726)
(34)	-	(65,089)	(2,705)	(67,828)
5,953	2,033	1,967	749	10,702
<u>1,310,435</u>	<u>251,154</u>	<u>100,685</u>	<u>109,296</u>	<u>1,771,570</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)

Analysis of Bank's gross carrying amount is as follow:

Bank

Thousand RON	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2020	<u>1,246,083</u>	<u>248,212</u>	<u>95,740</u>	<u>109,297</u>	<u>1,699,332</u>
Transfers to Stage 1	304,568	(302,923)	(1,645)	-	-
Transfers to Stage 2	(521,005)	525,471	(4,466)	-	-
Transfers to Stage 3	(8,506)	(53,781)	62,283	4	-
Other changes (normal payments, interest accruals)	(477,580)	(68,806)	(7,654)	(11,535)	(565,575)
New financial assets originated or purchased	765,682	20,280	603	1,277	787,842
Financial assets that have been derecognised (excluding write offs)	-	-	(1,228)	-	(1,228)
Write offs	(11)	-	(15,391)	(5,954)	(21,356)
Foreign exchange adjustments	5,752	1,433	605	306	8,096
Gross carrying amount as at 31 December 2020	<u>1,314,983</u>	<u>369,886</u>	<u>128,847</u>	<u>93,395</u>	<u>1,907,111</u>

Bank

Thousand RON	2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2019	<u>1,203,402</u>	<u>187,669</u>	<u>193,087</u>	<u>150,796</u>	<u>1,734,954</u>
Transfers to Stage 1	208,980	(207,855)	(1,125)	-	-
Transfers to Stage 2	(350,559)	356,421	(5,863)	-	(1)
Transfers to Stage 3	(3,830)	(47,119)	50,949	-	-
Other changes (normal payments, interest accruals)	(668,714)	(80,874)	(15,607)	(11,683)	(776,878)
New financial assets originated or purchased	850,889	37,942	92	210	889,133
Financial assets that have been derecognised (excluding write offs)	(1)	-	(62,654)	(28,071)	(90,726)
Write offs	(34)	-	(65,089)	(2,705)	(67,828)
Foreign exchange adjustments	5,950	2,028	1,950	750	10,678
Gross carrying amount as at 31 December 2019	<u>1,246,083</u>	<u>248,212</u>	<u>95,740</u>	<u>109,297</u>	<u>1,699,332</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)

Analysis of Group 's loss allowance:

Group	2020				
Thousand RON	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2020	<u>12,773</u>	<u>15,136</u>	<u>50,758</u>	<u>39,317</u>	<u>117,984</u>
Transfers to Stage 1	13,649	(12,965)	(684)	-	-
Transfers to Stage 2	(6,525)	7,908	(1,383)	-	-
Transfers to Stage 3	(689)	(9,500)	10,214	(25)	-
Net remeasurement of loss allowance	(13,487)	11,122	20,169	8,745	26,549
New financial assets originated or purchased	10,586	2,318	305	152	13,361
Financial assets that have been derecognised (excluding write offs)	-	-	(94)	-	(94)
Write offs	(1)	-	(15,391)	(5,824)	(21,216)
Foreign exchange adjustments	37	29	342	74	482
Loss allowance as at 31 December 2020	<u>16,343</u>	<u>14,048</u>	<u>64,236</u>	<u>42,439</u>	<u>137,066</u>

Group	2019				
Thousand RON	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2019	<u>17,588</u>	<u>11,984</u>	<u>114,787</u>	<u>53,519</u>	<u>197,878</u>
Transfers to Stage 1	12,813	(12,364)	(449)	-	-
Transfers to Stage 2	(5,829)	7,342	(1,513)	-	-
Transfers to Stage 3	(97)	(10,697)	10,794	-	-
Net remeasurement of loss allowance	(23,457)	17,756	12,007	(371)	5,935
New financial assets originated or purchased	11,720	1,049	727	2	13,498
Financial assets that have been derecognised (excluding write offs)	-	-	(23,071)	(11,491)	(34,562)
Write offs	(3)	-	(64,154)	(2,705)	(66,862)
Foreign exchange adjustments	38	66	1,630	363	2,097
Loss allowance as at 31 December 2019	<u>12,773</u>	<u>15,136</u>	<u>50,758</u>	<u>39,317</u>	<u>117,984</u>

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(All amounts are in Thousand RON)

Analysis of Bank's loss allowance is as follow:

Bank	2020				
Thousand RON	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2020	<u>10,934</u>	<u>14,271</u>	<u>46,536</u>	<u>39,317</u>	<u>111,058</u>
Transfers to Stage 1	13,416	(12,885)	(531)	-	-
Transfers to Stage 2	(5,752)	6,695	(943)	-	-
Transfers to Stage 3	(630)	(8,889)	9,544	(25)	-
Net remeasurement of loss allowance	(12,490)	11,345	18,975	8,745	26,575
New financial assets originated or purchased	9,239	2,316	305	152	12,012
Financial assets that have been derecognised (excluding write offs)	-	-	(94)	-	(94)
Write offs	(1)	-	(15,391)	(5,824)	(21,216)
Foreign exchange adjustments	37	29	338	74	478
Loss allowance as at 31 December 2020	<u>14,753</u>	<u>12,882</u>	<u>58,739</u>	<u>42,439</u>	<u>128,813</u>

Bank	2019				
Thousand RON	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2019	<u>15,408</u>	<u>11,282</u>	<u>111,726</u>	<u>53,519</u>	<u>191,935</u>
Transfers to Stage 1	12,590	(12,233)	(357)	-	-
Transfers to Stage 2	(5,506)	6,859	(1,353)	-	-
Transfers to Stage 3	(77)	(9,800)	9,877	-	-
Net remeasurement of loss allowance	(21,659)	17,090	11,521	(371)	6,581
New financial assets originated or purchased	10,141	1,007	727	2	11,877
Financial assets that have been derecognised (excluding write offs)	-	-	(23,071)	(11,491)	(34,562)
Write offs	(3)	-	(64,154)	(2,705)	(66,862)
Foreign exchange adjustments	39	66	1,620	364	2,089
Loss allowance as at 31 December 2019	<u>10,933</u>	<u>14,271</u>	<u>46,536</u>	<u>39,318</u>	<u>111,058</u>

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Information about Group's collaterals is as follows:

Thousand RON	31 December 2020					Total
	SME loans	Consumer loans	Entrepreneurs loans	Mortgage loans	State and municipal organizations	
Unsecured loans*	211,218	133,133	83,049	7,227	0	434,627
Loans guaranteed by other parties	238,298	565	69,968	7,606	1,417	317,854
Loans collateralized by:	<u>883,586</u>	<u>29,664</u>	<u>66,666</u>	<u>232,417</u>	<u>34,140</u>	<u>1,246,473</u>
- residential real estate	101,241	24,025	10,970	224,652	0	360,888
- other real estate	628,633	3,052	22,537	7,610	0	661,832
- cash collateral	11,334	2,587	546	155	0	14,622
- other assets	142,378	0	32,613	0	34,140	209,131
Total loans and advances to customers	<u>1,333,102</u>	<u>163,362</u>	<u>219,683</u>	<u>247,250</u>	<u>35,557</u>	<u>1,998,954</u>

Thousand RON	31 December 2019					Total
	SME loans	Consumer loans	Entrepreneurs loans	Mortgage loans	State and municipal organizations	
Unsecured loans*	241,698	132,512	94,507	11,915	0	480,632
Loans guaranteed by other parties	125,948	0	36,978	7,735	2,254	172,915
Loans collateralized by:	<u>801,545</u>	<u>31,533</u>	<u>59,666</u>	<u>184,047</u>	<u>41,232</u>	<u>1,118,023</u>
- residential real estate	98,680	26,379	10,720	176,075	0	311,854
- other real estate	545,733	3,435	17,880	7,796	0	574,844
- cash collateral	9,443	1,716	465	176	0	11,800
- other assets	147,689	3	30,601	0	41,232	219,525
Total loans and advances to customers	<u>1,169,191</u>	<u>164,045</u>	<u>191,151</u>	<u>203,697</u>	<u>43,486</u>	<u>1,771,570</u>

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Information about Bank's collaterals is as follows:

Thousand RON	31 December 2020					Total
	SME loans	Consumer loans	Entrepreneurs loans	Mortgage loans	State and municipal organizations	
Unsecured loans	219,491	133,043	20,422	7,227	-	380,183
Loans guaranteed by other parties, including credit insurance	236,356	565	51,462	7,606	1,417	297,406
Loans collateralized by:	<u>876,255</u>	<u>29,287</u>	<u>57,423</u>	<u>232,417</u>	<u>34,140</u>	<u>1,229,522</u>
- residential real estate	97,944	23,894	7,207	224,652	-	353,697
- other real estate	626,691	2,806	20,298	7,610	-	657,405
- cash collateral	11,334	2,587	546	155	-	14,622
- other assets	140,286	-	29,372	-	34,140	203,798
Total loans and advances to customers	<u>1,332,102</u>	<u>162,895</u>	<u>129,307</u>	<u>247,250</u>	<u>35,557</u>	<u>1,907,111</u>

Thousand RON	31 December 2019					Total
	SME loans	Consumer loans	Entrepreneurs loans	Mortgage loans	State and municipal organizations	
Unsecured loans	250,291	132,409	26,969	11,915	-	421,584
Loans guaranteed by other parties, including credit insurance	125,948	-	36,978	7,735	2,254	172,915
Loans collateralized by:	<u>795,297</u>	<u>31,165</u>	<u>53,092</u>	<u>184,047</u>	<u>41,232</u>	<u>1,104,833</u>
- residential real estate	95,852	26,252	8,071	176,075	-	306,250
- other real estate	543,905	3,194	16,442	7,796	-	571,337
- cash collateral	9,443	1,716	465	176	-	11,800
- other assets	146,097	3	28,114	-	41,232	215,446
Total loans and advances to customers	<u>1,171,536</u>	<u>163,574</u>	<u>117,039</u>	<u>203,697</u>	<u>43,486</u>	<u>1,699,332</u>

*Unsecured loans represents exposures or part of exposures that are not covered by the market value of collaterals for collateral types deductible, according to IFRS9 provisioning methodology.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where net present value of collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised loans") and (ii) those assets where net present value of collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised loans").

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The effect of Group's collateral is as follows:

Thousand RON	31 December 2020					
	<u>Over- collateralized loans</u>			<u>Under- collateralized loans</u>		
	Carrying value	Net Present Value of collateral	Fair Value of the collateral	Carrying value	Net Present Value of collateral	Fair Value of the collateral
Consumer loans	24,458	54,568	96,319	128,914	4,373	7,510
Mortgage loans	82,563	135,208	237,751	158,113	119,086	208,621
Entrepreneurs loans	17,827	29,317	66,589	189,836	86,431	140,447
SME loans	245,092	406,336	820,584	979,528	616,081	1,122,474
State and municipal organizations	35,557	401,423	833,140	-	-	-
Total	405,497	1,026,852	2,054,383	1,456,391	825,971	1,479,052

Thousand RON	31 December 2019					
	<u>Over- collateralized loans</u>			<u>Under- collateralized loans</u>		
	Carrying value	Net Present Value of collateral	Fair Value of the collateral	Carrying value	Net Present Value of collateral	Fair Value of the collateral
Consumer loans	23,532	49,903	85,831	129,065	6,466	11,307
Mortgage loans	66,744	105,331	177,261	129,749	93,925	158,713
Entrepreneurs loans	12,922	24,682	60,687	167,788	57,432	106,148
SME loans	234,254	364,404	777,758	846,046	451,567	932,547
State and municipal organizations	43,486	450,629	942,213	-	-	-
Total	380,938	994,949	2,043,750	1,272,648	609,390	1,208,715

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The effect of Bank's collateral at is as follows:

Thousand RON	31 December 2020					
	<u>Over- collateralized loans</u>			<u>Under- collateralized loans</u>		
	Carrying value	Net Present Value of collateral	Fair Value of the collateral	Carrying value	Net Present Value of collateral	Fair Value of the collateral
Consumer loans	24,392	54,503	96,014	128,905	4,371	7,500
Mortgage loans	82,563	135,208	237,751	158,113	119,086	208,621
Entrepreneurs loans	16,590	27,211	60,371	107,903	67,345	110,042
SME loans	242,711	402,499	811,217	981,564	611,859	1,112,592
State and municipal organizations	35,557	401,423	833,140	-	-	-
Total	<u>401,813</u>	<u>1,020,844</u>	<u>2,038,493</u>	<u>1,376,485</u>	<u>802,661</u>	<u>1,438,755</u>

Thousand RON	31 December 2019					
	<u>Over- collateralized loans</u>			<u>Under- collateralized loans</u>		
	Carrying value	Net Present Value of collateral	Fair Value of the collateral	Carrying value	Net Present Value of collateral	Fair Value of the collateral
Consumer loans	23,398	49,692	85,331	129,002	6,414	11,152
Mortgage loans	66,744	105,331	177,261	129,749	93,925	158,713
Entrepreneurs loans	11,777	22,188	53,353	100,934	54,760	98,283
SME loans	231,811	360,292	768,248	851,373	449,578	926,128
State and municipal organizations	43,486	450,629	942,213	0	0	0
Total	<u>377,216</u>	<u>988,132</u>	<u>2,026,406</u>	<u>1,211,058</u>	<u>604,677</u>	<u>1,194,276</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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(All amounts are in Thousand RON)

The effect of Group's collateral at 31 December 2020 for **credit impaired portfolio** is as follows:

Thousand RON	31 December 2020					
	<u>Over- collateralized loans</u>			<u>Under- collateralized loans</u>		
	Carrying value	Net Present Value of collateral	Fair Value of the collateral	Carrying value	Net Present Value of collateral	Fair Value of the collateral
Consumer loans	639	1,104	2,108	666	81	109
Mortgage loans	5,559	8,066	15,122	2,745	2,327	5,208
Entrepreneurs loans	4,245	5,800	13,219	751	727	1,194
SME loans	28,870	37,306	81,336	27,398	16,777	62,818
State and municipal organizations	-	-	-	-	-	-
Total	39,313	52,276	111,785	31,560	19,912	69,329

The effect of Group's collateral at 31 December 2019 for **credit impaired portfolio** is as follows:

Thousand RON	31 December 2019					
	<u>Over- collateralized loans</u>			<u>Under- collateralized loans</u>		
	Carrying value	Net Present Value of collateral	Fair Value of the collateral	Carrying value	Net Present Value of collateral	Fair Value of the collateral
Consumer loans	134	211	500	464	53	155
Mortgage loans	4,759	6,137	11,169	2,991	2,588	5,394
Entrepreneurs loans	1,676	3,448	8,711	891	890	1,730
SME loans	21,173	27,401	65,708	17,837	13,183	50,128
State and municipal organizations	-	-	-	-	-	-
Total	27,742	37,197	86,088	22,183	16,714	57,407

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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The effect of Bank's collateral at 31 December 2020 for **credit impaired portfolio** is as follows:

Thousand RON	31 December 2020					
	<u>Over- collateralized loans</u>			<u>Under- collateralized loans</u>		
	Carrying value	Net Present Value of collateral	Fair Value of the collateral	Carrying value	Net Present Value of collateral	Fair Value of the collateral
Consumer loans	573	1,039	1,803	658	80	99
Mortgage loans	5,559	8,066	15,122	2,745	2,327	5,208
Entrepreneurs loans	4,029	5,492	12,147	697	672	1,062
SME loans	28,456	36,640	79,393	27,392	16,770	62,784
State and municipal organizations	-	-	-	-	-	-
Total	38,617	51,237	108,465	31,492	19,849	69,153

The effect of Bank's collateral at 31 December 2019 for **credit impaired portfolio** is as follows:

Thousand RON	31 December 2019					
	<u>Over- collateralized loans</u>			<u>Under- collateralized loans</u>		
	Carrying value	Net Present Value of collateral	Fair Value of the collateral	Carrying value	Net Present Value of collateral	Fair Value of the collateral
Consumer loans	-	-	-	402	-	-
Mortgage loans	4,759	6,137	11,169	2,991	2,588	5,394
Entrepreneurs loans	1,429	3,153	7,781	891	890	1,730
SME loans	20,902	27,048	64,845	17,829	13,175	50,114
State and municipal organizations	-	-	-	-	-	-
Total	27,090	36,338	83,795	22,113	16,653	57,238

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The loan portfolio includes 26 exposures towards local public administrations in amount of RON 35,557 thousand as of 31 December 2020 (13 exposures with RON 43,486 thousand as of 31 December 2019). The Group presented this type of loans into neither past due nor impaired category.

Loans impaired

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the stage defined in the Group Policy.

In accordance with the instructions issued by the National Bank of Romania, during 2020, the Group performed write-off operations (for those companies that do not appear anymore in the Registry of Commerce, for those that have incomplete credit documentation and for the companies for which juridical procedures are impossible) for loans fully impaired, in amount of RON 21,357 thousand. (2019: RON 62,000 thousand).

Refer to Note 6 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 4. Information on related party balances is disclosed in Note 44.

Restructured loans

The Group's outstanding gross exposure as of 31 December 2020 for all the loans that underwent restructuring is RON 137,051 thousand (31 December 2019: RON 131,581 thousand) and the net exposure is RON 94,521 thousand (31 December 2019: RON 86,001 thousand).

The Bank's outstanding gross exposure as of 31 December 2020 for all the loans that underwent restructuring is RON 133,678 thousand (31 December 2019: RON 117,542 thousand) and the net exposure is RON 92,017 thousand (31 December 2019: RON 85,363 thousand).

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Loans and advances to customers written off

The outstanding contractual amounts of loans and advances to customers written off that are still subject to enforcement activity was as follows at 31 December 2020.

Thousand RON	31 December 2020	31 December 2019
Loans to corporate customers	302,504	286,326
Loans to entrepreneurs	13,119	11,447
SME loans	289,385	274,879
State and municipal organizations	-	-
Loans to individuals	31,307	28,572
Consumer loans	25,504	22,912
Mortgage loans	5,803	5,661
Total	333,811	314,898

22. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

Thousand RON	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Treasury bills issued by the Ministry of Public Finance of Romania	295,157	316,854	295,157	316,854
Bonds issued by Alpha Bank	24,375	23,905	24,375	23,905
Total Investments in debt instruments at amortized cost	319,532	340,759	319,532	340,759

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23. INVESTMENT PROPERTY

a) Reconciliation of book value

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at 1 January	130,302	79,942	130,100	77,326
Acquisitions	7,121	-	7,121	-
Transfers in/(out) from/(to) fixed assets held for sale	(6,108)	6,206	(6,108)	6,206
Transfer in from IAS 16 (Sales)	248	49,075	248	49,075
	(15,407)	(1,761)	(15,407)	(972)
Net gain / (loss) from revaluation of investment property	(524)	(3,160)	(524)	(1,535)
Value increases	393	-	393	-
Outflows	(202)	-	-	-
Balance at 31 December	<u>115,823</u>	<u>130,302</u>	<u>115,823</u>	<u>130,100</u>

During 2020, the rental incomes from real estate investments amounted 5,470 thousand RON (31 December 2019: 4,909 thousand RON) for the Group and 5,470 thousand RON (31 December 2019: 4,907 thousand RON) for the Bank. Direct operating expenses (repair, maintenance, local taxes, etc.) from Investment property that generated rental income during 2020 were in the amount of 1,741 thousand RON (31 December 2019: 2,735 thousand RON).

b) Fair value measurement

The fair value of real estate investments is based on an assessment carried out by expert assessors, members of ANEVAR (National Association of Assessors of Romania). The fair value of the real estate investments is presented on level 3 of the hierarchy of fair value.

The Group did not acquire Investment property using the financial leasing at 31 December 2020 or at 31 December 2019.

c) The evaluation techniques for measuring the fair value of real estate investments and the dates of entry used:

Evaluation techniques

According to the 2020 ANEVAR Evaluation Standards there were used the following three approaches:

- The evaluation of land (measuring a free land or where there is a construction, the six recognized valuation methods - direct comparison, market extraction, allocation technique, residual capitalization, direct rent / lease (rent), discounted cash flow analysis).

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- The income approach (by this method estimated the annual income to be generated by a property converts to value by applying an appropriate rate of income. In this case, a capitalization rate was used applied to net income from estimated operations).
- The cost approach (The purpose of the cost approach is to determine the market value of the property by estimating the cost of purchasing the land (the market value of the land) and building a new property with the same utility or adapting an old property with the same use, without considering related costs during the construction / adaptation. The cost of the land is added to the total cost of construction. If necessary, usually in construction costs incentives / real estate developer's profit are added.

Entry data

- Inventory lists with investments owned by the client;
- Documents and information taken from specialized personnel from the owner regarding the history, the repairs made, the rate of exploitation, degree of impairment, etc.
- Information taken from the location by the evaluator; visits were made at more than 50% of Bank's properties considering as selection criteria the value of each property. No visits performed for residential properties.
- The evolution of the exchange rate published by BNR;
- Information regarding the local real estate market;
- Web Sites specialized in placing ads for selling/renting similar properties with the ones owned by the company;
- The book "Reconstruction costs - replacement costs of industrial buildings, commercial and agricultural, special construction" - Corneliu Schiopu, publisher IROVAL Bucharest 2010 - updated;
- Other necessary information available in the specialized literature;
- The evaluator's data base.

24. NON CURRENT ASSETS HELD FOR SALE

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at 1 January	7,417	20,090	7,417	20,090
Acquisitions	325	-	325	-
Transfer (to)/from investment property	6,108	(6,206)	6,108	(6,206)
Transfer from IAS 16	11,324	-	11,324	-
Sales	(5,012)	(7,570)	(5,012)	(7,552)
Net gain/ (loss) from revaluation of Non Current Assets Held for Sale	80	1,103	80	1,085
Write-off	(306)	-	(306)	-
Balance at 31 December	<u>19,936</u>	<u>7,417</u>	<u>19,936</u>	<u>7,417</u>

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The assets classified under this category represent assets in the form of residential, industrial and commercial buildings, land being repossessed through the execution of collaterals from non-performing loans. The Group is expecting to sell them in the near future.

At the time of purchase they were recognized at fair value and subsequently they are revaluated at the end of each year being measured at the lower of carrying amount and fair value.

The group analyzed the buildings and lands found in the category of assets held for sale in accordance with the provisions of IFRS 5. Following the analysis of the criteria for classification in this category, it was concluded that part of the respective objectives meet the criteria for accounting for real estate investments and were reclassified in the respective category.

25. INVESTMENTS IN SUBSIDIARIES

The structure of investments in subsidiaries is as follows:

Thousand RON	31 December 2020			31 December 2019		
Subsidiary name	Gross value	Impairment adjustments	Net value	Gross value	Impairment adjustments	Net value
Patria Credit IFN	32,522	-	32,522	28,502	-	28,502
Imobiliar Invest S.R.L.	-	-	-	9,713	(8,546)	1,167
SAI Patria Asset Management SA	800	-	800	800	-	800
Carpatica Invest S.A.	6,807	(6,807)	-	6,807	(6,807)	-
Total	40,129	(6,807)	33,322	45,822	(15,353)	30,469

Investments in the fund units that are included in the Group's scope of consolidation are presented as financial assets measured at fair value through profit or loss in the individual statement of the Bank's financial position as of December 31, 2020 and 2019.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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26. OTHER FINANCIAL ASSETS

Thousand RON	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Amounts to be recovered from banks and clients	6,809	6,487	6,809	6,487
Other financial assets	3,697	1,181	3,696	1,181
Derivative financial instruments	36	-	36	-
Other debtors	8,373	10,546	7,983	8,805
Subleasing IFRS 16	575	623	1,353	1,703
(-) Provisions for impairment losses	(10,062)	(10,567)	(9,807)	(9,585)
Total net other financial assets	9,428	8,270	10,070	8,591

Movements in the provision for other financial assets for Group are as follows:

Thousand RON	Group	
	31 December 2020	31 December 2019
	Amounts to be recovered from banks and clients	Amounts to be recovered from banks and clients
Provision for impairment at 1 January	10,567	19,169
Charge of provision for impairment during the year	1,964	3,843
Reversal of provision for impairment during the year	(2,381)	(3,929)
Foreign exchange differences	(88)	331
Write-off	-	(8,847)
Provision for impairment at 31 December	10,062	10,567

Movements in the provision for other financial assets for Bank are as follows:

Thousand RON	Bank	
	31 December 2020	31 December 2019
	Amounts to be recovered from banks and clients	Amounts to be recovered from banks and clients
Provision for impairment at 1 January	9,585	18,170
Charge of provision for impairment during the year	2,614	3,843
Reversal of provision for impairment during the year	(2,378)	(3,910)
Foreign exchange differences	(14)	332
Write-off	-	(8,850)
Provision for impairment at 31 December	9,807	9,585

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Analysis by credit quality of other financial assets outstanding for Group at 31 December 2020 and 31 December 2019 is as follows:

Thousand RON	Group 31 December 2020						Group 31 December 2019				
	Amounts to be recovered from banks and clients	Other financial assets	Derivative financial instruments	Sundry debtors	Subleasing IFRS 16	Total	Amounts to be recovered from banks and clients	Other financial assets	Sundry debtors	Subleasing IFRS 16	Total
Neither past due nor impaired	-	3,697	36	1,555	575	5,863	-	1,181	3,819	623	5,623
Less provisions for impairment	-	-	-	-	-	-	-	-	-	-	-
Total neither past due nor impaired (net)	-	3,697	36	1,555	575	5,863	-	1,181	3,819	623	5,623
Impaired financial assets	6,809	-	-	6,818	-	13,627	6,487	-	6,727	-	13,214
Less provision for impairment	5,994	-	-	4,068	-	10,062	5,675	-	4,892	-	10,567
Total net impaired loans	815	-	-	2,750	-	3,565	812	-	1,835	-	2,647
Total other gross financial assets	6,809	3,697	36	8,373	575	19,490	6,487	1,181	10,546	623	18,837
Total provision for impairment	5,994	-	-	4,068	-	10,062	5,675	-	4,892	-	10,567
Total other net financial assets	815	3,697	36	4,305	575	9,428	812	1,181	5,654	623	8,270

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Analysis by credit quality of other financial assets outstanding at 31 December 2020 and 31 December 2019 for Bank is as follows:

Thousand RON	Bank 31 December 2020						Bank 31 December 2019				
	Amounts to be recovered from banks and clients	Other financial assets	Derivative financial instruments	Sundry debtors	Subleasing IFRS 16	Total	Amounts to be recovered from banks and clients	Other financial assets	Sundry debtors	Subleasing IFRS 16	Total
Neither past due nor impaired	-	3,696	36	1,484	1,353	6,569	-	1,181	2,078	1,703	4,962
Less provisions for impairment	-	-	-	-	-	-	-	-	-	-	-
Total neither past due nor impaired (net)	-	3,696	36	1,484	1,353	6,569	-	1,181	2,078	1,703	4,962
Impaired financial assets	6,809	-	-	6,499	-	13,308	6,487	-	6,727	-	13,214
Less provision for impairment	5,994	-	-	3,813	-	9,807	5,675	-	3,910	-	9,585
Total net impaired loans	815	-	-	2,686	-	3,501	812	-	2,817	-	3,629
Total other gross financial assets	6,809	3,696	36	7,983	1,353	19,877	6,487	1,181	8,805	1,703	18,176
Total provision for impairment	5,994	-	-	3,813	-	9,807	5,675	-	3,910	-	9,585
Total other net financial assets	815	3,696	36	4,170	1,353	10,070	812	1,181	4,895	1,703	8,591

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27. OTHER ASSETS

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Sundry debtors	115	164	94	145
Other income to be received	66	318	66	318
Prepayments	3,998	5,247	3,525	4,570
Income tax to recover	4,032	2,582	4,017	2,672
Other assets	3,340	4,011	2,954	3,492
Total other assets (gross)	<u>11,551</u>	<u>12,322</u>	<u>10,656</u>	<u>11,197</u>

28. INTANGIBLE ASSETS

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Goodwill	20,103	20,103	20,103	20,103
Other intangible assets	25,774	25,660	24,779	24,274
Total intangible assets	<u>45,877</u>	<u>45,763</u>	<u>44,882</u>	<u>44,377</u>

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The cost movements of intangible assets and amortisation are the following:

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at 1 January	77,498	83,762	72,167	77,893
Acquisitions	9,424	21,456	9,414	21,413
-transfers from intangible assets in progress	2,488	12,562	2,488	12,562
Outflows	-	(15,158)	-	(14,577)
Release of intangible assets in progress	(2,488)	(12,562)	(2,488)	(12,562)
Balance at 31 December	84,434	77,498	79,093	72,167
<i>Cumulative amortisation</i>				
Balance at 1 January	31,735	40,963	27,790	36,844
Amortisation and impairment expense	4,335	3,658	4,277	3,251
Expense with acquisition clients list and brand	2,487	2,116	2,144	2,116
Cassation	-	(15,003)	-	(14,422)
Balance at 31 December	38,557	31,735	34,211	27,790
<i>Net carrying amount</i>				
Balance at 1 January	45,763	42,799	44,377	41,049
Balance at 31 December	45,877	45,763	44,882	44,377

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29. PROPERTY AND EQUIPMENT

<i>Thousand RON</i>	Group 31 December 2020				
	Land and buildings	Furniture and equipment	Means of transport	Assets in the course of construction	Total
Cost					
Balance at 1 January	<u>102,553</u>	<u>88,390</u>	<u>9,203</u>	<u>3,883</u>	<u>204,029</u>
Acquisitions and transfers from assets under construction	1,559	4,096	-	2,261	7,916
Outflows, transfer from assets under construction, write-offs	(13,925)	(19,864)	(2,829)	(4,697)	(41,315)
Right of use - new contracts	20,455	-	-	-	20,455
Right of use (early termination of lease contracts)	(15,016)	-	-	-	(15,016)
Balance at 31 December	<u>95,626</u>	<u>72,622</u>	<u>6,374</u>	<u>1,447</u>	<u>176,069</u>
					187,943
Cumulative depreciation					
Balance at 1 January	18,455	72,426	4,559	-	95,440
Amortization expense	8,794	7,943	1,264	-	18,001
Impairment expense	-	495	-	-	495
Outflows	(5,261)	(19,765)	(2,802)	-	(27,828)
Balance at 31 December	<u>21,988</u>	<u>61,099</u>	<u>3,021</u>	<u>-</u>	<u>86,108</u>
Net carrying amount	-	-	-	-	-
Balance at 1 January	<u>84,098</u>	<u>15,964</u>	<u>4,644</u>	<u>3,883</u>	<u>108,589</u>
Balance at 31 December	<u>73,638</u>	<u>11,523</u>	<u>3,353</u>	<u>1,447</u>	<u>89,961</u>

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Thousand RON	Group 31 December 2019				Total
	Land and buildings	Furniture and equipment	Means of transport	Assets in the course of construction	
Cost					
Balance at 1 January	138,638	82,474	6,320	3,857	231,290
Recognition of right-of-use asset on initial application of IFRS 16	27,367	6,272	-	-	33,639
Adjusted balance at 1 January	<u>166,005</u>	<u>88,746</u>	<u>6,320</u>	<u>3,857</u>	<u>264,929</u>
Revaluation (decrease)	(2,575)	-	-	-	(2,575)
Acquisitions and transfers from assets under construction	2,584	2,886	-	8,569	14,039
Right of use - new contracts	6,646	-	5,233	-	11,879
Outflows, tranfer from assets under construction, writte-offs	(18,714)	(3,242)	(2,351)	(4,061)	(28,368)
Transfers to Investment property	(44,593)	-	-	(4,482)	(49,075)
Right of use (early termination of lease contracts)	(6,800)	-	-	-	(6,800)
Balance at 31 December	<u>102,553</u>	<u>88,390</u>	<u>9,202</u>	<u>3,883</u>	<u>204,029</u>
Cumulative depreciation					
Balance at 1 January	14,035	67,913	5,644	-	87,592
Adjusted balance at 1 January	<u>14,035</u>	<u>67,913</u>	<u>5,644</u>	<u>-</u>	<u>87,592</u>
Amortization expense	9,240	7,565	1,161	-	17,966
Impairment expense	-	799	-	-	799
Outflows	(4,820)	(3,851)	(2,246)	-	(10,917)
Balance at 31 December	<u>18,455</u>	<u>72,426</u>	<u>4,559</u>	<u>-</u>	<u>95,440</u>
Net carrying amount					
Balance at 1 January	<u>124,603</u>	<u>14,561</u>	<u>676</u>	<u>3,857</u>	<u>143,698</u>
Balance at 31 December	<u>84,098</u>	<u>15,964</u>	<u>4,644</u>	<u>3,883</u>	<u>108,589</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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	Bank 31 December 2020				
<i>Thousand RON</i>	Land and buildings	Furniture and equipment	Means of transport	Assets in the course of construction	Total
Cost					
Balance at 1 January	<u>99,130</u>	<u>88,419</u>	<u>7,732</u>	<u>3,883</u>	<u>199,164</u>
Acquisitions and transfers from assets under construction	1,553	3,086	-	2,261	6,900
Outflows, transfer from assets under construction, write-offs	(13,766)	(19,844)	(1,932)	(4,696)	(40,238)
Right of use - new contracts	20,297	-	-	-	20,297
Right of use (early termination of lease contracts)	(14,252)	-	-	-	(14,252)
Balance at 31 December	<u>92,962</u>	<u>71,661</u>	<u>5,800</u>	<u>1,448</u>	<u>171,871</u>
Cumulative depreciation					
Balance at 1 January	17,654	72,662	3,583	-	93,899
Amortization expense	8,265	7,107	1,140	-	16,512
Impairment expense	-	495	-	-	495
Outflows	(5,151)	(19,745)	(1,900)	-	(26,796)
Balance at 31 December	<u>20,768</u>	<u>60,519</u>	<u>2,823</u>	<u>-</u>	<u>84,110</u>
Net carrying amount					
Balance at 1 January	<u>81,476</u>	<u>15,757</u>	<u>4,149</u>	<u>3,883</u>	<u>105,265</u>
Balance at 31 December	<u>72,194</u>	<u>11,142</u>	<u>2,977</u>	<u>1,448</u>	<u>87,761</u>

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Thousand RON	Land and buildings	Furniture and equipment	Means of transport	Bank 31 December 2019 Assets in the course of construction	Total
Cost					
Balance at 1 January	138,216	82,345	5,425	3,857	229,843
Recognition of right-of-use asset on initial application of IFRS 16	25,288	6,051	-	-	31,339
Adjusted balance at 1 January	<u>163,504</u>	<u>88,396</u>	<u>5,425</u>	<u>3,857</u>	<u>261,182</u>
Revaluation (decrease)	(2,575)	-	-	-	(2,575)
Acquisitions and transfers from assets under construction	2,584	2,853	-	8,569	14,006
Right of use - new contracts	5,724	-	4,658	-	10,382
Outflows, transfer from assets under construction, write-offs	(18,714)	(2,830)	(2,351)	(4,061)	(27,956)
Transfers to Investment property	(44,593)	-	-	(4,482)	(49,075)
Right of use (early termination of lease contracts)	(6,800)	-	-	-	(6,800)
Balance at 31 December	<u>99,130</u>	<u>88,419</u>	<u>7,732</u>	<u>3,883</u>	<u>199,164</u>
Cumulative depreciation					
Balance at 1 January	13,547	68,150	4,827	-	86,524
Adjusted balance at 1 January	<u>13,547</u>	<u>68,150</u>	<u>4,827</u>	<u>-</u>	<u>86,524</u>
Amortization expense	8,927	7,273	1,002	-	17,202
Impairment expense		799			799
Outflows	(4,820)	(3,560)	(2,246)	-	(10,626)
Balance at 31 December	<u>17,654</u>	<u>72,662</u>	<u>3,583</u>	<u>-</u>	<u>93,899</u>
Net carrying amount					
Balance at 1 January	<u>124,669</u>	<u>14,195</u>	<u>598</u>	<u>3,857</u>	<u>143,319</u>
Balance at 31 December	<u>81,476</u>	<u>15,757</u>	<u>4,149</u>	<u>3,883</u>	<u>105,265</u>

As of December 31, 2020, the Group has concluded lease agreements amounting to 29,718 thousand RON (December 31, 2019: 30,944 thousand RON) for land, buildings, equipment and means of transport.

As of December 31, 2020, the Bank has concluded lease agreements amounting to 27,759 thousand RON (December 31, 2019: 27,705 thousand RON) for land, buildings, equipment and means of transport.

Leases are concluded for a period of at least 1 year and may have extension options. The right to use assets by item classes is presented in Note 45.

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30. DUE TO OTHER BANKS

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Sight deposits	10,000	10,000	10,000	10,000
Term deposits	25,005	-	25,005	-
Collateral deposits	487	478	487	478
Transitory amounts	1,967	8,149	1,967	8,149
Total	<u>37,459</u>	<u>18,627</u>	<u>37,459</u>	<u>18,627</u>

31. CUSTOMER DEPOSITS

<i>Thousands RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Retail customers				
Payable on demand	305,566	274,051	305,566	274,051
Term deposits	1,597,879	1,765,921	1,597,879	1,765,921
Collateral deposits	7,302	6,632	7,302	6,632
Corporate customers				
Current accounts	317,677	281,193	320,314	282,293
Sight deposits	37,742	14,660	37,742	14,660
Term deposits	600,458	355,353	604,695	360,027
Collateral deposits	29,296	23,916	29,296	23,916
Amounts in transit	2,130	6,388	1,977	6,213
Total	<u>2,898,050</u>	<u>2,728,114</u>	<u>2,904,771</u>	<u>2,733,713</u>

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Risk concentrations by economic sectors within the deposits from customers portfolio were as follows:

<i>Thousands RON</i>	Bank			
	31 December 2020	31 December 2019		
	Amount	Percentage of total deposits(%)	Amount	Percentage of total deposits(%)
Retail customers	<u>1,910,747</u>	<u>65.78</u>	<u>2,046,604</u>	<u>74.87</u>
Corporate customers	<u>875,550</u>	<u>30.14</u>	<u>629,523</u>	<u>23.03</u>
Financial and real estate activities	326,094	11.23	224,471	8.21
Industry	57,460	1.98	44,912	1.64
Others	70,857	2.44	59,150	2.16
Constructions	58,953	2.03	37,037	1.35
IT, research and development	8,343	0.29	6,953	0.25
Trade	103,240	3.55	80,334	2.94
Transport	30,987	1.07	24,651	0.90
Professional Services	33,730	1.16	28,337	1.04
Services	105,973	3.65	42,749	1.56
Agriculture	70,175	2.42	71,174	2.60
Hotels and restaurants	9,738	0.34	9,755	0.36
Public Administration and Defense	<u>118,474</u>	<u>4.08</u>	<u>57,586</u>	<u>2.10</u>
Total	<u>2,904,771</u>	<u>100.00</u>	<u>2,733,713</u>	<u>100.00</u>

32. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financing name				
EFSE - European Fund for Southeast Europe (i)	25,734	17,540	-	-
Responsability Global Microfinance Fund (ii)	-	8,100	-	-
Raiffeisen Bank SA (iii)	4,389	6,132	-	-
Symbiotics Sicav (Lux.) (iv)	16,739	14,100	-	-
CEC Bank (v)	9,700	-	-	-
Other loans	-	900	-	-
Total	<u>56,562</u>	<u>46,772</u>	<u>-</u>	<u>-</u>

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(i) European Fund for Southeast Europe

In November 2018, the Group obtained a financing agreement from EFSE, amounting RON 9,300 thousand. The loan provides for quarterly repayments in 8 equal instalments, after a grace period for the principal of 15 months, with a ROBOR variable interest rate of 3 months plus margins and final maturity on 15 December 2021.

In November 2019, the Group obtained a financing agreement from EFSE, amounting RON 11,900 thousand. The loan provides for quarterly repayments in 9 equal instalments, with a ROBOR variable interest rate of 3 months plus margins and final maturity on 15 November 2022.

In December 2020, the Group obtained a financing agreement from EFSE, amounting RON 17,000 thousand. The loan provides a variable interest rate of ROBOR 3 months plus margin and final maturity on 31 December 2023.

The total outstanding loan from EFSE as at 31 December 2020 is RON 25,734 thousand.

(ii) Responsibility Global Microfinance Fund

In January 2017 the Group obtained new loan facility from Responsibility Global Microfinance Fund in total amount of RON 4,500 thousand for 3 years. The loan provides a fixed interest rate and final maturity on 29 January 2020.

In March 2018 the Group obtained new loan facility from Responsibility Global Microfinance Fund in total amount of RON 4,000 thousand for 2 years. The loan provides a fixed interest rate and final maturity on 09 March 2020.

The total outstanding loan from Responsibility Global Microfinance Fund as at 31 December 2020 is nil.

(iii) Raiffeisen Bank S.A.

In May 2018, the Group obtained a loan facility from Raiffeisen Bank in amount of RON 7,032 thousand for 3 years period. The loan provides a variable interest rate of ROBOR 1 months plus margin and final maturity on 20 May 2021.

The total outstanding loan from Raiffeisen Bank at 31 December 2019 is RON 4,389 thousand.

(iv) SYMBIOTICS

In December 2018 the Group obtained new loan facility from Symbiotics in total amount of RON 4,100 thousand for 3 years. The loan provides a variable interest rate of ROBOR 3 months plus margin and final maturity on 21 December 2021.

In January 2019 the Group obtained new loan facility from Symbiotics in total amount of RON 5,200 thousand for 3 years. The loan provides a variable interest rate of ROBOR 3 months plus margin and final maturity on 31 January 2022.

In April 2019 the Group obtained new loan facilities from Symbiotics in total amount of RON 4,800 thousand for 2 and 3 years respectively. The loans provides a variable interest rate of ROBOR 3 months plus margin and

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final maturity on 5 April 2021 for the loan amounting RON 2,400 thousand, and final maturity on 11 April 2022 for the loan amounting RON 2,400 thousand.

In February 2020 the Group obtained new loan facility from Symbiotics in total amount of RON 4,750 thousand for 3 years. The loan provides a variable interest rate of ROBOR 3 months plus margin and final maturity on 10 February 2023.

In March 2020 the Group obtained new loan facility from Symbiotics in total amount of RON 2,400 thousand for 3 years. The loan provides a variable interest rate of ROBOR 3 months plus margin and final maturity on 12 March 2023.

The total outstanding loan from Symbiotics at 31 December 2020 is RON 16,739 thousand.

(v) *CEC Bank*

In November 2020 the Group obtained new loan facility from CEC Bank in total amount of RON 9,700 thousand for 2 years. The loan provides a variable interest rate of ROBOR 3 months plus margin and final maturity on 28 October 2022.

The loans from international financial institutions are unsecured credit facilities, arranged under *negative pledge, pari passu* clauses. According to each loan agreement, the Group shall all time comply with a set of financial undertakings (covenants).

We confirm that during 2020 and as at 31 December 2020, the Group complied with all the covenants included in the loan agreement.

33. OTHER FINANCIAL LIABILITIES

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial liabilities to owners of fund units	33,480	35,711	-	-
Derivative financial instruments	-	142	-	142
Other financial liabilities	18,451	20,285	16,052	18,421
Lease liabilities IFRS 16	30,475	30,317	29,181	29,092
Total	82,406	86,455	45,233	47,655

The Group classified the fund units issued by FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni and Patria EURO Obligatiuni as financial liabilities. Please also see Note 5.

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34. PROVISIONS

Other liabilities comprise non-financial liabilities, as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Provisions for loan commitments and financial guarantees	2,250	1,782	2,394	1,782
Provisions for personnel expenses	3,068	3,582	2,579	3,206
Provisions for litigations	2,863	2,851	2,816	2,851
Other provisions	263	509	233	509
	-	-	-	-
Total	<u>8,444</u>	<u>8,724</u>	<u>8,022</u>	<u>8,348</u>

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

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

Provisions for loan commitments and financial guarantees are analysed as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at 1 January	1,782	2,584	1,782	2,596
Provisioning expenses during the year	5,138	4,022	5,282	4,069
Release of provision	(4,679)	(4,834)	(4,679)	(4,894)
Exchange rate differences	9	10	9	11
Balance at 31 December	<u>2,250</u>	<u>1,782</u>	<u>2,394</u>	<u>1,782</u>

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Movements in the personnel expenses provision is as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at 1 January	3,582	3,899	3,206	3,559
Provisioning expenses during the year	2,818	1,370	2,373	1,081
Release of provision	(3,332)	(1,687)	(3,000)	(1,434)
Balance at 31 December	<u>3,068</u>	<u>3,582</u>	<u>2,579</u>	<u>3,206</u>

The provision for litigations can be further analysed as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at 1 January	2,851	3,128	2,851	3,035
Provisioning expenses during the year	1,115	455	1,101	455
Release of provisions	(1,155)	(769)	(1,155)	(676)
Exchange rate differences	52	37	19	37
Balance at 31 December	<u>2,863</u>	<u>2,851</u>	<u>2,816</u>	<u>2,851</u>

35. OTHER LIABILITIES

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Other liabilities	77	155	14	52
State budget debts	2,844	4,472	2,584	4,258
Other income to be received	997	900	997	655
Total	<u>3,918</u>	<u>5,527</u>	<u>3,595</u>	<u>4,965</u>

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36. SUBORDINATED DEBT

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at 1 January	34,348	23,373	23,951	23,373
Subordinated debt	-	10,396	-	-
Repayments & FX differences	207	579	452	578
Balance at 31 December	<u>34,555</u>	<u>34,348</u>	<u>24,403</u>	<u>23,951</u>

The Group has the following outstanding subordinated loans as of December 31, 2020:

- EUR 2,000 thousand granted to the Bank by Mr. Horia Manda, Chairman of the Board of Directors of Patria Bank S.A in 2017. On 30.03.2019 of the Amendment no. 1 that extended the maturity by 1 year was concluded, therefore the new loan maturity is 28.11.2024. According to NBR approval letter No VI/1/18597/29.12.2017 this loan is included in Tier 2 capital. No changes during 2020;
- EUR 4,300 thousand granted to the Bank by EEAF Financial Services BV in 2018 with interest rate EURIBOR 6M + 585 bps margin, loan converted in share capital in 2018, remaining outstanding at the end of the year: EUR 11.5 thousand. No changes during 2020;
- EUR 3,000 thousand granted to the Bank by EEAF Financial Services BV in 2018 with interest rate EURIBOR 6M + 585 bps margin. According to NBR approval letter No VI/1/17408/24.12.2018 this loan is included in Tier 2 capital. In December 2020, the signing of the Amendment no. 2 was initiated (the signing by both parties took place on 5.01.2021, the effectiveness date of the Amendment being 19.12.2020) by which it was extended the maturity by 1 year, therefore the loan new maturity is 19.12.2026;
- RON 10,000 thousand loan granted to Patria Credit IFN by EEAF Financial Services BV in 2019 with EURIBOR interest 6M + 300 bps margin. No changes during 2020;

The Group has the following outstanding subordinated loans as of December 31, 2019:

- EUR 2,000 thousand granted to the Bank by Mr. Horia Manda, Chairman of the Board of Directors of Patria Bank S.A in 2017. No changes during 2019, except for the conclusion on 30.03.2019 of the Amendment no. 1 that extended the maturity by 1 year, therefore the new loan maturity is 28.11.2024. According to NBR approval letter No VI/1/18597/29.12.2017 this loan is included in Tier 2 capital;

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- EUR 4,300 thousand granted to the Bank by EEAF Financial Services BV in 2018 with interest rate EURIBOR 6M + 585 bps margin, loan converted in share capital in 2018, remaining outstanding at the end of the year: EUR 11.5 thousand;
- EUR 3,000 thousand granted to the Bank by EEAF Financial Services BV in 2018 with interest rate EURIBOR 6M + 585 bps margin. No changes during 2019, except for the conclusion on 17.12.2019 of the Amendment no. 1 that extended the maturity by 1 year. According to NBR approval letter No VI/1/17408/24.12.2018 this loan is included in Tier 2 capital.
- RON 10,000 thousand loan granted to Patria Credit IFN by FEI in 2019 with EURIBOR interest 6M + 300 bps margin.

37. DEBT SECURITIES IN ISSUE

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Debt securities in issue	62,797	23,021	62,797	23,021
Balance at 31 December	<u>62,797</u>	<u>23,021</u>	<u>62,797</u>	<u>23,021</u>

EUR 5,000 thousand – represent debt securities in issue placed through a private placement on the capital market, with the issue date of September 20, 2019 and an 8-year maturity, fixed interest rate of 6.50% / year.
 EUR 8,187 thousand – represent debt securities in issue placed through a private placement on the capital market, with the issue date of October 05, 2020 and an 8-year maturity, fixed interest rate of 6.50% / year.
 The Debt securities in issue are included in Patria Bank's Tier 2 Capital following the National Bank of Romania approval (October 26, 2020 for the debt issued in 2020 and October 10, 2019 for the debt issued in 2019)

38. SHARE CAPITAL

<i>Thousand RON</i>	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Share Capital according to Trade Register	311,533	311,533	311,533	311,533
Own Shares	(4)	(4)	(4)	(4)
Other adjustments of the Share Capital	2,250	2,250	2,250	2,250
Share premium	2,050	2,050	2,050	2,050
Share capital under IFRS	<u>315,829</u>	<u>315,829</u>	<u>315,829</u>	<u>315,829</u>

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The main shareholders at 31 December 2020 and at 31 December 2019 of Patria Bank S.A. (The parent of the Group) are:

Name of the shareholder	31 December 2020		31 December 2019	
	Number of shares Patria Bank	Percentage of ownership (%)	Number of shares Patria Bank	Percentage of ownership (%)
EEAF Financial Services B.V.	2,592,620,715	83.22	2,592,620,715	83.22
Individuals (*)	456,143,034	14.64	452,919,846	14.54
Legal entities	66,566,826	2.14	69,790,014	2.24
Total	3,115,330,575	100.00	3,115,330,575	100.00

(*) No individual holds more than 10% of the shares.

39. GAIN/(LOSS) PER SHARE

	31 December 2020	31 December 2019
Number of shares at the beginning of the period	3,115,330,575	3,115,330,575
Number of shares at the end of the period	3,115,330,575	3,115,330,575

Basic earnings/(loss) per share are calculated by dividing the net result by the weighted average of ordinary shares issued that year, as follows:

Group

31 December 2020	No. of shares in movement	No. days
No. of shares 01.01.2020-31.12.2020	3,115,330,575	366
Average no. of shares	3,115,330,575	366
Result of the period at 31.12.2020	2,890,914	
Profit per share (RON/share)	0.0009	
31 December 2019	No. of shares in movement	No. days
No. of shares 01.01.2019-31.12.2019	3,115,330,575	365
Average no. of shares	3,115,330,575	365
Result of the period at 31.12.2019	3,416,840	
Profit per share (RON/share)	0.0011	

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Bank

31 December 2020	No. of shares in movement	No. days
No. of shares 01.01.2020-31.12.2020	3,115,330,575	366
Average no. of shares	3,115,330,575	366
Result of the period at 31.12.2020	2,797,395	
Profit per share (RON/share)	0.0009	

31 December 2019	No. of shares in movement	No. days
No. of shares 01.01.2019-31.12.2019	3,115,330,575	365
Average no. of shares	3,115,330,575	365
Result of the period at 31.12.2019	5,332,203	
Profit per share (RON/share)	0.0017	

40. SEGMENT ANALYSIS

The disclosure Segment Reporting as required by IFRS 8 is presented only on the elements of the Statement of Financial Position for:

- Loans and advances to customers (Note 21);
- Customer deposits (Note 31) in line with internal reporting for decision makers.

Considering the following criteria the Bank and the Group does not exhaustively report a full disclosure for Segment Reporting:

- No internal reporting for decision makers related the profitability per segments;
- No clients that generates at individual level more 10% from Banks's total banking income ;
- No geographical segments defined (foreign jurisdictions), insignificant exposures granted to foreign customers;
- No transfer pricing allocation defined internally for profitability per segments.

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41. RESERVES

At 31 December 2020 and at 31 December 2019 the reserves were as follows:

	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Reserves from revaluation of financial assets at fair value through other items of comprehensive income	11,668	8,576	11,668	8,576
Revaluation reserve for premises	43,360	45,662	41,648	43,864
Statutory legal reserve	12,752	12,447	12,752	12,447
Reserves for general banking risks	15,301	15,301	15,301	15,301
Other Reserves	14,678	14,678	14,678	14,678
Total	<u>97,759</u>	<u>96,664</u>	<u>96,047</u>	<u>94,866</u>

The movements in the revaluation reserve from the financial asset measured at fair value through other items of comprehensive income were the following:

	Grup			Bank		
	Total gross	Deferred tax	Total net	Total gross	Deferred tax	Total net
Balance at 1 January 2020	10,201	(1,625)	8,576	10,201	(1,625)	8,576
Restatement at 1 January	(3,886)	-	(3,886)	(3,886)	-	(3,886)
Adjusted balance at 1 January	<u>6,315</u>	<u>(1,625)</u>	<u>4,690</u>	<u>6,315</u>	<u>(1,625)</u>	<u>4,690</u>
Profit / (Net loss) related to debt instruments measured at fair value through other items of comprehensive income recycled in the profit or loss account	(5,095)	815	(4,280)	(5,095)	815	(4,280)
Profit / (Net loss) related to debt instruments measured at fair value through other items of comprehensive income	11,868	(1,277)	10,591	11,868	(1,277)	10,591
Net profit from investments measured at fair value through OCI	794	(127)	667	794	(127)	667
Balance at 31 December 2020	<u>13,882</u>	<u>(2,214)</u>	<u>11,668</u>	<u>13,882</u>	<u>(2,214)</u>	<u>11,668</u>
Balance at 1 January 2019	(2,855)	464	(2,391)	(2,855)	464	(2,391)
Profit / (Net loss) related to debt instruments measured at fair value through other items of comprehensive income recycled in the profit or loss account	(4,275)	684	(3,591)	(4,275)	684	(3,591)
Profit / (Net loss) related to debt instruments measured at fair value through other items of comprehensive income	11,427	(1,828)	9,599	11,427	(1,828)	9,599
Net profit from investments measured at fair value through OCI	5,904	(945)	4,959	5,904	(945)	4,959
Balance at 31 December 2019	<u>10,201</u>	<u>(1,625)</u>	<u>8,576</u>	<u>10,201</u>	<u>(1,625)</u>	<u>8,576</u>

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The movements in the revaluation reserves for property were the following:

	Total gross	Group Deferred tax	Total net	Total gross	Bank Deferred tax	Total net
Balance at 1 January 2020	53,776	(8,114)	45,662	51,652	(7,788)	43,864
Net result from revaluation	-	-	-	-	-	-
Realized revaluation reserve	(2,724)	422	(2,302)	(2,638)	422	(2,216)
Balance at 31 December 2020	<u>51,052</u>	<u>(7,692)</u>	<u>43,360</u>	<u>49,014</u>	<u>(7,366)</u>	<u>41,648</u>
Balance at 1 January 2019	63,498	(9,669)	53,829	61,373	(9,343)	52,030
Net result from revaluation	(2,198)	351	(1,847)	(2,197)	351	(1,846)
Realized revaluation reserve	(7,524)	1,204	(6,320)	(7,524)	1,204	(6,320)
Balance at 31 December 2019	<u>53,776</u>	<u>(8,114)</u>	<u>45,662</u>	<u>51,652</u>	<u>(7,788)</u>	<u>43,864</u>

Statutory legal reserves

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

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

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42. NET DEBT RECONCILIATION

The table below sets out an analysis of the Group and Bank's debt for the period ended at 31 December 2020. The debt items are those that are reported as financing in the statement of cash flows.

<i>Thousand RON</i>	Long term borrowings from banks and other financial institutions	Group Subordinated debt	Total	Long term borrowings from banks and other financial institutions	Bank Subordinated debt	Total
Net debt at 1 January 2020	46,772	57,369	104,141	-	46,973	46,973
Cash flows	9,948	39,128	49,076	-	39,128	39,128
Non-cash movement	(158)	(784)	(942)	-	(541)	(541)
Foreign exchange adjustments	-	1,639	1,639	-	1,640	1,640
Net debt at 31 December 2020	56,562	97,352	153,914	-	87,200	87,200
	-	-	-			
Net debt at 1 January 2019	37,389	23,373	60,762	-	23,373	23,373
Cash flows	9,277	33,826	43,103	-	23,430	23,430
Non-cash movement	91	-	91	-	-	-
Foreign exchange adjustments	15	170	185	-	170	170
Net debt at 31 December 2019	46,772	57,369	104,141	-	46,973	46,973

43. COMMITMENTS AND CONTINGENCIES

Credit related commitments

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

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

The amounts reflected in the table as commitments assume that amounts are fully advanced.

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

For provisions for credit related commitments refer to Note 34.

Provision methodology for computing expected credit loss for credit commitments is the same as for the on balance exposures, the only difference being the credit conversion factor applied for transforming the undrawn. In Regarding the CCF component, the Bank decided to use the regulatory CCFs.

Commitments related to credits - Group

Thousand RON	31 decembrie 2020	31 decembrie 2019
Letters of guarantees	14,600	13,615
Commitments of granted credits	300,095	302,008
Total	314,695	315,623

Commitments related to credits - Bank

Thousand RON	31 decembrie 2020	31 decembrie 2019
Letters of guarantees	14,600	13,615
Commitments of granted credits	299,405	301,492
Total	314,005	315,107

Transfer pricing

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

Failure to present the transfer pricing documentation file, or presenting an incomplete file, may lead to non-compliance penalties; additionally, notwithstanding the contents of the transfer pricing documentation, the tax authorities may interpret the facts and transactions differently from management and impose additional

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tax liabilities resulting from transfer price adjustments. Despite the fact that the tax authorities might challenge the implementation of the transfer pricing requirements by the Group, the Group's management believes that will not suffer losses in case of a fiscal inspection on the subject of transfer prices. However, the impact of any change of the tax authorities can't be estimated reliably. It may be significant for the financial situation and / or the overall operations of the entity.

Litigations

At 31 December 2020, the provision for litigation, in which the Group is involved as defendant is in amount of RON 1,787 thousand (31 December 2019: RON 2,093 thousand).

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

Provisions for litigations are made mainly for disputes that concern the actions of borrower's private individuals, by requesting cancellation of clauses deemed unfair in credit agreements.

Liabilities to minority shareholders for redemption rights

As part of the merger by absorption process between the former Banca Comerciala Carpatica SA (as absorbing bank) and the former Patria Bank SA (as absorbed bank), both banks published procedures for the withdrawal of minority shareholders, as follows:

- On 04 October 2016 "The withdrawal shareholders procedure from Banca Comerciala Carpatica SA in the context of the merger with Patria Bank SA"; and
- On 08 November 2016 "The withdrawal shareholders procedure from Patria Bank S.A. in the context of the merger with Banca Comerciala Carpatica S.A. ".

Under these Withdrawal Procedures any shareholder who:

- (a) did not vote in favor of the merger during the General Shareholders Meeting (GSM) held on 5 October 2016 / 8 November 2016, namely:
 - (i) voted against the merger,
 - (ii) refrained from voting or
 - (iii) was not present, personally, by representation or by exercising the vote by correspondence, at the GSM; and
- (b) was registered as shareholder of the absorbing bank at the reference date (26 September 2016 for BCC and 1 November 2016 for Patria Bank) and on 30 December 2016 for BCC and 28 April 2017 respectively for Patria Bank, could exercise their right to withdraw from their position as shareholder during the period 5 October 2016 – 7 November 2016 (BCC) / 9 November 2016 - 9 December 2016 (Patria Bank).

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

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- (i) for the purchase obligation of BCC 0.0896 LEI / share; and
- (ii) for the purchase obligation of Patria Bank 0.2702 LEI / share.

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

Given that on 26 October 2017 there was a reduction in the share capital of the merged Patria Bank to cover the accumulated losses, by reducing the number of shares and, having in view that at the time of the capital reduction, the shares for which a right of withdrawal had been expressed weren't redeemed as part of the capital reduction operation, the minority shareholders' rights on the value of the shares for which the right of withdrawal was expressed were preserved. Thus, for 250,899,063 shares of the 2,271,217,313 shares remaining after the capital reduction (that is 11.04% of the bank's share capital resulting from the merger) a right of withdrawal exists at the date of these financial statements.

As this redemption operation of own shares represents in fact a distribution of the capital to the minority shareholders, its realization is conditioned by the prior approval of the National Bank of Romania (NBR) according to art. 151a corroborated with art. 3 letter j) of the NBR Regulation no. 6/2008 and according to art. 77 and 78 of EU Regulation 575/2013 and article 1262 of the Emergency Ordinance 99/2006. Such approval from NBR was not issued until the date of these financial statements.

Because the published withdrawal procedures of the two banks involved in the merger provide the possibility of partial redemption of the shares for which the withdrawal rights were expressed, as long as the possibility of redemption exists, even partially, under the law applicable to the Bank, Patria Bank recognizes a financial liability at the level of the possible value to be redeemed at the reporting date in accordance with the above-mentioned legal and prudential provisions. At 31 December 2020 the value of the recognised financial liability was RON 0 (nil) since, given the circumstances described in note 2. d) going concern note, no redemption (partial or full) was allowed under the provisions of the respective law.

On 18.10.2018 Patria Bank S.A. received in the file no. 22659/3/2018 filed at the Bucharest Court, the petition for request for summons brought by the plaintiff, Ilie Carabulea, claiming payment by the Bank of a debt he calculated at the amount of lei 36,437,587.02 lei, corresponding to the counter-value of the shares in respect of which he exercised on 25.10.2016 his right of withdrawal from the former Banca Comerciala Carpatica SA, as well as the payment of the legal interest related to this amount from the date of the application for the appeal to the court and until the date when this amount will be paid, as well as the payment of the legal costs. On 11.07.2019 the Bucharest Court rejected the request for summons as premature (civil sentence no. 2096/2019). On 30.01.2020 the Bucharest Court of Appeal communicated to the Bank the request for appeal made by Ilie Carabulea against the Civil sentence no. 2096/2019 delivered by the Bucharest Court in the file no. 22659/3/2018. Patria Bank SA has submitted the statement of defense within the legal deadline. On

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23.07.2020 the Bucharest Court of Appeal rejected the appeal made by Ilie Carabulea as unfounded (civil decision no.904/23.07.2020). In February 2021 the Supreme Court of Justice communicated to the Bank the recourse made by Ilie Carabulea against the civil decision no.904/23.07.2020. Patria Bank SA has submitted the statement of defense within the legal deadline. The first hearing has not been established, yet.

44. RELATED PARTY TRANSACTIONS

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

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

The Group performed related party transactions during year ended 31 December 2020 with EEAF Financial Services B.V. (immediate parent), the members of the Board of Directors, the members of the Executive Management and Bank's employees that hold *key-functions* and during the year ended 31 December 2019.

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

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts are in Thousand RON)

The Group's income and expense items with related parties are as follows:

Thousand RON	31 December 2020				31 December 2019			
	Immediate parent company	Associated entities	Key personnel	Other affiliated parties	Immediate parent company	Associated entities	Key personnel	Other affiliated parties
Interest and similar income	-	-	29	716	-	-	34	872
Interest and similar expense	770	-	556	9	758	-	565	1
Fee and commission income	-	-	-	6	-	-	-	1
Net expenses with depreciation adjustments	-	-	-	-	-	-	3	34
Other operating and administrative expenses	-	-	13	-	-	-	11	-
Dividends income	-	625	-	-	-	547	-	-

Dividend income of RON 625 thousand (2019: RON 547 thousand) represents share of profits paid proportionally to the participation of the Group.

The Group's key management compensation is presented below:

Thousand RON	Group	
	31 December 2020	31 December 2019
Short-term benefits:		
-Salaries of which:	8,978	9,546
<i>Social insurance contribution</i>	384	255
- Short-term bonuses	58	112
- Benefits	6	6
Total	<u>9,042</u>	<u>9,663</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts are in Thousand RON)

The Group's outstanding balances with related parties were as follows:

Thousand RON	31 December 2020				31 December 2019			
	Immediate parent company	Associated entities	Key personnel	Other affiliated parties	Immediate parent company	Associated entities	Key personnel	Other affiliated parties
Financial Assets								
Financial asset evaluated at fair value through other comprehensive income	-	2,128	-	-	-	1,875	-	-
Financial assets measured at fair value through profit or loss	-	-	-	-	-	649	-	-
Loans and advances to customers	-	-	605	8,299	-	-	1,019	10,697
Liabilities								
Deposits from customers	24	502	1,996	5,998	24	-	1,916	3,169
Subordinated debt	14,664	-	9,739	-	14,393	-	9,559	-
Commitments to customers	-	-	68	8,550	-	-	56	4
Guarantees	-	-	-	-	-	-	1,554	14,723

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts are in Thousand RON)

The Bank's income and expense items with related parties are as follows:

Thousand RON	31 December 2020					31 December 2019				
	Immediate parent company	Associated entities	Key personnel	Subsidiaries	Other affiliated parties	Immediate parent company	Associated entities	Key personnel	Subsidiaries	Other affiliated parties
Interest and similar income	-	-	29	904	716	-	-	34	922	872
Interest and similar expense	770	-	556	80	9	758	-	565	63	1
Fee and commission income	-	-	-	4	6	-	-	-	12	1
Foreign exchange rate gains/ (losses)	-	-	-	740	-	-	-	-	562	-
Net expenses with depreciation adjustments	-	-	-	-	-	-	-	3	(27)	34
Other operating and administrative expenses	-	-	13	-	-	-	-	11	-	-
Dividends income	-	625	-	4,020	-	-	547	-	4,275	-

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)**

The Bank's key management compensation is presented below:

<i>Thousand RON</i>	Group	
	31 December 2020	31 December 2019
Short-term benefits:		
-Salaries of which:	8,194	8,920
<i>Social insurance contribution</i>	180	196
- Short-term bonuses	-	65
- Benefits	-	-
Total	8,194	8,985

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)

The Bank's outstanding balances with related parties were as follows:

Thousand RON	31 December 2020						31 December 2019					
	Immediate parent company	Other significant shareholders	Associated entities	Key personnel	Subsidiaries	Other affiliated parties	Immediate parent company	Other significant shareholders	Associated entities	Key personnel	Subsidiaries	Other affiliated parties
Financial Assets												
Financial asset evaluated at fair value through other comprehensive income	-	2,128	-	-	-	-	-	-	1,875	-	-	-
Financial assets measured at fair value through profit or loss	-	-	-	13,117	-	-	-	-	649	-	17,572	-
Loans and advances to customers	-	-	605	10,582	8,299	-	-	-	-	1,019	11,449	10,697
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	30,469	-
Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Deposits from customers	24	502	1,996	6,875	5,998	24	24	-	-	1,916	6,303	3,169
Subordinated debt	14,664	-	9,739	-	-	14,664	14,393	-	-	9,559	-	-
Provisions	-	-	-	144	-	-	-	-	-	-	-	-
Commitments to customers	-	-	68	5,675	8,550	-	-	-	-	56	8,655	4
Guarantees	-	-	-	-	-	-	-	-	-	1,554	-	14,723

This version of our report 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 or opinions, the original language version of our report takes precedence over this translation.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)**

45. LEASES

A. Leases as lessee (IFRS 16)

The Group leases a number of branch and office premises. The leases typically run for a period up to 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. The Group has in place some contracts for premises that are running for a period less than one year for which the Group decided not to recognize right-of-use assets and lease liabilities.

The Group also leases IT equipment, ATMs and cars with contract terms up to five years for which the Group recognise right-of-use assets and lease liabilities.

Previously, these leases were classified as operating leases under IAS 17.

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment (see Note 29).

Information about leases for which the Group is a lessee is presented below:

Group

	31 December 2020			
Thousand RON	Land and buildings	Equipments	Cars	Total
<i>Right of use at 1 January</i>	27,220	8,003	5,127	40,350
New contracts during the period	20,455	-	-	20,455
Contracts closed during the period	(15,016)	-	-	-15,016
Balance at 31 December	<u>32,659</u>	<u>8,003</u>	<u>5,127</u>	<u>45,789</u>
<i>Depreciation at 1 January</i>	6,236	2,296	875	9,407
Expenses with depreciation during the period	6,617	2,847	1,063	10,527
Depreciation for contrats closed during the period	(3,863)	-	-	-3,863
Balance at 31 December	<u>8,990</u>	<u>5,143</u>	<u>1,938</u>	<u>16,071</u>
Balance at 1 January	<u>20,984</u>	<u>5,707</u>	<u>4,252</u>	<u>30,943</u>
Balance at 31 December	<u>23,669</u>	<u>2,860</u>	<u>3,189</u>	<u>29,718</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)**

Group

Thousand RON	31 December 2019			
	Land and buildings	Equipments	Cars	Total
<i>Right of use at 1 January</i>	27,366	6,272	-	33,639
New contracts during the period	7,147	1,731	5,233	14,111
Contracts closed during the period	(7,293)	-	(106)	(7,399)
Balance at 31 December	<u>27,220</u>	<u>8,003</u>	<u>5,127</u>	<u>40,351</u>
<i>Depreciation at 1 January</i>	-	-	-	-
Expenses with depreciation during the period	6,756	2,296	875	9,927
Depreciation for contracts closed during the period	(520)	-	-	(520)
Balance at 31 December	<u>6,236</u>	<u>2,296</u>	<u>875</u>	<u>9,407</u>
Balance at 1 January	<u>27,366</u>	<u>6,272</u>	<u>-</u>	<u>33,639</u>
Balance at 31 December	<u>20,984</u>	<u>5,707</u>	<u>4,252</u>	<u>30,944</u>

Bank

Thousand RON	31 December 2020			
	Land and buildings	Equipments	Cars	Total
<i>Right of use at 1 January</i>	24,212	7,782	4,552	36,546
New contracts during the period	20,297	-	-	20,297
Contracts closed during the period	(14,252)	-	-	(14,252)
Balance at 31 December	<u>30,257</u>	<u>7,782</u>	<u>4,552</u>	<u>42,591</u>
<i>Depreciation at 1 January</i>	5,751	2,296	794	8,841
Expenses with depreciation during the period	6,145	2,759	950	9,854
Depreciation for contracts closed during the period	(3,863)	-	-	(3,863)
Balance at 31 December	<u>8,033</u>	<u>5,055</u>	<u>1,744</u>	<u>14,832</u>
Balance at 1 January	<u>18,461</u>	<u>5,486</u>	<u>3,758</u>	<u>27,705</u>
Balance at 31 December	<u>22,224</u>	<u>2,727</u>	<u>2,808</u>	<u>27,759</u>

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)**

Bank

	Thousand RON	31 December 2019			
		Land and buildings	Equipments	Cars	Total
<i>Right of use at 1 January</i>		25,288	6,051	-	31,339
New contracts during the period		6,217	1,731	4,658	12,606
Contracts closed during the period		(7,293)	-	(106)	(7,399)
Balance at 31 December		<u>24,212</u>	<u>7,782</u>	<u>4,552</u>	<u>36,546</u>
<i>Depreciation at 1 January</i>		-	-	-	-
Expenses with depreciation during the period		6,271	2,296	794	9,361
Depreciation for contrats closed during the period		(520)	-	-	(520)
Balance at 31 December		<u>5,751</u>	<u>2,296</u>	<u>794</u>	<u>8,841</u>
Balance at 1 January		<u>25,288</u>	<u>6,051</u>	<u>-</u>	<u>31,339</u>
Balance at 31 December		<u>18,461</u>	<u>5,486</u>	<u>3,758</u>	<u>27,705</u>

At 31 December 2020 and 31 December 2019, the future minimum lease payments under non-cancellable operating leases were payable as follows:

Group

	Thousand RON	31 December 2020	31 December 2019
Not later than one year		8,967	799
Later than one year and not later than 5 years		21,887	27,677
Mare than 5 years		563	2,654
Total		<u>31,417</u>	<u>31,130</u>

Bank

	Thousand RON	31 December 2020	31 December 2019
Not later than one year		8,136	617
Later than one year and not later than 5 years		20,518	26,753
Mare than 5 years		563	2,160
Total		<u>29,217</u>	<u>29,530</u>

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Thousand RON)**

B. Leases as lessor

The Group leases out certain property and equipment under finance leases in its capacity as a lessor. For interest income on the Group's lease receivables, see Note 8.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

Operating lease commitments - Group as lessor

The Group concluded rental agreements for commercial premises. The future value of the minimum revenues from operating leasing is presented in the table below:

Thousand RON	31 December 2020	31 December 2019
Not later than 1 year	457	-
Later than 1 year and not later than 5 years	895	662
More than 5 years	-	-
Total	1,352	662

Operating lease commitments - Bank as lessor

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

Thousand RON	31 December 2020	31 December 2019
Not later than 1 year	457	-
Later than 1 year and not later than 5 years	895	662
More than 5 years	-	-
Total	1,352	662

46. SUBSEQUENT EVENTS

- The Bank SA has concluded on January 05, 2021 of the Amendment no. 2 to the Subordinated term Loan Agreement dated December 18, 2018, amounting to EUR 3 million, granted by EAAF Financial Services BV (majority shareholder of Patria Bank SA), regarding the extension of the maturity from 7 to 8 years.
- The Bank was summoned by the High Court of Cassation and Justice, with the mention to submit a contestation, in the file no. 22659/3/2018, having as object the appeal filed by Mr. Ilie Carabulea against the Civil Decision no. 904/23.07.2020, pronounced by the Bucharest Court of Appeal. Further on, the Bank will file a contestation within the procedural term.



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Independent Auditors' Report

(free translation¹)

To the Shareholders of Patria Bank SA

Bucharest, 42 Pipera Road, Globalworth Plaza Building, Floors 8 and 10, District 2
Unique Registration Code: 11447021

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

1. We have audited:
 - the consolidated financial statements of Patria Bank SA ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.
 - the separate financial statements of Patria Bank SA ("the Bank"), which comprise the separate statement of financial position as at 31 December 2020, the separate statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.
2. The consolidated financial statements as at and for the year ended 31 December 2020 are identified as follows:
 - Consolidated Total equity: RON 329,632 thousand
 - Consolidated Net profit for the year: RON 2,891 thousand

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version and refers to the Romanian official version of the consolidated and separate financial statements.

The separate financial statements as at and for the year ended 31 December 2020 are identified as follows:

- Separate Total equity: RON 343,728 thousand
- Separate Net profit for the year: RON 2,797 thousand

3. In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated financial position of the Group and unconsolidated financial position of the Bank as at 31 December 2020, respectively and of their consolidated and unconsolidated financial performance and consolidated and unconsolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing ("ISAs"), Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bank and the Group in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Romania, including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses ("ECL") related to loans and advances to customers

As at 31 December 2020, the consolidated financial statements include gross loans and advances to customers of RON 1,998,954 thousand, expected credit losses of RON 137,066 thousand, impairment losses recognized in the statement of profit or loss of RON 29,315 thousand (31 December 2019: gross loans and advances to customers of RON 1,771,570 thousand, expected credit losses of RON 117,984 thousand, impairment losses recognized in the statement of profit or loss of RON 19,432 thousand).

As at 31 December 2019, the separate financial statements include gross loans and advances to customers of RON 1,907,111 thousand, expected credit losses of RON 128,813 thousand, impairment losses recognized in the statement of profit or loss of RON 28,025 thousand (31 December 2019: gross loans and advances to customers of RON 1,699,332 thousand, expected credit losses of RON 111,058 thousand, impairment losses recognized in the statement of profit or loss of RON 18,459 thousand).

See Notes 3. Significant accounting policies, 4. Financial risk management, 5. Use of estimates and judgements, 13. Impairment of financial assets, 21. Loans and advances to customers to the consolidated and separate financial statements.

The key audit matter	How the matter was addressed in our audit
As described in the Note 3 – Significant	Our audit procedures in the area, performed, where

accounting policies to the consolidated and separate financial statements, the expected credit losses have been determined in accordance with the Group's and Bank's accounting policies based on the requirements of IFRS 9 Financial Instruments ("IFRS 9"). As required by IFRS 9, the Group and Bank estimates the expected credit losses considering a stage allocation of the loan exposures.

We consider ECL related to loans and advances to customers (collectively, "loans") to be a key audit matter due the magnitude of the related balances, as well as the complex accounting requirements of the IFRS 9 standard, complexity and subjectivity in respect of the related management assumptions and judgments, including the increased judgement and estimation uncertainty as a result of COVID-19.

IFRS 9 requires an assessment of whether there is a significant increase in credit risk since initial recognition, based on the assessment of the borrowers' debt service, their financial position and future cash flows expected from the borrowers. Pursuant to the standard, individual loans are allocated into one of three stages for the purposes of estimating the loss allowances.

Stage 1 and Stage 2 loans are performing loans, with Stage 2 loans representing loans where a significant increase in credit risk since origination has been observed. Stage 3 loans are non-performing, i.e. credit-impaired loans. For Stage 1 and Stage 2 loans, the expected credit losses are determined based on statistical models using the Group's and Bank's historical data and also macroeconomic forecasts taking into account similar credit risk characteristics.

Management's key assumptions and judgements in the calculation of the expected credit losses include the following:

- definition of default and of significant increase in credit risk (SICR); increased judgement exists in the current year relating to the treatment of those customers to whom COVID-19 payment holiday were granted;
- the probability of default (PD), loss given default (LGD) and exposure at default (EAD), including any post-model adjustments considered by the management at portfolio level and at specific client level, based on risk

applicable, with the assistance from our own financial risk management, information risk management and valuation specialists included, among others:

- Evaluating the appropriateness of the expected credit loss-related accounting policies, modeling techniques and methodology based on the requirements of IFRS 9, our business understanding and industry practice;
- Testing the design, implementation and effectiveness of the key controls in the Group's and Bank's expected credit loss estimation process. This included testing the controls over:
 - The completeness and accuracy of data input (mainly for loan exposures, collateral values and interest rates);
 - Approval of loans, and
 - System computation of debt service;
 - Testing of the IT control environment for data security and access.
- Selecting a sample of loan exposures, with focus on those exposures with the greatest potential impact on the consolidated and separate financial statements due to their magnitude and risk characteristics, including restructured loans and stage classification of loans, with the purpose to:
 - Critically assess, by reference to the underlying documentation (loan files) and through discussions with the credit risk management personnel the existence of any significant increase in credit risk since initial recognition.
 - Challenging key assumptions applied in the Group's and Bank's estimates of future cash flows used in the impairment calculation, such as collateral values, where relevant, with the assistance of our own valuation specialists.
 - Assess the reasonableness of the Bank's and Group's treatment of COVID-19 payment holiday customers from a SICR perspective.
- In respect of the expected credit loss for loans included in stage 1 and stage 2:
 - Assessing the reasonableness of the expected credit loss computation

analysis in the context of COVID-19; — Scenario selection, including the range of future economic conditions (macro-economic inputs) assigned to each economic scenario, particularly in the context of COVID-19; and — In case of Stage 3 exposures, the expected credit losses are generally estimated based on knowledge of each individual borrower and on estimation of the fair value of the related collateral, as well as scenario used and recovery periods.	model by involving our Financial Risk Management specialists to challenge significant assumptions / judgements relating to the incorporation by the Group and the Bank of the forward looking macroeconomic factors (including testing the relevance and the source accuracy) in the probability of default and loss given default parameters, including any post-model adjustments considered by management in the context of COVID-19; as part of this work, we challenged the reasonableness of the Bank's and Group's considerations of the economic uncertainty relating to COVID-19, by means of corroborating inquiries of the management and inspection of publicly available information; ○ Testing the mathematical accuracy of models applied; ○ Testing the completeness and accuracy of underlying data used in the Group's and Bank's process of calculating and validating of the key parameters, such as the probability of default and loss given default; ● For a sample of Stage 3 exposures, challenging the key assumptions applied in the estimate of the future cash flows, such as the recovery period and collateral values, by reference to the underlying valuation reports, the Bank's historical experience and industry practice. ● Assessing the adequacy of the expected credit loss-related disclosures in the consolidated and separate financial statements, including disclosures of the estimation uncertainties, as required by the relevant financial reporting standard.
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Recoverability of deferred tax assets

As at 31 December 2020, the consolidated financial statements include deferred tax asset of RON 13,515 thousand, expense with deferred tax recognized in the statement of profit or loss: RON 3,232 thousand (31 December 2019: deferred tax asset of RON 16,913 thousand, expense with deferred tax recognized in the statement of profit or loss: RON 5,540 thousand).

As at 31 December 2020, the separate financial statements include deferred tax asset of RON 13,320 thousand, expense with deferred tax recognized in the statement of profit or loss: RON 3,313 thousand (31 December 2019: deferred tax asset of RON 16,800 thousand, expense with deferred tax recognized

in the statement of profit or loss: RON 5,873 thousand).

See Notes 3. Significant accounting policies, 5. Use of estimates and judgements and 16. Income tax to the consolidated and separate financial statements.

The key audit matter	How the matter was addressed in our audit
We consider the recoverability of the deferred tax asset to be a key audit matter due to the complexity and estimation uncertainty in determining the future taxable profits.	Our audit procedures in the area included, among others: • Challenging the key assumptions used in the Bank's and the Group's recoverability analysis of the deferred tax asset by considering consistency with assumptions used in other estimates, stress-testing the key assumptions used and corroborating them with past financial information of the Bank and the Group and with available market information; • Assessing the precision of the process in place within the Bank and the Group for developing forecast through inspection of actual versus budgeted results for the 2020 financial year; • Assessing the accuracy, completeness and relevance of the underlying disclosures as required by the relevant financial reporting standards.

Other information – Annual Report of the Board of Directors (“Board of Directors' Report”)

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Board of Directors' Report (separate and consolidated), which includes also the Non-financial Statement, but does not include the separate and consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Board of Directors' Report we read and report whether the Board of Directors' Report is prepared, in all material respects, in accordance with NBR Order no. 27/2010, article 32 and NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

Based solely on the work required to be undertaken in the course of the audit of the consolidated and separate financial statements, in our opinion:

- a) The information given in the Board of Directors' Report for the financial year for which the consolidated and separate financial statements are prepared is consistent, in all material

respects, with the consolidated and separate financial statements;

- b) The Board of Directors' Report has been prepared, in all material respects, in accordance with NBR Order no. 27/2010, article 32 and NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

In addition, in light of the knowledge and understanding of the Bank, the Group and their environment obtained in the course of our audit we are required to report if we have identified material misstatements in the Board of Directors' Report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

7. Management is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the consolidated and separate financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or the Group or to cease operations, or has no realistic alternative but to do so.
9. Those charged with the governance of the Bank are responsible for overseeing the Bank's and Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated and Separate Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of

accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We were appointed by the General Shareholders' Meeting on 13 August 2019 to audit the consolidated and separate financial statements of Patria Bank SA for the year ended 31 December 2020. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2019 to 31 December 2020.
16. We confirm that:
- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank, which we issued on 24 March 2021. We also remained independent of the audited entity in conducting the audit.
 - we have not provided to the Bank the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

The engagement partner on the audit resulting in this independent auditors' report is Furtuna Cezar-Gabriel.

For and on behalf of KPMG Audit S.R.L.:

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Furtuna Cezar-Gabriel

KPMG Audit SRL

registered in the electronic public register of financial auditors and audit firms under no AF1526

registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 26 March 2021