

Annual Report of the Board of Directors of PATRIA BANK SA for year ended 2021 (standalone and consolidated)



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.

Table of Contents

Table of Contents	2
1. Scope of the report	4
2. Disclosure requirements	5
3. About the Company and the Group	7
4. Corporate Governance	18
4.1 Corporate Governance structures	18
4.2 Recruitment and diversity policy	37
4.3 Assessing the suitability of the members of the management body	39
4.4 Remuneration of the members of the management body.....	39
4.5 Participation of the members of the management body in the share capital	40
4.6 Transparency and communication with shareholders and investors	40
4.7 Other corporate governance issues.....	41
5. Human Resources	44
5.1 Remuneration policy.....	46
6. Patria Bank Group's activity and results in 2021	53
6.1 Macroeconomic and banking sector context in 2021	53
6.2 The Bank's main achievements in 2021	64
6.3 The Results of 2021	75
6.4 The activity of the Bank's subsidiaries in 2021	83
7 Bank and Group outlook for 2022	87
7.1 The Bank's objectives and business plan for 2022	87
7.2 Subsidiaries objectives for 2022.....	89
8 Risk management	89
8.1 Risk management objectives and policies	89
8.2 Risk management strategies and processes	90
8.3 Risk management and internal control function's governance structure	92
8.4 Risk measurement, monitoring and reporting systems.....	97
8.5 Risk hedging and mitigation policies.....	98
8.6 Adequacy of the risk management framework and risk profile	103
8.7 Specific market risk factors	104
8.8 Bank's specific risk factors and their management process	110
8.9 Subsequent events	130
9 Bank's capital adequacy and other prudential rates	131
10 Social responsibility – nonfinancial statement	135

ANNEXES.....	136
Annex 1.....	137
Annex 2.....	143
Annex 3.....	146
Annex 4.....	148
Annex 5.....	149
Annex 6.....	151
Annex 7.....	152
Annex 8.....	159

Financial year: 2021

Report date: 25.03.2022

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 327.881.437,60 lei

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 31.12.2021, as well as complementary information on the risk management objectives and policies at the Bank and Group 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 31.12.2021, 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 trading symbol from 'BCC' to 'PBK'.

Significant mergers or reorganisations of the Bank, its subsidiaries or controlled companies, during 2021

Not applicable.

Shareholder's structure

As at 31.12.2021 the share capital of Patria Bank SA amounted 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.

As at 31.12.2021, the bank was 83.2214% owned by EEAF FINANCIAL SERVICES BV ("EEAF"), a limited liability company registered in accordance with Dutch law, based in Basisweg 10, 1043AP, Amsterdam, The Netherlands. EEAF 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 EEAF 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 31.12.2021:

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 31.12.2021 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; It 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 five investment funds controlled by it - Patria Stock, Patria Global, Patria Obligatiuni, Euro Obligatiuni and ETF BET Patria Tradeville. The company is 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 31.12.2021, the Bank included 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. By the conclusion of 24.04.2018, it was ordered to suspend the dissolution or liquidation process, but the appeal of the judicial liquidator against the case ordered by the Bucharest Tribunal was admitted, the request to suspend the bankruptcy procedure against Carpatica Invest SA being definitively rejected as inadmissible.

Description of acquisitions and / or asset transfers

The gross value of investments in tangible and intangible assets made during the year 2021 amounted to RON 8.5 million, out of which RON 7.5 Million represents IT applications (out of which RON 2.9 Million represents in-house projects).

During 2021, only one real estate property was sold (in Buzau city), the operational unit operating in this location being relocated to a rented space, the gain obtained being of RON 0.4 Million.

Also, 7 properties from the investment category and those intended for sale were sold, their book value being RON 7 Million, the impact on the Bank's Profit and Loss account being a gain of RON 0.2 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 2021.

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 31.12.2021, 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 31.12.2021 are as follows (RON Thousand):

Financial ratios evolution	31.12.2021	31.12.2020
Total assets (Thousand RON)	3,826,089	3,430,008
Turnover (Thousand RON)	213,443	202,899
Net Result (Thousand RON)	9,462	2,797
Market share by assets	0.60%	0.61%
Capital Adequacy Ratio	19.13%	21.60%
Liquidity Coverage Ratio LCR)	177%	206%
RoA	0.3%	0.1%
RoE	2.8%	0.8%
Loans (gross value) / Attracted Deposits	65%	66%
Liquid Assets / Total Assets	38%	38%
Financial ratios evolution (consolidated)	31.12.2021	31.12.2020
Total assets (Thousand RON)	4,004,377	3,513,823
Turnover (Thousand RON)	242,886	220,340
Net Result (Thousand RON)	9,887	2,891
Capital Adequacy Ratio	18.50%	21.14%
Liquidity Coverage Ratio LCR)	177%	205%
RoA	0.3%	0.1%
RoE	3.0%	0.9%
Loans (gross value) / Attracted Deposits	65%	69%
Liquid Assets / Total Assets	39%	38%

Assessment of the technical level

As of 31.12.2021 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 2021, the Bank owned 23 ATMs in operation, 46 Euronet ATMs in the Patria Bank's locations, 12 Euronet ATM's in strategic locations and 1,064 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. Patria Bank 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.

As part of its strategy, 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 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:

I. 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:
 - Technology and digitization: continuous development of Internet Banking platforms and Mobile Banking, improving the customer experience within them, adding new features in Mobile Banking to promote the mobile-first principle, launching the platform for online granting of consumer loans

to individuals, without real estate mortgage (accessible for non-Patria Bank clients), individual client enrollment, purchase of various bank products and services and updating personal data online for individual clients, debit card delivery by courier to home address / residence mentioned by the client (regardless of whether it is a new card, a reissued card (regardless of the reason) or a renewed card and regardless of whether the client's enrollment was made in the branch or online (through the Online Onboarding Platform "Patria de Oriunde")

- 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 as well as on the unsecured ones, including revolving (e.g.: credit card launching)
- Strengthening customer portfolio and increasing cross-selling with increased focus on wage / pension collection
- 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)
- Extension of services related to products and services through an online channel (without physical presence at the branches)
- 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.
- 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, within Internet & Mobile Banking a series of new functionalities have been integrated, thus contributing to the completion of the level of functionalities towards a complete digital trading platform, such as: the function of authentication and authorization of transactions through biometrics (fingerprint / facial recognition within Mobile Banking, a new Personal Finance Manager module and a dedicated module containing information on Patria Asset Management investment funds within Internet Banking, Instant Payment facility within Internet Banking and Mobile Banking).
- Simple products, mobility and the development of co-marketing and *lead generation* partnerships. coming from *Leads* and Brokers.

II. Micro segment

- In this segment **economic entities from diverse activity areas** 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 2021, confirming very good and consistent results over the last years, in terms of very good 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 competitive advantage 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 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 continue the improvements of the online platform
- A number of additional benefits in the technology area for this segment (as well in case of the other Bank's segments) have already been integrated through the Instant Payment facility within Internet Banking, through the new service provided for them - PATRIA SMART API – service through which the bank provides customers with information about transactions executed in their accounts, through an automated service, callable through an API web service.

III. 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).
- The 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 and others
 - 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.

IV. 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

In the Bank's 2021 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)
- Serviciul Patria Smart API
- Online services related to card products through „Patria de Oriunde” 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
- PLUS loans exclusively for financing

C. The main savings products for individuals:

- term deposits with different maturities (Clasic, Plus, Senior Plus)
- mixed saving and investment Patria Invest product which includes term deposit and fund units at funds managed by Patria Asset Management (Patria Global fund for the RON version of the product or Patria Euro Obligatiuni fund for the EUR version)

D. The main savings products for legal entities:

- term deposits
- overnight deposits
- mixed saving and investment Patria Invest product

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. Services:

- 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.

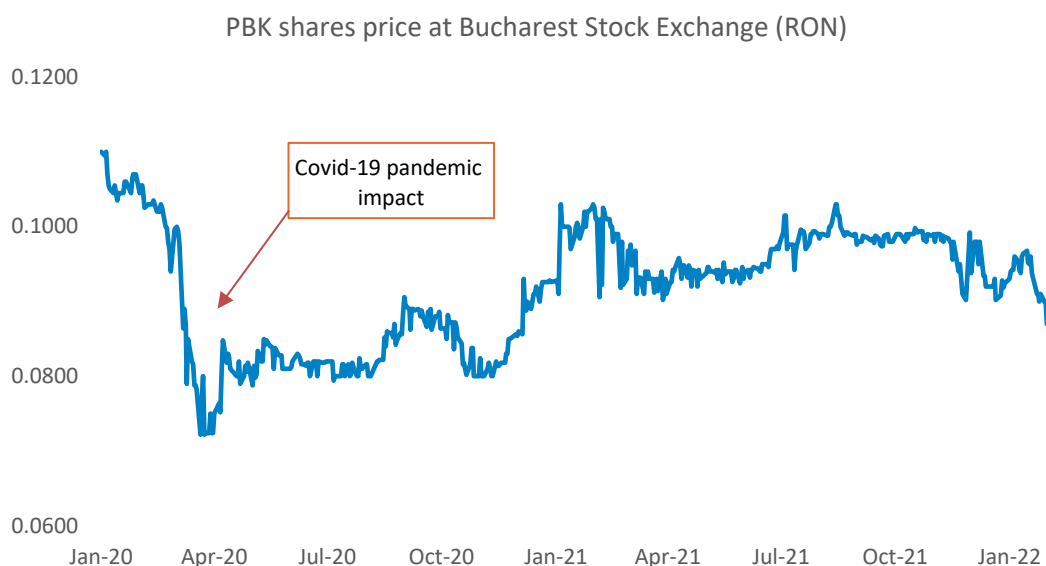
Assesment of the research and development activity

The research activity is not significant for the Bank.

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, 2021, last trading day of the year, the closing price for PBK share was RON 0.0924 / share. This level is very close to the closing value registered at the end of 2020, respectively RON 0.0926 lei, the price of the shares having a relatively stable evolution during 2021. The market capitalization of Patria Bank at the end of 2021 was of RON 287.86 Million. The evolution of the shares in the last two years is presented below.



Source: BSE

As at 31.12.2021, the Bank held 16.190 own shares.

During 2021, the Bank started a process of increasing the share capital.

By Patria Bank EGMS decision no. 1/18.10.2021 it has been approved the increase of the share capital of the Bank with a maximum amount of RON 19,730,000, from RON 311,533,057.50 to a maximum of RON 331,263,057.50 by issuing a number of maximum 197,300,000 new shares.

The share capital increase was carried out in accordance with the simplified Offering Prospectus approved by FSA Decision no. 1587/15.12.2021. Following the expiration, on 19.01.2022, of the period of exercising the preference rights by shareholders in the share capital increase, in the meeting dated 20.01.2022 the Board of Directors of Patria Bank determined the following:

- A total number of 163,483,801 new shares were subscribed at a price of RON 0.10 per share by shareholders exercising preference rights
- The total amount resulting from these subscriptions was RON 16,348,380.10 which was subscribed as follows:
 - The value of RON 14,847,300 resulted from the exercise of preemptive rights corresponding to the conversion of the amount of EUR 3,000,000 (at the NBR exchange rate of RON 4.9491 / EUR valid on the date of subscription), representing the subordinated loan granted to the Bank by the majority shareholder - EEAF Financial Services BV through the subordinated loan agreement dated 18.12.2018
 - The value of RON 1,501,080.10 resulted from the exercise of preference rights via cash subscriptions of shareholders of the Bank registered in the shareholder registry on record date.

The shares remaining unsubscribed following the exercise of the preemptive rights, respectively a number of 33,816,199 shares, were canceled.

Following the carrying out and the closing of the subscription period, total subscriptions of 163,483,801 new shares were registered within the share capital increase. The subscriptions were made in cash as well as by converting the subordinated loan of EUR 3,000,000 granted to the Bank by EEAF Financial Services BV.

Therefore, the share capital of the Bank was increased by RON 16,348,380.10, from RON 311,533,057.50 to RON 327,881,437.60.

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 at the web address <https://www.patriabank.ro/d/616>, and in the Corporate Governance Code of the Bank published on the Bank's website at the web address <https://en.patriabank.ro/d/1422/corporate-governance-code-pbk-2021.pdf>.

Regarding the right to secure mechanisms for registration and confirmation of ownership of shares issued by the Bank, the register of shareholders of the Bank is maintained by an independent company - the Central Depository, authorized and supervised by the Financial Supervisory Authority, to ensure transparency, smooth operation 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 and only if the Ordinary General Shareholders Meeting

decides in this respect. The Bank has published information on the principles and rules for dividends at the web address <https://www.patriabank.ro/d/615/politica-de-dividende.pdf>.

Subordinated bonds

The Bank has two subordinated bond issues listed on the Bucharest Stock Exchange:

- the 2019 issue in the amount of EUR 5,000,000, traded on the Bucharest Stock Exchange with the ticker PBK27E, and
- the 2020 issue in the amount of EUR 8,187,000, traded on the Bucharest Stock Exchange with the ticker PBK28E

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 at the web address <https://en.patriabank.ro/d/1422/corporate-governance-code-pbk-2021.pdf> and 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 31.12.2021 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 at the address <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 2021, the Board of Directors convened 3 General Meetings of Shareholders (one Ordinary General Meeting on 26.04.2021 and two Extraordinary General Meeting on 26.04.2021 and respectively on 18.10.2021). 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 at the address <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 the address <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 31.12.2021, 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 31.12.2021, 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, undergoing the process of prior approval by to the NBR, terminated its mandate on 31.12.2021. In the meeting of the Board of Directors of 15.12.2021, it was approved the appointment of Mrs. Georgiana Mihaela Stanciulescu, in the position of Deputy General Manager - Financial Division, member of the Board of Directors, starting with 01.01.2022, for a term of 4 years, following that the exercise of specific responsibilities to be performed from the date of prior approval by the National Bank of Romania.

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 31.12.2021

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)	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 until 31.12.2021		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		4 years, 26.04.2016 – 26.04.2020; 4 years, 26.04.2020 – 26.04.2024
Nicolae Surdu	Independent member	GSM Decision from 27.04.2017 Prior NBR approval of the merger (November 2016) GSM Decision from 02.05.2019 (independent member). New 4-year mandate starting with 27.04.2021, approved by OGSM Decision from 26.04.2021	4 years, 01.05.2017 - 27.04.2021 4 years, 27.04.2021 - 27.04.2025
Vasile Iuga	Independent member	GSM Decision from 27.04.2017 GSM Decision from 28.07.2017 (independent member) Prior NBR approval (December 2017) New 4-year mandate starting with 27.04.2021, approved by OGSM Decision from 26.04.2021	4 years, 06.12.2017 - 27.04.2021 4 years, 27.04.2021 - 27.04.2025

As at 31.12.2021 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 Romanian-American Enterprise Fund ("RAEF"), Balkan Accession Fund ("BAF") and Eastern Europe Accession Fund ("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 31.12.2021 (entities in operation):

Name	Position in the Bank	Company	Position in the company
Dragos Horia Manda		Axxess Capital Partners SA	General Manager and Director

	Chairman of the Board of Directors	BitDefender BV	Director
		One United Properties SA	Chairman of the Risk and Audit Committee
		Patria Bank SA	Chairman of the BoD
		Seacorn LLP	Managing Partner
		Patria Credit Foundation	Member of Executive Committee
		South-Eastern Europe Capital Partner	Managing Partner
		Romanian Private Equity Association (ROPEA)	Chairman
		Foundation for Development of Agriculture (FDAgri)	Member of Executive Committee

Daniela Elena Iliescu

Member of the Board of Directors

General Manager during 01.04.2019 -15.06.2021

Deputy General Manager during 16.06.2021-31.12.2021 (pending NBR approval)

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 EEAF 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 31.12.2021 (entities in operation):

Name	Position in the Bank	Company	Position in the Company
Daniela Elena Iliescu	Director and General Manager	Patria Bank SA	Director and General Manager/Deputy 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 31.12.2021 (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
		Patria Credit Foundation	Member in Executive 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 Tiriatic 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 Tiriatic 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 31.12.2021 (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-Agrodinbank, 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 31.12.2021 (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	Observer within 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 2021 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 2021, the Board of Directors met in 41 meetings and 281 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.

The presence of the Board members at its meetings was the following:

- Dragos Horia Manda - 41 sessions
- Daniela Iliescu - 41 sessions
- Bogdan Merfea - 41 sessions
- Nicolae Surdu - 40 Sessions
- Vasile Iuga - 41 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 2021 changes to the Bank's risk management policies and strategies, the policy on managing and mitigating the risk of money laundering and terrorist financing and the specific procedures for conducting the process of assessing the capital risk adequacy.

The Board of Directors approved the periodical (monthly, quarterly, semi-annual) financial reports for 2021 and the Risk Administration Reports for 2021.

In terms of its approval powers, in 2021 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.

The Audit Committee

On 31.12.2021, 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. It 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 at the address: <https://en.patriabank.ro/d/1422/corporate-governance-code-pbk-2021.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 2021, the Audit Committee met in 19 sessions. Thus, the presence of the members of the Committee to its sessions in 2021 was as follows:

- Vasile Iuga – 19 sessions
- Bogdan Merfea – 19 sessions
- Nicolae Surdu – 19 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.

Risk Management Committee

On 31.12.2021, 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. It 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 at the address: <https://en.patriabank.ro/d/1422/corporate-governance-code-pbk-2021.pdf>. Convocations for meetings of the Risk Management Committee in 2021 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 2021.

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 2021, the Risk Management Committee met in 22 sessions, each of them was attended by all members of the Committee. A number of 57 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 2021 was the following:

- Nicolae Surdu – 22 meetings
- Horia Manda – 22 meetings
- Vasile Iuga – 22 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;

- Risk management policies analysis and endorsement;
- 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.

On 31.12.2021 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

Nume si prenume	Pozitia in cadrul Comitetului Directorilor	Functia in cadrul Bancii	Durata mandat
Daniela Elena Iliescu	Membru, 1 mandat	Director General Director General Adjunct Divizia Financiar	01.04.2019 – 15.06.2021 16.06.2021– 31.12.2021 (pending NBR approval)
Valentin Grigore Vancea	Membru, 2 mandate	Director General Adjunct Divizia Operatiuni si IT	04.07.2016 –04.07.2020 05.07.2020 – 05.07.2024
Luca Rogojanu	Membru, 1 mandat	Director General Adjunct Divizia Risc	01.09.2021 - 01.09.2025
Codrut Stefan Nicolau	Membru, 1 mandat	Director General Adjunct Divizia Comerciala	01.07.2018 – 01.06.2021
Burak Suleyman Yildiran	Membru, 1 mandat	Director General	15.10.2020 -15.10.2024 (NBR approval communicated on 15.06.2021)

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 during 01.01.2021 – 15.06.2021

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

Deputy General Manager during 16.06.2021 – 31.12.2021 (pending NBR's approval)

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 31.12.2021 (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

Luca Victor Rogojanu

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. Luca Rogojanu has extensive experience in risk management. He started his career at the National Bank of Romania, where for 7 years he worked as a bank supervision inspector, during which time he was actively involved in the transposition of Basel II and the implementation of CEBS guidelines (currently EBA), being exposed to international good practices through participation in a series of training and refresher courses at the Federal Reserve Bank (New York), Deutsche Bundesbank, National Bank of Poland and many more. For the last 11 years he has held management positions in risk management within Patria Credit IFN (2010), Libra Bank (2010-2016), and OTP Bank (2016-2021).

Mr. Luca Rogojanu holds a PhD in economics, an MBA from Central European University and a bachelor's degree in law and economics.

Relatively permanent engagements and obligations, including executive and non-executive positions in the board of companies and non-profit institutions on 31.12.2021 (entities in operation):

Name	Position in Bank	Company	Position in Company
Luca Victor Rogojanu	Deputy General Manager Risk Division	Patria Bank SA	Deputy General Manager Risk Division

Codrut Stefan Nicolau

Deputy General Manager - Business Division (until 31.05.2021)

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 ateria 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 31.05.2021 (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 (NBR approval communicated on 15.06.2021)

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.

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 were exercised by Mr. Suleyman Burak Yildiran starting with the date on which the National Bank of Romania communicated 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 respectively 15.06.2021 (date from which the responsibilities of General Manager were 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.

Mr. Burak Yildiran's mandate is to lead the Bank's development strategy in supporting local entrepreneurship and individual customers, as well as improving the customer experience and developing digital processes.

Relatively permanent engagement and obligations, including executive and non-executive positions in the Board of companies and non-profit Institutions, on 31.12.2021 (entities in operation):

Name	Position in the Bank	Company	Position in the Company
Burak Suleyman Yildiran	General Manager	Patria Bank SA	General Manager
		Patria Credit IFN	Director

Also, in the meeting of 15.06.2021, the Board of Directors of the Bank approved the appointment of Mrs. Daniela Elena Iliescu for the position of Deputy General Manager - Financial Division, member of the Board of Directors, for a term of 4 years, the term beginning to be calculated from the date of its entry into force (respectively, the date of termination of the mandate of General Manager), following that the exercise of specific responsibilities by Mrs. Daniela Elena Iliescu as Deputy General Manager - Financial Division, member of the Board of Directors, to be carried out after the termination of the mandate of Director General and after prior approval by the National Bank of Romania.

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 2021 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 2021, 133 meetings of the Executive Committee were held and 953 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.

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

- Mr. Burak Yildiran – 79 meetings (starting with 16.06.2021 - the date of exercising the responsibilities, after the communication of the prior approval of the NBR)

- Mrs. Daniela Iliescu – 52 meetings (until 15.06.2021 – the date of termination of the mandate of General Manager)
- Mr. Valentin Vancea – 133 meetings
- Mr. Codrut Nicolau - 49 meetings (until 31.05.2021 – date of termination of the mandate)
- Mr. Luca Rogojanu – 15 meetings (starting with 26.11.2021 – date of communication of the prior approval of the NBR)

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 and reviewing the Bank's risk management policies and strategies
- 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 the latter 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.

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 2021, the Asset and Liability Management Committee met in 12 sessions. 38 topics were analysed and a total of 12 decisions were taken.

Credit Committees

The Bank has a Corporate Credit Committee and a Retail Credit Committee. Credit committees also operate through credit sub-committees. 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 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 approval competencies being set in the Lending Policy, Annex I. 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 ensures the implementation of the Bank's credit policy, having the following competencies and responsibilities:

- approve the credit exposures (and related changes) that fall within their competence according to the provisions of the Rules for credits approval competences
- take all other operational and methodological decisions related to credit risks, the importance of which does not require a decision at the level of the Executive Committee or of the Board of Directors

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 2021, The Corporate Credit Committee met in 126 sessions. A total of 194 legal entities related cases were analysed and 132 approval decisions, 2 rejection decisions and 61 endorsement notices were issued; out of these, 49 were from the Department of Agro Sales, 8 from the Department of Micro Sales, 128 from the Department of SME & Corporate Sales and 9 from the Department of Retail Sales.

In 2021, the Retail Credit Committee met in 45 sessions. A total of 50 individuals related cases were analysed and 1 proposal for changing the analysts list within the credit sub-committees (CC1/CC2/CC3). 40 approval decisions and 1 advice were issued and 4 notices were communicated within the Retail Credit Committee meetings.

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 exposures portfolio management managed by the workout Business Department and Restructuring and Workout Retail Department.

The main function of the CRWC consists in analyzing and deciding on (i) the restructuring of loans granted to legal entities and individuals proposed and submitted by the Workout Business Department – Restructuring Team and

(ii) the non-performing exposures recovery operations managed by the Workout Business Division and Retail Collection and Workout Department.

The Credit Restructuring and Workout Committee meets whenever necessary, to discuss issues that are within its competence.

During 2021, the Credit Restructuring and Workout Committee met in physical and online sessions, a total of 174 requests were analysed and 174 decisions were issued, out of which 171 decisions were implemented (3 decision remained non-implemented due to a strategy change of the debtors).

Assets Recovery Committee

At the level of the Bank, there is an Asset Recovery Committee whose role is to:

- approve the transactions regarding the sale of the assets owned by the Bank and those of capitalization of the bank's assets by lease, within the limits of competence established according to the internal procedures in force
- endorse the transactions regarding the sale of the assets owned by the Bank and those regarding the capitalization by lease of the assets owned by the Bank, which are within the competence of the approval of the Board of Directors of the Bank
- approve the execution of debtors for whom there are receivables arising from leases and monitors the activity

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 2021, 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 2021, 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:

2021 (gross RON), out of which:		Patria Bank SA	Patria Credit IFN SA
Total, out of which:	5,772,211	4,944,345	827,866
- fixed remuneration (gross RON)	5,490,317	4,762,307	728,010

- variable remuneration (gross RON), out of which:	281,894	182,038	99,856
- cash	281,894	182,038	99,856
- shares	0	0	0
- other securities	0	0	0

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

On 31.12.2021 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 shareholders, investors in the bonds issued by the Bank 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 (E-mail contact address is: 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 2021 was as follows:

- Presentation of preliminary financial results 2020 - 28 February 2021
- GSM for approving the annual financial results 2020 - 26 April 2021
- Presentation of annual financial results as at 31 December 2020 – 28 April 2021
- Presentation of quarterly financial results as at 31 March 2021 - 17 May 2021
- Presentation of half-year financial results as at 30 June 2021 - 17 August 2021
- Presentation of quarterly financial results as at 30 September 2021 - 15 November 2021
- Tele-conference with investors and analysts – 23 November 2021

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.

The affiliated party category represents the client category that includes at least:

- a) any entity over which the Bank exercises contro, including special purpose vehicles;
- b) any entity in which the Bank holds participations, including special purpose vehicles;
- 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, excluding the cases where the respective entity is state owned;
- 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, excluding the cases where the respective entity is state owned;
- g) members of the management body, as well as those holding key positions, together with:
 - (i) the entities in which they have direct or indirect interests; and
 - (ii) 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.
- h) members of the management body and persons holding key positions or, as the case may be, positions similar to key positions in the entities from points a) - f), together with the entities and related persons provided at point g) para (i) and (ii).

Affiliated party transactions include on-balance sheet and off-balance sheet credit exposures, as well as relationships such as service contracts, asset purchases and sales, construction contracts, leases, derivative transactions, loans, and off-balance sheet operations. The term transaction must be interpreted broadly to include not only transactions that are concluded with affiliated parties, but also situations in which a person with whom the credit institution is not in such a relationship (to whom the credit institution has an exposure) later becomes an affiliate.

The National Bank of Romania may establish that a particular person and / or entity is an affiliate of the bank.

Thus, on 31.12.2021 the parties affiliated to the Bank are:

- Majority shareholder EEAF Financial Services BV;

- Bank's subsidiaries: Patria Credit IFN SA, SAI Patria Asset Management SA (with the five managed funds: Patria Obligatiuni, Patria Euro Obligatiuni, Patria Global, Patria Stock, ETF BET Tradeville), 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 (over 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 2021 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.

In 2021 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) in order to prevent conflict of interests are:

- the obligation to notify the other members of the Board of Directors, respectively of the Executive Committee regarding any conflict of interest situations they 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 2021, 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 participating in the merger 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.

On September 2, 2019, following the procedures provided by articles 77 and 78 of CRR, the Bank announced the partial repurchase of its own shares amounting to RON 1,089,572, proportionally, from the shareholders who filed withdrawal requests during the merger process, according to the provisions of the Withdrawal Procedure.

The partial repurchase of the shares and the payment of the price was conditioned by the lock-up in the account (blocking) of the shares, in Section I of the Central Depository starting with the date of lock-up and until the date of the transfer of ownership. Each shareholder who has exercised the right of withdrawal in accordance with the Withdrawal Procedures must carry out the procedures for lock-up of the partial repurchase shares.

The bank received a single request for lock-up of shares until September 20, 2021, the announced deadline for the lock-up of shares, for a number of 16,190 PBK shares (for which Depozitarul Central SA confirmed that it operated the lock-up) and paid the amount of RON 2,371 to the respective shareholder. The shares were transferred by the Central Depository to Patria Bank S.A. in accordance with applicable regulations.

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, which was rejected by the decision pronounced on 21.10.2021 by the High Court of Justice and Cassation.

5. Human Resources

As at December 31, 2021, at consolidated level (Patria Bank and Patria Credit IFN) there was a number of 713 employees, the number of employees of the Bank as of December 31, 2021 being 599 (December 31, 2020: 612 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 2021 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 2021 through the "E-learning/E-testing" management system and online on Teams application, 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 improving knowledge of Microsoft Excel or Patria Bank portfolio products, European Funds and Investment Funds. A large number of colleagues from the Business area attended these sessions.

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

Also, online training programs were organized by the Bank in collaboration with other institutions (e.g.: IBR or ARB), 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 (e.g.: Microsoft Teams 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 Bank (depending on the business segment) structured for two to four days. A number of 63 employees went through these programs
- "Leadership & Negotiation" Programs and "Sales & Negotiation" online customized on business areas (SME & Corporate; Micro; Retail), dedicated to employees from the network (Sales), structured in 2-day sessions.
- Training sessions delivered with internal resources (online) for Account Managers employees - Workshops to increase operational quality and customer relations in the front office

- Training programs on Financial Analysis - customized by specific areas from a business point of view, attended by a number of 97 employees
- Excel's internal in-depth knowledge course attended by 257 participants
- Advanced Negotiation Programs dedicated to SME & Corporate employees attended by 40 employees
- "Master of Performance" program designed and customized for high-performance managers in the Bank attended by 20 employees
- Periodic workshops (online) dedicated to deepening the specialized knowledge on Patria Bank products attended by 361 employees
- Participation in specialized seminars (IBR; ANEVAR; GDPR; Information Security; KYC / AML; Antifraud, etc.) attended by 28 colleagues from head office
- Patria Crestem Talente Program - a highly motivated program that included 34 participants (from all business segments) who went through workshops and team coaching sessions, on topics of professional and personal development with great impact in the day-by-day team activity
- Mentoring program for branch managers for sharing best practices, super targeting and support from 3 mentors who, in partnership with 6 mentees, achieved outstanding results during the 4 months of the project.

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.

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 and the Legal Division, it is 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 compared with 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 and 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 2021, 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 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 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 Remuneration Policy.

The quantitative information on remuneration for the financial year 2021 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 and Patria Credit IFN) are presented in the table below (the total number of persons remunerated during 2021 was 46, on 31.12.2020 the number of them being 48):

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	6	0	0	0	0	0	0
(2)	Number of <i>Identified personnel</i> members, in full time equivalent	0	0	0	9	0	7	7	1
(3)	Number of <i>Identified personnel</i> members that hold positions within management bodies	0	0	0	2	0	2	1	1
(4)	Total fix remuneration (gross RON), out of which:	1,414,045	4,076,272	392,350	2,336,391	0	2,352,480	1,655,801	405,019
(4.1)	- cash	1,414,045	4,076,272	392,350	2,336,391	0	2,352,480	1,655,801	405,019
(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	281,894	0	0	0	0	0	0
(5.1)	- cash	0	281,894	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	49,524	0	0	0	0	0	0
(6.1)	- cash	0	49,524	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	24,255	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	1	0	0	0	0	0	0
(12)	The amount of the compensatory payments granted in N year (gross RON)	0	182,038	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	182,038	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

For the year 2021 no compensatory payments at the termination of the labor contract were made. Also, for 2021:

- 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 2021

6.1 Macroeconomic and banking sector context in 2021

From an economic point of view, the main risks identified during 2021 were generated by high inflationary pressures, correlated with significant twin deficits, the budgetary and the commercial one.

At the end of 2021, the consolidated **public debt** reached RON 80 Billion, respectively the level of 6.72% of the Gross Domestic Product (GDP), being under the official target assumed by the government of RON 84.9 Billion, respectively 7.13% of GDP, mainly due to the non-realization of the investment plan. At the same time, there was a significant decrease compared to the level of RON 101.8 Billion, respectively 9.6% of the GDP, reached in 2020.

There is also a reduction in the pressure on the **trade deficit**, Romania closing the year 2021 at a record level of EUR 23.7 Billion, with EUR 5.3 Billion above the level of 2020, amid the return of domestic consumption as a result of the relaxation of the restrictions related to the pandemic period. Exports increased by 20.1% year / year, and imports by 22.1% year / year. The value of intra-27EU trade represented 72.4% of total exports and 72.4% of total imports. In this context, we expect to see additional pressure on the EUR / RON exchange rate, in the sense of depreciating the national currency by 2.5-3.0% in nominal terms.

On the other hand, we emphasize the fact that Romania registered a solid **economic recovery** in 2021, of 5.8%, on the background of the sustained domestic demand. However, the growth trend slowed towards the end of the year due to supply constraints, the new wave of Covid-19 infections and the sharp rise in inflation. These causes are expected to have a slight negative impact and to have effects in the first part of 2022. Moreover, we believe that the recent military conflict in Ukraine will intensify these effects.

Regarding the **inflation rate**, it experienced a dynamic alert during 2021, mainly against the background of the materialization of the risks associated with the accelerated increase of the prices of energy products and those with raw materials on the domestic and international market. The measures to compensate domestic consumers of energy and natural gas entered into force for the period November 2021 - March 2022 led to a slight slowdown, but only temporary and towards the end of the year. Over the whole of 2021, the annual inflation rate increased by 6.13 percentage points (from 2.06% in December 2020 to 8.19% in December 2021). However, an overwhelming proportion, of 80% increase, came from the increase in prices for natural gas, electricity and fuels and half of the contribution of 15% brought by core inflation belonged to processed foods. As a result, the rise in the annual inflation rate has been almost entirely driven by global supply-side shocks, which have led to a sharp rise in global inflation in 2021, including in many European countries. Internally, their effects have been exacerbated by the liberalization of the electricity market for household consumers.

In terms of **monetary policy**, during the first three quarters of 2021 the National Bank continued a liquidity injection policy implemented during 2020 in order to combat the effects of the Covid-19 pandemic, with a firm control over

the liquidity in the system. Thus, the Central Bank maintained the reference interest rate at the historical minimum level of 1.25% until September. Subsequently, due to the intensification of inflationary pressures amid rising global energy prices, in the last quarter of the previous year, the cycle of rising interest rates was started, with controlled steps, to the level of 1.75% reached in December 2021. This increase is expected to continue in the next period. We mention that the minimum required reserves were maintained at the levels from the end of 2020, respectively 8% in lei and 5% in euro.

Internationally, the economic uncertainty will persist in 2021, amid the evolution of the pandemic and as well as in the context of the intensification of the inflationary pressures, the Central Banks being challenged in adjusting the monetary policies on the background of the dynamics of the working hypotheses.

Between January and December 2021, **the current account of the payment balance** registered a deficit of EUR 16.95 Billion, compared to EUR 10.98 Billion in the period January - December 2020. In its structure, the balance of goods and the balance of primary incomes recorded deficits larger by EUR 4.20 Billion, respectively by EUR 644 Million; the balance of secondary revenues and the balance of services registered lower surpluses by EUR 901 Million, respectively by EUR 230 Million.

Non-residents' direct investments in Romania amounted to EUR 7.25 Billion (compared to EUR 3 Billion in January-December 2020), of which equity investments (including estimated net reinvested earnings) totaled EUR 5.78 Billion and intragroup loans recorded a net value of EUR 1.47 Billion.

Between January and December 2021, **the total external debt** increased by EUR 7.45 Billion. In terms of structure, the long-term external debt amounted to EUR 97.04 Billion at December 31, 2021 (72.3% of total external debt), increasing by 3.7% compared to December 31, 2020 and the short-term external debt recorded on December 31, 2021 the level of EUR 37.21 Billion (27.7% of the total external debt), increasing by 11.9% compared to December 31, 2020.

The long-term external debt service rate was 16.5% between January and December 2021, compared to 20.7% in 2020. The coverage rate of imports of goods and services as of December 31, 2021 was 5.0 months, compared to 5.6 months on December 31, 2020.

The short-term external debt coverage, calculated at the residual value, with foreign exchange reserves at the NBR on December 31, 2021 was 82.3%, compared to 90.3% on December 31, 2020.

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, the balance of non-government loans granted by credit institutions increased in 2021 by 14.8% (6.1% in real terms), due to the increase by 19.6% of the component in RON (10.6% in real terms) and the increase by 3.9% of the component in foreign currency expressed in RON (2.2% in case of the ratio converted in euro). Governmental loan, which includes credit to public administration, increased by 18.6% compared to December 2020 (9.6% in real terms).

In 2021, **the bank deposits** continued the upward trend, but at a slightly slower pace than the previous year. Thus, the deposits of non-governmental customer residents increased in 2021 by 13.9% (5.3% in real terms) compared to 2020 up to the level of RON 479.3 Billion.

Deposits in lei of residents, with a share of 65.0% in total deposits of non-governmental clients, increased by 13.5% (4.9% in real terms) compared to December 2020, up to RON 311.4 Billion.

Deposits in lei of individual households registered an increase of 9.0% (0.7% in real terms) compared to 2020, reaching the level of RON 165.0 Billion.

Deposits in lei of other sectors (non-financial corporations and non-monetary financial institutions) increased to RON 146.4 Billion, respectively by 19.1% (10.1% in real terms) compared to the same period last year.

Foreign currency deposits of residents, denominated in lei, representing 35.0% in the total volume of deposits of non-governmental clients, reached the level of RON 167.8 Billion (denominated in euros, they increased to EUR 33.9 Billion), respectively by 14.7% (12.9%, in case of the ratio converted in euro).

Foreign currency deposits of households, denominated in lei, increased to RON 118.8 Billion. Compared to 2020, the increase of this ratio denominated in lei was 12.9% (11.1%, in the case of expressing the indicator in euro).

Foreign currency deposits of other sectors, expressed in lei, increased to 49.0 billion lei, respectively by 19.3% compared to the previous year (17.4%, in the case of the ratio converted in euro).

The quality of banking assets continued to improve: the non-performing loans rate at the level of the banking system (according to the EBA definition) reached 3.35% at the end of December 2021, compared to 3.83% at the end of December 2020. The process was also supported by the flexibility of the prudential framework implemented by the NBR in order to combat the effects of the Covid-19 pandemic. At the same time, the Romanian banking sector registered a constant improvement in the coverage rate of non-performing loans, in June this indicator being at the highest level in the EU thus reflecting the high capacity of banks to absorb future losses.

The banking sector **financial health ratios** remained at adequate levels during the Covid-19 pandemic period, at a similar or better level compared to European averages, giving an increased capacity to absorb possible shocks. The results of the solvency and liquidity stress testing exercises show that the banking sector's ability to manage the main risks that could materialize in the context of high-severity macroeconomic developments is maintained.

The Total own funds ratio stood at 23.1% in September 2021 (compared to an average of 19.6% in EU Member States), while the liquidity coverage ratio rose to 241.9% in September 2021 (compared with 172.4% in the EU). However, the operational efficiency of credit institutions, although higher than the EU average (54% cost / income ratio in September 2021, compared to 64% in EU in June 2021), as well as the non-performing loans rate (3.7% in September 2021, compared to 2.3% in EU in June 2021) still places the Romanian banking sector in a medium risk area.

Foreign exchange and money market trends in 2022

For 2022 a controlled depreciation of the EUR/RON exchange rate is expected, between 2.5-3.0%, amid a high trade deficit, but with the National Bank closely following the evolution in the context of inflationary pressure. As risk factors, the duration and extent of the war in Ukraine may worsen the deterioration of this outlook, with an impact on the acceleration of the depreciation in the context of increasing demand for foreign currency. Against the background of a feeling of risk aversion induced by the armed conflict, depositors may consider it appropriate to maintain the available liquidities in foreign currency as well. Also, in the context of this military conflict, the cash market has been stressed, with an accelerated increase in the cash need of the population.

Regarding the interest rates, we appreciate that they will continue their upward trend in the context of a significant inflation climate, with the National Bank continuing the cycle of growth of the reference interest rate started at the end of 2021.

Regarding the "interest on deposits" corridor vs. "Interest on loans", it has been widened, with a symmetrical margin at the moment, respectively of - / + 1% around the "reference rate of monetary policy", we do not exclude the possibility of a change in the sense of its increase in the context of high inflationary pressures or materialization of internal and external risks.

Projections for the end of 2022 in the context of the in the context of intensified inflationary pressures, high twin deficits and uncertainty caused by the war in Ukraine

According to the construction of the **local budget**, the governing coalition estimates a budget deficit of RON 77 Billion, respectively 5.84% of the GDP, the fiscal consolidation aiming to be achieved gradually through the implementation of measures that will allow the European Commission to reach the deficit target agreed by 2024, mainly through a strict control over the increase of public expenditures.

Also, during this year, a strong emphasis is placed on better tax collection, significant investment allocations, and control of public spending.

In this regard, the current Government is in the process of implementing digitization programs at all levels of state structures, including central and local entities and state-owned companies. However, the lax financial discipline of companies remains an important structural vulnerability of non-financial companies in Romania. The negative economic effects of the Covid-19 pandemic have exacerbated this vulnerability to some extent, given the periods of total or partial disruption of economic activities, as well as the mobility constraints that have affected demand in sectors such as the extractive industry or services for population.

Thus, the **need for financing** in 2022 is 7.7% higher than last year, which will put pressure on the public budget, more precisely on the interest that Romania has to pay monthly in the accounts of these loans. The state needs to borrow the equivalent of 11% of GDP this year to finance the budget deficit and for rolling over public debt.

In total, the Government aims to attract RON 145.4 Billion: EUR 14 Billion from foreign investors and the difference of about RON 75 Billion (EUR 15 Billion) from local investors. Interest on public debt is expected to rise to RON 19.9 Billion.

After a 2022 year start with record amounts attracted both from the domestic market and from the international markets, the outbreak of the war in Ukraine negatively impacted the tenders started by the Ministry of Finance. The risk that this expenditure represented by the interest related to the public debt may be exceeded may materialize, the war in Ukraine leading to a decrease of the investors' interest for fixed income instruments issued by the Romanian state, as well as to a significant increase of the requested interest.

In terms of **economic growth**, at the beginning of February, the European Commission revised downwards the estimates for the years 2022-2023. Thus, after a slowdown in 2022 to 4.2%, a slight acceleration to 4.5% in 2023 is expected. In view of the outbreak of the war between Ukraine and Russia, there is a risk of a downward revision of even these forecasts in the context of the materialization of risks of a lasting military action, with a chain impact on the economies of EU countries.

However, we believe that the negative impact on the Romanian economy will be controlled taking into account the fact that trade relations with Russia have a low share. At the same time, our country is one of the EU countries with the least dependence on natural gas imports from Russia, producing domestically about 80% of annual natural gas consumption.

Regarding **inflation**, the measures to compensate household consumers that led to a slight slowdown, temporarily at the end of 2021, are expected to cease their effects, expecting an increase in magnitude starting with April 2022 to an estimated annualized value of 9.6% at the end of 2022. Although measures have already been taken and even partially implemented to continue support in other forms, we believe that inflationary pressure will persist given the new geo-political coordinates, with threats and impact generated by the military conflict in the area. The trajectory is expected to remain high until the third quarter of 2023, returning in the range of the target later and reaching 3.2% in December 2023.

On the other hand, against the background of inflationary pressure, at the beginning of 2022, the National Bank continued the cycle of increasing the **reference interest rate** started at the end of the previous year, while maintaining firm control over liquidity. Thus, two rate increases were operated in January and February by 0.25 basis points, respectively 0.50 basis points, reaching the level of 2.50%. In addition, a continuation of the policy of increasing the reference rate is expected, taking into account inflationary expectations, with the National Bank approaching cautiously so that, through the implemented monetary policy, it contributes to achieving sustainable economic growth in the context of fiscal consolidation and protection of financial stability.

In terms of the **quality of banking assets**, for 2022 there is a risk that the average rate of non-performing loans will return to a slight increase. The pressure comes from borrowers whose rates have been delayed, and they could be severely affected by the effects of the pandemic and rising prices. Credit risk remains important in the banking portfolio, although the non-performing loan rate has continued its downward trend.

Internationally, economic uncertainty will persist in 2022 amid inflationary pressures and the effects of the recent war in Ukraine. All these will bring additional pressure on the Central Banks in the elaboration of monetary policies and the calibration of working models.

However, there is a risk that Romania will continue to be deficient in terms of absorbing European funds. The degree of absorption of European structural and investment funds allocated through the operational programs related to the Multiannual Financial Framework is below the European and country average in the region.

This year, Romania also has to implement the necessary measures to use the funds provided by the European Commission in the form of the **National Recovery and Resilience Plan** (PNRR) worth EUR 29.2 Billion. The investments envisaged through these programs are likely to support a medium- and long-term sustainable growth model. Of the total allocations for reforms and investments included in the NRPs, 41% are allocated to adjustments needed for the transition to an environmentally friendly economy and the reduction of the effects of climate change, while 21% are for digitization. Making green investments by attracting European funds is estimated to have a cumulative average positive impact over the next six years between 1.9 percentage points and 2.3 percentage points on economic growth, and the impact of attracting all European resources would be 5.7 percentage points over the same period.

Given the economic reforms of recent years, political instability and reduced institutional capacity fuel the risk of delaying the implementation of these programs, with significant negative effects on the economy and the financial system. As stated in the document of the National Committee for Macprudential Supervision to support green financing, the delayed start, even by two years, of environmental projects (in 2024 compared to 2022) will reduce by more than 33% the overall favorable effect on medium term on the Romanian economy.

Covid-19 and the context of rising inflation generated mainly by rising energy and gas prices and supply chain disruptions

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 which lasted until 14 May 2020. Since that date Romanian Government maintained the state of alert until 9 March 2022. 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 included: transport and HoReCA, automotive industry and partially construction sector (especially on commercial area) 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 or limited the access in space offices. However, it should be noted that during 2021, the Government did not declare a state of emergency with the total / almost total closure of economic activities,

the situations being analyzed and the strategy adapted locally depending on the degree of incidence and severity of the pandemic.

Federal Reserve in the United States, at its monetary policy session from 16 March 2022, reduced the Quantitative Easing (QE) program started in 2020 and kept the monetary policy rate at the same level, later signaling a 25 bps increase at the next session, as the market expected an action more aggressive on their part. In March, the European Central Bank boosted its previous QE reduction momentum and opened the discussion on a possible increase in the monetary policy rate in the future.

At the same time in the context of rampant inflation generated mainly by rising energy and gas prices and by supply chain disruptions, Europe's central banks reacted and raised monetary policy interest rates. The NBR reacted in a similar way, increasing the interest rate on monetary policy in recent months from 1.25% to 2.50% at present. Moreover, the NBR resumed the process of buying government securities in RON in March, to compensate for the withdrawal of liquidity from the system by the NBR by selling EUR/RON on the foreign exchange market in an attempt to stabilize the exchange rate around 4.9500.

The macroeconomic scenarios applied by the Group have been changed from those applied in Q4 2019 and in Q4 2020 to reflect the worsening of the macroeconomic outlook due to the Covid-19 pandemic. The incorporation of the anticipatory 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.

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

The scenarios' weights are presented below:

	Base case	Adverse
Y2020	70%	30%
Y2021	70%	30%

The most important assumptions affecting the provisions for the Expected Credit Losses (ECL) are as follows:

Values used as of 31.12.2021

GDP – annual average values	2021	2022	2023	2024
Central 70%	7,51	5,30	5,39	4,83
Advers 30%	6,60,	3,94	4,20	3,50
GDP -average	7,23	4,89	5,03	4,43

Unemployment Rate (UR) – annual average values	2021	2022	2023	2024

Central 70%	5,30	4,71	4,54	4,54
Advers 30%	5,37	5,31	5,14	5,15
UR average	5,32	4,89	4,72	4,72

Values used as of 31.12.2020

GDP – annual average values	2020	2021	2022	2023
Central 70%	(4,43)	4,60	4,15	4,20
Adverse 30%	(4,93)	0,50	2,50	3,50
GDP -average	(4,58)	3,37	3,66	3,99

Unemployment Rate (UR) – annual average values	2020	2021	2022	2023
Central 70%	5,10	5,95	5,53	5,10
Advers 30%	5,28	6,65	6,10	5,60
UR average	5,15	6,16	5,70	5,25

Given the above scenarios, the graph of the DP (default probability) curves shifted upwards for all segments. Also, due to the Covid-19 pandemic, management applied an additional judgment when establishing the need for post-model adjustments, which is maintained also within the current context.

In order to address potential drawbacks of the models, which couldn't be corrected through the normal ECL (Expected Credit Loss) 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. Examples of such circumstances include: 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.

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

- Adding one standard deviation (computed on quarterly default rates from 2017 onwards) to the values forecasted through the models;
- Application of a maxim limit between:
 - Minimum forecasted rate: maximum default rate during the last 3 years;
 - Maximum forecasted rate: average default rate computed on quarterly default rates from 2017 onwards + 1.4 standard deviation.

The additional value of ECL resulting from the application of post-model adjustments (PMA) was RON 7.8 Million in December 2021 versus RON 2.2 Million in December 2020.

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

<i>Thousand RON</i>	Individual	Consolidated
Base scenario	1,765	1,796
Crisis scenario	4,499	4,592

To assess a potential increase of ECL, the Bank uses a general scenario to identify the Bank's exposure to macroeconomic risk for the reference date 31.12.2021 and the results of the simulation were as follows:

<i>Thousand RON</i>	Individual	Consolidated
Base scenario	11,642	11,732
Crisis scenario	16,928	17,103

The scenarios used for calculating potential impact on ECL in ICAAP model are the following.

For the base scenario the following are used:

- for GDP - the lowest value between the value of European Commission's forecasts (prudential "Fall 2020 Forecast" were maintained, being lower than the ones used in the next forecasts) and the average values used by the Bank
- for UR - the highest value between the European Commission's forecasts ("Fall 2020 Forecast" which were lower than the ones used in the next forecasts) and the average values used by the Bank

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

<u>Base scenario</u>				
GDP (real) – annual average values	2021	2022	2023	2024
GDP -average scenario used by the Bank	7,51	5,30	5,39	4,83
GDP - base scenario EC forecast	3,30	3,80	3,80	3,80
GDP -ICAAP - base scenario	3,30	3,80	3,80	3,80
<u>Unemployment – annual average values</u>				
UR average scenario used by the Bank	2021	2022	2023	2024
UR average scenario used by the Bank	5,30	4,71	4,54	4,54
UR - base scenario EC forecast	6,20	5,10	5,10	5,10
UR - ICAAP - base scenario	6,20	5,10	5,10	5,10

Crisis scenario

GDP (real) – annual average values	2021	2022	2023	2024
GDP -average scenario used by the Bank	6,60	3,94	4,20	3,50
GDP - crisis scenario EC forecast	2,20	3,50	3,50	3,50
GDP -ICAAP - crisis scenario	2,20	3,50	3,50	3,50

Unemployment	2021	2022	2023	2024
UR average scenario used by the Bank	5,37	5,31	5,14	5,15
UR - crisis scenario EC/EBA forecast	7,00	7,50	7,50	7,50
UR - ICAAP - crisis scenario	7,00	7,50	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 in 2020 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 deferral of credit obligations (aiming to support the operational and liquidity problems faced by debtors), introduced either by legislative moratorium (GEO 37/2020 and GEO 227/2021) or by 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 March 2021;
- Grace period up to 9 months (not beyond end of 2021);
- Interest is accrued (capitalized for consumer loans, repaid in 60 equal installments for housing loans);
- Available to debtors not registering overdue debts, impacted by the crisis (based on declaration for individuals or loss of 25% of revenues for companies), and for which the creditor did not declare the due date.

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 payment deferral 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 on 31 December 2021 at the latest.

For the eligible debtors the moratorium related changes to the contract are not automatically considered restructuring measures. During 2020 the Group implemented payment deferrals 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. During 2021, a number of 54 clients with total exposures of RON 12,807 Thousand requested the extension of the payment deferral moratorium. Of these, total exposures amounting to RON 10,926 Thousand represented exposures to companies.

An additional measure that the Romanian Government has taken to support the SME segment was IMM Invest Program. The total ceiling of guarantees that could be granted under the program was RON 15 Billion for 2021 (RON 20 Billion for 2020). As of 31 December 2021, the Group portfolio consisted of 233 approved financing request (vs. 138 as of 31 December 2020), amounting to RON 251,776 Thousand (vs. RON 100,108 Thousand as at 31 December 2020).

The Group's Policies 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 European Banking Authority (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 unlikelihood to pay status.

As mentioned, moratoria program did not have a direct impact on customers staging (it is not considered a trigger for a significant increase in credit risk). The definition of a restructuring credit was not changed and continues to identify restructuring operation request by clients under financial difficulty 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 regarding its capacity to continue the payments.

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

Industries at high risk of being impacted by the pandemic situation (for example HORECA industry) were considered from the beginning of the pandemic situation, within the category of exposures with significant increase in credit risk.

In the process of analysis, the Bank carefully analyzes the manufacturing industry (automotive industry, production of electrical and electronic products, production of fertilizers for agriculture, production of cement, production of aluminum, steel), companies operating in the field of electricity and heat supply and transportation, which may be affected by rising energy, gas prices or supply chain crisis.

The Group has undertaken 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 SARS-Cov-2 virus among 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 number of security to the employees to continue the activity in optimal parameters, as well as to limit the number of illnesses among employees.
- **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 the Bank's website (at the address 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 2021

Objectives established through the Activity Plan and Budget

For the third consecutive year Patria Bank reports profit and consolidates its profitability through a significant increase in net income from RON 2.8 Million in 2020 up to RON 9.5 Million in 2021. This increase was supported by the expansion of the balance sheet (total assets) by 12% (RON +396 Million) compared to 2020, achieved both by the annual increase of gross loans by 13% as well as by the increase of deposits attracted from customers by 14%.

Current results represent the cumulation of the Bank's strategic decisions, materializing in the following financial benchmarks reached in 2021:

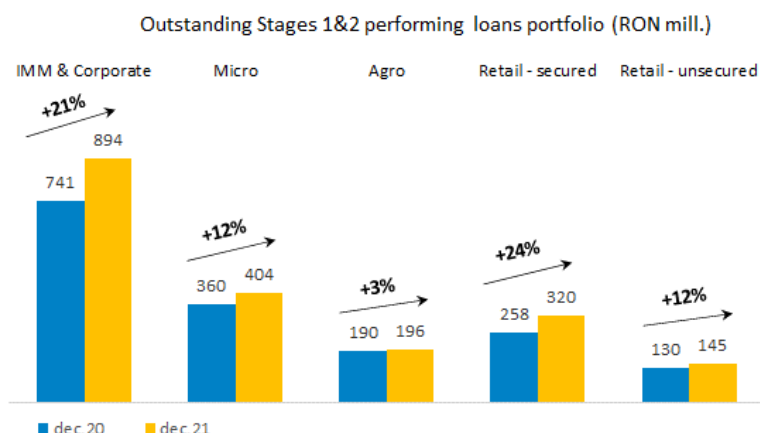
- **New loans granted in the amount of RON 1,087 Million during 2021**, the highest annual value recorded since 2017, which led to an increase in the portfolio of performing loans by 16% (RON +277 Million) compared to December 2020
- **Increase of total assets by 12% (RON +396 Million)** by increasing the loan portfolio granted to customers (net value) by 14% (RON +251 Million) compared to the previous year, an evolution supported by the increase in deposits and current accounts attracted from customers by 14% (RON +410 Million) compared to 2020
- **Increase of net operating income by 7% (RON +11 Million)** at a faster pace than the evolution of operational expenses which increased by only 3% in 2021 (RON +3.4 Million) compared to the previous year, which led to the reduction of the Cost/Income ratio from 81% in 2020 to 77% in 2021
- **The net result recorded in Q4 2021 showed an increase of RON 1.1 Million compared to the result of Q3 2021 and respectively of RON 5.4 Million compared to the Q4 2020 result**
- **Reduction of the Non-performing exposure rate (NPE) from 10.3% in 2020 to 7.9% in 2021**, a result based on write-off operations and assignments of non-performing loans, among others, while maintaining the prudent approach in the provisioning models/cost of risk.

The financial results of 2021 show an improvement in the level of profitability generated by the sustainable increase in net operating income in line with the expansion of balance sheet assets, as well as the increase in the quality of the loan portfolio by reducing the Non-performing Exposure Rate by 246 basis points. The net result of 2021, of RON +9.5 Million, represents an increase of 20% compared to the budgeted value for the same year of RON +7.9 Million.

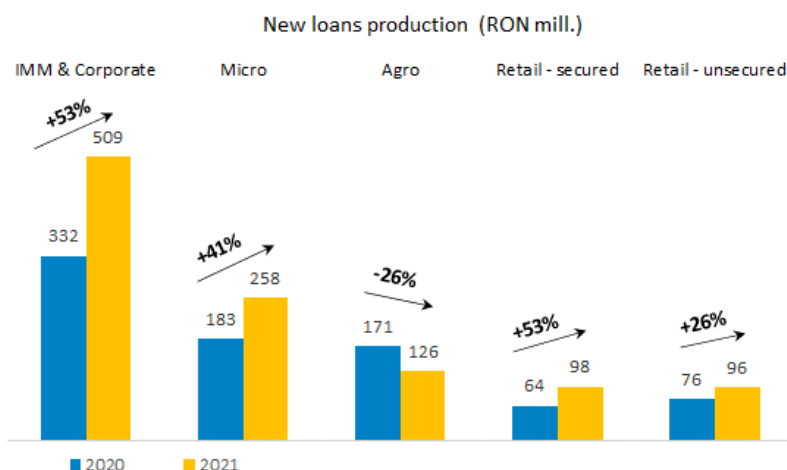
Achievements in the commercial activity

In terms of business activity the Bank continued to be an active participant in the segment of companies that are key pillars of its strategy (SME & Corporate, Microenterprises and Agriculture). The Bank targeted both urban areas (via offices) and rural areas (through the mobile sales force and dedicated collection, and through a superior collaboration with branches of Patria Credit IFN, a member company of the Group).

The balance of performing loans (stages 1 and 2 according to IFRS 9) **shows an increase of 16%, or RON +277 Million, compared to December 2020**. This increase in performing loans balance of performing was recorded in all of the Bank's business lines, with the most important growth trend in the Secured Retail (+ 24%) and SME & Corporate (+ 21%) segments.



Lending activity generated new loans of approximately **RON 1.1 Billion in 2021**, an increase of **32% compared to 2020** with superior growth in the areas of SME & Corporate, Secured Retail and Micro-lending as shown below:



The Bank has accelerated the growth strategy of the **Retail segment (individuals)**, mainly in urban areas, by optimizing the consumer credit flow (via an automated decision process and implementation of a pricing methodology), by launching a new product – consumer credit exclusively for refinancing (for a period of 7 years), and especially through expansion in the mortgage segment. Thus, in 2021 the bank recorded **an increase of over 39% in new loans granted to individuals** with a more accelerated growth trend the **secured loans segment (+53%)**.

In the **Retail** segment, the year 2021 meant an acceleration both in lending activity and in the improvement of the product catalog, processes, flows and systems, which led to an increase in the balance of Retail loans by 10% compared to previous.

In the pandemic context of 2021, Patria Bank has adjusted and improved a number of aspects of customer interaction by creating new flows and products that meet the need for remote services, without the physical presence in the units. The bank continued to provide high levels of services through the branch network, which remained open during the Covid-19 pandemic.

Patria Bank continued the series of transformations of traditional banking in the direction of solutions already developed around new technologies - the development of internet banking / mobile banking services and contactless payments, or in the direction of solutions to be launched in 2022 :, granting online loans, debit card delivery by courier to the address of residence / residence mentioned by the customer, updating personal data online for individual customers, instant payments through mobile banking, launching direct debit service, authentication and authorization of transactions made in Mobile Banking by the biometric method (fingerprint, facial identification) or signing the contractual documentation using the qualified electronic signature. All products launched in 2021 are designed to meet the current atypical context. Thus, the mortgage with solutions included for space ergonomics or the mortgage with zero advance (no cash advance), responds to the growing need for extra space that is registered, especially by the inhabitants of large urban agglomerations, who work remotely (telework).

Patria Bank will continue to remain a network 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. The expansion and growth through partnerships with brokers, with online or offline retail networks, as well as with financial service providers will be more and more accentuated.

In the **Micro** line of business loan production increased by 41%, **Patria Bank** being very active throughout 2021. The Bank continued the program carried out with the European Investment Fund (EIF) and 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, as well as increasing the coverage with the guarantee granted by the EIF from 80% to 90%. EASI loans accounted for 67% of new loans. At the end of the year, the cumulative financing on the EASI product reached approximately RON 495 Million for the bank and approximately RON 560 Million for the Group.

Following sustained efforts, financing granted by the **SME and Corporate** segment increased by approximately 53% in 2021 compared to 2020. An important pillar of the growth in loan production was the relaunch of the IMM Invest program, approximately 24% of the loans granted being financed through this Government program to support small and medium enterprises. Specialized departments have been created for improved customer service in order to respond easily and pragmatically to the needs of companies; thus, the SME area offers a mostly standardized approach with emphasis on speed, while the Corporate area targets companies with complex needs, providing an approach tailored to sector and activity for companies with a complex business profile.

Patria Bank was also active in financing the **agriculture** sector in 2021, being among the first banks to sign financing agreements with the Agency for Payments and Intervention for Agriculture, both in the animal and plant sectors. The Bank signed also a collaboration agreement to facilitate and accelerate the process of absorbing European funds allocated through the National Rural Development Program (NRDP) to finance farmers and rural investors during the transition period 2021-2022 for the 2014-2020 programming period. The Bank continued the process of financing agriculture by adjusting products and services to current market requirements.

Patria Bank still remains in the top users of guarantees issued by the Romanian Rural Credit Guarantee Fund (FGCR) in the banking system. It is worth mentioning that during 2021, due to the difficulty of Agro clients to ensure the necessary guarantees for the development of their business, Patria Bank and FGCR continued and developed the collateralized financing product based only on FGCR guarantee, without requesting the farmer for additional real guarantees. The dedicated teams were maintained in the AGRO sub-segment (both in the sales area and in the approval department). An important pillar of lending continued to be the financing of vegetable crops. Agro's portfolio in Patria Bank is still mainly in the area of vegetable cultivation (to the detriment of animal husbandry and fruit growing), both due to the superior expertise that the bank has in this segment as well as due to the superior control of risks. Large vegetable growing in Romania is significantly covered in terms of financing, but most Romanian vegetable producers have a small size and, therefore, are served mainly by Micro sales force and by territorial units through dedicated products. Benefiting from the fact that the Bank has specialists and agronomic engineers, the process of creating new products was continued, designed together with specific clients, partners and collaborators, combining the specific technicalities of agricultural fields with the usual bank financing, so that credit products meet the needs of the sector, both from the perspective of structuring and of the seasonal / atypical repayment plans.

In 2021 Patria Bank continued its support for vulnerable economic sectors, continuing its major roles assumed since the outbreak of the Covid-19 Pandemic, through measure including:

1. **Supporting individual and commercial debtors** affected by the Covid-19 pandemic (via deferral of payments or restructuring, where appropriate, or by providing financing to cover the temporary liquidity gap)
2. Assuming the role of **active creditor of entrepreneurs** (in sectors and markets not affected by the Covid-19 pandemic or in which the crisis has generated growth opportunities) and individuals (especially in the area of real estate acquisitions)
3. Enhancing **local or international guarantee instruments**. The acceleration of the lending process was also based, among others, on the constant increase in the number of new client acquisitions carried out in an adequate risk framework. The Bank is an active part of the IMM Invest, IMM Factor and Agro IMM Invest programs
4. **Ensuring continuity of banking services offered to the clients:**
 - through the continuous operation of bank office and of the ATM network
 - by developing remote operation/servicing channels. Thus, at the end of July 2021 the Bank launched the **Patria de Oriunde digital channel, the new "virtual agency" of Patria Bank** in which individuals can request, **via a 100% online process**, non-credit financial products (such as current accounts and current account packages, cards, Internet & Mobile banking and deposits).
5. **Encouraging the use of the Internet Banking platform.** In 2021 the number of transactions performed through the platform increased by 22% compared to 2020.

During the same reporting period a special attention was paid to the qualitative management of the loan portfolio, especially to exposures with deferred installments due to the impact of the Covid-19 pandemic on the

activity of entrepreneurs. At the end of the period most of these exposures are classified in the category of performing loans. Last but not least, a complete servicing of credit and non-credit clients was ensured by providing quality services, maintaining the objective of the Patria Bank Group to increase financial inclusion on this segment of clients.

Patria Bank continued the series of transformations of traditional banking in the direction of **solutions developed around new technologies - internet/mobile banking: contactless payments, biometric authentication for cards and authentication/authorization of transactions through biometric methods for Mobile Banking**, implementation of the instant payments service, the fastest and most modern interbank payment service, available continuously and with immediate execution, enrollment and provision of non-credit products and services online, or towards solutions that have been tested/are in the testing period and are to be launched in 2022 (online granting of consumer loans for individuals without a real estate mortgage, online personal data updating process for individual clients).

A distinct objective for the bank in 2021 was related to the acceleration of the **digitization and financial education programs** of the clients concretized as follows:

- Further development of the Bank's Internet & Mobile Banking platform, Patria Online, with new digital customer options in the transactional relationship with the Bank (the platform is available at <https://www.patriabank.ro/noua-platforma-patria-online>).
- On 31.12.2021, Patria Online registered an increase of over 95% in the number of users compared to the same period of the previous year and the total number of transactions made by customers through the platform increased by approximately 22% in the same period.
- Thus, on 31.12.2021, Patria Online registered a 130% increase in the number of individual customers with Internet & Mobile Banking, respectively a 51% increase of the number of legal entities customers with Internet Banking compared to the end of 2020, and the total number of transactions made by customers through the platform increased by approximately 29% for individuals and 21% for legal entities during the same period.
- Continuous promotion of Retail current account packages with an important digital component within their structure and with optimized costs for customers.
- Equipping the Bank's clients with approximately 40,000 products that facilitate remote trading / information (Internet & Mobile Banking Service, SMS Alert Service, Transaction Cards and Packages).
- Implementation of digitization projects such as: biometric authentication for online payment by card, implementation of biometric methods (fingerprint / facial recognition) for authentication and authorization of transactions within the Personal Banking service, providing the instant payment option, to the participating banks, within the services of Internet & Mobile Banking for individuals and Internet Banking for legal entities as well as instant receipts from the participating banks, Customer Online Onboarding (opening the online business relationship with the bank and providing new products and services; at the end of 2021, this channel brought 82% of new customers with deposits, representing approximately 50% of the volume of new deposits attracted from new customers in the Retail segment, compared to the traditional channel - Patria Bank branch).

- Continuation of the project regarding the equipping of the branches with multifunctional machines as well as the arrangement of self-service areas within the units that will be included in the program.
- Accelerated continuation of digitization projects: Digital Lending, online updating of individual customer data as well as expansion of online card services, Mobile Banking for legal entities;
- Continuation of technology projects in traditional commercial spaces, such as the "POS la piata" project which involved the installation of 80s POS terminals in agri-food markets at the end of 2021. Overall, the number of transactions through POs terminals increased by 23% and their volume by 32% in 2021 vs. 2020
- Development of the Patria Bank Blog with additional financial education components for clients and potential clients.

Operational and IT achievements

In terms of operations, the Bank continued strategy for developing its products and applications that support remote interaction with customers, taking into account the objectives set in the 2021 Business Plan and Budget. A special focus was given to the completion of the implementation of innovative solutions in terms of providing online services, quickly and securely, for Patria Bank customers.

The main initiatives impacting the Business area:

- Online Customer Onboarding for individuals: developing a platform for accessing remote banking products and services by going through a 100% online flow, potential customers being able to benefit in just a few minutes from financial products and services customized to their needs such as opening accounts current or packages of services, setting up deposits, contracting Internet Banking / Mobile Banking services with the use of qualified electronic signatures - the implementation of the application has been completed, being started in May - June an operational pilot at the level of the Bank branches.
- Implementation of Trusted Services related to qualified electronic signature: Remote identification of customers through digital channels, issuance of a qualified electronic signature certificate, as well as signing contractual packages according to European and national legislation governing trusted services and remote identification
- Launch of a service for corporate clients who wish to use an alternative access channel to account transaction information via API - available from July 2021.
- Optimizing the Patria SecurePay application by adding the second authentication factor imposed by the low adoption rate of the biometric authentication option, offering a high security of personal details and preventing fraudulent transactions on behalf of clients. Implementation of the new solution offers the alternative to customers who have not opted for the biometrics functionality to use the password and the OTP code (one-time password) for the authentication of e-commerce transactions
- Optimizing the Mobile Banking application by:
 - implementation of a new functionality - Personal Finance Module,
 - implementation of an advanced secure authentication solution using biometric methods: facial recognition and fingerprint for transactions on the platform, starting with July 2021

- The development of the Internet Banking application continued through the implementation of new modules:
 - Asset Management module for the purpose of viewing the investments in Patria Asset Management funds made by Patria Bank's clients
 - Instant Payments - implementation of the instant payment / collection option in lei for small amounts that are made in maximum 20 seconds from the moment of initiation, transfers will be possible only to the other member banks of the payment scheme implemented by Transfond.
- Customer Digital Lending for individuals - as a development of the Customer Onboarding platform, Patria Bank will complete the portfolio of services with the implementation of a digital lending platform, one click away and without coming into physical contact with the bank, customers having the opportunity to request credit products with automatic and fast decision only by signing an electronic contract starting from Q3 2022.

In the next period, in order to continue the strategy of optimization and digitization of the processes through which the Bank offers customers the possibility to access remote services and also later in their trading / use, the following projects with impact on the commercial area will be started:

- Improving / optimizing the processes of issuing, re-issuing and delivering the card and the PIN code: eliminating the interaction with the customers in the branches using the delivery service of the inactivated card at the customer's home and sending the PIN code by SMS or at his domicile
- Optimization of business processes (business processes re-engineering) both for the Retail segment and for all business lines related to legal entities (Agro, Micro, SME / Corporate). The main purpose of the initiatives included in this project is to optimize and / or automate the identified processes in order to streamline flows, both in relation to the customer and between the Bank's structures, as well as significantly reducing the operational risk associated with the purpose processes.

Treasury activity

As regards to the Bank's treasury activity during 2021, 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 and corporate bonds and money market instruments.

- Having a rather conservative policy, given the uncertain economic environment during 2021, 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 their retention and growth.

The Bank also paid special attention to maintaining a high duration of commercial liabilities, as well as an 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 on 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 significantly improved incomes based on the evolution of interest rates and the materialization of the opportunities offered by the market, 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 2021 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 2021 as a result of the **collection activities** undertaken at the level of the Credit Early Collection Department, RON 82.6 Million were collected (RON 68.8 Million coming from the legal entities area and RON 13.8 Million coming from the individuals area). Compared to 2020 there have been collected with RON 19.2 Million more.

In respect of the **workout activity**, it is carried out by the Business Workout and Retail Workout Department and **during 2021 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 approximately RON 50.59 Million and for individuals approximately RON 4.36 Thousand (in total RON 54.95 Million).**

During 2021, there was a revival of the real estate market compared to 2020, amid the resumption of economic activities and the diminishing impact of the Covid-19 pandemic. At the same time, we mention that, in order to streamline the activity of the Departments, during 2021, projects were started and implemented regarding:

- NPL portfolio sales project, completed as follows: Package 1 - partially guaranteed NPL - 5 debtors - total exposure RON 34,397,529;
- Automation of several activities carried out by the bank officers within the Departments.

Marketing and communication activity

In the year 2021 the marketing and communication actions continued to focus on adapting to the new pandemic reality, closely following market trends and the behavior of the population and entrepreneurs.

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 social distancing rules and providing support for all customer segments. Direct marketing, face-to-face events have also been replaced by digital activation and communications.

Thus, the main communication projects of 2021 aimed at “the new normality”, the communication efforts being focused on the following directions:

1. Redefining the everyday with solutions to respond to the pandemic context

In 2021, the communication efforts took into account the needs of society in the pandemic context, encouraging its acceptance in the form of a new normality, while continuing the actions of education and support of the entrepreneurial environment, among which:

- Launch of the Patria de Oriunde digital channel through which any new individual customer can open the relationship with Patria Bank remotely, without going to the bank
- Campaigns and projects dedicated to agricultural entrepreneurs:
 - The #TogetherForAgriculture video campaign through which existing customers explain the importance of the connection between an agricultural business and financiers for development and evolution
 - Content projects with the promotion of Patria Bank entrepreneurs
- Involvement as a partner in the #MotorulEconomiei campaign - co-brand image campaign carried out together with other important issuers listed and with the Bucharest Stock Exchange
- Supporting the #ValulDeNormalitate campaign in order to promote the vaccination campaign and health education

- Promotional campaigns that offered interest discounts for personal loans aimed at supporting individual clients in carrying out their personal plans
- Patria Bank continued 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, Agro IMM Invest and EaSI programs with European guarantee were supported by continuous communication campaigns in the online environment and other niche media channels.

Throughout 2021, 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 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 2021. 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 2832 appearances were recorded, of which 24% appearances with a positive tone and 76% in a neutral tone, increasing compared to the previous period.

4. Meaningful involvement in the community

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, Code 4 Romania and Asociatia Filmevent), supporting continuous education (through the Aspen Leadership, Asociatia Academica, Asociatia pentru Promovarea Performantei in Educatie, World Vision – Vreau sa fiu fermier si Merito), supporting vulnerable persons (Asociatia Pedia, Fundatia Comunitara Bucuresti) and promoting alternative sales platforms for local households (malltaranesc.ro and Asociatia Crestem Romania Impreuna), and support of the association of agricultural producers, especially of vegetable growers (Fundatia pentru Agricultura), as well as to support and promote the Romanian communities abroad (Friends of Alianta), 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 2021.

6.3 The Results of 2021

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. Management is not aware of any significant uncertainties that may cause significant doubt as to the ability of the Group and the Bank to continue to operate.

6.3.1 Consolidation perimeter and own funds

Details are provided in Annex 7.

6.3.2 Financial Position as at 31.12.2021

BANK

FINANCIAL POSITION				
<i>-thousands RON-</i>				
ASSETS	31.dec.21	31.dec.20	dec.21/ dec.20 (abs.)	dec.21/ dec.20 (%)
Cash and cash equivalents	497,316	350,943	146,373	41.7%
Loans and advances to banks	5,834	7,428	(1,594)	(21.5%)
Securities	961,696	957,569	4,127	0.4%
Investments in subsidiaries	34,296	33,322	974	2.9%
Loans and advances to customers, net	2,028,911	1,778,298	250,613	14.1%
Other assets	298,036	302,448	(4,412)	(1.5%)
Total ASSETS	3,826,089	3,430,008	396,081	11.5%
LIABILITIES	31.dec.21	31.dec.20	dec.21/ dec.20 (abs.)	dec.21/ dec.20 (%)
Due to banks & REPO	18,312	37,459	(19,147)	(51.1%)
Due to customers	3,314,846	2,904,771	410,075	14.1%
Other liabilities	67,575	56,850	10,725	18.9%
Subordinated debt	24,797	24,403	394	1.6%
Debt securities in issue	64,174	62,797	1,377	2.2%
Total Liabilities	3,489,704	3,086,280	403,424	13.1%
Total Equity	336,385	343,728	(7,343)	(2.1%)
Total LIABILITIES AND EQUITY	3,826,089	3,430,008	396,081	11.5%

- As at December 31, 2021 the **Total Assets** amounted to RON 3,826,089 Thousand, up with 12% as compared to the year ended 2020, evolution mainly determined by the business activity both through the increase of the net credit portfolio (+14%), supported by the increase of the deposits attracted from customers (+14%)
- The net value of **Loans and advances to customers increased by 14%, RON** (RON +250,613 Thousand) versus December 31, 2020, 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 2021 of over RON 1.1 Billion**. Optimizing the balance sheet structure is an action that strives to achieve strategic goals by achieved by maintaining the share of gross loans in total assets around 56% in the conditions of the expansion of the balance sheet by 12% compared to the previous year
- The Bank also carried out actions to capitalize on non-interest-bearing assets in order to improve the balance sheet structure and make the activity more efficient.

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

-thousands RON-	31.dec.21	31.dec.20	dec-21/ dec-20	
Gross Loans	2,159,648	1,907,110	252,538	13%
Performing loans	1,963,164	1,686,136	277,029	16%
Non-performing loans	196,483	220,974	(24,491)	-11%
Impairments	(130,736)	(128,812)	(1,924)	1%
Performing loans impairments	(29,320)	(27,664)	(1,657)	6%
Non-performing loans impairments	(101,416)	(101,148)	(268)	0%
Net loans	2,028,911	1,778,298	250,613	14%
Net Performing loans	1,933,844	1,658,472	275,372	17%
Net Non-performing loans	95,067	119,826	(24,759)	-21%

The reduction of non-performing loans was achieved through a diverse range of debt recovery measures, as well as through debt assignment and write-off operations.

- Deposits attracted from customers** recorded a 14% (+RON 410 Million) increase on December 31, 2021 compared to the beginning of the year, by actions to retain and consolidate the stable deposit base held by the bank. As a result of the balanced evolution of the balance of loans and deposits in 2021, the Gross Loans / Deposits ratio had a constant evolution, being around 65%.
- Liquid assets** in total balance sheet show an adequate level of 38% similar to that of 2020 and the share of debt securities and equity instruments in total assets slightly decreased from 28% at the end of 2020 to 25% at December 31, 2021, the liquidity surplus being oriented to the lending activity.

- The **Total Capital Adequacy Ratio (individual level)** on **December 31, 2021** was **18.6%** (excluding the profit recorded in 2021 currently under audit), respectively of 19.16% (including the profit recorded in 2021) exceeding the OCR limit of 13.85% (individual level).

GROUP

FINANCIAL POSITION				
<i>-thousands RON-</i>				
ASSETS	31.dec.21	31.dec.20	dec.21/ dec.20 (abs.)	dec.21/ dec.20 (%)
Cash and cash equivalents	502,974	354,793	148,181	41.8%
Loans and advances to banks	5,834	7,428	(1,594)	(21.5%)
Securities	1,039,500	983,623	55,877	5.7%
Investments in subsidiaries	-	-	-	-
Loans and advances to customers, net	2,154,954	1,861,888	293,066	15.7%
Other assets	301,115	306,091	(4,976)	(1.6%)
Total ASSETS	4,004,377	3,513,823	490,554	14.0%
LIABILITIES	31.dec.21	31.dec.20	dec.21/ dec.20 (abs.)	dec.21/ dec.20 (%)
Due to banks & REPO	18,312	37,459	(19,147)	(51.1%)
Due to customers	3,306,159	2,898,050	408,109	14.1%
Other liabilities	258,035	151,330	106,705	70.5%
Subordinated debt	34,896	34,555	341	1.0%
Debt securities in issue	64,174	62,797	1,377	2.2%
Total Liabilities	3,681,576	3,184,191	497,385	15.6%
Total Equity	322,801	329,632	(6,831)	(2.1%)
Total LIABILITIES AND EQUITY	4,004,377	3,513,823	490,554	14.0%

- As at December 31, 2021 the **Total Assets** at Group level amounted to RON 4,004,337 Thousand, up with 14% as compared to the end of 2020, evolution generated mainly by the business activity due to the increase of the loan portfolio (+ 15.7%), supported by the increase of deposits attracted from customers (+ 14%);
- The net value of **Loans and advances to customers increased by 15.7%, respectively RON +293.066 Thousand** versus December 31, 2020, 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 14% increase on December 31, 2021 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 31.12.2021, the Bank owns 6 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 50 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 2021 amounted to RON 90,931 Million (classified as per IAS 16 and IFRS 16), of which 82% represents buildings and land. Most of the buildings, both the property of the bank or rented, are recently upgraded. Beginning with 2017, as a result of the merger process, a renovation and rebranding project of the Bank's territorial units was launched.

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), few litigations are in progress concerning either the property right or its extent.

Assets encumbered and unencumbered by liens

On December 31, 2021, and December 31, 2020 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% of the assets being liquid assets and mainly government bonds portfolio. The Loan To Deposit ratio is at 65% (December 2020: 66%) and the liquidity coverage ratio (LCR) is of 177% as at December 31, 2021, well above the minimum regulated limit.

Total Own Funds Rate at 31 December 2021 is as follows:

At individual level, the capital adequacy ratio (Total Capital Ratio) is 19.13%, exceeding the TSCR limit (11.35%) and above the minimum OCR limit of 13.85% (TSCR plus the capital conservation buffer of 2.5%), registering a decrease compared to the level of 21.60% from the end of 2020. The decrease of the capital adequacy rate was due to the decrease of the Tier 1 Equity by RON 11.09 Million (from the decrease to zero of the fund for general banking risks, the decrease of the revaluation reserves of fixed assets and the increase of the deductions related to intangible assets, partially offset by the higher profit) and especially due to the increase of risk exposure (from RON 1766.53 Million to RON 1934.11 Million, mainly from high-performing mortgage-backed exposures on real estate and towards companies, while exposure to non-performing loans has decreased). The TSCR limit for total capital has been reduced from 11.71% in December 2020 to 11.35% after the completion of the Monitoring and Evaluation Process (SREP) conducted by the National Bank of Romania in 2020. The CET 1 ratio is 14.88%, above the TSCR limit

(6.38%) and above the OCR limit (8.88%) and the Tier 1 Equity rate is 16.91% above the TSCR limit (8.51%) and above the OCR limit (11.01%).

At consolidated level, the capital adequacy ratio (Total Capital Ratio) is 18.50%, exceeding the TSCR limit (11.41%) and above the minimum OCR limit of 14.91% (TSCR plus the capital conservation buffer of 2,5% plus 1% systemic risk buffer, decreased in March 2019 from the level of 2%). The level of the systemic risk buffer of 1% is established in accordance with the current methodology of the NBR for the calculation of one of the parameters that define the calculation matrix of the systemic risk buffer, respectively of the ratio “coverage ratio of non-performing loans” – “coverage ratio”.

In March 2019, the regulation on the calculation methodology of the aforementioned ratio was amended (by NBR Order 2 / 26.02.2019 published in the Official Gazette no. 213 Part I / 18.03.2019) to include specific mentions of banks that have acquired loan portfolios (and whose value has incorporated adjustments to the market value at the time of acquisition). The bank qualifies for the 1% systemic risk buffer level at the end of 2021. This has had a positive impact on the level of the consolidated minimum capital requirements.

The CET 1 ratio is 14.28%, above the TSCR limit (6.42%) and above the OCR limit (9.92%) and the Tier 1 Equity rate is 16.40% above the TSCR limit (8.56%) and above the OCR limit (12.06%).

At the date of approval of these consolidated and individual financial statements, the Bank complies with the capital requirements.

On 31.12.2021 the Bank has the following Tier 2 Equity instruments based on contractual conditions:

- Subordinated debt of the Bank to its majority shareholder, EEF Financial Services BV, amounting to RON 14,844 Thousand - the equivalent of EUR 3 Million, with a maturity of 8 years and a margin of 550 basis points plus 6M EURIBOR and, respectively, the amount of RON 57 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 basis points plus 6M EURIBOR.
- Subordinated debt of the Bank to Mr. Horia Manda, Chairman of the Board of Directors, amounting to RON 9,896 Thousand - the equivalent of EUR 2 million, with a maturity of 7 years and a margin of 585 basis points plus 6M EURIBOR.
- PBK27E Subordinated bonds in the amount of RON 24,740 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 (in EUR)
- PBK28E Subordinated bonds in the amount of RON 40,510 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 (in EUR)

6.3.3 Financial performance analysis for 2021

BANK

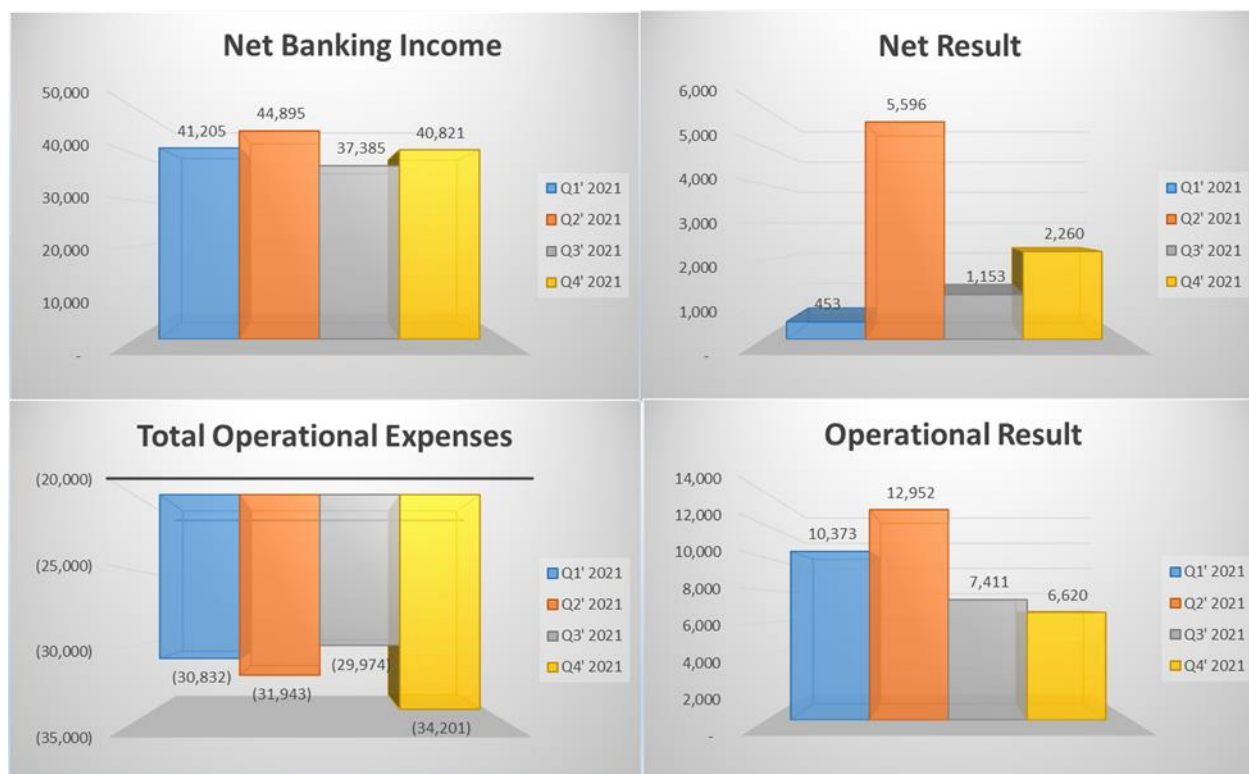
FINANCIAL PERFORMANCE STATEMENT	12 luni pana la 31.dec.21	12 luni pana la 31.dec.20	Δ 2021/ 2020 (abs.)	Δ 2021/ 2020 (%)
-thousands RON-				
Net interest income	104,075	104,355	(280)	(0%)
Net fees and commission income	27,127	24,405	2,722	11%
Net gains from financial activity & other income	33,104	24,489	8,615	35%
Net banking Income	164,306	153,249	11,057	7%
Staff costs	(60,946)	(57,502)	(3,444)	6%
Depreciation and amortization	(21,301)	(22,889)	1,588	(7%)
Other operating and administrative expenses	(44,703)	(43,144)	(1,559)	4%
Total operating expense	(126,950)	(123,535)	(3,415)	3%
Operating Result	37,356	29,714	7,642	26%
Net impairment of financial assets	(21,928)	(23,604)	1,676	(7%)
Gain/ (Loss) before tax	15,428	6,110	9,318	153%
Expense from deferred tax	(5,966)	(3,313)	(2,653)	80%
Gain/ (Loss) for the year	9,462	2,797	6,665	238%

- **Net interest income registered in 2021 is similar with the previous year's level**, mainly explained by the reduction of interest income related to the loan portfolio of debt instruments. Interest income related to the loan portfolio increased by RON 4 Million compared to the previous year, excluding the negative impact of fair value adjustments resulting from write-off operations, respectively from assignments of receivables.
- **Interest expenses reduced in 2021 with 2% (RON 1.1 million) of which those related to sources attracted from customers decreased by 7% (RON 3 Million), given that deposits increased by + 14% (RON +410 Million)** as compared to the previous year. The evolution of interest expenses is the result of the financing strategy which was correlated with the bank's lending activity.
- **Net commission income recorded an increase of + 11%** compared to the previous year's level, due to the increase of the number of the transactions and operations performed by the customers
- **Other operating revenues** increased by 35%, due to income from dividends as well as valorification of repossessed assets
- **Operating expenses increased by 3%, (+RON 3.4 million) compared to 2020**, at a slower pace compared to the increase of the net operating income of 7%.
- **In 2021, the Bank improved the operating result by 26% (RON +7.6 million lei).** The main element that led to this evolution is the increase of the net operating income
- **The annual cost of the risk records the value of RON -21.9 million, representing 1.1%** 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 and receivable assignments operations performed during 2021.

The evolution of the quarterly results of 2021 is presented below:

FINANCIAL PERFORMANCE STATEMENT	Q1' 2021	Q2' 2021	Q3' 2021	Q4' 2021	Cumulative 2021	Δ Q4 / Q3 (abs.)	Δ Q4 / Q3 (%)
<i>-EUR thousands-</i>							
Net interest income	25,520	27,030	26,472	25,053	104,075	(1,419)	(5.4%)
Net fees and commission income	6,652	6,232	7,220	7,023	27,127	(197)	(2.7%)
Net gains from financial activity & other income	9,033	11,633	3,693	8,745	33,104	5,052	136.8%
Net banking Income	41,205	44,895	37,385	40,821	164,306	3,436	9.2%
Staff costs	(15,322)	(15,971)	(14,176)	(15,477)	(60,946)	(1,301)	9.2%
Depreciation and amortization	(5,499)	(5,355)	(5,494)	(4,953)	(21,301)	541	(9.8%)
Other operating and administrative expenses	(10,011)	(10,617)	(10,304)	(13,771)	(44,703)	(3,467)	33.6%
Total operating expense	(30,832)	(31,943)	(29,974)	(34,201)	(126,950)	(4,227)	14.1%
Operating Result	10,373	12,952	7,411	6,620	37,356	(791)	(10.7%)
Net impairment of financial assets	(9,048)	(5,531)	(3,258)	(4,091)	(21,928)	(833)	25.6%
Gain/ (Loss) before tax	1,325	7,421	4,153	2,529	15,428	(1,624)	(39.1%)
Expense from deferred tax	(872)	(1,825)	(3,000)	(269)	(5,966)	2,731	(91.0%)
Gain/ (Loss) for the year	453	5,596	1,153	2,260	9,462	1,107	96.0%



There is an improvement in the evolution of the net result for Q4 2021, which registers an increase of RON 1.1 Million compared to the level registered in Q3 2021 and of RON 5.4 Million lei compared to the level from Q4 2020.

GROUP

FINANCIAL PERFORMANCE STATEMENT -RON thousands-	Q1' 2021	Q2' 2021	Q3' 2021	Q4' 2021	Cumulative 2021	Δ Q4 / Q3 (abs.)	Δ Q4 / Q3 (%)
Net interest income	25,520	27,030	26,472	25,053	104,075	(1,419)	(5.4%)
Net fees and commission income	6,652	6,232	7,220	7,023	27,127	(197)	(2.7%)
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Gain/ (Loss) for the year	453	5,596	1,153	2,260	9,462	1,107	96.0%
Operating expenses / Operating incomes	75%	71%	80%	84%	77%		

At Patria Bank Group level, the following evolution has been recorded in 2021 compared with the previous year:

- **Net interest income shows an increase of 3%**, by RON 3.8 Million compared to the previous year, the positive evolution being the result of the increase of the loan portfolio but was compensated by the reduction of the interest income related to the portfolio of debt instruments
- **Increase of operational expenses by 9%**, (RON +11.9 Million) compared with year 2020, at a slower pace compared to the increase of the net operating income of 13%
- **Improving the operating result before cost of risk by RON 9.6 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 31.12.2021, according to Annex 4.

6.4 The activity of the Bank's subsidiaries in 2021

Patria Credit IFN

Patria Credit IFN 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 maintained its profitable business activity trend and developed in 2021 its loan portfolio balance up to RON equiv 131.62 Million, up 34% from 2020, despite the unfavorable economic situation caused by the COVID-19 pandemic.

The volume of new loans granted during 2021 was RON 85.6 Million, up 39% compared with the 2020 figures and was the result of improving the efficiency of sales in the territorial units through various internal projects for improving and streamlining processes, flows and products. In 2021, Patria Credit benefited from the support of the European Union and the European Fund for Strategic Investments (EFSI) by accessing an Easi guarantee ceiling, 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, of small entrepreneurs in rural areas with activities carried out in the agricultural or non-agricultural field, regardless of the established form of organization (agricultural producers, PFA, II, IF, SRL, etc.), through the Employment and Social Innovation Program (EaSI).

The benefit of this product is mainly represented by the lack of guarantees usually required to cover the borrowed amount, this being covered in proportion of 80% by the European guarantee. This feature has led to an increase in sales volume and the number of new customers. This guarantee ceiling was fully used in October 2021 and on 31.12.2021 the balance of the Easi guaranteed loan portfolio was RON 74.3 Million. An important role in the commercial activities achieved in 2021 had the continuation of the marketing activities especially aimed at improving the brand capital both internally and internationally, Patria Credit 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 2021 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 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 64% of customers come from Muntenia, 24% from Moldova, 9% from Transylvania and 3% from Dobrogea. 87% of the clients are individual agricultural producers, while only 13% are micro-enterprises with other activity than agriculture. Of the agricultural producers who applied for loans last year, more than half (51%) grow vegetables. Animal breeders (23%) are in the second place and the next in weight are cereal producers (21%). 3% of the customers own mixed farms and 2% deal

with fruit growing or other types of fruit. In 2021, most of the customers of Patria Credit i.e. 34% accessed loans with values between RON 25 and 75 Thousand, 13% had loans of less than RON 25 thousand, 30 % of them needed amounts between RON 75 and 125 Thousand and another 23% accessed loans of over RON 125 Thousand.

As far as credit risk is concerned, the company has maintained a prudent and appropriate to its risk profile policy. Thus, Patria Credit recorded an annual cost of risk of -0.25% in 2021, which represents a potential income from the regularization of provisions, decreasing with 68% compared to 2020 level, calculated as a ratio between the level of expenditures / incomes with provisions coming from loans and average portfolio.

In 2021, the following projects were implemented:

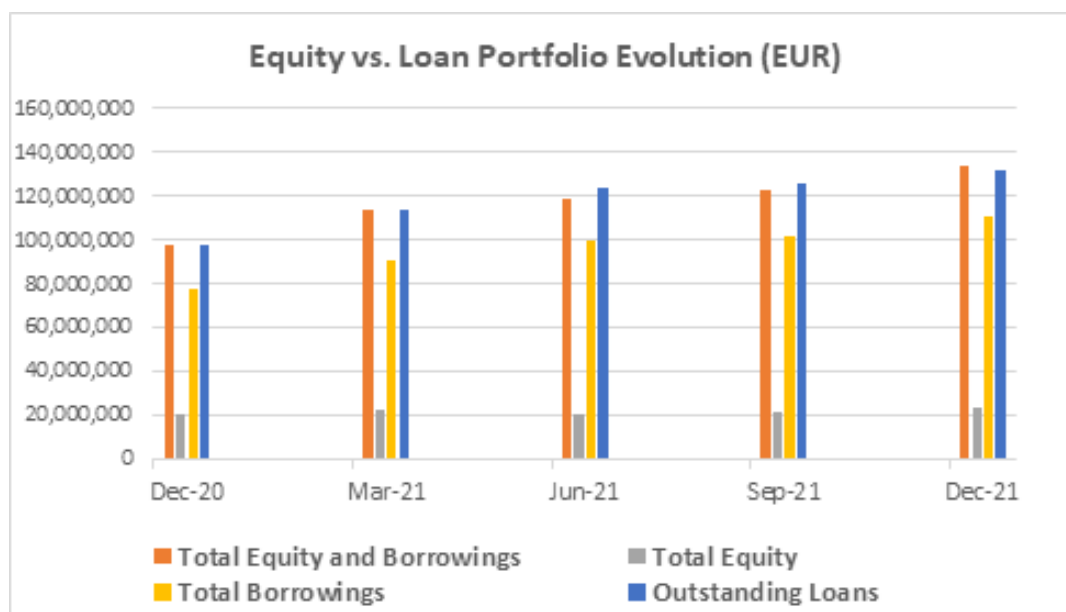
- selection of the offer, signing of the contract and start of the acquisition project of a provision calculation platform according to IFRS 9 standard, necessary for the automated calculation of the provisions according to IFRS 9 standard, in accordance with the legislative regulations in force
- starting the project “Operational improvement of IT and digitization / change of IT systems architecture”, in 2 stages: analysis of the optimization needs of the used software applications and the selection process of a software provider for a new application
- extension of the Patria Credit network of units by setting up work points in Tulcea Municipality and Botosani Municipality
- the appointment of Patria Credit General Manager Raluca Andreica, as a member of the board of the European Microfinance Network, for the next 3 years;
- running a campaign to promote lending products on the occasion of Microfinance Day; thus, all loans requested between October 18-22, 2021, which fall within this campaign, benefit from a zero granting commission.
- Approval by the European Investment Fund (EIF) of a new EaSI guarantee ceiling (at the end of 2021), which facilitated the continuation of financing clients with loans of up to RON 120,000, without advance and without guarantees, through the Employment and Social Innovation Program (EaSI);
- Patria Credit became the main partner of the Foundation for the Development of Agriculture (Carrefour Group)
- joining the agricultural education project “Proud to be a farmer” developed by World Vision Romania by supporting promotion actions and attracting students to become future farmers and by providing support for the realization of educational content for high school students and not only
- participation in a consortium of three partners, ADV Romania (Together with you NGO), Patria Credit and FEBEA Belgium (European Federation of Ethical and Alternative Banks and support organizations) in the project co-financed by the European Union: "AFIN - Romanian Alternative FINancing Institution Dedicated to Social Economy Enterprises", a project that aims to create in Romania the first specialized financial solution that addresses social enterprises and cooperatives
- active participation in various meetings in the field: Agrifood Innovation Summit 2021, International Conference on Social Economy
- reactivation of Fundatia Patria Credit (launch of the first projects)

The company continues to finance the rural environment, micro-farms and small rural businesses, meeting their needs with new products and campaigns. In the context of the Covid-19 pandemic, Patria Credit provided support

to its clients by offering various ways to restructure current loans for companies in difficulty but also with various channels of accessing financing without physical presence.

The lending activity of Patria Credit IFN was not affected this year either by the situation created by the Covid-19 pandemic, both the installments and the disbursements of credits being at the level of the budgeted objectives established for 2021.

Patria Credit owns a solid capital base, 22% of the total assets being covered by own funds and the rest by the medium-term stable sources of financing. 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 2021 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

SAI Patria Asset Management was authorized by the National Securities Commission (currently Financial Supervision Authority) as an investment management company. The share capital is RON 1,773,600, of which 99.99% is owned by Patria Bank.

At year ended 2021, Patria Asset Management manages five open-end investment funds within the Bank's consolidation perimeter, namely:

- **Patria Global** - diversified defensive fund, medium-low risk, in which equity investments accounts for maximum 40% of the fund's assets
- **Patria Stock** - dynamically diversified fund, medium-high risk, in which over 40% of the fund's assets is placed in shares
- **ETF BET Patria-Tradeville (stock symbol - TVBETETF)** – Exchange Traded Fund type open fund listed on the Bucharest Stock Exchange (BSE) which aims to replicate the structure and performance of the BET index, the main index of the BSE. The fund is passively managed and includes the top 20 companies listed on BSE.
- **Patria Obligatiuni** - bond fund, low risk, which invests in fixed income instruments (bonds, deposits, government bonds)
- **Patria Euro Obligatiuni** - bond fund in EUR, low risk, which invests in fixed income instruments (bonds, deposits, government bonds)

The funds managed by Patria Asset Management performed very well in the reporting year.

Patria Global registered a return of +10.46% in 2021. At the end of December 2021 the net asset value registered the level of RON 16.53 Million, increased compared to RON 11.36 Million at the end of 2020.

Patria Stock closed the 2021 year with a return of 14.78%. At the end of December 2021, the value of the net assets registered the level of RON 5.01 Million, increased compared with RON 3.84 Million at the end of the previous year.

ETF BET Patria-Tradeville registered an annual return of + 36.21% in 2021. The fund's assets increased by 179% during the year, from RON 12.35 Million at the end of 2020 to RON 46.85 Million at the end of 2021.

Patria Obligatiuni registered a return of +2.41% in 2021. At the end of December 2021, the value of the net assets was RON 26.7 Million, increased from RON 26.0 Million at the end of 2020.

FDI Patria EURO Obligatiuni registered a return in euro of +1.89% in 2021 and the fund's asset increased by 18.72% up to EUR 1.49 Million.

The most important projects carried out by Patria Asset Management in 2021 are:

- **Taking over the administration of the ETF BET Patria-Tradeville**, the only ETF shares type fund (Exchange Traded Fund) in Romania. It is listed on the Bucharest Stock Exchange and follows the evolution of the main index of the Bucharest Stock Exchange, BET. ETF BET Patria-Tradeville fund units can be purchased on the stock exchange through any intermediary authorized by the Bucharest Stock Exchange. ETF BET Patria-Tradeville brought investors a gain of 36.2% in 2021, this being one of the best performing investment funds in Romania last year. The fund's assets increased by 179% last year
- **Launch of the online trading platform** of Patria Global, Patria Stock, Patria Bond and Patria Euro Bond bonds. Available at online.patriafonduri.ro, the platform is a modern and efficient tool that allows opening an account and carrying out subscription operations (investments) and redemption operations

(withdrawals) with the units of Patria Asset Management funds via the Internet, without visits to bank branches. The platform also provides information about funds and allows you to consult at any time the value of investments for clients who own fund units

- In collaboration with the Patria Bank distributor, the launch of an asset management module in the bank's Internet Banking system. It provides information on Patria Asset Management funds and their performance and investments. Also, for the bank's clients who own fund units, the module allows to consult their current value
- In collaboration with Patria Bank, the launch of the euro version of the mixed product Patria Invest. Available in both RON and euro, the product offers a savings and investment package consisting of a bank deposit in the respective currency offered by Patria Bank and units of Patria Global funds (for the version in RON) or Patria Euro Bonds (for the version in euro).

7. Bank and Group outlook for 2022

7.1 The Bank's objectives and business plan for 2022

The main objective, in the short and medium term, is **increasing profitability through a sustainable business model** in order to conserve capital, by:

- Increasing the balance of loans granted to customers by 19%, RON +419 Million, expected to take place in 2022 compared to 2021
- Extension of financing sources in correlation with the evolution of the loan portfolio granted to clients and diversification of financing sources by seeking to contract a loan from a financial institution
- Attracting new customers and increasing the number of products per customer is a priority goal for business lines in 2022
- Development of operating income by 22%, RON +37 million, through the contribution, mainly, of net interest income and net commission income representing the basic activity of the bank
- Managing costs in a responsible manner, but in line with the forecast inflation and with the development and investment plans assumed by the Bank for 2022
- Continuing the capitalization of non-productive assets
- Optimizing the business model so that increasing efficiency leads to achieving a sustainable cost / income ratio; for the year 2022, the aim is to reduce the ratio to 69% from 75% in 2021
Decreasing the NPL ratio by 99 basis points by continuing the recovery and write-off actions and maintaining the NPL coverage ratio above the 55% level.

The strategic ratios targeted by the Bank in 2022 are presented below. These are presented from the perspective of Management Accounting (according to internal monitoring):

	2020	2021	2022
Loans (gross) to Deposits	67%	65%	71%
Loans (net) to Total Assets	52%	53%	56%
T-Bonds in Total Assets	28%	23%	24%
Total Assets (YoY)	7%	11%	15%
Quick liquidity ratio	38%	37%	40%
Cost to Income	82%	75%	69%
NBI (YoY)	-8%	10%	22%
RoA	0.1%	0.3%	0.6%
RoE	0.8%	2.8%	7.1%



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 capital base necessary 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 respect, 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 the investments 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 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 was 17% at the end of 2021, 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.

Further details on the bank's objectives and prospects for the future are presented in the Income and Expense Budget for 2022, subject to the approval of the General Shareholders Meeting.

7.2 Subsidiaries objectives for 2022

Patria Credit IFN

For 2022 Patria Credit aims to further develop the business model, increasing sales of over 30% and maintaining profitability by expanding geographic coverage through opening of new units and through the Bank branch network, continuing to offer rural area specific products to its customers.

In 2022, Patria Credit 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

In 2022, Patria Asset Management pursues the following strategic objectives:

- Increase of the managed assets and of the return of the active managed funds through strategies adapted to the current developments in the financial market and to the specific of each fund
- Continuation of the digitization strategy by launching new functionalities in the online trading platform of the managed funds
- Analysis of the opportunity to launch new investment funds
- Development of the distribution activity through the distributor Patria Bank
- Marketing campaigns to promote the funds 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 and the Bank does not assume risks that exceed its capacity to cover these risks.

Risk management within Patria Bank 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 Executive Committee of the Bank is subordinated to the Board of Directors,

which manages the daily activity and which ensures the implementation and monitoring of the strategies approved by the Management Body.

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); the assessment and improvement of the performance of the Bank's lending activity (Credit Committee and Credit Restructuring and Recovery Committee); 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 Tolerance, Risk Capacity 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 and 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 2021 the following:

- Organic growth of productive assets of the Bank (under the condition of keeping the risks that will be generated by the development of credit activity at reasonable levels)
- Observance of prudential parameters (OCR, TSCR etc.) in order to ensure the necessary capital base for the bank's development
- 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

For the period of 2022-2024, the Bank will approach the following business lines, adjusting its products and organizational arrangements to service them:

- Retail segment
- SME and Corporate segment
- Agro segment
- Micro segment

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, except for the implementation of government support programs (IMM Invest) or those with a European funding component, 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, solely 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**, organized within the Compliance Division, assisting the Executive Committee 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 presented below:

- 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, and carries out 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 and SAI Patria Asset Management 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 3 departments: Internal Evaluators Team, Credit Risk Control Department and Other Risks than Credit Risk Management Team.

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 and Money Laundering Prevention.

The main responsibilities of the Compliance Division are:

- 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 in 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 identified and established the significant risks to which it is or may be exposed and for these risks at the aggregate / individual level it has established an absolute level of risk that it wishes to achieve (risk appetite), a maximum level (threshold) that it is willing to accept (risk capacity), the real limits of the appetite it can assume (risk tolerance), also establishing a methodology by which they are calculated, monitored and reported periodically to senior management.

The Risk Management Division is responsible for calculating, verifying, monitoring and reporting the appetite, risk capacity, 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 and (iii) the respective risks frame within the risk appetite expected by the Bank;
- **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 and its subcomponents, 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 and budget planning.
- **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 the aggregated/individual **risk appetite** based on the types of risk it is willing to accept within its risk capacity limit, as The Bank establishes a general risk appetite, as per its business model, in order to achieve its strategic objectives; the **risk capacity** which is the maxim risk level that the Bank assumes, taking into account its own risk management and control capabilities, as well as its regulatory constraints; the **risk tolerance** which represents the types of risks and levels of those risks to which the credit institution is not deliberately exposed, but accepts / tolerates them. 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 instance: 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. Violation of a defined limit triggers an immediate escalate to the governance structure and prompt

implementation of remedial actions. Furthermore, the Bank set risk rates for crisis situations which 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. The ICAAP report is also drawn up at a consolidated level half-yearly.

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 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. This is based on a forecast of the evolution of the existing capital, on one hand, and, on a forecast of the evolution of the capital constraints that may occur during the forthcoming financial years, on the other hand.

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 2021 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 maintained in 2021 at the level of 1.10%, similar with the 1.11% level registered in 2020, amid the occurrence in the economy of the effects of the Covid-19 pandemic, as well as the occurrence of a high inflation rate towards the end of 2021.

In 2021, the process of recovering both non-performing receivables from the Bank's off balance sheet, which led to total recoveries of approximately EUR 1.4 Million, and non-performing loans from the Bank's balance sheet, which led to recoveries amounting to EUR 15.1 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 7.89% in December 2021, in an obvious improvement compared to the level registered in December 2020 of 10.34%; the degree of coverage with provisions of non-performing loans (*NPL coverage*) without taking into account the acquisition provisions was of 53.62%, increasing compared to the level recorded in December 2020 of 47.71% and the degree of coverage with provision of non-performing loans (*NPL coverage*) taking into account the acquisition provisions was 59.67% in December 2021, compared to the value of 54.68% registered at the end of December 2020. As a result of a lower cost of risk at the end of 2021 than the budgeted level for this period, that was recorded due to a proper management of both clients in the performing loan portfolio and the non-performing loan portfolio, the Bank was able to accelerate the reduction of the NPL loan balance, which led to a better rate of NPL loans than the budgeted level.

In the area of liquidity risk, the Bank continued to record comfortable levels of the main prudential indicators monitored.

Market risk is strictly managed due to the reduced appetite for trading positions and foreign exchange positions. Interest rate risk outside the trading book remained at optimal levels during 2021, in accordance with the policy and risk appetite established by the Bank for this risk.

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 especially through PNRR Program.

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. At the same time, as a result of the war in Ukraine, oil, energy and grain prices have exploded, and in the next period it is expected a sharp increase in the price of fuels, energy, raw materials, metals, agricultural products and staple foods which will continuously increase, with a direct impact on the evolution of the inflation rate. These events will put pressure on the liquidity of the population, as well as on a potential increase in the cost of financing and lending. The Bank will constantly monitor the evolution of liquidity ratios, financing sources, financing markets, as well as asset quality indicators and the evolution of loan and asset portfolios, in order to adopt the required measures in due time. At the same time, the Bank will closely monitor the evolution of the national economy in order to permanently adapt the Business Strategy to the present and forecasted evolutions according to the effects of the conflicts in Ukraine, especially on the economic environment.

Patria Bank has absorbed the negative impact of 2021 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 towards the end of 2021, after a significant advance during the first three quarters. 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 local and international 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. At the same time, an unfavorable change in market conditions, locally or regionally, can have a negative impact on the value of government securities by a sudden negative change in the yield curve, which directly affects the Bank's prudential indicators.

Any change in the local financial market or in the 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, evolution that 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, in force since 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, as well as by the evolution of the war in Ukraine

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, evolution and the impact of the war in Ukraine on Romanian economy, as well as on the economy in the region, the price of raw materials, energy, fuel, metals, each of which could affect Romania's solvency and its economic evolution.

Judicial system and legislation in Romania are 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). The 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 assesment 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 2021, the banking system and Patria Bank may be exposed to the foreign currency risk caused by the oscillating 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 basis points on instruments exposed to interest rate risk and in shock changing interest rate crises simulations of +/-300 basis points. Also starting with 2021, the Bank calculates 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 within the ICAAP reporting, thus indicating the potential exposure of the Bank in case of occurrence of the respective shocks on the interest rate risk.

As at 31.12.2021, 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	370,051.25	Own funds level	366,475.88
Economic value potential change, out of which split on reference currencies:	34,743.83	Economic value potential change, out of which split on reference currencies:	38,866.57
- EUR	20,536.20	- EUR	20,535.24
- RON	13,655.56	- RON	17,779.26
- USD and other currencies	552.07	- USD and other currencies	552.07
% of the own funds	9.39%	% of the own funds	10.61%

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.
- 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/EU communicated forecasts), 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 31.12.2021, the Bank recorded in the balance sheet an exposure from derivative financial instruments of RON 11,363,820.

Risk credit value adjustments

The balance as at 31.12.2021 of the total exposure, broken down by type of clients - business segments of the Bank, was the following:

Segment	Exposure (RON thousand)
Consumer loans	176,541
Mortgage loans	312,461
Entrepreneurs loans	137,558
Corporate loans	1,501,639
Municipalities	31,449
Total	2,159,648

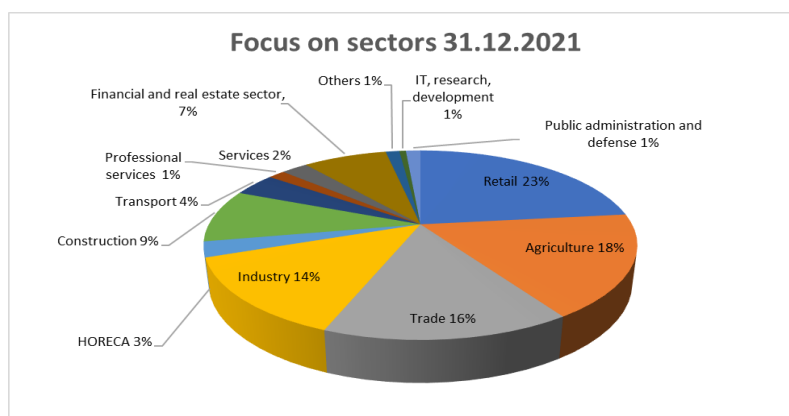
As at 31.12.2021, the focus on geographic regions was as follows:

Region	% in total portfolio
CENTER	21.68%
WEST	12.54%
SOUTH	48.91%
EAST	16.87%

As of 31.12.2021, 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	468,182	41,899
WEST	270,859	9,939
SOUTH	1,056,231	60,995
EAST	364,375	17,904
Total	2,159,648	130,736

As at 31.12.2021, the concentration by the activity sectors was as follows:



As of December 31, 2021, 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	158,574	285,955	125,452	1,303,537	31,449	1,904,966
(-) Provisions for impairment	-3,130	-395	-1,225	-17,915	-	-22,664
Current and not-impaired net total	155,444	285,560	124,227	1,285,622	31,449	1,882,302
Overdue and not-impaired	8,223	13,644	5,700	30,479	-	58,047
(-) Provisions for impairment	-1,996	-485	-678	-3,522	-	-6,681
Overdue and not-impaired net total	6,227	13,159	5,022	26,957	-	51,365
Impaired loans	9,744	12,862	6,405	167,624	-	196,635
(-) Provisions for impairment	-7,220	-5,100	-2,400	-86,671	-	-101,391
Impaired net total	2,523	7,762	4,006	80,953	-	95,244
Gross total of loans and advances to customers	176,541	312,461	137,558	1,501,639	31,449	2,159,648
Total provizons for impairment	-12,347	-5,980	-4,303	-108,107	-	-130,736
Net total of loans and advances to customers	164,194	306,481	133,255	1,393,532	31,449	2,028,911

As at 31 December 2021, 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%	17,779	14%	127,304	41%	343,920
Legal entities	96%	399,564	86%	785,402	59%	485,679
Total	100%	417,343	100%	912,706	100%	829,600

The table below shows the exposure and the impaired adjustments as of 31.12.2021 broken down by performing/non-performing and counterparty types (RON Thousand):

Bank	Gross carrying amount / Nominal value			Depreciation		
	Total	Performing	Non-performing	Total	Performing	Non-performing
DEBT INSTRUMENTS, OTHER THAN THOSE HELD FOR TRADING, OF WHICH	3,581,424	3,372,620	208,804	-142,188	-30,202	-111,986
DEBT INSTRUMENTS AT AMORTIZED COST	2,908,338	2,699,534	208,804	-141,615	-29,629	-111,986
Cash balances at central banks and other demand deposits	318,937	318,937	-	21	21	-
Debt securities	259,721	259,721	-	-258	-258	-
Loans and advances	2,329,680	2,120,876	208,804	-141,336	-29,350	-111,986
Central banks	0	0	-	-	-	-
Public administration	31,518	31,501	17	-9	-	-10
Credit institutions	103,125	103,125	-	4	3	-
Other financial companies	41,938	41,029	908	-2,517	1,653	-864
Non-financial corporations	1,472,407	1,296,853	175,555	-113,285	19,784	-93,501
Households of the population	680,692	648,368	32,324	-25,521	7,910	-17,611
DEBT INSTRUMENTS VALUED AT FAIR VALUE THROUGH OTHER ELEMENTS OF OVERALL RESULT	673,086	673,086	-	-573	-573	0
DEBT INSTRUMENTS HELD FOR SALE	-	-	-	-	-	-
TOTAL EXTRA BALANCE SHEETS	345,644	345,611	33	2,178	2,178	0
Credit commitments issued	332,987	332,954	33	2,147	2,147	0
Financial guarantees issued	12,641	12,641	-	31	31	-
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. At the year-ended 2021, 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 31.12.2021, the value of the exposures associated with each credit quality level is the following:

ECAI level	Exposure value (RON)
1	4,307,749
2	14,724,770
3	1,327,487,824
4	40,920,168
5	*
Total	1,387,440,512

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. Financing risk is the risk that the Group will not have stable sources of financing in the medium and long term, which leads to the existing or potential risk that the credit institution will not be able to fulfill, or to fulfill at unacceptable financing costs, its obligations. such as payments and the need for collateral, as they become due in the medium and long term.

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, or 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 Bank 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 Bank'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 and 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, cash and 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 plans 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 and its recognition 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 or 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 level** in 2021, 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

- At the beginning of 2022, Patria Bank completed the increase of the share capital from RON 311,533,057.50 to RON 327,881,437.60. During the subscription period, held between 20.12.2021 and 19.01.2022, subscriptions totaling RON 16,348,380.10 were registered, out of which one subscription amounting to RON 14,847,300.00 represented the conversion of the subordinated loan in amount of EUR 3,000,000 granted to the Bank by EEF Financial Services BV in 2018 and cash subscriptions amounting to RON 1,501,080.10. The Financial Supervisory Authority issued the new Certificate of Registration of Financial Instruments for Patria Bank shares on 10.02.2022 and the Central Depository registered the new shares on 15.02.2022.
- On February 21, 2022, the Russian Federation officially recognized two separatist regions in eastern Ukraine and authorized the use of military force. These ongoing operations have led to casualties, significant relocation of the population, deterioration of infrastructure and disruption of economic activity in Ukraine. In response, several jurisdictions, including the EU, the United Kingdom, Switzerland, the United States, Canada, Japan, and Australia, have announced initial tranches of economic sanctions for Russia (and in some cases Belarus).

The economic sanctions applied are in the financial field, energy, transport, technology, defense and dual-use goods. These sanctions are applied to state-owned companies and banks as well as to individuals. The sanctions include the exclusion of Russian banks from the SWIFT settlement system, a ban on imports of raw materials from Russia, a ban on exports of finished goods to Russia, and a freeze on assets held by

individuals subject to sanctions. Following the start of the conflict, there has been an increase in volatility in financial markets, including exchange rates. These events are expected to affect the activities of European companies in various sectors of the economy and could lead to additional inflationary pressures which would lead to an increase in energy, commodity and food prices and an increase in credit risk in the affected economic sectors and at the population level.

The group has no direct or indirect exposure to entities / persons domiciled / resident in Russia and has not recorded any fundraising from entities in that country.

In the context described above, the Group has taken some additional measures to manage liquidity risk by periodically conducting simulations on the forecasted evolution of liquidity indicators for future periods.

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, the Bank 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:

<i>Exposure category</i>	<i>8% of the risk-weighted exposure value (RON)</i>	
	<i>Individual</i>	<i>Consolidated</i>
Central administrations or central banks	4,316,179	4,496,620
Local administrations or local authorities	1,429,103	1,429,103

Units or shares held in collective investments undertakings	661,788	661,788
Companies	19,876,110	19,880,055
Exposures guaranteed with real estate mortgage	27,018,763	27,018,763
Exposures in default	8,055,792	8,114,211
Equity securities	6,425,291	1,439,264
Exposures associated with a high level of risk	1,267	1,308
Institutions	3,683,852	4,490,975
Other elements	18,803,786	19,025,041
Retail	39,546,599	45,365,454
Multilateral development banks	-	-
International institutions	-	-
Public sector entities	-	-
Positions coming from securitization	-	-
Exposures towards institutions and companies with a short term credit assesment		
Guaranteed bonds	396,228	396,229
TOTAL	130,214,758	132,318,811

To determine the minimum capital requirements for operational risk, the Bank uses the basic approach. According to this approach, the minimum capital requirement as at 31.12.2021 is RON 24,513,469 (on individual basis) and respectively RON 26,187,953 (on consolidated basis).

The Bank does not calculate the countercyclical capital buffer established by art. 440 of the CRR.

RON Thousand
Individual
Consolidated
31.Dec.2021
31.Dec.2021

<i>Tier 1 capital</i>	287,725	282,954
Subscribed and paid-up share capital	311,533	311,533
Share premium	2,050	2,050
Merger premium	-67,569	
Reserves	58,499	-8,953
Retained earnings	18,354	5,214
Current year result	9,462	10,190
Intangible assets & Goodwill	-46,139	-46,862
IFRS9 Transitional approach filter allocation	6,860	7,516
Equities deductions	-7,592	
DTA deductions	0	
Minority interests	0	
Other prudential deductions	-638	-638
	0	
<i>Tier 2 capital</i>	82,327	83,522
Subordinated debt included in Tier 2 capital	83,522	83,522
(-) Subordinated loan	-1,195	
Total own funds	370,051	366,476

RON Thousand	31.Dec.21	31.Dec.20
Exposure value to credit risk	1,627,684	1,653,985
Exposure value to market risk, currency risk	-	-
Exposure value to operational risk	306,418	327,349
Exposure value to credit valuation adjustment (CVA)	4	4
Total Risk Exposure	1,934,106	1,981,338
Total capital requirement	154,729	158,507
Capital Adequacy Ratio	19.13%	18.50%

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 31.12.2021, based on the Bank's own Tier 1 funds - the transitional approach (RON 287,724,714) was of 7.54% on individual basis and respectively of 7.12% (RON 282,954,304) 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 (Thousand RON)	
Derivative financial instruments: initial exposure method*	227	227
Off balance sheet items with a credit conversion factor of 10% as per art. 429 para. (10) of CRR (EU Reg. 575/2013)**	27,392	27,392
Off balance sheet items with a credit conversion factor of 20 % as per art. 429 para. (10) of CRR (EU Reg. 575/2013)**	7,780	7,780
Off balance sheet items with a credit conversion factor of 50 % as per art. 429 para. (10) of CRR (EU Reg. 575/2013)**	14,466	14,697
Off balance sheet items with a credit conversion factor of 100 % as per art. 429 para. (10) of CRR (UE Reg. 575/2013)**	2,869	52,127

Other assets***	3,818,890	3,917,927
Deduction from assets (+)/(-) from Tier 1 own funds	-54,677	-46,862
Total exposure measurement indicator	3,816,948	3,973,289

*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	41,102,479	-	-	7,591,874.00	amount deducted from own funds
Intangible assets (including intangible assets in progress and goodwill)	86,354,204	40,215,654	46,138,550	46,138,550	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	11,393,708.00	-	-	.	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)	6,860,111

Consolidated:

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)	89,363,807	42,502,035	46,861,772	46,861,772	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)	7,516,276

Between 1.01.2021 – 31.01.2021, the value of the leverage effect was mainly influenced by the increase of the Tier 1 own funds and also by the increase of the Bank's assets.

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 2021.

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 31.12.2021 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

Annex 1

Statement of compliance with the principles of the Corporate Governance Code of the Bucharest Stock Exchange on 31.12.2021

Provision 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;	x		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 change of the remuneration policy should be published on the corporate website in a timely fashion.	x		The Bank has a remuneration policy, approved by the General Shareholders Meeting which includes the principles regarding the remuneration's level of the members of the Managing body and the policy for employees remuneration (including identified personnel) approved and periodically reviewed by the Board of Directors. In the Board of Directors Report the principles of the remunerations were included.
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	x		

	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:			
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 2021 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 specific communication policies and procedures, which include reporting on activities in the area of sustainability (environmental, personnel, human rights or anti-corruption measures for both members of the organization and those outside). Regarding the social responsibility directions, in 2021 the Bank became involved in actions in the fields: social, community development (entrepreneurial and agricultural) and the support of the NGO environment, 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 31.12.2021

SAI PATRIA ASSET MANAGEMENT SA
SURDU NICOLAE
FDI PATRIA GLOBAL
FDI PATRIA OBLIGATIUNI
FDI PATRIA STOCK
MERFEA BOGDAN
TETICI MARIAN
PATRIA CREDIT INSTITUTIE FINANCIARA NEBANCARA
VANCEA GRIGORE VALENTIN
PANESCU EUGEN DANIEL
PRODEA RAZVAN VASILE
ANDREICA STEFANIA RALUCA
BUMBAC ALEXANDRU-NICUSOR
EEAF FINANCIAL SERVICES BV
SAI GLOBINVEST SA
PASOL RAZVAN FLORIN
COJOCAR ADRIAN - IONUT
ROM WASTE SOLUTIONS SA
DUMITRU MINERVA
MANDA MIRELA
CONSTANTIN ADRIANA IOANA
MANAGERO-RECRUTARE ONLINE SRL
FDI PATRIA EURO OBLIGATIUNI
ELEFANT ONLINE SA
YILDIRAN SULEYMAN BURAK
MERFEA BOGDAN PERSOANA FIZICA AUTORIZAT
ROGOJANU LUCA VICTOR
MARIN ELENA DANIELA
CARPATICA INVEST SA
BARDASAN IOAN-DANIEL
SALAGEAN DANIEL
MATEESCU IOANA CATALINA
LAZAR CRISTINA
STEFAN GEORGETA GINA
QUATRO CONSULTING SRL
MS PROIECT CONSULTING SRL
STANCIULESCU GEORGIANA MIHAELA
ILIESCU DANIELA-ELENA
MANDA DRAGOS-HORIA
PAUNESCU CATALIN-NICOLAE
PRODEA CORALIA IUNIA
EMERGING EUROPE ACCESSION FUND COOPERATIEF U.A
AXXESS CAPITAL PARTNERS
SURDU MATEI
ACTFIN CONSULT SRL

DOMENIILE PRINCE MATEI SRL
VIA VITICOLA SRL
VITICOLA SARICA NICULITEL SRL
VALOREM MANAGEMENT CONSULTING S.R.L.
ROGOJANU MIOARA ROXANA
AGRO TOUR EXPERT SRL
BUSINESS FOREXPRT
VASILE IUGA
EUXINE CONSULTING SERVICES S.R.L.
ITM AMIRO S.A.
GREENCYCLE CONCEPT SRL
MARMOSIM S.A.
STAR ASSET HOLDINGS SRL
TEAM LANA PROPERTIES SRL
DOMA PARTNERS
THEDA STONE PAPER
COLECT'OR GLASS
MARMOSIM FACTORY S.RL
GASOIL EXPLORATION & PRODUCTION SRL
ION STURDZA
DAN STURZA
MOARA CORBEANCA COMMERCIAL CENTER SRL
EAD.RO
FIRST CAPITAL CONSULTING
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
INTERCAPITAL INVEST SA
FRONTEX INTERNATIONAL SERVICES EOOD (BULGARIA)
QUANTUM ADVISORS S.R.L
MERFEA ADVISING S.R.L
QUANTUM TELECOM SRL
MANDA ANDREI
IUGA CATALINA CORNELIA
STAR ACCESSION B.V. (OLANDA)
IUGA RUXANDRA
ILIESCU BOGDAN
VANCEA MIHAELA
OZGE ULUSAY YILDIRAN
STAR STORAGE SA
SEAKORN UK LLP
SINGULARITY SOFTWARE S.R.L.
ION STURZA
SERGIU CHIRCA

MARIUS AUREL GHENEA
DAN ANATOLEVICI VIDRASCU
VALENTIN ROMEO TABUS
CIPRIAN IVASIUC
EUGENIA VASILIU
ROM WASTE SOLUTIONS NETHERLANDS B.V. (OLANDA)
VASILIU EUGENIA PERSOANA FIZICA AUTORIZATA
LILIYA DIMITROVA
STEFAN BOYADZHIEV
KALINA IVANOVA
MIHAI BULIGA
WALTER GHE. BLAJ
ILIE BITA CENAN
LAURA STANCA SILAGHI
ALEXANDRA-MONICA MIRON
GABRIELA MIRELA GÎRBA
OLIF B.V.
LOREDANA HANDARIC
DANIEL MANGE
ACTFIN ADVISORS SRL
SIMPLYS TECH SRL
SC CELINA PRODCOM SRL
STAR LUBRICANTS SRL
TOPINVEST SRL
SC M ROL CONSULT SRL
PETRE SILVIA-GABRIELA
VIDEANU ANDREI VALENTIN
KMG CONSULT S.R.L.
GPS CONTAB S.R.L.
THEDA MAR S.A.
VIVANDY MANAGEMENT SRL
RECICLAD'OR S.A.
BIT DEFENTER BV
SURDU EUGENIA
VINTRUVIAN ESTATES SRL
VANCEA ALEXANDRA
VANCEA ANDREI
PRICEWATERHOUSECOOPERS AUDIT SRL
PRICEWATERHOUSECOOPERS MANAGEMENT CONSULTANTS SRL
PRICEWATERHOUSECOOPERS SERVICII SRL
PRICEWATERHOUSECOOPERS TAX SERVICES S.R.L.
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 31.12.2021, the individual/consolidated risk profile of the Bank was as follows:

Risk category	Individual level		Consolidated level		Expected risk appetite
	Risk score@ December'21	Risk profile@ December'21	Risk score@ December'21	Risk profile@ December'21	
Credit risk	1.73	Medium -Low	1.64	Medium -Low	Medium Low - Medium High
Market risk	0.46	Low	0.47	Low	Low- Medium
Operational risk	2.13	Medium	2.13	Medium	Medium Low - Medium High
Residual risk	1.21	Medium -Low	1.22	Medium -Low	Low- Medium
Currency credit risk related to debtors exposed to currency risk	1.95	Medium -Low	1.79	Medium -Low	Medium Low - Medium High
IRRBB	2.59	Medium	2.88	Medium	Low- Medium
Concentration risk	2.00	Medium	2.09	Medium	Medium Low - Medium High
Strategic risk	2.85	Medium	2.84	Medium	Medium Low - Medium High
Reputational risk	1.23	Medium -Low	1.23	Medium -Low	Low- Medium
Overall risk profile	1.81	Medium -Low	1.76	Medium -Low	Medium Low - Medium High
Compliance risk					
Compliance risk	2.07	Medium	2.07	Medium	Medium Low - Medium High
Liquidity risk					
Liquidity risk	1.76	Medium -Low	1.90	Medium -Low	Medium Low - Medium High
Leverage risk					
Leverage effect related risk	0.00	Low	0.52	Low	Low- Medium

The Bank frames within the risk profile degree, set for the year 2021, during the whole year.

Regarding the developing of the ICAAP process, on 31.12.2021, the Bank reports the following key indicators: Internal capital in amount of RON 366,476 Thousand at consolidated level, respectively RON 370,051Thousand at individual level.

Required internal capital RON 204,484 Thousand at consolidated level, respectively RON 190,090 Thousand at individual level, out of which:

- 81%/81.7% at consolidated / individual level related to the credit risk and other associated risks (including country risk, concentration risk, FX lending, residual risk);
- 13.1%/12.7% at consolidated/individual level related to the operational risk;
- 0.3%/ 0.4% at consolidated/individual level related to the market risk;
- 2.9% at consolidated level, respectively 2.6% at individual level related to the interest rate risk outside the trading portfolio;
- 2.7% at consolidated level, respectively 2.6% at individual level related to other risk categories addressed in the internal capital adequacy to risks assessment process (ICAAP).

Whereas the ratio between the value of the internal capital (in the amount of RON 366 Million at consolidated level, respectively RON 370 Million at individual level) and the internal capital requirement (in the total amount of RON 204 Million at consolidated level, respectively RON 190 Million at individual level) divided by 8 %, is higher than the value communicated by the National Bank of Romania of the value of the TSCR rate (representing the SREP capital requirement), during the whole year 2021, as well as on December 31, 2021, Patria Bank SA had an adequate level of internal capital to cover the 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 31.12.2021 and certify that, to my knowledge:

- a) The accounting policies used to prepare the individual and consolidated annual financial statements as at 31.12.2021 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 31.12.2021 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 2021 it has observed the established limits. Also throughout the year 2021, 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	Score	Risk profile								
		Low		Medium - Low		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%	0.00	1.00	1.01	2.00	2.01	3.00	3.01	4.00	>4.01%

Risk category	Ratio	Weight	Threshold and risk degree								
			Low		Medium-Low		Medium		Medium-High		High
			0	1	1.01	2	2.01	3	3.01	4	4.01 -6.00
Liquidity risk											
RL1	Financing risk	50.00%	0	1	1.01	2	2.01	3	3.01	4	>4.01
RL1RF1	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%
RL1RF2	Customer deposits in total debt	25.00%	100.00%	90.00%	89.99%	80.00%	79.99%	70.00%	69.99%	60.00%	<60%
RL1RF3	Loan to Deposit Ration RON	25.00%	0.00%	60.00%	60.01%	70.00%	70.01%	85.00%	85.01%	100.00%	>100%
RL1RF4	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%
RL2	Liquidity risk	50.00%	-	1	1.01	2	2.01	3	3.01	4	>4.01%
RL2RL1	LCR	20.00%	>500.00%	240.00%	239.99%	200.00%	199.99%	140.00%	139.99%	100.00%	<100
RL2RL2	LCR RON	35.00%	>200.00%	180.00%	179.99%	150.00%	149.99%	120.00%	119.99%	100.00%	<100
RL2RL3	Immediate liquidity	35.00%	60.00%	45.00%	44.99%	40.00%	39.99%	35.00%	34.99%	30.00%	<30%
RL2RL4	NBR Liquidity ratio (the lowest value on all due dates)	10.00%	2.5	1.7	1.69	1.4	1.39	1.25	1.24	1.1	1.1

Status of risk profile ratios at individual/consolidated level as at 31.12.2021:

Risk category	Ratio	Weight	Individual level		Consolidated level		Threshold and risk degree								
			Profile @ december 2021		Profile @ december 2021		Low		Medium-Low		Medium		Medium-High		High
			Score	Level of the Ratio	Score	Level of the ratio	0	1	1.01	2	2.01	3	3.01	4	4.01-6.00
Liquidity risk															
Liquidity risk profile			1.76	Medium-Low	1.90	Medium-Low									
RL1	Financing risk	50.00%	1.38	Medium-Low	1.56	Medium-Low	0	1	1.01	2	2.01	3	3.01	4	>4.01
RL1RF1	Assets encumbered in total assets	25.00%	-	0.00%	-	0.00%	0.00%	1.00%	1.01%	2.00%	2.01%	3.00%	3.01%	4.00%	>4.01%
RL1RF2	Customer deposits in total debt	25.00%	0.50	94.99%	0.80	91.98%	100.00%	90.00%	89.99%	80.00%	79.99%	70.00%	69.99%	60.00%	<60%
RL1RF3	Loan to Deposit Ration RON	25.00%	2.14	72.08%	2.57	78.51%	0.00%	60.00%	60.01%	70.00%	70.01%	85.00%	85.01%	100.00%	>100%
RL1RF4	Top 10 depositors in total funds attracted from non-bank clients	25.00%	2.89	14.44%	2.89	14.44%	0.00%	5.00%	5.01%	10.00%	10.01%	15.00%	15.01%	20.00%	>20%
RL2	Liquidity Risk	50.00%	2.14	Medium	2.23	Medium	-	1	1.01	2	2.01	3	3.01	4	>4.01%
RL2RL1	LCR	20.00%	2.38	177.00%	2.47	171.50%	>500.00%	240.00%	239.99%	200.00%	199.99%	140.00%	139.99%	100.00%	<100
RL2RL2	LCR RON	35.00%	2.24	142.92%	2.43	137.05%	>200.00%	180.00%	179.99%	150.00%	149.99%	120.00%	119.99%	100.00%	<100
RL2RL3	Immediate Liquidity	35.00%	2.52	37.40%	2.52	37.40%	60.00%	45.00%	44.99%	40.00%	39.99%	35.00%	34.99%	30.00%	<30%
RL2RL4	NBR Liquidity ratio (the lowest value on all due dates)	10.00%	-	2.55	-	2.55	2.5	1.7	1.69	1.4	1.39	1.25	1.24	1.1	1.1

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 2021	30 June 2021	30 September 2021	31 December 2021
LIQUIDITY RESERVE	883,832	894,261	924,352	990,555
TOTAL NET CASH OUTPUT	423,628	484,944	553,331	575,999
LIQUIDITY COVERAGE RATIO (%)	199.08%	160.15%	149.24%	177.00%

Area of consolidation (individual)

Currency and Units (RON million)

ENDING QUARTER (DD MONTH YEAR)	31 March 2021	30 June 2021	30 September 2021	31 December 2021
LIQUIDITY RESERVE	883,832	894,261	924,352	990,555
TOTAL NET CASH OUTPUT	429,718	491,953	568,120	590,718
LIQUIDITY COVERAGE RATIO (%)	195.75%	158.14%	146.21%	171.50%

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 2018 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 2021, the Group's Tier 1 capital amounted to RON 282,954 Thousand (2020: RON 290,715 Thousand) and the Bank's CET1 amounted to RON 287,725 Thousand (2020: RON 298,808 Thousand).

Tier 2 Capital

The Group's Tier 2 capital after deductions amounted to RON 83,522 Thousand (2020: RON 83,938 Thousand), mainly consisting of subordinated loans and subordinated bonds.

The Bank's Tier 2 capital after deductions amounted to RON 82,327 Thousand (2020: RON 82.743 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 2021) calculated in accordance with and permitted by EU Regulation 2017/2395. On December 31, 2021, the amount after tax and the 1 factor is of RON 6,860,111.

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, 2021, the Group's subsidiaries are Patria Credit IFN SA, SAI Patria Asset Management SA together with the managed investment funds: Patria Stock, Patria Global, Patria Obligatiuni, Patria EURO Obligatiuni and ETF BET Patria-Tradeville) and Carpatica Invest SA - in dissolution.

All of the bank's subsidiaries presented above, including the five investment funds managed by SAI Patria Asset Management SA were included in the accounting consolidation perimeter of the consolidated financial statements for 2021, the only subsidiary excluded from the consolidation perimeter being 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, Financial Supervision Authority decided to suspend, for a period of 90 days, the authorization for the operation of 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 19.99% 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 5 investment funds managed (Patria Stock, Patria Global, Patria Obligiuni, Patria EURO Obligiuni and ETF BET Patria-Tradeville)

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 SA 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, 2021, Patria Bank SA (individual level) recorded a level of the total own funds rate of 19.13% over the TSCR limit (11.35%) and over the OCR minimum level of 13.85% (TSCR plus 2.5% capital conservation buffer).

As at December 31, 2021, the Patria Bank Group (consolidated level) recorded a level of the total own funds rate of 18.50% over the TSCR limit (11,41%) and over the OCR minimum level of 14.91% (TSCR 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 31.12.2021.

The Bank's own funds as at 31 December 2021 amounted to RON 370,051 Thousand (2020: RON 381,551 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		
BALANCE SHEET ITEMS	Accounting value (FINREP)	Value included in Own Funds	Accounting value Financial Statements (accounting consolidation)	Accounting value FINREP (prudential consolidation)	Value included in Own Funds
Paid-in share capital	313,778,056	313,778,056	312,644,296	313,778,056	313,778,056
	0	-1,087,201	0	0	-1,087,201
Share premiums	2,049,596	2,049,596	2,049,596	2,049,596	2,049,596
Reserve from the revaluation of tangible assets included in Common Equity Tier 1 (CET1)	37,948,624	37,948,624	39,660,167	37,948,624	37,948,624
Reserve related to the available financial assets for sale included in CET1	-5,839,926	-5,839,926	-5,839,926	-5,839,926	-5,839,926
Retained earnings	18,354,465	18,354,465	3,651,907	5,214,458	5,214,458
Other reserves	-39,368,000	-39,368,000	-39,251,549	-39,251,550	-39,251,550
Profit or (-) loss related to the financial year Intangible assets deducted from CET1	9,461,645	9,461,645	9,887,043	10,189,974	10,189,974
Intangible assets deducted from CET1	-46,138,550	-46,138,550	-47,004,686	-46,861,772	-46,861,772
Items deductible from CET1		-7,591,873			0
Eligible deductions from Additional Tier 1 capital (AT1) that exceeds the institution's AT1		0			0
Value adjustments due to prudent valuation requirements		-702,233			-702,233
Other transitorial adjustments related to CET1		6,860,111			7,516,278
Total Common Equity Tier 1 (CET1)		287,724,714			282,954,304
Intangible assets deducted from Additional Tier 1 (AT1)					
Provisions prudential filter (50%)					
Eligible deductions exceeding the institution's Additional Tier 1 (AT1)					
Total Additional Tier 1 capital (AT1) Total Tier 1 Equity	0	0	0	0	0
Total Tier 1 Equity		287,724,714			282,954,304
Tier 2 capital items:					
Paid capital instruments and subordinated loans	83,521,579	83,521,579	83,521,579	83,521,579	83,521,579
(-) 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
Additional deductions and prudential filters		0			0
Excess of deductions from Tier 2 capital		0			0
Total Tier 2 capital		82,326,539			83,521,579
Total Own Funds		370,051,253			366,475,883

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		
		GROUP	BANK	
1	Capital instruments and the related share premium accounts	314,740,452	314,740,452	Art. 26 (1), art. 27, 28, 29, ABE list from art 26 (3)
	of which: instrument type 1	312,690,856	312,690,856	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	5,214,458	18,354,465	Art 26 (1) letter (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-7,142,851	-7,259,302	Art 26 (1)
3a	Funds for general banking risk	0	0	Art 26 (1) letter (f)
4	Amount of eligible items referred to in Article 484 (3) and related issue premium accounts subject to phasing-out of basic Tier 1 own funds	0	0	Art 486 (2)
	Public sector capital injections that benefit from maintaining the rights obtained until January 1, 2018	0	0	Art 483 (2)
5	Minority interests (amount that can be included in consolidated basic tier 1 equity)	0	0	Art 84, 479, 480
	Interim profits independently checked, after deducting any foreseeable obligations or dividends	10,189,974	9,461,645	Art 26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	323,002,033	335,297,260	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative value)	0	0	Art 34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-46,861,772	-46,138,550	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	-7,591,874	Art 36 (1) letter (i), art 43, 45, 47, art 48 (1) letter (b), art 49 (1) - (3), art 79, 470, art 472 (11)
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	-702,233	-702,233	
	Other transitional adjustments related to CET1	7,516,276	6,860,111	
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	-40,047,729	-47,572,546	
29	Common Equity Tier 1 (CET1) capital	282,954,304	287,724,714	
Additional Tier1 (AT1) capital: instruments				
45	Tier 1 capital (T1 = CET1 + AT1)	282,954,304	287,724,714	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct or indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	83,521,579	83,521,579	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	-1,195,040	Art 66 letter (d), art 69, 79, art 477 (4)
57	Total regulatory adjustments to Tier 2 (T2) capital	83,521,579	82,326,539	
58	Tier 2 (T2) capital	83,521,579	82,326,539	
59	Total capital (TC = T1 + T2)	366,475,883	370,051,253	
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)	6,829,512	6,233,308	
	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)	28,721,206	52,749,139	
	1. deferred tax liabilities that are based on future profitability, excluding related tax obligations	12,295,915	11,393,708	
	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	12,509,783	12,509,783	
	4 own common Tier 1 instruments of the entities in the financial sector in which the institution has a significant investment in those entities	3,915,508	28,845,648	
60	Total risk weighted assets	1,981,338,169	1,934,106,469	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of the risk exposure value)	14.28%	14.88%	Art 92 (2) letter (a), art 465
62	Tier 1 (as a percentage of the risk exposure value)	14.28%	14.88%	Art 92 (2) letter (b), art 465
63	Total capital (as a percentage of the risk total exposure value)	18.50%	19.13%	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%		
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)	12,509,783	12,509,783	Art 36 (1) letter (h), 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 CET 1 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)	3,915,508	28,845,648	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)	12,295,915	11,393,708	Art 36 (1) letter (c), art 38, 48, 470, art 472 (5)

DRAGOS HORIA MANDA
CHAIRMAN OF THE BOARD OF DIRECTORS

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. Patria Bank 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 31.12.2021 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 5 investment funds managed - Patria Stock, Patria Global, Patria Obligatiuni, Patria Euro Obligatiuni and ETF BET Patria -Tradeville. 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 2021 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 2021, 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 31.12.2021, the Bank served a number of 115,570 customers (approximately 2.26% less than the previous year) through 599 active employees
- During 2021, the Bank granted the following financing: for the *low mass market* customers a number of 881 credits, representing a cumulative value of RON 24 Million (EUR 4.9 Million) increased with approximately 4.7% compared with the previous year recorded volume. For micro-enterprises a number of 2,655 credits were granted, representing a cumulative value of RON 260 million (EUR 53 million), decreasing with 40% 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. The Patria Bank Group will continue its efforts to maintain and improve these standards.
- 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 2021 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 2021 Patria Bank SA had 599 active employees, of which 414 women and 170 men, Patria Credit IFN SA had a number of 114 active employees, of which 70 women and 44 men and SAI Patria Asset Management SA had a number of 7 active employees, of which 2 women and 5 men
- In total, the investments of Patria Bank SA for the community amounted to about EUR 92,000 in 2021 and were focused on three main directions: educational projects and support for entrepreneurs in basic agriculture, social and 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 2021, which is available on the Bank's website www.patriabank.ro.

DRAGOS HORIA MANDA
CHAIRMAN OF THE BOARD OF DIRECTORS

SUSTAINABLE PATRIA

Patria Bank Group Sustainability Report 2021

Contents:

- 1. The Company**
- 2. The Customers**
- 3. Patria People**
- 4. The Community**
- 5. The Context**

Statement of the General Manager

Dear friends,

2021 was the year of the “*new normal*”, still atypical, considering the pandemic context, but with much more hope and optimism that things are going in a positive direction. For us, at Patria Bank, it was another year of growth, with a trained, resilient and highly adaptive team.



Together as a team and with our customers, we managed to become more and more digital and closer to our customers through new channels that provide access to our banking services remotely. We continued to be by the side of Romanian entrepreneurs and to serve them as well as we can, with attention, care and a good understanding of their business.

By developing the *Patria de Oriunde (Patria Everywhere)* platform, we have opened the next chapter of our strategy. The platform complements our national distribution channel and it will help us accelerate our growth. We want to use it as an enhancer of people’s mobility, in order to reach our customers and keep up with them rather than wait for them to reach us. We strive to use this platform in our branches as well, in order to improve our processes and cut down the paper waste. We also see it as an opportunity to educate our customers for the new digital world. This is the main change in our strategy, to use internally and externally several of these digital channels in order to accelerate the activity of the bank.

Especially nowadays, any growth must be long-lasting, otherwise we cannot create a success story in any industry. So, what we are doing now is focusing on developing a sustainable business model. In order to develop this sustainable model, we need all the stakeholders of our organization to be involved, satisfied and close to us. We already see improvements in this regard and we make efforts to achieve this ambitious goal.

Burak Yildiran, General Manager, Patria Bank

Introduction

In all the aspects of our activity in the Patria Bank Group, we promote and support a sustainable, responsible and transparent behavior, 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, the bank strategy and its 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 meant to simplify the way we interact, we promote an ethical and responsible behavior among the employees and we choose our business partners responsibly.

Context: We include here our attention to the environment and the market on 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 of the responsible use of resources.

In regards to the market on 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 the customers. In this respect, we are actively involved in banking associations and banking industry projects.



CHAPTER I. 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), Agribusinesses, SMEs and Corporate.

About Patria Bank

Patria Bank SA is a joint stock company, managed in a unitary system, authorized as a lending institution to carry out banking activities in Romania. The Bank carries out banking operations and provides other financial services to retail and corporate customers. It has a market share of less than 1% (by assets).

The Bank activity takes place at its registered office located at 42 Pipera Road, Globalworth Plaza, Floors 8 and 10, sector 2, Bucharest, 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 symbol also changed from BCC to PBK.

2021 in Figures and Actions

For the third consecutive year, Patria Bank reported a profit and managed to consolidate its profitability through a significant increase of its net profit from RON 2.8 million in 2020 to RON 9.5 million in 2021. This evolution was supported by the increase of the balance sheet (total assets) by 12% (+ RON 396 million) as compared to 2020, which was achieved by the annual increase of both gross loans by 13% and customer deposits by 14%.

The current results represent the sum of the strategic development decisions the Bank has implemented. They materialize in the following financial benchmarks reached in 2021:

- **New loans worth over RON 1,087 million granted** in 2021, the highest annual value since 2017, which led to an increase in the portfolio of performing loans by 16%, that is + RON 277 million as compared to December 2020.
- **Increase of total assets by 12% (+ RON 396 million)** by increasing the loan portfolio (net value) by 14% (+251 RON million) as compared to the previous year. This evolution was supported by an increase in deposits and current accounts by 14% (+ RON 410 million) as compared to 2020.
- **Growth of net operational income by 7% (+ RON 11 million)** at a faster pace than the evolution of operational expenses, which increased in 2021 by only 3% (+ RON 3.4 million) as compared to the previous year. This has led to a reduction of the Expenditure/Income Ratio from 81% in 2020 to 77% in 2021.
- **The net result obtained in Q4 2021 registered an increase by RON 1.1 million as compared to that of Q3 2021 and by RON 5.4 million as compared to that of Q4 2020.**
- **Reduction of the Non-Performing Exposure Rate (NPE) from 10.3% in 2020 to 7.9% in 2021.** Among others, this is the result of carrying out *write-off* operations and transferring non-performing loans, while maintaining a prudent approach in regards to supply/risk cost models.

The 2021 financial results show an improvement of the level of profitability generated by the sustainable growth of the net operating income in line with the expansion of the balance sheet assets, as well as the increase in the quality of the loan portfolio by reducing the Non-Performing Exposure Rate by 246 pp. The 2021 net result in the amount of + RON 9.5 million represents a 20% increase as compared to the budgeted amount for the year, of RON +7.9 million.

From a commercial standpoint, the Bank continued to be an active player on the segments of legal entities representative for its activity (SMEs and Corporate, Microenterprises and Agribusinesses). It continued to target both urban areas (through its branches) and rural areas through its mobile sales force and dedicated collection, as well as through an excellent collaboration with the branches of Patria Credit IFN, a member of the Patria Group.

The evolution of the balance of performing loans (stages 1 and 2 according to IFRS 9) shows a **16% increase, + RON 277 million as compared to December 2020**. The increase in the balance of performing loans was registered on all lines of activity of the Bank, and the

most rapid growth trend was on the secured Retail (+ 24%) and SME & Corporate (+ 21%) segments.

In 2021, lending generated new loans of approximately RON **1.1 billion, which represented a 32% increase as compared to 2020**, with a superior growth in the SME & Corporate, secured Retail and Micro-lending areas.

The Bank has accelerated its growth on the **Retail** segment, mainly in urban areas, by optimizing the flow of consumer loans (automated decision and implementation of a pricing methodology), launching a new product, Consumer Loan for Refinancing Only (for a period of seven years), and especially through an increase on the mortgage segment. In 2021, the Bank **registered an increase of over 39% in newly granted retail loans**, with a stronger increase **on the secured loans segment (+53%)**. In 2021, the Retail area saw an acceleration both in the lending activity and the improvement of its range of products, processes, flows and systems, which led to an increase in the balance of Retail loans by 10% as compared to the previous year.

In the pandemic context in 2021, Patria Bank adjusted and improved a number of aspects of the interaction with its customer by creating new flows and products, which should meet the need for remote service. The Bank continued to provide high levels of services through its branch network, which remained open during the Covid-19 pandemic.

Patria Bank continued the series of transformations of traditional banking towards solutions developed around new technologies – the development of internet banking/mobile banking services, contactless payments and solutions that will be launched in 2022: granting loans online, delivery of the debit card by courier to the customers' home address/residence, updating personal data online for retail customers, instant payments through mobile banking, launch of the direct debit service, biometric authentication and authorization of Mobile Banking transactions (fingerprint, facial identification) and signing of contracts and related documents using a qualified electronic signature. All the products Patria Bank launched in 2021 are tailored to the current atypical context. The mortgage with solutions for space optimization and the mortgage with no down payment (no cash down payment) meet the growing need for extra space of the customers, particularly those who live in cities and work remotely (teleworking).

In 2021 Patria Bank continued to support vulnerable economic sub-sectors and play the major roles it undertook since the outbreak of the Covid-19 pandemic by:

- **Supporting individual and legal entity debtors** affected by the COVID-19 pandemic (by implementing debt deferral or restructuring, as needed, and by providing financing to bridge the temporary liquidity gap)
- Role of **active financier of the entrepreneurs** (in industries unaffected by the pandemic and on markets on which the COVID-19 pandemic has generated development opportunities) and individuals (especially for real estate purchases)
- Enhancing **local and international guarantee instruments**. The Bank accelerated the lending process also by constantly increasing the number of new customers, in an

appropriate risk environment. The Bank plays an active role in the SME Invest, SME Factor and Agro SME Invest programs.

- **Continuous and permanent provision of banking services to its customers** through:
 - the permanent operation of the branches and ATM networks
 - the development of remote service/operation channels. At the end of July 2021 we launched the **Patria de Oriunde (Patria Everywhere) digital channel, the new Patria Bank „virtual branch”**, in which Retail customers can request non-lending financial products (such as current accounts, current account packages, cards, Internet & Mobile banking and deposits) through a **100% online procedure**.
- **Encouraging the use of the Internet Banking platform.** In 2021, the number of transactions performed on the platform increased by 22% as compared to 2020.

Patria Bank will continue to remain in the near future a network bank, but with an increasingly significant online presence and an increasingly advanced technology that will allow it to grow its digital products portfolio gradually. The Bank will continue to expand and grow its operations by partnering with brokers, online or offline retail networks, and financial service providers.

In 2021, a distinct goal of the Bank was related to the acceleration of **digitalization and financial education programs** for customers and more specifically:

- Further development of the Bank's Internet & Mobile Banking Platform, Patria Online, with new digital customer options in the interactions with the Bank (the platform is available at <https://www.patriabank.ro/noua-platforma-patria-online>)
- As of December 31, 2021, Patria Online posted an increase of over 95% in the number of users as compared to the same period of the previous year and the total number of transactions made by the customers through the platform saw an increase of approximately 22% in the same period.
- As of December 2021, Patria Online posted a 130% increase in the number of retail customers using Internet & Mobile Banking and a 51% increase in the number of corporate customers using Internet Banking as compared to the end of 2020 and the total number of transactions made by customers through the platform increased by approximately 29% for retail and 21% for corporate customers during the same period.
- Continuous promotion of Retail current account packages with a significant digital component and optimized costs for the customers
- Equipping the Bank customers with approximately 40,000 products that facilitate remote transactions/information (Internet & Mobile Banking Service, SMS Alert Service, Cards and transaction packages)
- Implementation of digitalization projects such as : biometric authentication for online payments by card, implementation of biometric methods (fingerprint /facial recognition) for authentication and authorization of transactions as part of the Retail Mobile Banking service, provision of the option of instant payment to the participant banks, as part of the Retail Internet & Mobile Banking and Corporate Internet Banking services, as well as instant receipts from the participant banks, Customer Online Onboarding (starting the business relation with the bank online and providing

new products and services. By the end of 2021, this channel brought 82% of the new customers who had deposits, which represent approximately 50% of the volume of new deposits opened by new customers in the Retail segment, as compared to the traditional channel, the Patria Bank branches in the country);

- Continuation of the project aimed at equipping the branches with multifunctional machines, as well as the creation of self-service areas in the branches that will be included in the program;
- Accelerated continuation of the digitalization projects: Digital Lending, online updating of retail customer data, as well as expansion of the online card-related services, Mobile Banking for Corporate Customers;
- Continuation of the technologization project of traditional commercial spaces, such as the "POS at the Market" project, which included 80 POS terminals installed in farmers' markets by the end of 2021. In total, the number of transactions increased by 23% and the volumes traded through POS terminals by 32% in 2021 as compared to 2020.
- Development of the Patria Bank Blog with additional components of financial education for customers and potential customers.

Operational and IT Achievements

In terms of business operations, the Bank continued to develop products and applications that support remote interaction with customers, in accordance with the objectives set in the 2021 Action Plan and Budget. The Bank prioritized completing the implementation of innovative solutions in terms of providing online services quickly and securely to its customers.

During 2021, the Bank implemented the following projects with an impact on the commercial area:

- Implementation of the *Strong Customer Authentication* (SCA) facility that allows customers to access online services easily and securely and to make transactions on all digital channels while having access also to the biometric 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.
- Foreclosure Module - development and implementation of a CRM application that allows *end-to-end* management of flows in the field of bad debt recovery.
- At the end of July 2021, we launched the Patria de Oriunde (Patria Everywhere) digital channel, our new "virtual branch", in which individuals who want to become Patria Bank customers can request exclusively online non-lending financial products (e.g., current account and current account packages, cards and Internet & Mobile banking, deposits, etc.).
- At the end of July 2021, we launched the option of transaction authentication and authorization through biometric methods. This facility is embedded with the Retail Mobile

Banking service and ensures compliance with the current security standards and a user experience in accordance with modern technology practices.

- Since July 2021, we have provided to the customers using the Retail Internet Banking service a new Personal Finance Manager module, through which they can organize and view their budget according to their own rules. Thus, they can optimize their revenues and spending in a simple and intuitive manner.
- Since July 2021, Patria Bank has made available to its corporate customers a new access channel, PATRIA SMART API, through which it provides them with information about the transactions made in their accounts, through an automated service, called by an API web service.
- Since November 2021, the Bank has implemented a new dedicated asset management module in the Patria Online Internet Banking application. Thus, Patria Bank customers have received access through internet banking to information about the Patria Asset Management funds: presentation, indicators regarding the size of the funds, performance, investment structure and the graph of the evolution of the value of the fund units. Additionally, Patria Asset Management investors have access to their own portfolio and transactions with fund units through the same dedicated module of the Internet Banking application.
- In December 2021, we introduced a new payment option through the **Instant Payment** facility, a secure and extremely fast method by which payments to participating banks are processed in maximum ten seconds and which we made available through all Patria Online Internet and Mobile Banking platforms. The facility also allows for instant receipts in RON from the participating banks.

This way, Patria Bank has become the sixth bank in Romania to offer this service to its customers. This method is the optimal choice for high priority payments or receipts, which need to immediately reach beneficiaries holding accounts open with any of the banks that participate in this payment scheme.

In the next time period, in view of continuing the optimization and digitalization processes which the Bank uses to offer customers the possibility of accessing remote services and later to make transactions and use them, the Bank will start the following projects:

- Improvement/optimization of the processes of issuing, re-issuing and delivering the card and PIN code: eliminating the interaction with customers in the branches, through the delivery of the inactivated card to the customer's home and sending the PIN code via SMS or to their home.
- Business process re-engineering for the Retail segment and all the business lines targeting legal entities (Agro, Micro, SME/Corporate). The main purpose of the initiatives included in this project is to optimize and/or automate the identified processes in order to streamline flows, both in relation to the customers and between the Bank's structures, as well as to significantly reduce the operational risk associated with the processes.

About Patria Credit IFN SA

Patria Credit IFN is a non-banking financial institution registered in Romania on February 12, 2004. It is authorized by the National Bank of Romania (NBR) to carry out lending activities and registered in the General Register and the Special Register of Non-Banking Financial Institutions managed by NBR.

In 2021 Patria Credit IFN SA maintained its upward trend and developed the balance of its loan portfolio to the equivalent of RON 131.62 million, up 34% as compared to the end of 2020, despite the unfavorable economic situation caused by the COVID-19 pandemic.

The volume of new loans granted in 2021 was RON 85.6 million, up 39% as compared to 2020 and it was the result of improving the efficiency of sales in the branches through various internal projects to improve processes, flows, and products.

In 2021, Patria Credit received support from the European Union and the European Fund for Strategic Investments (EFSI) and accessed an EaSI guarantee ceiling in order to facilitate its customers' access to potential financing of up to RON 120.000, without down payment or collateral. It targets small entrepreneurs in rural areas, who carry out farming and non-farming activities, regardless of their type of incorporation (for example farmers, self-employed persons, sole entrepreneurs, family businesses, limited liability companies, etc.), through the Employment and Social Innovation Program – EaSI. The main advantage of this product is the lack of collateral typically required to guarantee the borrowed amount. 80% of it is provided by the European guarantee. This feature has led to an increase in the volume of sales and number of new customers. This guarantee ceiling was fully used by October 2021 and as of December 31, 2021 the balance of the EaSI secured loan portfolio was RON 74.3 million. The continuation of marketing activities aimed especially at improving the brand capital both domestically and internationally played an important role in the commercial activities Patria Credit IFN SA carried out in 2021. In this respect, the company enjoyed a good positioning as it is one of the biggest players specialized in lending to small farmers and micro-enterprises, with an experience of over 15 years.

In 2021 the company continued its current activity focused on microfinance, with an extensive network of branches in rural areas and small towns, which serve mainly farmers with limited access to banking services from a financial point of view, but also geographically.

The typical Patria Credit IFN SA customer is a vegetable grower, who lives in rural areas and takes a loan of between RON 20 and 120 thousand, which they allocate for investment. He/she grows vegetables on a small plot of land of less than 50 ha, and has an annual turnover of less than RON 200 thousand. Most of the time, this is his/her first relationship with a financial institution, because of the lack of collateral or access to the typical bank loan. Approximately 64% of the customers are from Muntenia, 24% from Moldova, 9% from Transylvania and only 3% from Dobrogea. 87% of the customers are individual agricultural producers, and of these, 3.5% are incorporated (they have a company – self-employed, family business or LLC), whereas 13% are micro-enterprises that operate in fields other than farming.

Of the farmers who took a loan last year, more than half (51%) grow vegetables. Animal breeders (23%) come second, followed by cereal producers (21%). 3% of the customers own mixed farms and 2% deal with fruit growing or other types of fruits. In 2021, most of the Patria Credit IFN SA customers, 34% of them, accessed loans amounting between RON 25 and 75 thousand, 13% took loans under RON 25 thousand, 30% of them needed amounts between RON 75 and 125 thousand, and another 23% took loans in amount of over RON 125 thousand.

In regard to credit risk, the company maintained a prudent policy appropriate for its risk profile. In 2021, Patria Credit IFN SA recorded an annual cost of risk of -0,25%, which represents a potential income from the regularization of provisions, down by 68% as compared to 2020, calculated as a ratio between the level of expenses / income from credit provisions and average portfolio.

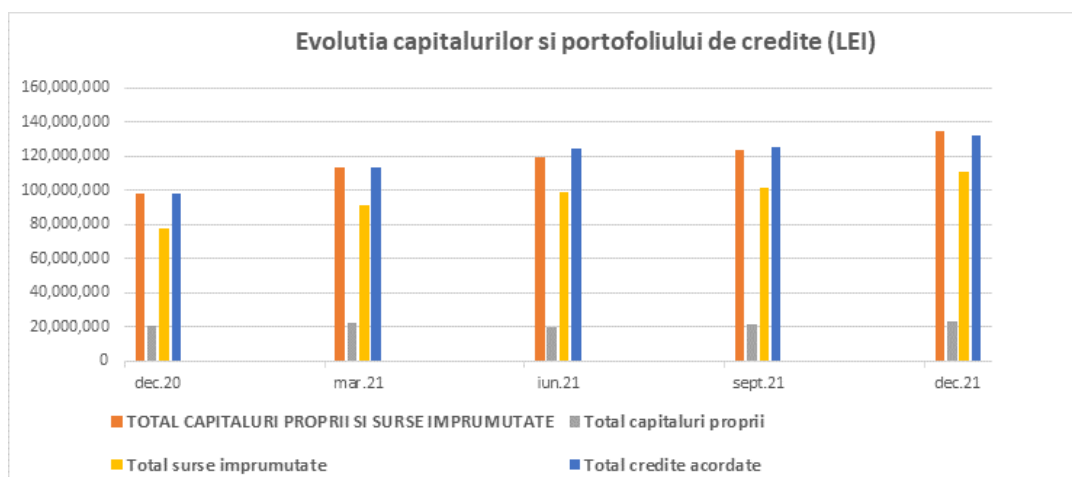
During 2021, the company implemented the following projects:

- Selection of the offer, signing of the contract and start of the purchasing of a provision calculation platform in compliance with the IFRS 9 standard, necessary for the automated calculation of the provisions according to the IFRS 9 standard, in compliance with the current regulations;
- Start of the IT Operational Improvement and Digitalization / Change of IT Systems Architecture project, in two stages: analysis of the optimization needs of the utilized software applications and process of selection of a software provider for a new application
- Expansion of the Patria Credit network by opening offices in Tulcea and Botosani
- The election of the Patria Credit CEO, Raluca Andreica, in the Board of Directors of the European Microfinance Network for the next three years
- Conducting a campaign to promote lending products on the occasion of the Microfinance Day. All the loans requested between October 18 and 22, 2021, which are part of this campaign, are provided with no granting commission.
- Approval by the European Investment Fund (FEI) of a new EaSI guarantee ceiling (at the end of 2021), which facilitated the continuation of providing the customers with loans in amount up to RON 120,000, without down payment or collateral, through the Employment and Social Innovation – EaSI Program;
- Patria Credit became the main partner of the Foundation for the Development of Agriculture (Carrefour Group)
- Joining the farming education project titled “Proud to Be a Farmer” initiated by World Vision Romania and supporting promotional activities and attracting students to become future farmers, by providing assistance to develop educational content for high school students and not only
- Participation in a consortium of three partners – ADV Romania (Alaturi de voi ONG – “With You” NGO), Patria Credit SA – IFN and FEBEA Belgium (European Federation of Ethical and Alternative Banks and Financiers) in the AFIN - Romanian Alternative Financing Institution Dedicated to Social Economy Enterprises project, co-funded by the European Union, which aims to create the first specialized financial solution that targets social enterprises and cooperatives in Romania
- Active participation in various meetings in the field: Agrifood Innovation Summit 2021 and International Conference on Social Economy
- Reactivation of the Patria Credit Foundation (launch of the first projects)

The company continues to finance customers in rural areas, micro-farms and small businesses, and meet their needs with new products and campaigns. In the context of the COVID-19 pandemic, Patria Credit provided support to its customers by offering various options to restructure current loans to companies in distress, as well as various channels of remote access to funding.

The lending activity of Patria Credit IFN was not affected in 2021 by the situation created by the COVID-19 pandemic. Both the loan repayments and disbursements were in line with the 2021 objectives.

Patria Credit IFN SA has a solid capital base. 22% of its total assets are covered by its own funds and the rest from stable financing sources on the short and medium term. The process control and improvement of the credit risk and operational risk represent the necessary support to further increase the loan portfolio and market share on the segment of farmer microfinancing.



Increasing profitability is a major goal for both the company stakeholders and management. The positive result of 2021 was obtained after implementing the development strategy that aims to streamline sales activities and control operational costs, as well as to improve the collection of outstanding receivables or doubtful debts.

About Patria Asset Management

SAI Patria Asset Management SA is authorized by the National Securities Commission (currently the Financial Supervisory Authority) as an investment management company. Its share capital is RON 1,773,600, out of which 99.99% is owned by Patria Bank SA.

At the end of 2021, SAI Patria Asset Management SA was managing five open-end equity funds that are part of the Bank's consolidation strategy, namely:

- **Patria Global** – diversified defensive fund, with medium-low risk. Investments in shares represent maximum 40% of the fund's assets.

- **Patria Stock** – diversified dynamic fund, with medium-high risk. Over 40% of the fund's assets are invested in shares
- **ETF BET Patria-Tradeville (stock symbol TVBETETF)** – open fund listed on the Bucharest Stock Exchange, which aims to replicate the structure and performance of the BET index, the main index of the Bucharest Stock Exchange. It is passively administered and includes the top 19 companies listed on the Bucharest Stock Exchange.
- **Patria Obligatiuni** – low-risk bond fund that invests in fixed income instruments (bonds, deposits, government securities)
- **Patria Euro Obligatiuni** – low-risk bond fund in euro that invests in fixed income instruments (bonds, deposits, government securities)

In 2021 the funds managed by Patria Asset Management performed very well.

Patria Global posted a +10.46% yield in 2021. At the end of December 2021, the value of the fund's net assets was RON 16.53 million, up from RON 11.36 million at the end of 2020.

Patria Stock closed the year 2021 with a +14.78% yield. At the end of December 2021, the value of the net assets was RON 5.01 million, up from RON 3.84 million at the end of the previous year.

ETF BET Patria-Tradeville posted a +36.21% annual yield in 2021. The fund's assets increased by 179% during the year from RON 12.35 million at the end of 2020 to RON 46.85 million at the end of 2021.

Patria Obligatiuni posted a +2.41% yield in 2021. At the end of 2021, the value of the fund's net assets was RON 26.7 million, up from RON 26.0 million at the end of 2020.

Patria Euro Obligatiuni posted a +1.89% yield in euro and the fund's assets increased by 18.72%, up to EUR 1.49 million.

The most important projects implemented by Patria Asset Management in 2021 include:

- Taking over the management of the ETF BET Patria-Tradeville fund, the only Exchange Traded Fund in Romania. It is listed on the Bucharest Stock Exchange and follows the evolution of the main index of the Bucharest Stock Exchange, BET. ETF BET Patria-Tradeville fund units can be purchased on the stock exchange through any intermediary authorized by the Bucharest Stock Exchange. In 2021, ETF BET Patria-Tradeville brought to the investors a 36.2% gain, which makes it one of the best performing equity funds in Romania last year. The fund's assets increased by 179% last year.
- Launching the online trading platform for the Patria Global, Patria Stock, Patria Obligatiuni (Patria Bonds) and Patria Euro Obligatiuni (Euro Bonds) funds. The platform is available at online.patriafonduri.ro and it is a modern and efficient tool that allows opening a bank account and performing investment and withdrawal operations with the units of the Patria Asset Management funds on the internet. The platform also provides information about funds and allows one to check at any time the value of their investments in them, for customers who own fund units.

- In cooperation with the Patria Bank distributor, launching an asset management module in the bank's Internet Banking system. It provides information on the Patria Asset Management funds, their performance and investments. Also, the module allows the Bank customers who own fund units to check their current value.
- In cooperation with Patria Bank, launching the EURO version of the Patria Invest mixed product. Available in both RON and EURO, the product offers a savings and investment package consisting of a bank deposit in the respective currency offered by Patria Bank and units of Patria Global funds (for the version in RON) or Patria Euro Obligiuni (for the version in EURO).

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.

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 communicate 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 RESPONSABILITY

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 to 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 behavior:

- 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

Customer Segments and Their Evolution in 2021

Patria Bank is well positioned to capture the potential of the 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.

SME& Corporate:

- › The Bank focused on growing significantly the SME and Corporate customer base. This business segment targets SMEs, Mid-Market, Corporate, Public / Local Government and Financial Institutions with the aim of providing customized products, tailored to their business model
- › In regard to technology and remote access for operations and access to products, in the area of services for the SME & Corporate segments, the Bank constantly focuses on the integration of upgrades of its Internet Banking platform used mainly by these categories of customers and it constantly seeks to meet their needs by implementing solutions designed to streamline the interaction between customers and the bank depending on the specifics of their business.

Microenterprises

- This segment includes **entities that operate in agriculture, manufacturing, services and others**: companies (LLC and JSC), farming companies (Sagri), Self-Employed People (PFA), Family Associations (AF), Family Businesses (IF), Sole Entrepreneurs (II), and Individual Farmers (PAI).
- In 2021 this business segment was maintained and developed. It has continued to achieve very good and constant results over the last 11 years (2010-2021), namely an excellent profitability and a low level of credit risk, as compared to a portfolio of loans. The Micro segment recorded a good and steady level of non-performing loans, in the context of a higher than market average yield on this segment.
- This customer segment, as well as the dedicated sales force, together with the developed lending technology, represent a competitive advantage for the Bank
- In regard to technology and remote access for operations and access to products, in the area of services for the Micro segment, the Bank constantly focuses on the integration of upgrades of its Internet Banking platform for corporate customers and it constantly seeks to meet their needs by implementing solutions designed to streamline the interaction between customers and the bank depending on the specifics of their business.
- The process of consolidating the Internet Banking platform is continuous, by integrating new features that offer customers speed and efficiency in use (bulk signing of transactions with a single signature code, upgrade of salary payment feature). These solutions were meant to increase the level of customer use, efficiency and satisfaction.
- In the next period of time, one of our major objectives in the digital area for corporate customers, including customers of the Micro segment is to maintain the sustained pace of platform improvements and to make available a new channel of interaction with the bank by implementing the mobile banking service, that is meant to complement the

Internet Banking solution and provide full mobility and easy permanent access to the Bank products.

- A number of additional benefits in the area of technology for this segment (as well as for the segments listed below: AGRO, SME and Corporate) have already been integrated through the Instant Payment facility into the Internet Banking platform, through the new service made available to them - PATRIA SMART API - through which the bank provides customers with information about the transactions made in their accounts, through an automated service, called through an API web service.

AGRO

- It targets **entities that operate in agriculture:** companies (LLC and JSC), farming companies (Sagri), Self-Employed People (PFA), Family Associations (AF), Family Businesses (IF), Sole Entrepreneurs (II), and Individual Farmers (PAI).
- This business segment provides loans for:
 - purchasing specific goods (vehicles, equipment, machinery, etc.) used in farming, as well as
 - specific real estate investment (farmland, buildings and farms acquisitions, construction/remodeling of buildings and farms, etc.), utilized for farming, farmland acquisitions, etc.
 - refinancing investment loans from other financial institutions or refinancing investment made from own sources
 - other types of investment specific to farming
 - financing current working capital and acquisition of inputs from the Agro Partner providers of the Bank
 - components of the EU/national-funded projects which are not covered by the „Umbrella” product specifications.
- The Agro segment has grown continuously through partnerships with the main industry players, using fast flows that can easily target customers both in locations in which the Bank traditionally has a presence and in areas in which it seeks to enter the market.
- In regard to technology and remote access for operations, in the area of services for the Agro segment, the Bank is considering increasing the level of usage through the Internet Banking channel in particular.
- In the next period of time, one of our major objectives in the digital area for corporate customers and particularly for customers of the Agro segment is to maintain the sustained pace of platform improvements and to make available a new channel of interaction with the bank by implementing the mobile banking service, that is meant to complement the Internet Banking solution and to provide full mobility and easy permanent access to the Bank products.

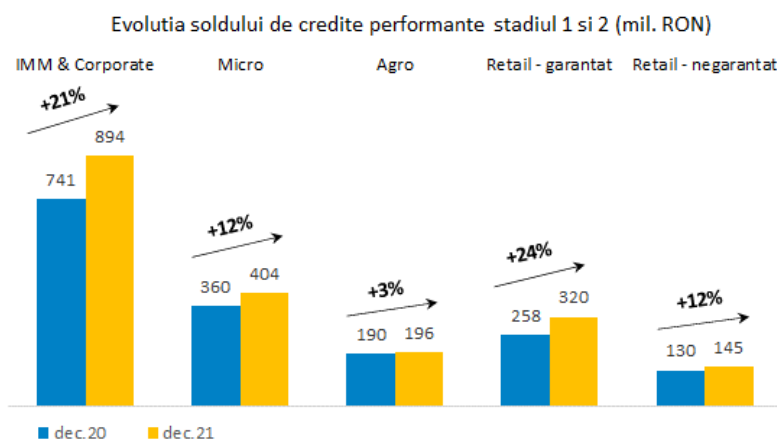
Retail Customers

- The Bank serves the segment of retail customers by catering to its active base of existing customers, but also by attracting new ones.

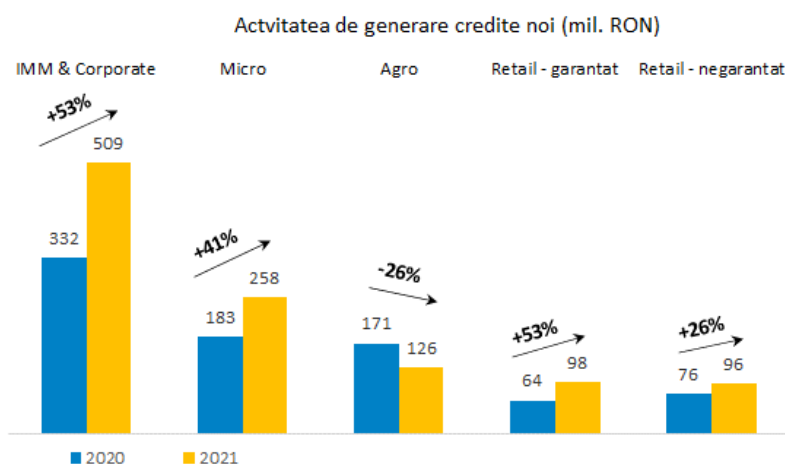
- In the next period of time, retail lending will represent a moderate engine of growth especially in terms of mortgages, given the fact that the supply of retail products has significantly improved as compared to previous pre-merger years, and planned developments in the next years are substantial, especially in regard to products, credit risk control and customer service.
- In the next period of time, the main directions in the retail area will be:
 - Technology and digitalization: Continuous development of the Internet Banking and Mobile Banking platforms, improving the customer experience on them, adding new features to Mobile Banking to promote the mobile-first principle, online platform for granting online consumer loans for retail customers, without mortgage (accessible to non-PBK customers), retail customer enrollment, purchase of various bank products and services and updating of personal data online for retail customers, delivery of the debit card by courier to the customer' address / residence (regardless if it is a new card, a reissued card (for any reason) or a renewed card and regardless of whether the customer enrollment was done in a branch or online (through the "Patria de Oriunde" Online Onboarding Platform)
 - Market re-positioning – the target market is primarily focused on employees and retired people in medium and big cities
 - The credit market with an increased focus on both secured and unsecured loans, including revolving loans (e.g., credit card launch)
 - Consolidating the customer portfolio and increasing the degree of cross-selling with an increased focus on the collection of salaries / retirement benefits
 - Quality of services (implementation of service quality and merchandising standards, improvement of the response time, simplification of documentation, automation of notifications / information sent to customers, automatic sending of documents by email to the customers, opening deposits by telephone, direct debit service)
 - Expansion of the services related to products and services through an online channel
 - Self-service solutions for cash and non-cash operations
 - Adding to the portfolio of products and services solutions designed to meet customer needs: savings account and direct debit
 - In regard to technology, the focus will be on increasing the use of Internet Banking & Mobile Banking services and particularly the adoption and use of the Mobile Banking service to the detriment of traditional channels
 - A number of new features have been integrated into Internet & Mobile Banking. They help to complete the level of features towards a complete digital trading platform, such as: the feature of biometric authentication and authorization of transactions (by fingerprint / facial recognition) in Mobile Banking, a new module of Personal Finance Manager and a dedicated module for Asset Management on Internet Banking, Instant Payment feature on Internet Banking and Mobile Banking platforms
 - - Simple products, mobility and the development of co-marketing and lead generation partnerships from leads and brokers.

The evolution of the number of performing loans shows a 16% increase, + RON 277 million as compared to December 2020. The increase of the number of performing loans

was recorded in all the Bank business lines and the fastest growth was on the secured Retail (+24%) and SME & Corporate (+21%).



- In 2021, the lending activity generated new loans worth approximately RON **1.1 billion, which represents a 32% increase as compared to 2020**, with superior dynamics in the SMEs & Corporate, secured Retail and Micro-lending segments, as illustrated below:



- The Bank accelerated the strategy of growing the Retail segment mainly in urban areas, by optimizing the flow of consumer credit (automatic decision, implementation of a pricing methodology), by launching a new product – Consumer credit intended exclusively for refinancing (for a period of seven years) and especially by the increase on the mortgage segment. In 2021, the Bank registered **an increase of over 39% in new loans granted** to Retail customer, with a **better performance on the secured loans segment (+53%)**.
- On the Retail segment, the year 2021 saw an acceleration both in the lending activity and the improvement of the range of products, processes, flows and systems, which led to an increase of the Retail loans balance by 10% as compared to the previous year.
- In the pandemic context of 2021, Patria Bank has adjusted and improved a number of aspects of customer interaction by creating new flows and products that meet the need

for remote service. The Bank continued to provide high levels of services through its branch network, which remained open during the Covid-19 pandemic.

Types of Products We Provide

The Patria Bank portfolio contains all the products that Romanian hardworking people and entrepreneurs may need.

RETAIL

BANK ACCOUNTS AND SERVICES FOR RETAIL CUSTOMERS

- Current account for retail customers
- Patria current account packages
- Patria SMS Alert
- Patria Online Banking (Internet & Mobile Banking)
- Western Union

CARDS – RETAIL

- Debit cards for retail customers

LOANS

- Overdraft for retail customers
- Patria Plus personal loan
- Patria Acasă home mortgage
- Econom loan
- Personal mortgage
- Bancassurance. Bank Insurance
- Credit Patria Refinancing

SAVINGS

- Savings deposits for retail customers
- Savings accounts for retail customers
- Patria Invest package

PATRIA EVERYWHERE

- Online card services
- Patria SecurePay
- 100% online financial non-lending products (e.g., current account and current account packages, cards and Internet & Mobile banking, deposits, etc.).



SME & Corporate

SME and CORPORATE 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 investment

- Investment loan
- SME investment ceiling

CASH MANAGEMENT, CURRENT ACCOUNT PACKAGES FOR SMEs

- PatriaONG
- Current account
- Current account packages
- Internet Banking
- SMS Alert
- Patria POS terminals
- Patria SMART API

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

EUROPEAN FUNDS FOR SMEs

- Bridge loan for European funds
- Letters of bank guarantee for pre-financing

PATRIA BANK, PARTNER OF SME INVEST ROMANIA and AGRO SME INVEST



AGRO

BANK DEPOSITS FOR AGRICULTURE

BANK AT THE MARKET

CASH MANAGEMENT - AGRICULTURE

- Current account for APIA payments
- Current account
- Current account packages
- Internet Banking
- SMS Alert
- Patria SMART API

FARM CREDIT FOR CURRENT OPERATIONS

Farm credit for current operations

- Credit line
- APIA loan

Agro investments

- Loans for farming investment
- Loans for purchasing farmland

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 (microenterprises)

PATRIA PARTNER

CASH MANAGEMENT

- PatriaONG
- Current account
- Current account packages
- Internet Banking
- SMS Alert
- Patria POS terminals
- Patria SMART API

CARDS

- Business debit 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

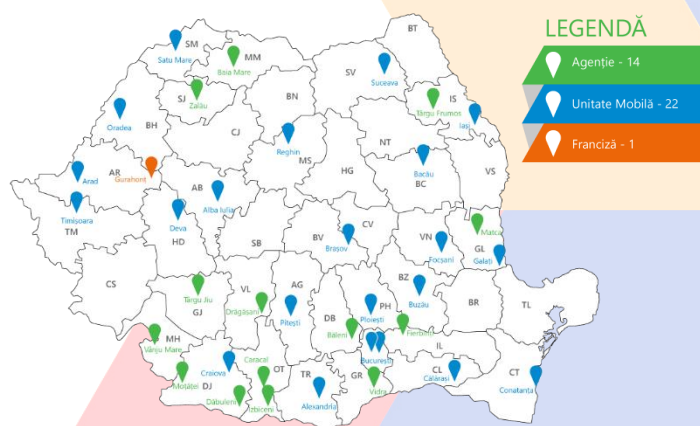
PATRIA BANK

We are present in 41 cities countrywide. We have 45 branches and three operational centers (Bucharest – head office, Sibiu and Târgu Mureș).



PATRIA CREDIT

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 12.31.2021, the Bank served a number of 115.570 customers (approximately 2.26% less than the previous year), with the help of 599 employees. As for the product promotion strategy, the Bank uses both the classical model of promoting its banking services through its branch network and the promotion through lead providers.

Patria Bank SA – Financial Position Situation

SITUATIA POZITIEI FINANCIARE

-mii LEI-

ACTIV

	31.dec.21	31.dec.20	dec.21/ dec.20 (abs.)	dec.21/ dec.20 (%)
Numerar si disponibilitati la Banca Centrala	497,316	350,943	146,373	41.7%
Plasamente la banci	5,834	7,428	(1,594)	(21.5%)
Titluri de datorie si instrumente de capital	961,696	957,569	4,127	0.4%
Investitii in filiale	34,296	33,322	974	2.9%
Credite si avansuri acordate clientelei, net	2,028,911	1,778,298	250,613	14.1%
Alte active	298,036	302,448	(4,412)	(1.5%)
Total ACTIV	3,826,089	3,430,008	396,081	11.5%

PASIV

	31.dec.21	31.dec.20	dec.21/ dec.20 (abs.)	dec.21/ dec.20 (%)
Depozite de la banci & REPO	18,312	37,459	(19,147)	(51.1%)
Datorii privind clientela	3,314,846	2,904,771	410,075	14.1%
Alte datorii	67,575	56,850	10,725	18.9%
Datorii subordonate	24,797	24,403	394	1.6%
Titluri de datorie emise	64,174	62,797	1,377	2.2%
Total Datorii	3,489,704	3,086,280	403,424	13.1%
Total capitaluri proprii	336,385	343,728	(7,343)	(2.1%)
Total DATORII SI CAPITALURI PROPRII	3,826,089	3,430,008	396,081	11.5%

SITUATIA POZITIEI FINANCIARE
-mii LEI-

ACTIV	31.dec.21	31.dec.20	dec.21/ dec.20 (abs.)	dec.21/ dec.20 (%)
Numerar si disponibilitati la Banca Centrala	502,974	354,793	148,181	41.8%
Plasamente la banci	5,834	7,428	(1,594)	(21.5%)
Titluri de datorie si instrumente de capital	1,039,500	983,623	55,877	5.7%
Investitii in filiale	-	-	-	-
Credite si avansuri acordate clientelei, net	2,154,954	1,861,888	293,066	15.7%
Alte active	301,115	306,091	(4,976)	(1.6%)
Total ACTIV	4,004,377	3,513,823	490,554	14.0%
PASIV				
	31.dec.21	31.dec.20	dec.21/ dec.20 (abs.)	dec.21/ dec.20 (%)
Depozite de la banci & REPO	18,312	37,459	(19,147)	(51.1%)
Datorii privind clientela	3,306,159	2,898,050	408,109	14.1%
Alte datorii	258,035	151,330	106,705	70.5%
Datorii subordonate	34,896	34,555	341	1.0%
Titluri de datorie emise	64,174	62,797	1,377	2.2%
Total Datorii	3,681,576	3,184,191	497,385	15.6%
Total capitaluri proprii	322,801	329,632	(6,831)	(2.1%)
Total DATORII SI CAPITALURI PROPRII	4,004,377	3,513,823	490,554	14.0%

Patria Bank Group
SITUATIA POZITIEI FINANCIARE
-mii LEI-

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Patria Bank – Financial Performance

SITUATIA PERFORMANTEI FINANCIARE -mii LEI-	12 luni pana la 31.dec.21	12 luni pana la 31.dec.20	Δ 2021/ 2020 (abs.)	Δ 2021/ 2020 (%)
Venituri nete din dobanzi	104,075	104,355	(280)	(0%)
Venituri nete din comisioane si speze	27,127	24,405	2,722	11%
Venituri din activitatea financiara si alte venituri	33,104	24,489	8,615	35%
Venit net bancar	164,306	153,249	11,057	7%
Cheltuieli cu personalul	(60,946)	(57,502)	(3,444)	6%
Cheltuieli cu amortizarea si deprecierea	(21,301)	(22,889)	1,588	(7%)
Alte cheltuieli operationale si administrative	(44,703)	(43,144)	(1,559)	4%
Total cheltuieli operationale	(126,950)	(123,535)	(3,415)	3%
Rezultat Operational	37,356	29,714	7,642	26%
Ajustari de depreciere aferente activelor financiare	(21,928)	(23,604)	1,676	(7%)
Profitul inainte de impozitare	15,428	6,110	9,318	153%
Cheltuiala cu impozitul pe profit	(5,966)	(3,313)	(2,653)	80%
Profitul exercitiului financiar	9,462	2,797	6,665	238%

SITUATIA PERFORMANTEI FINANCIARE -mii LEI-	T1' 2021	T2' 2021	T3' 2021	T4' 2021	Cumulativ 2021	Δ T4 / T3 (abs.)	Δ T4 / T3 (%)
Venituri nete din dobanzi	25,520	27,030	26,472	25,053	104,075	(1,419)	(5.4%)
Venituri nete din comisioane si speze	6,652	6,232	7,220	7,023	27,127	(197)	(2.7%)
Venituri din activitatea financiara si alte venituri	9,033	11,633	3,693	8,745	33,104	5,052	136.8%
Venit net bancar	41,205	44,895	37,385	40,821	164,306	3,436	9.2%
Cheltuieli cu personalul	(15,322)	(15,971)	(14,176)	(15,477)	(60,946)	(1,301)	9.2%
Alte cheltuieli operationale si administrative	(5,499)	(5,355)	(5,494)	(4,953)	(21,301)	541	(9.8%)
Cheltuieli cu amortizarea si deprecierea	(10,011)	(10,617)	(10,304)	(13,771)	(44,703)	(3,467)	33.6%
Total cheltuieli operationale	(30,832)	(31,943)	(29,974)	(34,201)	(126,950)	(4,227)	14.1%
Rezultat Operational	10,373	12,952	7,411	6,620	37,356	(791)	(10.7%)
Ajustari de depreciere aferente activelor financiare	(9,048)	(5,531)	(3,258)	(4,091)	(21,928)	(833)	25.6%
Profitul inainte de impozitare	1,325	7,421	4,153	2,529	15,428	(1,624)	(39.1%)
Cheltuiala cu impozitul pe profit amanat	(872)	(1,825)	(3,000)	(269)	(5,966)	2,731	(91.0%)
Profitul exercitiului financiar	453	5,596	1,153	2,260	9,462	1,107	96.0%
Cheltuieli Operationale / Venituri din exploatare	75%	71%	80%	84%	77%		

Patria Bank Group – Financial Performance

SITUATIA PERFORMANTEI FINANCIARE -mii LEI-	12 luni pana la 31.dec.21	12 luni pana la 31.dec.20	Δ 2021/ 2020 (abs.)	Δ 2021/ 2020 (%)
Venituri nete din dobanzi	124,514	120,684	3,830	3%
Venituri nete din comisioane si speze	26,492	23,979	2,513	10%
Venituri din activitatea financiara si alte venituri	36,056	20,848	15,208	73%
Venit net bancar	187,062	165,511	21,551	13%
Cheltuieli cu personalul	(67,676)	(63,150)	(4,526)	7%
Cheltuieli cu amortizarea si deprecierea	(22,325)	(24,019)	1,694	(7%)
Alte cheltuieli operationale si administrative	(55,771)	(46,655)	(9,116)	20%
Total cheltuieli operationale	(145,772)	(133,824)	(11,948)	9%
Rezultat Operational	41,290	31,687	9,603	30%
Ajustari de depreciere aferente activelor financiare	(24,245)	(24,793)	548	(2%)
Profitul inainte de impozitare	17,045	6,894	10,151	147%
Cheltuiala cu impozitul pe profit	(7,158)	(4,003)	(3,155)	79%
Profitul exercitiului financiar	9,887	2,891	6,996	242%

Changes in the Bank Capital

By the EGM decision no. 1/10.18.2021, the shareholders approved the increase of the share capital of the Bank with the amount of maximum RON 19.730.000, from RON 311.533.057,50 to maximum RON 331.263.057,50 by issuing, without issue premium, a number of maximum 197.300.000 new registered, ordinary, dematerialized shares, each with a nominal value of RON 0.10 per share.

By the same decision, shareholders approved that the capital increase be carried out by: i) conversion, up to the amount of RON 14.925.000 (the equivalent in RON of the amount of EURO 3.000.000 at an estimated exchange rate of 4.9750 RON / EUR updated with the NBR exchange rate on the day of subscription) of the subordinate loan granted to the Bank by EEAF Financial Services BV on 12.18.2018 and ii) additional cash contribution, granting a preferential right to all existing shareholders of the Bank registered in the register of shareholders on the registration date.

The capital increase operation was carried out based on the Simplified Prospectus approved by FSA Decision 1587 / 12.15.2021. Following the expiration, on 01.19.2022, of the period of exercising the preferential subscription rights, the Board of Directors of the Bank met on 01.20.2022 and found the following:

- A total number of 163.483.801 new shares were subscribed by exercising the preferential subscription right at the price of RON 0.10 per share

- The total value resulting from the subscriptions was RON 16.348.380,10, as follows:
 - The value of RON 14.847.300 resulted from the exercise of preferential rights by the conversion of the amount of EURO 3.000.000 (at the NBR exchange rate of 4.9491 RON / EUR on the day of subscription) representing the subordinate loan granted to the Bank by the majority shareholder EEAF Financial Services BV by the subordinated loan agreement from 12.18.2018.
 - The value of RON 1,501,080.10 resulted from the exercise of the preferential rights by subscribing in cash by the shareholders of the Bank registered in the register of shareholders on the registration date.

The remaining unsubscribed shares following the exercise of the preferential rights, namely a number of 33,816,199 shares were cancelled. Therefore, the share capital of the Bank increased by RON 16,348,380.10, from RON 311,533,057.50 to RON 327,881,437.60.

Patria Bank SA Group

As of 12.31.2021 the Patria Bank SA Group included:

- ***Patria Bank SA***, a lending institution authorized to carry out banking activities in Romania;
- ***Patria Credit IFN SA***, 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.
- ***SAI Patria Asset Management SA*** and the five equity funds controlled by it: FDI Patria Stock, FDI Patria Global, FDI Patria Obligațiuni, FDI Patria Euro Obligațiuni and ETF BET Patria-Tradeville authorized by the Financial Supervisory Authority to manage equity funds. This company is controlled by Patria Bank, which has 99.99% of the share capital and voting rights.
- ***Carpatica Invest SA (former SSIF Carpatica Invest SA)*** – company in the process of court business closure.

Corporate Governance

Patria Bank SA is managed in a unitary system and it pursues the objectives of corporate governance, transparency of relevant corporate information, protection of the interests of various categories of stakeholders and the principles of effective operations on the banking market.

Corporate Governance Structures

The General Meeting of Shareholders (GMS) is the highest decision-making body of the Bank which sets its economic and commercial policies and decides on its activity. During 2021, 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, 2021 the Board of Directors consisted of five members elected by the General Meeting of Shareholders for a four-year term, with the possibility of re-election for subsequent four-year terms.

The Board of Directors

At the end of 2021, the composition of the Board of Directors was as follows:

First name, last name	Position in the Board of Directors	Approved by	Term of office
Dragoș Horia Manda	President	GMS Decision of 04.02.2016, preliminary approval of the NBR (April 2016) and preliminary approval of the NBR regarding the merger (November 2016).	Four 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 from 04.01.2019 to 12.31.2021		Four years, 04.26.2016 – 04.26.2020; Four years, 04.26.2020 – 04.26.2024
Bogdan Merfea	Executive Member between 04.30.2017 – 04.01.2019, non-executive member between 04.26.2016 – 04.30.2017 and since 04.01.2019 until now		Four years, 04.26.2016 – 04.26.2020; 4 years, 04.26.2020 – 04.26.2024
Nicolae Surdu	Independent Member	GMS Decision of 04.27.2017, Preliminary approval of the NBR regarding the merger (November 2016)	Four years, 05.01.2017 – 04.27.2021
		GMS Decision of 05.02.2019 (independent member)	Four years, 04.27.2021-04.27.2025

		A new four-year term, granted by the OGMS Decision of April 26, 2021, starting from 04.27.2021	
Vasile Iuga	Independent Member	GMS Decision of 04.27.2017, GMS Decision of 07.28.2017 (independent member) Preliminary NBR approval (December 2017) A new four-year term, granted by the OGMS Decision of April 26, 2021, starting from 04.27.2021	Four years, 12.06.2017 – 04.27.2021 Four years, 04.27.2021 – 04.27.2025

Senior Management – The Management Committee

The Management Committee represents senior management and it is responsible for the management of the Bank operations. The duties and responsibilities of this committee have been established by the Articles of Incorporation, Bylaws and Organization and Operations Manual.

On December 31, 2021 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 2021

First name, last name	Position in the Management Committee	Position in the Bank	Term of office
Daniela Elena Iliescu	Member, one term	General Manager Deputy General Manager, Financial Division	04.01.2019 – 06.15.2021 06.16.2021 – 12.31.2021 (under NBR approval)
Valentin Grigore Vancea	Member, two terms	Deputy General Manager, Operations and IT Division	07.04.2016 – 07.04.2020 07.05.2020 – 07.05.2024
Luca Rogojanu	Member, one term	Deputy General Manager, Risk Division	09.01.2021 – 09.01.2025
Codruț Ștefan Nicolau	Member, one term	Deputy General Manager, Commercial Division	07.01.2018 – 06.01.2021

Burak Suleyman Yildiran	Member, one term	General Manager	10.15.2020 - 10.15.2024 (NBR approval communicated on 06.15.2021

The Management Committee has provided to the Board of Directors on a regular basis comprehensive detailed information on all important aspects of the Bank's business, including those related to risk management, potential risk assessment and compliance matters, measures taken and recommended and irregularities identified during the performance of its duties.

Committees Set Up to Support the Management Committee

The committees set up to support the Management Committee assist it in carrying out its duties in various lines of business, especially with regard to the Bank operations. The 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 regulations.

- a) **Assets and Liabilities Management Committee (ALMC)**
- b) **Loans Committee**
- c) **Loan Restructuring and Recovery Committee**
- d) **Asset Recovery Committee**
- e) **Other committees:** Labor Health and Safety Committee

Partners for Sustainability

At Patria Bank we believe that social and financial inclusion is important for our business. It is part of the Group's sustainability strategy.

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)
Association for Relations with Stock Exchange Investors in Romania (ARSIR)

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 for the microfinance market in Europe. It includes over 91 members and partners in over 25 European countries. In

2021, Patria Credit IFN became a member of the EMN Board of Directors and it is represented by Raluca Andreica, General Manager.

Microfinance Centre (MFC),

A regional microfinance resource organization that brings together 95 organizations in 36 countries in Europe and Central Asia, which provide responsible microfinance services to over 2,000,000 low-income customers in total.

The Romanian Microfinance Association, established in 2020, which aims to promote the education and development of the business community and the public in the field of microfinance financial services. (Patria Credit IFN is a founding member of the association.)

Pay Point Partner, the main processor of bill payments, electronic cash loading and money transfer in shops.

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 lending institutions and investment firms, as well as other national and international legal requirements and standards on social risks and environment protection.

Patria Bank has an important role on the Romanian banking market. It has a market share of about 0.60% by the volume of managed assets and it ranks 19th 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 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.

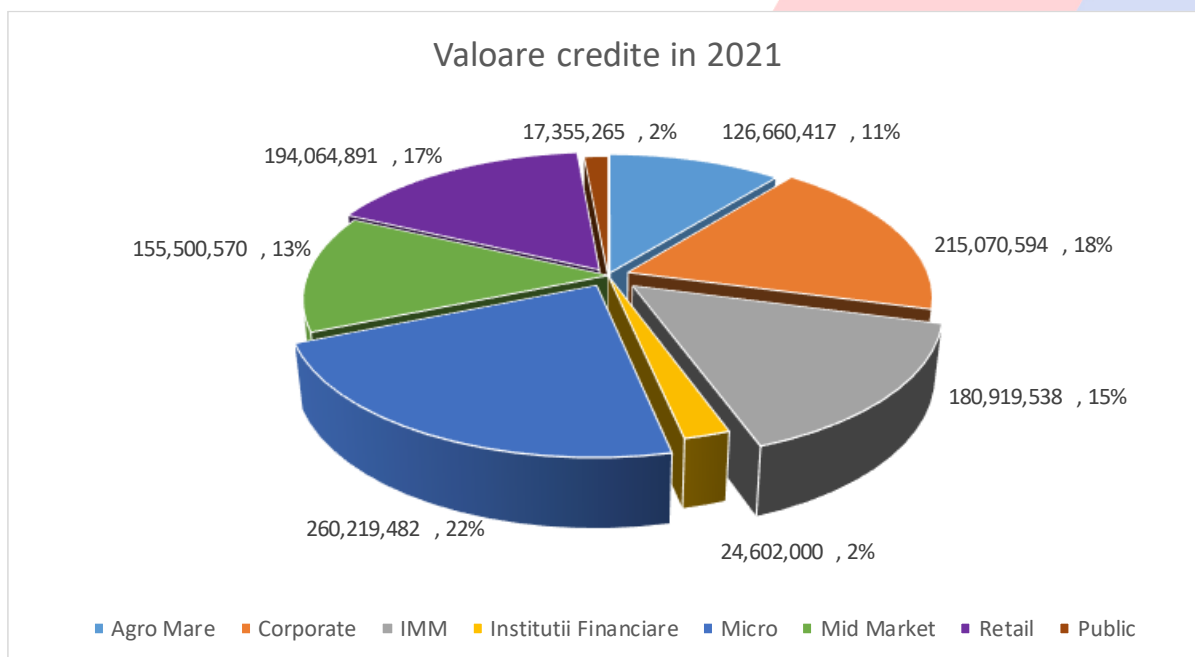
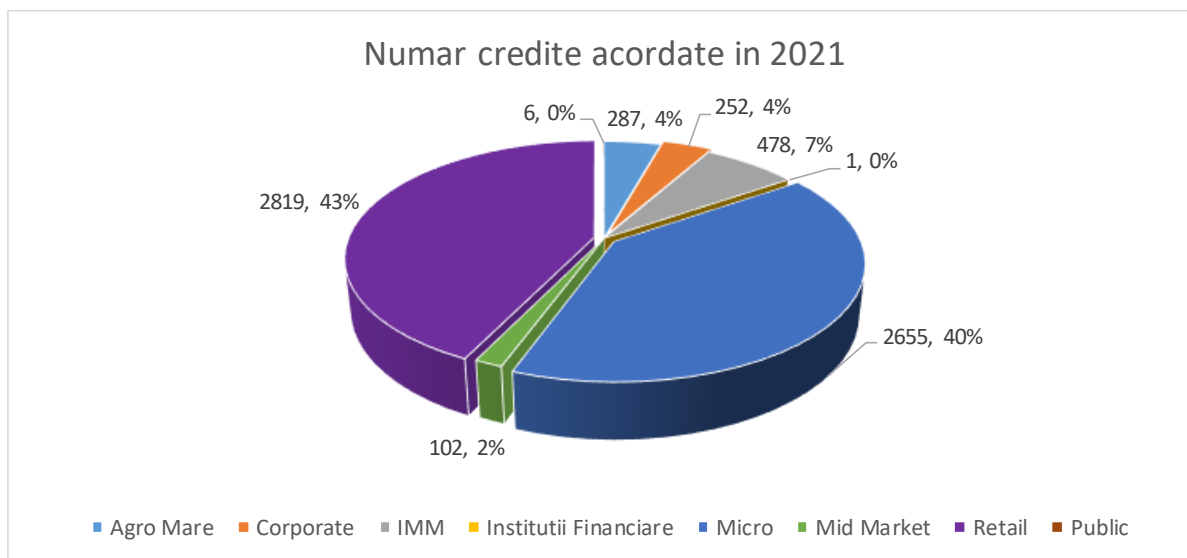
During 2021, the Bank provided the following funding to the above-mentioned customer segments:

- a number of 881 loans to *low mass market* customers, with a cumulative value of RON 24 million (EUR 4.9 million), which represents a 4.7% increase as compared to the volume of the previous year;
- a number of 2,655 loans to micro-enterprises, with a cumulative value of RON 260 million (EUR 53 million), which represents an increase by approximately 40% of 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 2021, the situation is as follows:



Strategy to Combat the Potential Impact on Society

Patria Bank has taken upon itself to bring banking products close and make them accessible to all types of retail and business customers in Romania and to promote a transparent and responsible business policy towards the environment, customers, partners and employees.

To this end, the Bank proceeded to:

1. Establishing lending policies that restrict the provision of loans for activities that involve a 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.
2. A corporate governance policy and a code of business ethics that discourages anti-competitive and corrupt practices while encouraging cooperation and collaboration with entities in the Romanian banking system, as well as with national and international institutions/authorities
3. A human resource policy that encourages diversity and equal rights, fights discrimination, encourages training and professional development, the development of appropriate labour and management relationships, an appropriate remuneration policy, as well as the development of an organisational culture based on trust and performance
4. An 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 protecting the confidentiality of customers' data/information, responsible lending /savings products and services and fair, comprehensive and transparent promotion practices regarding the Bank's lending/savings products and services.

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, etc.). 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 the 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.

Protecting the identity of individuals who have reported incidents is the Bank's priority. 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 2021 Patria Bank did not have any incidents of violation of its current Code of Ethics.

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 and contractors. They aim to identify, analyze, monitor and report on (potential, current or previous) conflicts of interest, 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 a 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 would like to also add that the situations that involved conflicts of interests identified during 2021 have been brought to the management's attention. The Bank took measures to mitigate the related risks.

Anti-Corruption 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 also includes the responsibility to report suspicions of fraud or any other evidence related to prohibited conduct. Employees are encouraged to report it whenever it occurs.

During the reporting period, there were no incidents of corruption involving Patria Bank Group employees 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.

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 Patria Bank Code of Business Ethics discourage anti-competitive and corrupt practices and encourage cooperation with the other entities in the Romanian banking system, as well as with national and international institutions/authorities.

II. Chapter 2. THE CUSTOMERS

Protection of Personal Data

As a Data Processor, Patria Bank SA has continued to attach great importance to the confidentiality and security of the personal data of its customers and contractors. It processes personal data in accordance with the legal provisions in force.

From this point of view, the year 2021 was a continuation of the challenges and opportunities from 2020 in terms of new communication technologies and data collection in the virtual environment with an impact on personal data protection. The Bank implemented new virtual communication and data collection technologies, so as to provide its customers with 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. Special attention was paid to the analysis of the examples of previous sanctions issued by the Authority, which allowed the Bank to constantly monitor its coherent and legally compliant actions in implementing data protection measures.

Patria Bank SA cooperates with the National Supervision Authority for Personal Data Processing and follows with maximum priority the complaints it receives from it. In 2021 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 2021 there were no recorded and reported security incidents regarding data protection. The Bank received an insignificant number of complaints regarding personal data processing and fully resolved them.

The information regarding personal data processing by Patria Bank SA is available on the Bank website at <https://www.patriabank.ro/datepersonale> and it reflects its 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.

In 2021, the Bank received no complaints regarding the violation of the regulations regarding the protection of personal data. No incident of leakage, theft or loss of personal data was identified.

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 2021 the Patria Bank Group aimed to provide lending to traditional customers (retail and legal entities: small businesses (micro-enterprises), SMEs, Corporate and Agribusinesses), and especially through Patria Credit, to continue to finance a

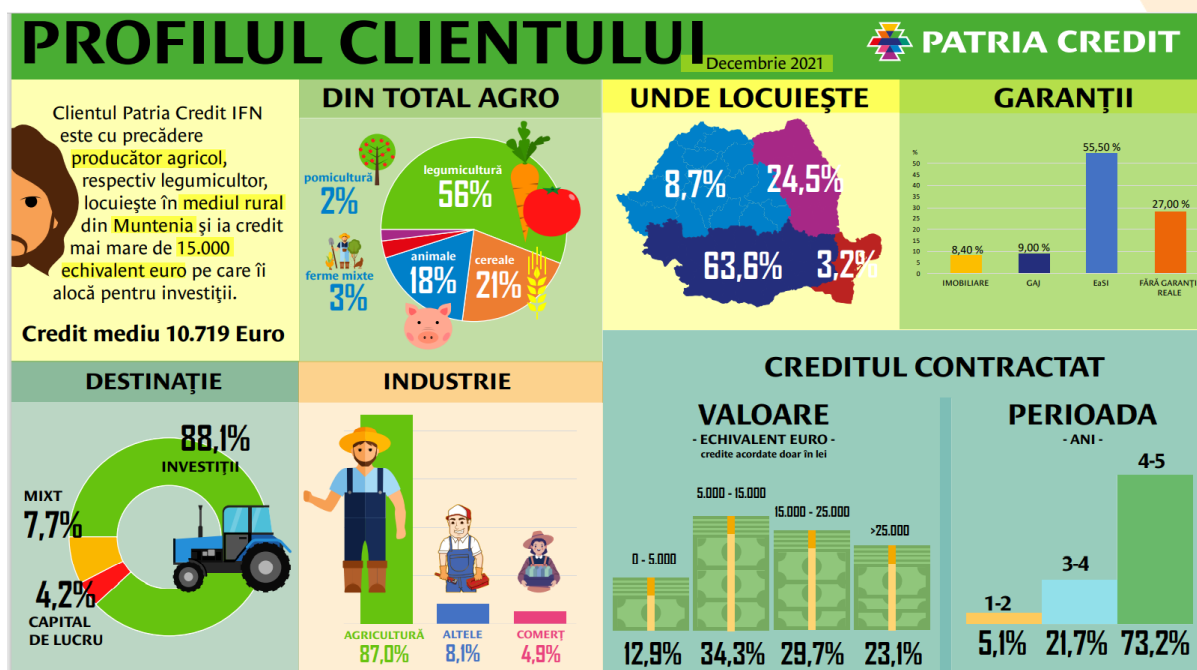
segment of customers that is underserved by the Romanian banking systems, seeking to provide banking services to less attractive customers for the banking industry.

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 ten 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.

Moreover, in 2021 Patria Credit continued to finance rural entrepreneurs (84% of the total funding), some of whom were women (23%).

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.

Below is a detailed view of the Patria Credit lending targeting customers in rural areas:



Innovation, Technology and New Projects in 2021

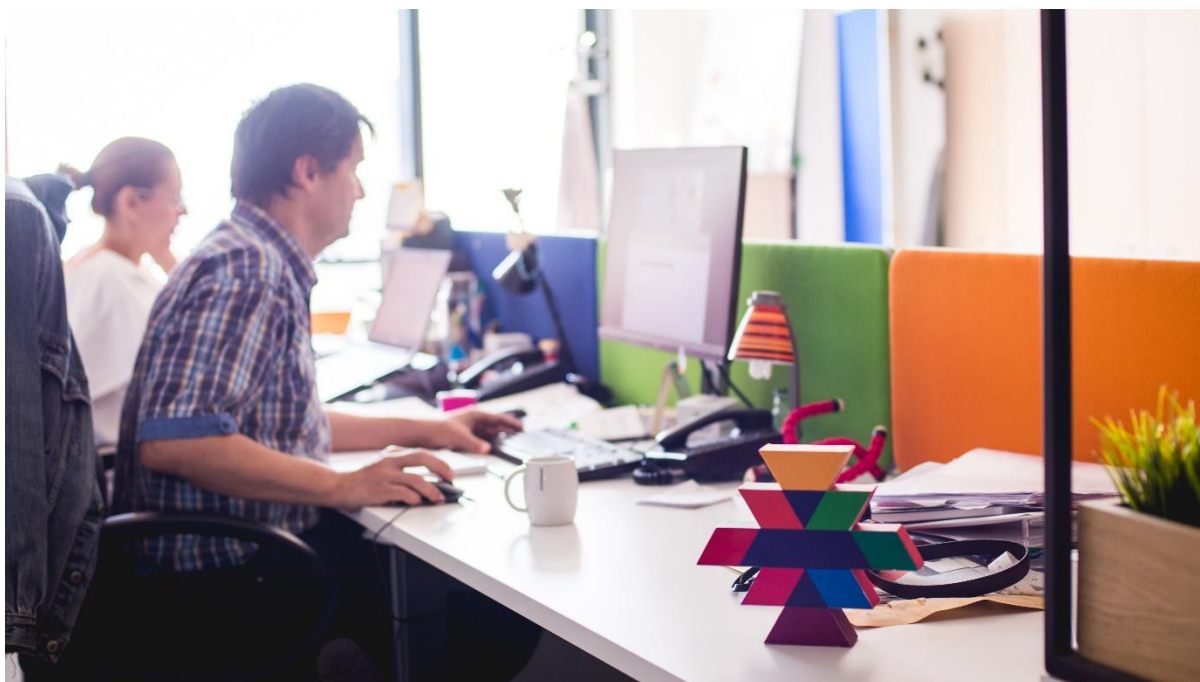
On an operational level, during 2021 the Bank continued the optimization and digitalization processes while taking into consideration the objectives set and the new reality of the consumers and entrepreneurs. The pandemic context has accelerated the digitalization processes and support projects:

- 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 PSD II 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 the AGRO SME Invest Program - implementation of the national AGRO SME Invest Program that aims to support small and medium-sized enterprises in Romania by providing working and investment capital in the current context
- Patria Invest - diversification of the offer for term deposits with an investment component, for both individuals and legal entities and in euro
- Relaunch of the Overdraft facility
- Launch of a consumer loan intended exclusively for refinancing for a period of seven years
- Possibility to provide loans (PLUS and Loan for real estate investment) to customers referred by leads and brokers
- Granting of unsecured personal needs loans (PLUS) with life insurance option (Allianz)
- Implementation of credit transfer services (payments) and instant receipts – Instant Payments
- 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 biometric authentication for card products - enhanced security for e-commerce transactions
- Launch of the option of authentication and transaction authorization by biometric methods, a feature integrated into the Retail Personal Banking service, which ensures compliance with security standards according to current recommendations and a user experience in accordance with modern technological practices
- Implementation of a dedicated module for asset management, which provides retail customers with access to information about Patria Asset Management through internet banking
- Implementation of a dedicated Personal Finance Manager module for retail customers on the Internet Banking platform, meant to help track and optimize the customers' budget in a simple and intuitive way
- Provision to corporate customers of a new PATRIA SMART API access channel, through which the Bank provides them with information about the transactions made in their accounts, through an automated service, called by an API web service
- Digitalization of the customer enrollment process, by purchasing various bank products (package, card, deposit, internet & mobile banking, Patria SMS Alert)
- Optimization of the Internet Banking platform for corporate customers

In 2022, 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 services offer by:

- 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;
- Diversifying the savings products for retail customers by launching the savings account
- Online updating of personal data for retail customers
- Initiating the project regarding the launch of the Mobile Banking service for corporate customers
- Adding new features on the Internet & Mobile Banking platforms (implementation of internal messaging module and bank communication module for all platforms, extension of the features and facilities available in the mobile applications for retail customers, etc.)
- Launching the Direct Debit service and the utility payment module on the Internet & Mobile Banking platforms
- Opening of time deposit accounts by existing customers through the Call Center, permanently
- 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.), by optimizing the flows of account opening and management for retail customers
- Launching the credit card for retail customers
- Automating notifications/information necessary to reach customers so that they stay informed about their banking activity
- 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.



CHAPTER III. The Patria People

The Patria People

The figures below illustrate the status of Patria Group employees and their distribution by gender, age and type of employment contract.

Patria Bank SA

At the end of 2021, Patria Bank had a number of 599 active employees, as follows:

a. Total number of employees by type of employment contract (permanent or temporary) and by gender:

- fixed-term employment contract: 15 active employees, 13 women and two men
- open-ended employment contract: 584 active employees, 414 women and 170 men

b. Total number of employees by type of employment (full-time or part-time) and by gender:

- full-time employment contracts: 577 employees, 413 women and 164 men
- part-time employment contracts: 22 employees, 14 women and eight men

There is a very small number of workers who are not Patria Bank employees, but they provide services for the bank, namely the employees of the cleaning companies and those of the companies in charge with security.

c. Total number of employees by type of employment contract (permanent or temporary) and by region:

	No. of active employees
Fixed-term contract	15
BACAU	1
BISTRITA NASAUD	1
BUCURESTI	6
DOLJ	1
MURES	2
OLT	1
SIBIU	1
TELEORMAN	1
TIMISOARA	1
Open-ended contract	584
ALBA	7
ARAD	5
ARGES	9
BACAU	13
BIHOR	11
BISTRITA NASAUD	6
BRAILA	4
BRASOV	9
BUCURESTI	212
BUZAU	6
CALARASI	2
CLUJ	15
CONSTANTA	12
DOLJ	16
GALATI	17
GIURGIU	5
HUNEDOARA	6
IALOMITA	6
IASI	17
MARAMURES	21
MURES	63
NEAMT	2
OLT	6
PRAHOVA	12
MOBILE WORK POINT	16
SATU MARE	5
SIBIU	55
SUCEAVA	4
TELEORMAN	4
TIMISOARA	7
VASLUI	7
VRANCEA	4
Total	599

Patria Credit IFN SA

At the end of 2021, Patria IFN SA had a number of 114 active employees, as follows:

a. Total number of employees by type of employment contract (permanent or temporary) and by gender:

- 70 *women*, out of which 69 with an open-ended employment contract and one with a fixed-term employment contract
- 44 *men*, out of which two with a fixed-term employment contract (contracts of mandate) and 42 with an open-ended employment contract

b. Total number of employees by type of employment contract (permanent or temporary) and by region (also divided by location: head office and branches):

- three employees with a fixed-term employment contract, out of which two work at the head office and one works in the branches
- 111 employees with an open-ended employment contract, out of which 36 work at the head office and 75 work in the branches

c. Total number of employees by type of employment (full-time or part-time) and by gender:

- 50 employees with a full-time employment contract, out of which 34 women and 16 men
- 64 employees with a part-time employment contract, out of which 36 women and 28 men.

SAI Patria Asset Management S.A.

At the end of 2021, SAI PATRIA ASSET MANAGEMENT SA had a number of seven active employees, as follows:

a. Total number of employees by type of employment contract (permanent or temporary) and by gender:

- two women, with an open-ended employment contract
- three men, with an open-ended employment contract
- two men, with a fixed-term employment contract

b. Total number of employees by type of employment contract (permanent or temporary) and by region:

- seven employees work at the Bucharest office, out of which five employees have an open-ended employment contract and two employees have a fixed-term employment contract

c. Total number of employees by type of employment (full-time or part-time) and by gender:

- six employees with a full-time employment contract, of which two women and four men;
- one male employee with a part-time employment contract.

New Hires and Staff Turnover

In 2021, the Bank had a 26.85% staff turnover.

Patria Bank SA

Total number of employees recruited by the company during the reporting period, by gender and age:

- 37 men, out of which two over 50 years, 23 aged between 30 and 50 years and 12 under 30
- 117 women, out of which 84 aged between 30 and 50 years, 23 under 30 years and 10 over 50.

Patria Credit IFN SA

During 2021, 27 people were recruited (26 staff and one manager), out of which:

By region:

- Eight at the head office
- 19 in the branches

By gender:

- 23 women
- Four men

By age:

- Under 30 years: seven employees
- Between 30 and 50 years: 16 employees
- Over 50 years: four employees.

SAI Patria Asset Management SA

No new staff were recruited during 2021.

Patria Bank SA

During the reporting period, 179 employment contracts were terminated, out of which:

- 44 men: 37 aged between 30 and 50 years, three under 30 years and four over 50 years
- 135 women: 106 aged between 30 and 50 years, 16 under 30 years and 13 over 50 years.

Patria Credit IFN SA

During the reporting period, 29 employment contracts were terminated (all staff), out of which:

By region:

- 16 at the head office
- 13 in the branches

By gender:

- 17 women;

- 12 men

By age:

- Under 30 years: eight employees
- Between 30 and 50 years: 20 employees
- Over 50 years: one employee.

SAI Patria Asset Management SA

During the reporting period, two employment contracts (management) were terminated, out of which:

By region:

- Two in Sibiu

By gender:

- One woman
- One man

By age:

- Between 30 and 50 years: two employees

Patria Group Employee Benefits

Employee 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 150/employee.

SAI Employee Benefits:

Only SAI employees enjoy the following additional benefits:

- The number of annual paid vacation days ranges between 21 and 30, depending on the employee's seniority.

Number and Percentage of People in the Governing Bodies in Each of the Following Diversity Categories:

Patria Bank SA

By gender and age: 42 in total, 18 women and 24 men

- 18 women: 16 aged between 30 and 50 years and two over 50 years
- 24 men: 21 aged between 30 and 50 years and three over 50 years

Patria Credit IFN SA

By gender:

- 13 women
- 10 men

By age:

- Under 30 years: one employee
- Between 30 and 50 years: 19 employees
- Over 50 years: three employees

SAI Patria Asset Management SA

By gender:

- Two men

By age:

- Between 30 and 50 years: 2 employees

Number and Percentage of Employees, by Categories of Employees, in Each of the Following Diversity Categories:

Patria Bank SA

By gender: 427 women and 172 men

By age:

- 52 under 30 years
- 460 aged between 30 and 50 years
- 87 over 50 years

Patria Credit IFN SA

By gender:

- 71 women (21 at the head office and 50 in the branches)
- 45 men (18 at the head office and 27 in the branches)

By age:

- Under 30 years: 12 employees (eight women and four men)
- Between 30 and 50 years: 90 employees (54 women and 36 men)
- Over 50 years: 12 employees (seven women and five men)

SAI Patria Asset Management SA

By gender:

- Two women
- Five men

By age:

- Between 30 and 50 years: seven employees

The Ratio between Men's and Women's Salaries, Depending on Their Position in the Company:

Patria Bank SA

For management positions, the ratio between women's and men's salary is 1.14.

For staff, the ratio between women's and men's salary is 0.86.

Patria Credit IFN SA

For management positions, the ratio between women's and men's salary is 1.78.

For staff, the ratio between women's and men's salary is 1.82.

SAI Patria Asset Management SA

For management positions, the ratio between women's and men's salary is 0.17

For staff, the ratio between women's and men's salary is 1.01.

Patria Bank Policy on Employee Professional Development

During 2021, Patria Bank also continued to develop high ethical and professional standards in order to promote professional and responsible behavior within the organization. This way it contributed to reducing the risks it faces.

Given the prolongation of the quarantine which was introduced in Romania in 2020 and the state of emergency that was accompanied by a package of regulations focused on social distancing and restricting business meetings / training, Patria Bank carried out all the projects included in its training plan for 2021 virtually. All the training sessions (external or internal) took place on the Teams platform or in an E-learning / E-testing format.

Overall, the training program consisted of:

- Average number of training hours in 2021 (per year/ per employee, by gender): men 5.14 h, women – 2.40 h (total number of employees: 599);
- Average number of training hours (per year/per employee, by position): managers: 10 h, division managers: 7.46 h, staff: 1.70 h
- Types of training provided to the employees:
 - **In-house**, focused on hard skills (induction, workshops on changes in the internal rules and regulations, business presentations focused on PBK products, equity funds, European funds, services (IB, WU, etc.), meetings on how to strategically approach the target market, etc.) and soft skills (talent management, persuasive communication, customer care, time management, sales)
 - **External**: certifications (such as GDPR, Romanian Banking Institute, Mifid II certifications, National Association of Romanian Authorized Valuers - ANEVAR, etc.), hard skills – acquisition of specialized knowledge (such as legal, operational risk, KYC/AML, ethics, labor health and safety, etc.) and

soft skills (such as leadership, persuasive negotiation, sales, customer service skills, etc.)

In 2021, in the context of the state of emergency and state of alert, the performance evaluation process was completed for 47.55% of the total number of staff. Discussions took place in the divisions and the Bank management decided that the strategic business objectives that were reflected in the staff quantitative and qualitative professional objectives should be maintained in spite of the challenging (pandemic) period of time.

Organizational Policy on Employee Professional Development

During 2021, Patria Bank continued and implemented a series of professional development programs with a view to promote responsible and professional behaviour among its staff. The year 2021 brought the development of new training programs dedicated to acquiring specialized banking knowledge, as well as programs focused on the development of leadership and communication skills and the interactions with internal and external customers (eg. talent management and internal mentorship programs).

All the in-house training sessions were conducted online and ended with tests that verified the degree of knowledge acquisition. 90% of the employees participated in at least one online program that ended with a test. We noted the importance of induction programs dedicated to new hires who go through an individual study session in the first phase and no later than two months after employment, a four-day induction session on Teams covering all areas of business and information in the areas of KYC / AML, operational risk, anti-fraud, GDPR and information security. The modules are delivered by fellow trainers from the specialized departments of the Bank. The onboarding process 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 motivating and interactive and they contained new personal development tools that were met with great success among the participants. Many such programs have a follow-up in 2022. It is also worth noting the implementation of business-coaching sessions as part of traditional 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 branches. All these measures aimed to enable the Bank to operate continuously and optimally and its 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

work under optimal parameters, while limiting to the maximum the cases of illness among them.

CHAPTER IV. The Community

Community Involvement

2021 was another pandemic year. 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:

1. Educational projects to sustain and support agribusiness entrepreneurs and agricultural high-schools

We continued developing the partnership with the **Asociația Creștem România Împreună (We Grow Romania Together Association)** in order to develop the www.malltaranesc.ro platform and start a new project, The Weekly Basket, to help households and agricultural producers distribute their products. With the pandemic in the background, Romanians trust more small farms when procuring food than retailers, industry and authorities. Mall Țărănesc (Farmers' Mall) has become a distribution platform for more than 1,300 small business that sell their products.

"Through this platform and especially through the weekly basket we launched, we achieve at least three objectives of sustainable development in the rural areas", says Mihai Mihu, President of the Creștem România Împreună Association and founder of www.malltaranesc.ro. "Promoting competitiveness, ensuring the sustainable management of natural resources and climate actions; a balanced territorial development of rural communities, including job creation and preservation, are our long-term goals. Through the platform, any buyer provides food for his family, as well as income for the families of the farmers from whom he buys products", adds Mihai Mihu.

The weekly basket contains fresh Romanian products straight from authentic producers, from vegetables, dairy, meat, eggs, fruits, to various food preparations or preserves. A survey conducted in the community of producers who sell on www.malltaranesc.ro revealed that over 42% of them felt that the internet helped them to sustain the number of orders during the pandemic. Over 80% of them consider that a presence on the internet would help them to make their products known further.

2021 was the first year of the **strategic partnership for vegetable growing, together with the Foundation for the Development of Agriculture**, founded by Carrefour. We have supported the establishment of seven farmer associations and various development programs for them.

"The support of the Patria Bank Group allows us to carry out various types of interventions in many areas of the country: in the West, in Timiș and Arad counties, where we had preliminary meetings with eight local action groups (LAGs), over 25 farmers and local authorities; in the North and Northeast, where we have already intervened in five communities and we managed to involve over 30 vegetable growers; in the South, where we set out to create associations with at least seven farmers and we are

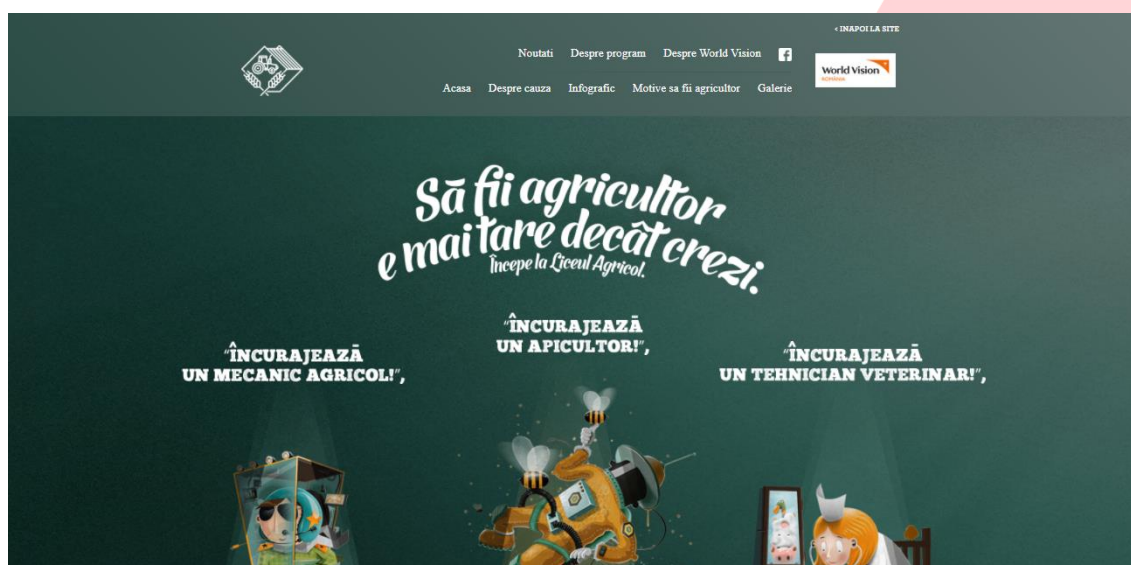


already present in Olt, Ialomița and Dâmbovița counties. In general, there are big differences between farmers, both in terms of cultivated areas and the understanding of the concept or willingness to join an association. The reservations are due to the fact that any endeavor would require too much time and effort on their part," says Romeo Vasilache, Executive Director of the Foundation for the Development of Agriculture.

We also continued our good partnership with **World Vision** to support agricultural education and the Proud to Be a Farmer program and together

- We brought a drop from our experience and that of Patria Credit farmers in addition to the theory taught in technical high schools
- We contributed to attracting young people to enroll in agricultural high schools and embrace the farmer profession.

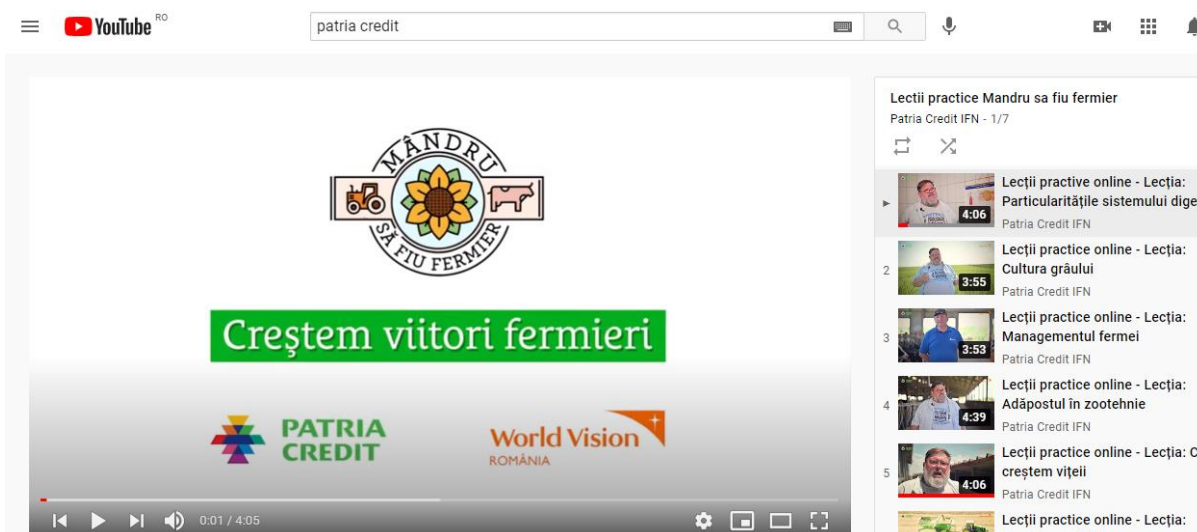
More details about the project can be found [here](#).



Reliable #OameniPatria (Patria People) volunteered and brought energy to the project. They worked together with two agricultural high schools in Iasi and Botosani, among the best in the country, and contributed by:

- supporting promotional actions and attracting students to become future farmers
- providing students with the opportunity to see what it means to be a farmer onsite, at the farms of some Patria Credit customers

- providing support for the development of educational content for high school students and not only.



We are happy to share the experiences and educational materials developed during the program, which have taken the form of an "online library" with information and tutorials accessible to all students and agricultural high schools, as well as all those who want to become or improve in the profession of farmers.

In order to support the education and access to education of children in rural areas, in 2021 we got involved in supporting the **MERITO** program of the **Romanian Business Leaders Foundation**, which aims to highlight teacher role models, able to inspire positive changes throughout the educational system.

We developed the Patria Bank Blog with additional elements related to financial and entrepreneurship education, with an important emphasis on promoting entrepreneurship and social business models and the principles of the social economy.

2. NGO Community Support

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 2021. At the end of 2021 the platform hosted almost 2,500 NGOs** and the supporters of these organizations filled in over 25,331 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. Social, Volunteering and Citizen Information Projects

Out of solidarity with the efforts of the healthcare system and in support for the construction of the first oncology hospital for children, the Patria Bank Group financially supported the efforts of the **Association Dăruiește Viața** ("Give Life Association").

In the context of the launch of the national vaccination program, in order to support the efforts to increase the vaccination rate, we got involved together with the business community in the

Normality Wave project and supported the mass information actions of the Filmevent Association.

Together with the **Fundația Comunitară București (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.

Volunteering. In 2021 the Patria employees' volunteer involvement in social causes, blood donation and participation in sporting events continued to be affected because of the pandemic context and the need to comply with social 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. About 45 children living in rural areas still believe in Santa Claus thanks to the contribution of #OamenilorPatria (“Patria People”).

4. Reactivation of the Patria Credit Foundation - www.fundatiapatria.ro

The Romanian countryside, with its potential and specific vibration, inspires us and gives us the energy to do more. More than financing farming and small businesses in rural communities that we have supported through Patria Credit and Patria Bank for the last almost 20 years.

We relaunched the Patria Credit Foundation so that we can be close to the rural communities through non-financial support, know-how, expertise and appropriate partnerships through which we aim to:

- Increase human and agricultural potential
- Support the entrepreneurs of the future
- Promote digital agro technologies

Last but not least, we wish to create more bridges between urban and rural areas in order to preserve traditions and customs and pass them on to future generations. We believe that only by connecting with our roots and respecting them and what defines us can we build a better future for rural communities.

In 2021, fundraising efforts and building partnerships to launch the first projects were disrupted by the pandemic. We focused on establishing mutually supportive partnerships and preparing the actions we plan to carry out in 2022.

5. Involvement of Patria Credit in the launch of AFIN – the Romanian Alternative Financing Institution Dedicated to the Social Economy Sector

Patria Credit IFN SA, “Alături de Voi” Romania Foundation (“By Your Side” Romania) and the European Federation of Ethical and Alternative Banks have teamed up to launch the first non-banking financial institution that will facilitate the financing of businesses with a social impact in Romania - AFIN, the Romanian alternative financing institution dedicated to the social economy sector.

- AFIN will be the first non-banking financial institution in Romania dedicated exclusively to the social economy sector, created at the initiative of social entrepreneurs in Romania;
- The first lending instrument entirely dedicated to businesses with a social impact operates within an international partnership;
- The initiative aims to support social innovation and create a functional mechanism for lending to social enterprises;
- The project is implemented with the financial support of the European Commission.

“At Patria Credit we incubate innovative financing models able to create a real economic and social impact in rural areas and to generate the development of the local community. Getting involved in initiating AFIN, together with partners with similar values and missions, makes us happy and energizes us. It also reminds us of our beginning, almost 20 years ago, when we were established following an NGO project. In turn, we financed several NGO and social business projects, but there is a clear need for a dedicated institution to do this as a core business and with a business model best suited to this segment. Today we are the oldest and most experienced microcredit institution in Romania and we want to contribute where our expertise brings added value and creates measurable impact,” said **Raluca Andreica, General Manager, Patria Credit IFN.**

Total Investment

In 2021, the Patria Bank Group community financial support amounted to EUR 92,000 in total.

CHAPTER V. The Context

Evaluation of Credit Applications Using Environmental Standard Compliance Criteria

In order to identify the impact of the customers' activities on the environment, the company classifies them by 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 includes activities that can affect the environment on a great scale, such as: construction of reservoirs, production of chemicals such as pesticides, herbicides, etc., forestry and mining activities, etc.
- **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, etc.
- **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, etc.

Classification in these classes is based on two criteria:

1. CANE Code - the company classifies these codes of the final beneficiaries according to 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 the customers commit to implement in order to reduce the negative impact.

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 legally.

Class B - customers in this impact category will be subject to an annual monitoring process.

Class C - customers are eligible for loans 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 their negative impact on the environment, Credit Counselors/ Officers propose actions agreed upon with the customers whose ultimate goal is to mitigate it.

The classification by type of activity and CANE code in order to identify their environmental impact does not apply to the PATRIA ASSET MANAGEMENT customers.

Information on How and to What Extent the Company Activities Are Associated with Economic Activities That Qualify as Environmentally Sustainable

The analysis of the portfolio regarding the activities eligible for evaluation based on the Taxonomy, an exposure of RON 528.6 million is included in this category.

Category (value in RON thousands)	Gross Exposure - Individual	%	Gross exposure - Consolidated	%
1. Gross exposure - companies with CANE codes on the "climate adaptation / climate mitigation" list	531,257	24.6 %	537,417	23.4%
2. Gross exposure - companies with a CANE code different from category 1	1,139,389	52.8 %	1,269,240	55.3%
3. Gross exposure Retail	489,002	22.6 %	489,002	21.3%
Total	2,159,648	100%	2,295,659	100%

With regard to the exposure to central governments, central banks, supranational issuers and derivatives, as well as their share in the total assets, the situation is as follows:

Indicator	Value	% Of total assets at a consolidated level
Exposure to Central Governments and Central Banks (CGCB)	RON 1,331,568,731.87	34.00%
Exposure to supranational issuers	RON 29,635,378.88	0.76%
Exposure to derivatives	RON 11,363,820.00	0.29%
Total	RON 1,372,567,930.75	35.04%

Also, the exposures to companies that are required to publish non-financial information pursuant to article 19a or 29a of the Directive 2013/34/UE are as follows:

<i>Indicator</i>	<i>Value</i>	<i>% Of total assets at a consolidated level</i>
Exposure to companies falling under the provisions of article 19a or 29a of the Directive 2013/34/UE	RON 5,197,960.58	0.13%

With regard to the proportion of the trading portfolio and interbank loans held by the Bank in the total assets, the situation is as follows:

<i>Indicator</i>	<i>Value</i>	<i>% Of total assets at a consolidated level</i>
Exposure to the trading portfolio	RON 0.00	0.00%
Exposure in interbank loans held by the Bank	RON 116,008,112.7	2.96%
Total	RON 116,008,112.7	2.96%

At the same time, a program has been established at the level of the Bank for the implementation of its own methodology for aggregating ESG factors and risks, until the middle of the following year (June 2022), considering the following steps:

- Establishing its own local and Patria Bank ESG factors that should be used in the evaluation of the ESG methodology, for all categories of assets to which the Bank has an exposure
- Establishing the ESG risk (effect of ESG factors) specific to Romania' and Patria Bank's assets that should be used in the evaluation of the ESG methodology, for all categories of assets to which the bank has an exposure from an ESG point of view
- Analysis of all the assets to identify the categories of assets that are exposed to ESG risk
- Identifying the main transmission channels (impact) and the main risk of the Bank that are affected by each category of ESG / identified risk factors
- Identifying the Bank's main challenges in applying ESG factors and the risk associated with the identified assets exposed to ESG factors and risks
- Analysis of the qualitative and quantitative information available for the assessment of ESG factors and the identification of risks to be applied to the Bank's assets exposed to ESG risk

- Own approach, taxonomy and methodology that will be used by the Bank to assess its own assets in terms of ESG factors and risk
- Proposing an internal regulation for the ESG taxonomy and methodology, the identified ESG risk and factors and describing the procedure / frequency of application and follow-up on ESG factors and risks
- Formalizing in the Risk Strategy and Commercial Strategy of the exposure types and counterparts to match the risk appetite and risk limits proposed from an ESG point of view.

Materials Used in Operations

Total Volume of Materials Used in the Bank Operations

Approximately 19.93 tons of paper were used by the Bank in 2021 (16.83 tons of printed paper in operations and 3.1 tons of printed marketing materials), down by 33% as compared to 2020. We estimate that the decrease will be sharper in 2022, with the continuation of the process of expanding digitalization and dedicated programs to reduce the presentation materials produced in branches.

CO2 Footprint of the Car Fleet

Starting with the reporting year 2021, we are closely monitoring the fuel consumption of the Patria Bank car fleet. In the previous year, the footprint our car fleet had on the environment was 289.99 tons of Co2/2021, 4,178.02 GJ. This value was estimated using the tool available on [CO2 emission calculator - Gen Less tools](#).

The Organization's Policy Regarding the Procurement of Materials 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 number 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 systems, if applicable, depending on the type of items to be purchased
- If the purchase is repetitive, one 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
- Providers with relevant experience for the goods, works and/or services to be purchased 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, technical and risk elements. Contractual relationships with suppliers will be evaluated on an annual basis in order to determine the timeliness and need to continue such collaborations.



CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

**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 2021**

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Consolidated and Separate Statement of Profit or Loss	4
Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated and Separate Statement of Financial Position	6
Consolidated and Separate Statement of Changes in Equity	7
Consolidated and Separate Statement of Cash Flows	11

Notes to the consolidated and separate Financial Statements

1.	REPORTING ENTITY	12
2.	BASIS OF PREPARATION	13
3.	SIGNIFICANT ACCOUNTING POLICIES	16
4.	FINANCIAL RISK MANAGEMENT	38
5.	USE OF ESTIMATES AND JUDGMENTS	69
6.	FAIR VALUE DISCLOSURES	77
7.	PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY	87
8.	NET INTEREST INCOME	93
9.	NET FEE AND COMMISSION INCOME	94
10.	NET GAIN/(LOSS) FROM FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	95
11.	NET GAIN/(LOSS) FROM DISPOSAL OF INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	95
12.	OTHER OPERATING INCOME	96
13.	IMPAIRMENT OF FINANCIAL ASSETS	97
14.	PERSONNEL EXPENSES	97
15.	ADMINISTRATIVE AND OTHER OPERATING EXPENSES	98
16.	INCOME TAX	98
17.	CASH AND CASH EQUIVALENTS	102
18.	FINANCIAL ASSETS EVALUATED AT FAIR VALUE THROUGH PROFIT OR LOSS	105
19.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	106
20.	DUE FROM OTHER BANKS	109
21.	LOANS AND ADVANCES TO CUSTOMERS	110
22.	INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST	129
23.	INVESTMENT PROPERTY	130
24.	NON CURRENT ASSETS HELD FOR SALE	131
25.	INVESTMENTS IN SUBSIDIARIES	132
26.	OTHER FINANCIAL ASSETS	132
27.	OTHER ASSETS	136
28.	INTANGIBLE ASSETS	136
29.	PROPERTY AND EQUIPMENT	138
30.	DUE TO OTHER BANKS	140
31.	CUSTOMER DEPOSITS	140
32.	LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS	141
33.	OTHER FINANCIAL LIABILITIES	144
34.	PROVISIONS	144
35.	OTHER LIABILITIES	146
36.	SUBORDINATED DEBT	146
37.	DEBT SECURITIES IN ISSUE	147
38.	SHARE CAPITAL	148
39.	EARNINGS PER SHARE	149
40.	SEGMENT ANALYSIS	150
41.	RESERVES	150

42.	NET DEBT RECONCILIATION	153
43.	COMMITMENTS AND CONTINGENCIES	153
44.	RELATED PARTY TRANSACTIONS	157
45.	LEASES	161
46.	SUBSEQUENT EVENTS	163

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021 (All amounts are in thousand RON)

<i>Thousand RON</i>	Note	Group		Bank	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Interest and similar income calculated using the effective interest rate	8	174,042	170,506	148,758	150,125
Interest and similar expense	8	(49,528)	(49,822)	(44,683)	(45,770)
Net interest income	8	<u>124,514</u>	<u>120,684</u>	<u>104,075</u>	<u>104,355</u>
Fee and commission income	9	32,788	28,986	31,581	28,285
Fee and commission expense	9	(6,296)	(5,007)	(4,454)	(3,880)
Net fee and commission income	9	<u>26,492</u>	<u>23,979</u>	<u>27,127</u>	<u>24,405</u>
Net gain/(loss) from financial assets measured at fair value through profit or loss	10	7,523	5	1,290	(108)
Net gain/(loss) from disposal of investment securities at fair value through other comprehensive income	11	6,807	5,095	6,807	5,095
Net gain/(loss) on derecognition of financial assets measured at amortised cost		639	(475)	639	(475)
Net gains/(losses) on investment properties	23	1,672	(524)	1,672	(524)
Net gains/(losses) on non-current assets held for sale	24	360	936	360	936
Other operating income	12	19,055	15,811	22,336	19,565
Net Operating income		<u>187,062</u>	<u>165,511</u>	<u>164,306</u>	<u>153,249</u>
Personnel expenses	14	(67,676)	(63,150)	(60,946)	(57,502)
Administrative and other operating expenses	15	(55,771)	(46,655)	(44,703)	(43,144)
Depreciation and amortization	28,29	(22,325)	(24,019)	(21,301)	(22,889)
Operational result before impairment		<u>41,290</u>	<u>31,687</u>	<u>37,356</u>	<u>29,714</u>
Net charge with impairment of financial assets	13	(24,245)	(24,793)	(21,928)	(23,604)
Operational profit		<u>17,045</u>	<u>6,894</u>	<u>15,428</u>	<u>6,110</u>
Profit before tax		<u>17,045</u>	<u>6,894</u>	<u>15,428</u>	<u>6,110</u>
Income tax charge for the year	16	(7,158)	(4,003)	(5,966)	(3,313)
Net profit for the period		<u>9,887</u>	<u>2,891</u>	<u>9,462</u>	<u>2,797</u>

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021 (All amounts are in thousand RON)**

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Net profit for the period	9,887	2,891	9,462	2,797
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	(6,807)	(5,095)	(6,807)	(5,095)
Gains/(losses) from fair value measurement of debt instruments measured at FVOCI	(15,684)	11,829	(15,684)	11,829
Variation of expected credit loss related to debt instruments measured at FVOCI	506	38	506	38
Income tax recorded directly in other comprehensive income	3,518	(461)	3,518	(461)
Items that may not be reclassified to profit or loss:				
Income tax recorded directly in other comprehensive income, related to the changes of revaluation reserve	705	422	705	422
Gain on equity investments measured at FVOCI	1,142	794	1,142	794
Income tax recorded directly in other comprehensive income, related to investments measured at FVOCI	(183)	(127)	(183)	(127)
Losses from the liquidation of subsidiaries	-	(265)	-	-
Other elements of the comprehensive income, net of tax	(16,803)	7,135	(16,803)	7,400
Comprehensive income	<u>(6,916)</u>	<u>10,026</u>	<u>(7,341)</u>	<u>10,197</u>
Profit attributable to:				
-Equity holders of the parent entity	9,887	2,891	9,462	2,797
-Non-controlling interests	-	-	-	-
Profit for the period	9,887	2,891	9,462	2,797
Comprehensive income attributable to:				
-Equity holders of the parent entity	(6,916)	10,026	(7,341)	10,197
-Non-controlling interests	-	-	-	-
Comprehensive income	<u>(6,916)</u>	<u>10,026</u>	<u>(7,341)</u>	<u>10,197</u>
Earnings per share (basic and diluted)	0.0032	0.0009	0.0030	0.0009

39

The financial statements were approved by the Board of Directors on the 24th of March 2022 and were signed on its behalf by:

Burak Yildiran
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 2021
(All amounts are in thousand RON)

<i>Thousand RON</i>	Note	Group		Bank	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Assets					
Cash and cash equivalents	17	502,974	354,793	497,316	350,943
Financial assets measured at fair value through profit or loss	18	97,181	54,155	19,377	28,101
Financial asset measured at fair value through other items of comprehensive income	19	682,856	609,936	682,856	609,936
Due from other banks	20	5,834	7,428	5,834	7,428
Loans and advances to customers	21	2,154,954	1,861,888	2,028,911	1,778,298
Investments in debt instruments at amortized cost	22	259,463	319,532	259,463	319,532
Investment property	23	118,871	115,823	118,871	115,823
Fixed assets held for sale	24	7,011	19,936	7,011	19,936
Investment in subsidiaries	25	-	-	34,296	33,322
Other financial assets	26	14,960	9,428	15,143	10,070
Other assets	27	8,408	11,551	8,443	10,656
Deferred tax assets	16	11,965	13,515	11,394	13,320
Intangible assets	28	47,005	45,877	46,139	44,882
Property and equipment	29	92,895	89,961	91,035	87,761
Total assets		<u>4,004,377</u>	<u>3,513,823</u>	<u>3,826,089</u>	<u>3,430,008</u>
Liabilities					
Due to other banks	30	18,312	37,459	18,312	37,459
Customer deposits	31	3,306,159	2,898,050	3,314,846	2,904,771
Loans from banks and other financial institutions	32	99,377	56,562	-	-
Other financial liabilities	33	143,841	82,406	53,832	45,233
Provisions	34	11,113	8,444	10,357	8,022
Other liabilities	35	3,704	3,918	3,386	3,595
Subordinated debts	36	34,896	34,555	24,797	24,403
Debt securities in issue	37	64,174	62,797	64,174	62,797
Total liabilities		<u>3,681,576</u>	<u>3,184,191</u>	<u>3,489,704</u>	<u>3,086,280</u>
Equity					
Share capital and equity premiums	38	315,833	315,833	315,833	315,833
Merger premium	38	(67,569)	(67,569)	(67,569)	(67,569)
Treasury shares	38	(1,140)	(1,138)	(6)	(4)
Accumulated Profits / (Losses)	38	13,539	(15,253)	27,816	(579)
Revaluation reserve	41	33,819	55,028	32,109	53,316
Reserves for general banking risks	41	-	15,301	-	15,301
Statutory legal reserve	41	13,641	12,752	13,524	12,752
Other reserves	41	14,678	14,678	14,678	14,678
Total equity		<u>322,801</u>	<u>329,632</u>	<u>336,385</u>	<u>343,728</u>
Total liabilities and equity		<u>4,004,377</u>	<u>3,513,823</u>	<u>3,826,089</u>	<u>3,430,008</u>

The financial statements were approved by the Board of Directors on the 24th of March 2022 and were signed on its behalf by:

Burak Yildiran
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 2021
(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 Profits / (Losses)	Total equity attributable to the parent	Non-controlling interest	Total equity
Balance at 1 January 2021	315,833	(67,569)	(1,138)	11,667	43,361	12,752	15,301	14,678	(15,253)	329,632	-	329,632
Comprehensive income												
Profit for the period	-	-	-	-	-	-	-	-	9,887	9,887	-	9,887
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Net gain related to FVOCI debt instruments recycled in profit or loss account	-	-	-	(5,718)	-	-	-	-	-	(5,718)	-	(5,718)
Expected net credit loss related to FVOCI debt instruments	-	-	-	425	-	-	-	-	-	425	-	425
Gains/(losses) from the measurement at fair value of debt instruments FVOCI	-	-	-	(13,174)	-	-	-	-	-	(13,174)	-	(13,174)
Net gain from the fair value measurement of FVOCI equity instruments	-	-	-	959	-	-	-	-	-	959	-	959
Changes in the reserve for the revaluation of property	-	-	-	-	705	-	-	-	-	705	-	705
Total other comprehensive income	-	-	-	(17,508)	705	-	-	-	-	(16,803)	-	(16,803)
Total comprehensive income	-	-	-	(17,508)	705	-	-	-	9,887	(6,916)	-	(6,916)
Revaluation reserve realized	-	-	-	-	(4,406)	-	-	-	4,406	-	-	-
Allocation to the legal reserve	-	-	-	-	-	889	-	-	(802)	87	-	87
Use of reserves to cover losses from loans	-	-	-	-	-	-	(15,301)	-	15,301	-	-	-
Acquisitions of treasury shares	-	-	(2)	-	-	-	-	-	-	(2)	-	(2)
Balance at 31 December 2021	315,833	(67,569)	(1,140)	(5,841)	39,660	13,641	-	14,678	13,539	322,801	-	322,801

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CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(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 Profits / (Losses)	Total equity attributable to the parent	Non-controlling interest	Total equity
Balance at 1 January 2020	315,833	(67,569)	(1,138)	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	315,833	(67,569)	(1,138)	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 net credit loss related to FVOCI debt instruments	-	-	-	38	-	-	-	-	-	38	-	38
Gains/(losses) from the measurement at fair value of debt instruments FVOCI	-	-	-	10,554	-	-	-	-	-	10,554	-	10,554
Net gain from the fair value measurement of 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 other comprehensive income	-	-	-	6,978	336	-	-	-	(179)	7,135	-	7,135
Total comprehensive income	-	-	-	6,978	336	-	-	-	2,712	10,026	-	10,026
Revaluation reserve realized	-	-	-	-	(2,638)	-	-	-	2,638	-	-	-
Allocation to the legal reserve	-	-	-	-	-	305	-	-	(305)	-	-	-
Balance at 31 December 2020	315,833	(67,569)	(1,138)	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 2021
(All amounts are in thousand RON)
Bank

<i>Thousand RON</i>	Share capital	Merger premium	Treasury shares	Revaluation reserves for financial assets at FVOCI	Revaluation reserve for premises	Statutory legal reserve	Reserves for general banking risks	Other reserves	Accumulated Profits / (Losses)	Total equity
Balance at 1 January 2021	315,833	(67,569)	(4)	11,668	41,648	12,752	15,301	14,678	(579)	343,728
Comprehensive income										
Profit for the period	-	-	-	-	-	-	-	-	9,462	9,462
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Net gain related to FVOCI debt instruments recycled in profit or loss account	-	-	-	(5,718)	-	-	-	-	-	(5,718)
Expected net credit loss related to FVOCI debt instruments	-	-	-	425	-	-	-	-	-	425
Gains/(losses) from the measurement at fair value of debt instruments FVOCI	-	-	-	(13,174)	-	-	-	-	-	(13,174)
Net gain from the fair value measurement of FVOCI equity instruments	-	-	-	959	-	-	-	-	-	959
Changes in the reserve for the revaluation of property	-	-	-	-	705	-	-	-	-	705
Total other comprehensive income	-	-	-	(17,508)	705	-	-	-	-	(16,803)
Total comprehensive income	-	-	-	(17,508)	705	-	-	-	9,462	(7,341)
Allocation to the legal reserve	-	-	-	-	-	772	-	-	(772)	-
Revaluation reserve realized	-	-	-	-	(4,404)	-	-	-	4,404	-
Use of reserves to cover losses from loans	-	-	-	-	-	-	(15,301)	-	15,301	-
Acquisitions of treasury shares	-	-	(2)	-	-	-	-	-	-	(2)
Balance at 31 December 2021	315,833	(67,569)	(6)	(5,840)	37,949	13,524	-	14,678	27,816	336,385

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CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)
Bank

<i>Thousand RON</i>	Share capital	Merger premium	Treasury shares	Revaluation reserves for financial assets at FVOCI	Revaluation reserve for premises	Statutory legal reserve	Reserves for general banking risks	Other reserves	Accumulated Profits / (Losses)	Total equity
Balance at 1 January 2020	315,833	(67,569)	(4)	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	315,833	(67,569)	(4)	4,689	43,865	12,447	15,301	14,678	(5,709)	333,531
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 net credit loss related to FVOCI debt instruments	-	-	-	38	-	-	-	-	-	38
Gains/(losses) from the measurement at fair value of debt instruments FVOCI	-	-	-	10,554	-	-	-	-	-	10,554
Net gain from the fair value measurement of FVOCI equity instruments	-	-	-	667	-	-	-	-	-	667
Changes in the reserve for the revaluation of property	-	-	-	-	421	-	-	-	-	421
Total other comprehensive income	-	-	-	6,979	421	-	-	-	-	7,400
Total comprehensive income	-	-	-	6,979	421	-	-	-	2,797	10,197
Allocation to the legal reserve	-	-	-	-	-	305	-	-	(305)	-
Revaluation reserve realized	-	-	-	-	(2,638)	-	-	-	2,638	-
Balance at 31 December 2020	315,833	(67,569)	(4)	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.

The financial statements were approved by the Board of Directors on the 24th of March 2022 and were signed on its behalf by:

Burak Yildiran
General Manager

Valentin Vancea
Deputy General Manager

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**CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR
ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)**

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash flows from operating activities				
Interest received	171,215	157,478	149,443	143,204
Interest paid	(50,927)	(52,202)	(45,382)	(47,751)
Fees and commissions received	32,788	28,986	31,581	28,285
Fees and commissions paid	(6,296)	(5,007)	(4,454)	(3,880)
Gain / (Loss) from financial derivatives	144	(1,094)	144	(1,094)
Net gain from financial instruments and other operating income	30,254	3,753	22,320	3,375
Recoveries from off balance sheet items	6,574	5,835	7,054	5,819
Cash payments to employees	(67,362)	(63,627)	(60,751)	(58,131)
Cash payments to suppliers	(56,041)	(46,695)	(44,935)	(43,199)
Income taxes paid	(2,295)	(2,126)	(1,152)	(1,346)
Net cash-flow from operating activities before changes in operating assets and liabilities	<u>58,054</u>	<u>25,301</u>	<u>53,868</u>	<u>25,282</u>
Changes of operating assets				
<i>(Increase)/Decrease of:</i>				
- loans and advances to banks	2,147	(2,100)	2,148	(2,111)
- financial assets measured at fair value through profit or loss	(41,301)	4,114	10,449	2,921
- loans and advances to customers	(308,754)	(217,556)	(268,116)	(204,061)
- other financial assets	10,998	(903)	10,940	(1,466)
Total changes of operating assets	<u>(336,910)</u>	<u>(216,445)</u>	<u>(244,579)</u>	<u>(204,717)</u>
Changes of operating liabilities				
<i>Increase/(Decrease) of:</i>				
- due to other banks	(19,398)	18,814	(19,398)	18,814
- deposits from customers	388,475	164,056	390,443	165,180
- other financial liabilities	51,367	(1,051)	(1,687)	1,436
Total changes of operating liabilities	<u>420,444</u>	<u>181,819</u>	<u>369,358</u>	<u>185,430</u>
Net cash flow used in operating activities	<u>141,588</u>	<u>(9,325)</u>	<u>178,647</u>	<u>5,995</u>
Cash flows from investing activities				
Acquisition of investment securities at FVOCI	(487,334)	(662,815)	(487,334)	(662,815)
Proceeds from investment securities at FVOCI	386,475	518,602	386,474	518,602
Acquisition of equity instruments	-	-	(974)	(4,020)
Proceeds from sale of equity instruments	-	410	-	669
Maturities of investments at amortized cost	61,106	24,141	61,106	24,141
Proceeds from dividend	2,261	1,885	7,242	5,904
Sale of investment property and non-current assets held for sale and premises	5,609	17,150	5,609	18,122
Acquisition of tangible and intangible assets	(7,755)	(22,516)	(7,166)	(23,507)
Net cash used in investing activities	<u>(39,638)</u>	<u>(123,143)</u>	<u>(35,043)</u>	<u>(122,904)</u>
Cash flows from financing activities				
Withdrawals from loans from other financial institutions	57,838	20,691	-	-
Repayments of loans from other financial institutions	(14,375)	(10,743)	-	-
Issuance of debt securities	-	39,128	-	39,128
Net cash generated from financing activities	<u>43,463</u>	<u>49,076</u>	<u>-</u>	<u>39,128</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,768</u>	<u>227</u>	<u>2,769</u>	<u>229</u>
Net increase/ (decrease) in cash and cash equivalents	148,181	(83,165)	146,373	(77,552)
Cash and cash equivalents at 1 January	354,793	437,958	350,943	428,495
Cash and cash equivalents at 31 December	<u>502,974</u>	<u>354,793</u>	<u>497,316</u>	<u>350,943</u>

The financial statements were approved by the Board of Directors on the 24th of March 2022 and were signed on its behalf by:

Burak Yildiran
General Manager

Valentin Vancea
Deputy General Manager

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1. REPORTING ENTITY

As at 31 December 2021, 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 2021 and 31 December 2020 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 companies 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** – is authorized by the Financial Supervision Authority (“FSA”) for the management of open-end investment funds. The company manages five investment funds – FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni, FDI Patria Euro Obligatiuni and ETF BET Patria – Tradeville. The BET Patria-Tradeville ETF was taken over by the administration of SAI Patria Asset Management in April 2021, being the only ETF (Exchange Traded Fund) equity fund in Romania. ETF BET Patria-Tradeville is a passively-managed fund, listed on the Bucharest Stock Exchange, which tracks the evolution of the exchange's main index, BET. The fund's units can be bought on the exchange through any intermediary licensed by the Bucharest Stock Exchange. SAI Patria Asset Management SA together with the managed investment funds are under the control of Patria Bank SA. Patria Bank holds 99.99% of the share capital and voting rights of SAI Patria Asset Management.

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- **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 that was authorized, regulated and supervised by the FSA; Patria Bank SA holds 95.68% of its shares.

The Financial Supervisory Authority has ruled to suspend the trading activity of SSIF Carpatica Invest SA, considering that the company was 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.

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, but the appeal of the judicial liquidator against the measures ordered by the Bucharest Court was admitted, the request for suspension of the bankruptcy procedure against CARPATICA INVEST SA being definitively rejected as inadmissible.

As a result, the bankruptcy procedure continued with successive trial terms granted in the case 2127/85/2016 Sibiu Court, but the closing of the procedure is dependent on the way of solving 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 19.05.2022 (deadline granted for the continuation of the insolvency procedure in order to definitively solve the criminal case and to clarify the situation of the assets.). In the criminal case no. 19883/3/2017 * of the Bucharest Tribunal, the following solution was pronounced on the merits.

By Decision no. 79/2022 of 28.01.2022, it was ordered to convict the defendants, as well as to maintain the precautionary measures established by the ordinances during the criminal investigation (insurance seizure), concerning the assets of the defendants, including the company Carpatica Invest. Multi-party appeals have been filed against the solution.

As at 31 December 2020 – The Group Patria Bank (“The Group”) includes Patria Bank S.A. (“The Bank” / “PBK”), (resulted from the 2017 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 and SSIF Carpatica Invest SA (in bankruptcy, ongoing insolvency procedure, unconsolidated). Patria Bank SA is the Parent company of the Group.

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”).

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The accounts of the Group are maintained in RON in accordance with Romanian accounting law and National Bank of Romania's banking regulations and the Financial Supervisory Authority (ASF). 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 is the parent company of the Group. Consequently, the consolidated financial statements prepared by Patria Bank represent the highest level of consolidation of the Group's entities.

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 2021.

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 2021 and December 2020.

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.

Subsidiaries are entities controlled by the Bank. An investor controls an investee when it has power, 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, ETF BET Patria – Tradeville in accordance with IFRS;
- Patria Credit IFN SA, 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 assumptions of the Bank and Group's management related to the income, expenses, assets, liabilities, cash flows, liquidity and capital requirements of the Bank and the Group. The management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

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. Current 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.

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

Patria Bank SA as the entity resulted from the merger, adopted as accounting policy applied to the merger process 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.

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. In the case of a financial asset or financial liability that is not measured at fair value through profit or loss, it is adjusted for 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 Fair Value through Other Comprehensive Income (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 (i.e. a Level 2 and 3 input), 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).

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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, 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.

Interests income

Interests income are 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;

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- 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 of financial instruments in accordance with IFRS 9* 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 other

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comprehensive income, 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 in the statement of comprehensive income;

- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI 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

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- 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.

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

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- Other assets (other receivables, cash in transit etc.)

iii. *Modification of the terms and conditions of the loans granted to the clients*

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;
- 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. At derecognition, the differences in the carrying amount are also recognized in profit or loss as a gain or loss.

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 maintained 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 Board of Directors decides that they are irrecoverable. This decision is made after analysing relevant 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. 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

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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.

The loan commitments granted by the Group are measured in terms of the possibility of impairment, for the recognition and measurement of an estimated credit loss (ECL) (estimated impairment is calculated as presented in this note - 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 for 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. If these combined losses are greater than the gross amount of the loan, the difference between the amount of the expected loss and the gross amount of the loan is recognized 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 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 substantial, 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 results 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.

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.

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)**

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

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

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

The exchange rates of major foreign currencies were:

Currencies	31 December 2021	31 December 2020	% Increase/ (Decrease)
Euro (EUR)	1: LEI 4.9481	1: LEI 4.8694	1.62%
US Dollar (USD)	1: LEI 4.3707	1: LEI 3.9660	10.20%

	31 December 2021		31 December 2020		% Increase/ (Decrease)	
	EUR	USD	EUR	USD	EUR	USD
At 31 December	4.9481	4.3707	4.8694	3.9660	1.62%	10.20%
Average for the period	4.9208	4.1630	4.8376	4.2413	1.72%	(1.85%)
Maximum for the period	4.9495	4.4127	4.8750	4.5316	1.53%	(2.62%)
Minimum for the period	4.8691	3.9468	4.7642	3.9660	2.20%	(0.48%)

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.

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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 recognized, 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 calculated using the 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.

The tax rate used to calculate the current and deferred tax position at 31 December 2021 and 31 December 2020 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). Gains or losses from the change in the fair value of the investment property are included in the line 'Net gains/(losses) on investment properties' in the consolidated and separate 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 in the financial year in which the asset was derecognised.

Provisions

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount.

They are recognized 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.

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Income and expense recognition

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and allocating interest income or interest expense for the relevant period.

The effective interest rate is the rate that updates future payments and receipts over the estimated life of the financial instrument or, where applicable, for a shorter period of time to the net carrying amount of the financial asset or debt. When calculating the effective interest rate, the Group estimates cash flows taking into account all contractual terms of the financial instrument, without taking into account future credit losses.

This method allocates, 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.

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. Dividend income are reflected as a component of other operating income.

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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.

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.

Fixed 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.

Subsequently, these assets are revalued and accounted for in accordance with the accounting policies taking into account the carrying amount determined in 2016 (initial cost), so that any increase in fair value over the initial value is not recognized in the accounting.

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.

Financial Guarantees and Credit 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. Fees for financial guarantees are recorded on income in the financial year in which the financial guarantee was issued, and fees for credit commitments are amortized 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.

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 as an expense.

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.

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

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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.

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 net 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

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indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the end of each reporting period.

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”).

The Group's assets do not generate separate cash flows. If there is any indication that such an asset may be impaired, then the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

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.

Customers deposits, loans from banks and other financial institutions, subordinated debts and debt securities in issue

Deposits from customers, loans from banks, subordinated liabilities and debts securities in issue 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.

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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 assesses 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) Post employment benefits

The Group does not operate post-employment benefit plans based on defined benefits or contributions for its employees.

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) to the Romanian State pension plan (State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the profit or loss account of the year.

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

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group acting as a lessee

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, 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.

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 2021.

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.

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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 acting 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.

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

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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.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may be unrecoverable. An impairment loss is recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount. Non-impaired assets that are impaired are reviewed for a possible reversal of impairment income at each reporting date.

Segment reporting

An operational segment is a component of the Group and of the Bank:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- for which discrete financial information is available.

The Group's and the Bank's format for segment reporting is presented in Note 40.

Earnings per share

The result per share is determined by dividing the net profit by the weighted average number of shares outstanding in that year. At December 31, 2021 and December 31, 2020, respectively, the Group and the Bank did not issue any potentially diluted equity instruments.

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 2021 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Standards approved by the European Union

- **Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021**
(Effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021)

The amendments extends by one year the application period of the optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. The original expedient was issued in May 2020 and has been applied by the Group in its individual and consolidated financial statements for 2021 (see Note 15)

- **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.

- **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.

Standards that have not yet been approved by the European Union

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- **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 IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgments*** (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The amendments clarify that a classification of current or long-term debt is based solely on the Group's right to defer settlement at the end of the reporting period. The right of the Group to defer settlement for at least twelve months after the reporting date shall not be unconditional, but shall have an economic fund. The classification is not affected by the intentions or expectations of management as to the extent and timing of the Group's exercise of its right. The amendments also clarify situations that are treated as debt settlement.

- **Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*** (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The amendments introduced a definition of "accounting estimates" and included other amendments to IAS 8 that clarify how to distinguish between changes in accounting policies and changes in estimates. The distinction is important because changes in accounting policies are generally applied retroactively, while changes in estimates are accounted for in the period in which the change occurs.

- **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.

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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 2021, the Group has exposure to the following risks from its use of financial and non-financial instruments:

- Credit risk
- Liquidity risk
- Market risk – currency risk, price and interest rate risk and trading operations
- Interest rate risk from activities outside the trading portfolio from interest repricing
- operational risks

The group also pursues in its risk management activity the following:

- credit concentration risk
- residual risk
- risks generated by the foreign currency lending activity of debtors exposed to foreign exchange risk
- compliance risk
- strategic risk
- excessive leverage risk;
- reputational risk.
- settlement risk;
- country risk;
- conduct risk;
- macroeconomic risk.

b) Risk management policies

Risk appetite is the aggregate level and the types of risk that the credit institution is willing to assume within the limits of its risk capacity, according to its business model, in order to achieve its strategic objectives, **risk capacity** is the maximum level of risk which the Group may assume, taking into account applicable capital and liquidity requirements, its own risk management and control capabilities, as well as its regulatory constraints, while **risk tolerance** represents the types of risks and the levels of those risks. to which the credit institution does not deliberately expose itself, but which it accepts / tolerates.

Based on the strategic objectives and the significant risks to which it is or may be exposed, the Group has established an absolute level of risk that it wishes to achieve (**risk appetite**), a maximum level (**threshold**) that it is willing to take accepts (**risk capacity**), the real limits of the appetite that it can assume (**risk tolerance**), for these elements establishing a methodology by which they are calculated, monitored and periodically reported to the senior management.

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Significant risks are managed and controlled through dedicated policies and procedures, to which are added specific processes, tools and indicators. Some of them allocated a dedicated risk profile and a risk appetite established by the risk management strategy, while for the others risk, the Group decided in favor of a qualitative / quantitative assessment, a dedicated monitoring and established the allocation of a risk requirement. capital under Pillar II (ICAAP), in order to adequately cover that risk exposure.

In 2021, the Bank aligned its risk policies to maintain consistency across all entities in the group. The Board of Directors has established an aggregate level of risk appetite for the Group, as well as an individual level of risk appetite for each type of risk identified by the Group and detailed in its risk strategy.

Therefore, for 2021, the Group has set the following risk appetite targets for each significant risk identified:

<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- High
4	Residual risk	Medium
5	Liquidity risk	Medium-High
6	Market risk - foreign currency risk and trading book	Medium
7	Interest rate risk from banking book	Medium
8	Operational risk	Medium- High
9	Strategic risk	Medium- High
10	Compliance risk	Medium- High
11	Reputational risk	Medium
12	Leverage risk	Medium

This note presents information about the Group's exposure to the most important 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.

The Bank's Board of Directors is responsible for establishing and monitoring the risk management framework. The Board of Directors of the Bank 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.

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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 forbore operations, selling assets related to NPL clients 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, analyze, monitor and report the risks to which the Group is exposed, to establish appropriate risk and control limits, and to monitor risks and adherence to risk limits in order to insure permanent fitting into risk appetite. The policies and risk management system are reviewed periodically, at least annually, to reflect changes in market conditions, products and services offered.

The Group aims to develop and maintain an environment that:

- contributes to the development of professional skills oriented towards the comprehensive and appropriate management of risks at the level of the entire staff of the Bank;
- creates and maintains a general framework for sound and prudent risk management, which may affect the activity of the Group;
- lead to the development and maintenance of an integrated risk culture at the overall level of the Group from the perspective of prudential supervision, based on a full understanding and a general approach of

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the risks they face and how they are managed, taking into account given the risk appetite set at the Group level.

The Group promotes a culture of risk in which each person is aware of their responsibilities in terms of risk management. The operational units, under the coordination of the management body, are responsible for the daily risk management, taking into account the risk profile / tolerance / risk appetite of the credit institution and in accordance with the internal policies, procedures and regulations of the credit institution. The management of the Group is actively involved and ensures the allocation of adequate resources in order to manage all significant risks to which the Group is or may be exposed.

c) Credit risks

Credit risk is the current or future risk of adversely affecting profits and capital as a result of the debtor's failure to fulfill contractual obligations or its failure to meet its obligations.

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);
- observance of prudential parameters (OCR, TSCR, etc.) in order to ensure the necessary capital base for the bank's development;
- 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;

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- *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;
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Group in the management of credit risk;
- The bank analyzes with semi-annual frequency, together with the updating of the risk parameters, the need to register some post-model depreciation adjustments. These adjustments are used in situations where existing inputs, assumptions and modeling techniques do not capture all relevant risk factors (occurrence of new macroeconomic, microeconomic or political events, together with expected changes in parameters, models or data that are not incorporated in the parameters). Post-model adjustments are approved as part of the risk parameters at the level of the Board of Directors.

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 bonds/debt securities issued by corporate clients) 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

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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.

Starting with 01.01.2021, the Group applied the new definition of default, the main changes being the addition / modification of the following criteria of improbability of payment: sale of the loan obligation with a loss of more than 5%, the client died, fraud, maturity credit default due to the start of execution by third parties, significant delays in payments to other creditors in the relevant credit register, breach of certain contractual clauses, sale of collateral to cover payment amounts, requesting new collateral due to increased risk creditworthiness, other macro-indices of improbability of payment, justified concerns about the borrower's future ability to generate stable and sufficient cash flows from monitoring processes, emergency restructuring likely to lead to a diminished financial obligation more than 1%, improbability of payment in case of restructures with atypical graphs (grace period, higher unequal rates at the end, etc.).

The following items are considered for unlikeliness to pay (default identification):

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
- 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

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- 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.

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;
- Restructuring in an emergency regime likely to lead to a reduced financial obligation by more than 1%;
- Restructuring by granting charts that may suggest the improbability of payment: payment of a large lump sum expected at the end of the repayment schedule, irregular repayment schedule, which stipulates much lower payments at the beginning of the repayment schedule, significant grace period at the beginning repayment schedule.

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.

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 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 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 above), 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:

- The financial assets acquired were in the state of default at the acquisition date
- Financial assets are in default at the date of derecognition

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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 150%; 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

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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 follow: 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 this category securities issued by the Ministry of Public Finance and bonds as well as certain exposures to other banks with investment grade as well as to the National Bank of Romania, in the form of deposits, current accounts, nostro accounts.

For quantitative disclosure regarding credit risk, please see Note 21.

d) Market risk

Market risk is the risk of losses on balance sheet and off-balance sheet positions due to unfavorable market fluctuations in prices (such as, for example, stock prices, interest rates, exchange rates).

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

Price risk and interest rate risk

Price risk (including equity exposure) arises as a result of market fluctuations in the price of equity securities in the Bank's trading book or as a result of market fluctuations in the interest rate on instruments in the Bank's trading book.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

Interest rate risk is a component of the market risk that arises as a result of market fluctuations in the interest rate related to the instruments in the bank's trading portfolio.

The objective of the Group for this risk is to engage in simple transactions exclusively to cover certain positions / to assume low risks, avoiding the development of complex or high-risk operations, which could lead to difficult risk management. The Group does not wish to be exposed at any time to the risk of goods coming from open positions related to acquisitions / holdings in shares, metals and precious stones, raw materials or other such elements.

When analyzing the price risk, before carrying out the actual transaction, the Group takes into account the factors that may determine the manifestation of this risk and which are at least the following, without being limiting:

- The position to be assumed, the type and size of the position: open - long / short;
- The volatility of the prices at which the Bank agrees to carry out transactions, where it matters: the frequency, the amplitude and the meaning of the price changes;
- Market demand and supply for a particular instrument, where it matters: the value of market demand / supply for a particular instrument; the number of active participants that give the structure of the demand / supply;
- The economic situation perceived in the issuers' market, where it matters: the economic-financial situations; positive / negative information regarding the issuer; the issuer's dividend award policy; the manner and frequency of capital increases.

The Group is exposed to price risk, which includes exposure to equity securities and commodity risk, mainly arising from the following categories of exposures: government securities, bonds issued by eligible counterparties or units held in collective investment undertakings.

In order to identify the sensitivity to price risk, the negative change (increase) of the yield of government securities in the collect and sale category is calculated and reported to the top management on a monthly basis using different degrees of severity and taking into account a time horizon of 1 month. Thus, for the baseline scenario, a +73 / +37 / +30 bps increase in yield is used for RON, EUR, and USD, respectively, representing the average of the maximum monthly yield increase in the last year of observation, and for a crisis scenario a +134 / +57 / +46 bps increase in yield is used for RON, EUR, and USD, respectively, representing the average difference between the minimum and maximum yield variation in the last 12 months.

Below are the results of applying these scenarios:

Currency	2021		2020	
	Baseline Scenario	Crisis scenario	Baseline Scenario	Crisis scenario
RON	(530,821)	(837,331)	(431,990)	(662,253)
EUR	(8,201,096)	(9,796,804)	(7,754,908)	(14,032,484)
USD	(40,146)	(61,532)	(62,287)	(95,506)
Total (impact in eq lei)	(11,005,576)	(14,211,984)	(10,105,472)	(7,636,032)

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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; 20% CHF and 20% USD - representing the double of the maximum increase / decrease margin from the last year 2021, rounded).

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; 30% CHF and 30% USD - representing the double of the maximum increase / decrease margin in the last 3 years (2019-2021) for these currencies, rounded) 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 2021 at different confidence level:

Confidence level:	95.0%	99.0%	99.9%
FX EUR	2,324,746	3,138,408	3,719,594
Impact estimate for confidence level	69,477	106,927	141,070
FX VaR for EUR/ Own funds	0.019%	0.03%	0.039%
	Low Risk	Low Risk	Low Risk
	<=1%	<=1%	<=1%

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

The following table shows dominant (for EUR) foreign currency VaR 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	0.006%	0.009%	0.012%
	Low Risk	Low Risk	Low Risk
	<=1%	<=1%	<=1%

The table below summarises the Group's exposure to foreign exchange risk as of 31 December 2021:

Thousand RON	RON	EUR	Other	Total
Financial Assets				
Cash and cash equivalents	405,385	77,612	19,977	502,974
Financial assets measured at fair value through profit or loss	81,622	11,251	4,308	97,181
The financial assets evaluated at fair value through other comprehensive income	437,744	194,176	50,936	682,856
Due from other banks	-	-	5,834	5,834
Loans and advances to customers	1,647,594	497,283	10,077	2,154,954
Investments in debt instruments at amortised cost	85,904	173,559	-	259,463
Investment in subsidiaries	-	-	-	-
Other financial assets	12,461	1,501	998	14,960
Total financial assets	<u>2,670,710</u>	<u>955,383</u>	<u>92,129</u>	<u>3,718,222</u>
Financial liabilities				
Due to other banks	2,187	16,125	-	18,312
Customer deposits	2,424,830	793,031	88,298	3,306,159
Loans from banks and other financial institutions	99,377	-	-	99,377
Other financial liabilities	115,889	27,789	162	143,841
Subordinated debt	10,099	24,797	-	34,896
Debt securities issued	-	64,174	-	64,174
Total financial liabilities	<u>2,652,381</u>	<u>925,917</u>	<u>88,461</u>	<u>3,666,759</u>
Net financial assets/(liabilities)	<u>18,328</u>	<u>29,466</u>	<u>3,669</u>	<u>51,463</u>
Off Balance sheet items				
Loans commitments to customers	265,486	68,191	-	333,677
Guarantees issued	8,651	1,997	-	10,647

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 currency risk. The Group close the open position with currency swaps.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

The table below summarises the Group's exposure to currency risks 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	<u>2,277,754</u>	<u>856,462</u>	<u>82,943</u>	<u>3,217,159</u>
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 liabilities	<u>2,262,780</u>	<u>826,582</u>	<u>82,468</u>	<u>3,171,829</u>
Net financial assets/(liabilities)	<u>14,974</u>	<u>29,880</u>	<u>476</u>	<u>45,330</u>
Off Balance sheet items				
Loans commitments to customers	264,128	35,968	-	300,095
Guarantees issued	11,708	2,892	-	14,600

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

The table below summarises the Bank's exposure to foreign exchange risk as of 31 December 2021:

<i>Thousand RON</i>	RON	EUR	Other	Total
Financial Assets				
Cash and cash equivalents	400,044	77,295	19,977	497,316
Financial assets measured at fair value through profit or loss	10,024	5,045	4,308	19,377
The financial assets evaluated at fair value through other comprehensive income	437,744	194,176	50,936	682,856
Due from other banks	-	-	5,834	5,834
Loans and advances to customers	1,521,560	497,274	10,077	2,028,911
Investments in debt instruments at amortised cost	85,904	173,559	-	259,463
Investment in subsidiaries	34,296	-	-	34,296
Other financial assets	12,644	1,501	998	15,143
Total financial assets	<u>2,502,215</u>	<u>948,851</u>	<u>92,129</u>	<u>3,543,195</u>
Financial liabilities				
Due to other banks	2,187	16,125	-	18,312
Customer deposits	2,433,517	793,031	88,298	3,314,846
Loans from banks and other financial institutions	-	-	-	-
Other financial liabilities	27,133	26,536	162	53,832
Subordinated debt	-	24,797	-	24,797
Debt securities issued	-	64,174	-	64,174
Total financial liabilities	<u>2,462,836</u>	<u>924,664</u>	<u>88,461</u>	<u>3,475,961</u>
Net financial assets/(liabilities)	<u>39,379</u>	<u>24,187</u>	<u>3,669</u>	<u>67,234</u>
Off Balance sheet items				
Loans commitments to customers	264,796	68,191	-	332,987
Guarantees issued	8,651	1,997	-	10,647

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

The table below summarises the Bank's exposure to foreign exchange risk as of 31 December 2020:

Thousand RON

Financial Assets	RON	EUR	Other	Total
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 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

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:

	Impact on profit or loss			
	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Impact 10%	Impact 5%	Impact 10%	Impact 5%
Euro strengthening	1,619	878	1,547	835
Euro weakening	1,619	(878)	1,547	(835)
Other strengthening	197	192	182	183
Other weakening	197	(192)	182	(183)

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

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:

	Impact on equity			
	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Impact 10%	Impact 5%	Impact 10%	Impact 5%
Euro strengthening	1,619	878	1,547	835
Euro weakening	1,619	(878)	1,547	(835)
Other strengthening	197	192	182	183
Other weakening	197	(192)	182	(183)

On sensitivity calculation the change of FX rate was 10% for 2021 and 5% for 2020 in strengthening/(weakening) 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 (2021, 2020 and 2019). Taking into account the current situation given by the conflict in Ukraine and the inflationary pressures, for 2021 the Group considered a variation of the exchange rate of 10%.

e) Interest rate risk from activities outside the trading portfolio from interest recovery

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 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, LIBOR and IRCC. 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 2021, 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).

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

The interest rates related to the local currency and the major foreign currencies as at 31 December 2021 and 2020 were as follows:

Currency	Interest rate	31 December 2021	31 December 2020
Leu (RON)	Robor 3 months	3.050%	2.030%
Euro (EUR)	Euribor 3 months	(0.572%)	(0.545%)
Euro (EUR)	Euribor 6 months	(0.546%)	(0.526%)
American Dollar (USD)	Libor 6 months	0.339%	0.258%

The following table shows the average interest rates obtained or offered by the Group's and Bank's as at 31 December 2021 and 31 December 2020 for its interest-bearing assets and liabilities:

Group	31 December 2021			31 December 2020		
	RON	EUR	USD	RON	EUR	USD
Assets						
Cash and cash equivalents	2.02%	0.00%	0.00%	1.80%	0.00%	0.00%
Due from other banks	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loans and advances to customers	6.33%	3.66%	8.44%	6.63%	3.96%	7.42%
Financial assets measured at fair value through other comprehensive income	3.99%	2.26%	5.36%	4.07%	1.57%	5.27%
Investments in debt instruments at amortised cost	5.64%	1.97%	n/a	5.73%	1.47%	n/a
Financial assets measured at fair value through profit or loss	n/a	n/a	n/a	0.00%	0.00%	n/a
Liabilities						
Due to other banks	0.00%	n/a	n/a	1.61%	n/a	n/a
Current accounts from customers	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%
Term deposits from customers	2.54%	0.11%	0.52%	2.52%	0.12%	0.59%
Loans from banks and other financial institutions	3.31%	n/a	n/a	3.09%	n/a	n/a
Subordinated Debt	3.00%	6.26%	n/a	3.00%	5.64%	n/a
Debt securities issued	n/a	6.50%	n/a	n/a	6.50%	n/a

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

Bank	31 December 2021			31 December 2020		
	LEI	EUR	USD	LEI	EUR	USD
Financial Assets						
Cash and cash equivalents	2.02%	0.00%	0.00%	1.80%	0.00%	0.00%
Due from other banks	n/a	n/a	0.00%	n/a	n/a	0.00%
Loans and advances to customers	5.91%	3.66%	8.44%	6.31%	3.95%	7.48%
Financial assets measured at fair value through other comprehensive income	3.99%	2.26%	5.36%	4.07%	1.57%	5.27%
Investments in debt instruments at amortised cost	5.64%	1.97%	n/a	5.73%	1.47%	n/a
Financial assets measured at fair value through profit or loss	n/a	n/a	n/a	0.00%	0.00%	n/a
Liabilities						
Deposits from banks	0.00%	n/a	n/a	1.61%	n/a	n/a
Current accounts from customers	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%
Deposits from customers	2.54%	0.11%	0.52%	2.52%	0.12%	0.59%
Borrowings	n/a	n/a	n/a	n/a	n/a	n/a
Subordinated debt	n/a	6.26%	n/a	n/a	5.64%	n/a
Debt securities issued	n/a	6.50%	n/a	n/a	6.50%	n/a

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 31.12.2021:

Group	31 December 2021					
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	502,974	114,600	-	-	-	388,374
Financial assets measured at fair value through profit or loss	97,181	-	-	-	-	97,181
Financial asset measured at fair value through other items of comprehensive income	682,856	18,048	151,228	430,231	73,005	10,344
Due from other banks	5,834	-	-	-	-	5,834
Loans and advances to customers	2,154,954	19,267	1,437,777	219,629	472,928	5,353
Investments in debt instruments at amortized cost	259,463	-	-	194,033	65,430	-
Other financial assets	14,960	40	107	631	62	14,120
Total financial assets	3,718,222	151,955	1,589,112	844,524	611,425	521,206
Financial liabilities						
Due to other banks	18,312	-	-	-	-	18,312
Customer deposits	3,306,159	1,173,784	1,326,623	78,612	6,213	720,927
Loans from banks and other financial institutions	99,377	-	99,377	-	-	-
Other financial liabilities	143,841	2,170	5,990	23,756	1,594	110,331
Subordinated debts	34,896	-	24,797	-	10,099	-
Debt securities in issue	64,174	-	-	-	64,174	-
Total financial liabilities	3,666,759	1,175,954	1,456,787	102,368	82,080	849,570
Net Interest rate risk position	51,463	(1,023,999)	132,325	742,156	529,345	(328,364)

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

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 2021 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.

The table below 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 31.12.20 20:

Group	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	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	-
Other financial assets	9,428	114	305	933	-	8,076
Total financial assets	3,217,160	201,564	1,731,190	586,951	279,806	417,649
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	3,171,829	1,098,330	1,225,584	80,177	83,052	684,686
Net Interest rate risk position	45,331	(896,766)	505,606	506,774	196,754	(267,037)

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

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 31.12.2021:

Bank			31 December 2021			
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	497,316	110,000	-	-	-	387,316
Financial assets measured at fair value through profit or loss	19,377	-	-	-	-	19,377
Financial asset measured at fair value through other items of comprehensive income	682,856	18,048	151,228	430,231	73,005	10,344
Due from other banks	5,834	-	-	-	-	5,834
Loans and advances to customers	2,028,911	18,774	1,430,489	101,733	472,562	5,353
Investments in debt instruments at amortized cost	259,463	-	-	194,033	65,430	-
Other financial assets	15,143	40	107	631	62	14,303
Total financial assets	3,508,900	146,862	1,581,824	726,628	611,059	442,527
Financial liabilities						
Due to other banks	18,312	-	-	-	-	18,312
Customer deposits	3,314,846	1,178,318	1,326,623	78,612	6,213	725,080
Loans from banks and other financial institutions	-	-	-	-	-	-
Other financial liabilities	53,832	2,170	5,990	23,756	1,044	20,872
Subordinated debts	24,797	-	24,797	-	-	-
Debt securities in issue	64,174	-	-	-	64,174	-
Total financial liabilities	3,475,961	1,180,488	1,357,410	102,368	71,431	764,264
Net Interest rate risk position	32,939	(1,033,626)	224,414	624,260	539,628	(321,737)

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 2021 the Bank 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 Bank and the interest rate is not automatically updated at a market benchmark.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

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 Thousand RON	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	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	-	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 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 2021 by applying a possible change in interest rate of +/- 200 bps (as a percentage of the Group's own funds) for items with a maturity of up to 12 months could lead to positive impact of 12,364 thousands LEI, respectively an impact of 3.34% on own funds and profit or loss account assuring a low risk profile in accordance with internal rules regarding interest rate risk (as of 31 December 2020: 11,354 thousand LEI positive impact and respectively an impact of 3.03% on own funds and profit or loss account).

A sensitivity of 200 bps fluctuation of interest rates is reasonable, taking into account the fact that the average evolution of the maximum levels during 2021 (as the difference between the maximum level and the minimum level from 01.10.2021-28.02.2022 for ROBOR 3M and 6M) was 204/216 bps, and 2 bps for the main exchange currencies (EUR, for both EURIBOR 3M and EURIBOR 6M), and also taking into account the balance sheet structure in the main currencies.

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The Bank conducts quarterly simulations of changes in their economic value as a result of sudden and unexpected changes in interest rates according to six standardized shock scenarios for detecting extreme values, namely a parallel upward shock, a parallel downward shock, a shock with sudden variation (short rates down and long rates up), a constantly evolving shock (short rates up and long rates down), a shock with short rates up, a shock with short rates down, which reports them in the ICAAP process to senior management.

f) Liquidity and finance risk

i) Management of liquidity and finance risk

Liquidity and financing risks are distinct risks which, if materialized, have a significant prudential impact on the credit institution's liquidity over different time horizons.

Liquidity risk is the risk that the Group's profits and capital will be adversely affected, as a result of the bank's inability to meet its obligations at maturity.

Financing risk is the risk that the Group will not have stable sources of financing in the medium and long term, which leads to the existing or potential risk that the credit institution will not be able to meet, or meet its unacceptable financing costs, its obligations, such as payments and the need for collateral, as they become due in the medium and long term.

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 and periodic testing of liquidity stress is performed at least monthly in a variety of scenarios that cover both normal and the most extreme market conditions. 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.

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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 2021	31 December 2020	31 December 2021	31 December 2020
At the end of the period	67.46%	66.36%	65.09%	65.59%
Average for the period	70.74%	68.81%	69.72%	67.57%
Maximum for the period	72.55%	70.13%	72.06%	68.86%
Minimum for the period	67.46%	66.36%	65.09%	65.59%

The Group maximum recorded level of 72.55% of gross loans to deposits ratio was as of the end of June 2021, while the minimum recorded level of 67.46% was as of the end of December 2021.

The Bank maximum recorded level of 72.06 % of gross loans to deposits ratio was as of the end of September 2021, while the minimum recorded level of 65.09% was as of the end of December 2021.

The table below shows liabilities at 31 December 2021 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.

Also, 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.

The residual maturity analysis of the monetary assets and liabilities of the Group at 31 December 2021 is presented below:

<i>Thousand RON</i>	31 December 2021						Total
	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	388,374	114,600	-	-	-	-	502,974
Financial assets measured at fair value through profit or loss	-	-	-	-	-	97,181	97,181
Financial assets evaluated at fair value through other comprehensive income	-	18,048	151,228	430,231	73,005	10,344	682,856
Due from other banks	-	-	5,834	-	-	-	5,834
Loans and advances to customers, including future interest	-	126,608	358,440	1,232,610	924,552	754	2,642,965
Investments in debt securities at amortised cost	-	-	-	194,291	65,430	-	259,721
Other financial assets	-	40	107	631	62	14,120	14,960
Total financial assets	<u>388,374</u>	<u>259,296</u>	<u>515,609</u>	<u>1,857,763</u>	<u>1,063,049</u>	<u>122,399</u>	<u>4,206,491</u>
Financial liabilities							
Due to other banks	14,844	-	-	-	495	2,973	18,312
Customer deposits, including future interest	714,888	1,176,140	1,344,433	80,993	7,666	114	3,324,234
Loans from banks and other financial institutions, including future interest	-	104,605	-	-	-	-	104,605
Other financial liabilities	-	2,170	5,990	23,756	1,594	110,331	143,841
Subordinated debt and debt securities in issue, including future interest	-	-	-	30,548	94,510	-	125,058
Total financial liabilities	<u>729,732</u>	<u>1,282,915</u>	<u>1,350,423</u>	<u>135,297</u>	<u>104,265</u>	<u>113,418</u>	<u>3,716,050</u>
Liquidity excess/(deficit)	<u>(341,358)</u>	<u>(1,023,619)</u>	<u>(834,814)</u>	<u>1,722,466</u>	<u>958,784</u>	<u>8,981</u>	<u>490,441</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

Derivatives are presented in terms of fair value based on their contractual maturities, the value of the notional as of 31 December 2021 being 11,364 thousand Ron – maturity 20 January 2022 (37,134 as of 31 December 2020 – maturity 20 January 2021).

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	Due on	Up to 3	3	1 Year	Over 5	No fixed	
Off-Balance items	demand	Months	Months	to 5	Years	maturity	Total
			to 1 Year	Years			
Loans Commitments given to customers	333,677	-	-	-	-	-	333,677
Guarantees issued to customers	10,647	-	-	-	-	-	10,647

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.

The residual maturity analysis of the monetary assets and liabilities of the Group at 31 December 2020 is presented below:

Group	31 December 2020						
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	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	-	-	-	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	-	319,559
Other financial assets	-	114	305	933	-	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	-	59,777	-	-	-	-	59,777
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	1,150,879	1,160,432	95,519	129,976	54,495	3,224,520
Liquidity excess/(deficit)	(301,823)	(803,848)	(659,931)	1,420,370	758,938	13,582	427,289

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(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	300,095	-	-	-	-	-	300,095
Loan commitments received from customers	14,600	-	-	-	-	-	14,600

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

The residual maturity analysis of the monetary assets and liabilities of the Bank at 31 December 2021 is presented below:

<i>Thousand RON</i>	31 December 2021						Total
	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	387,316	110,000	-	-	-	-	497,316
Financial assets measured at fair value through profit or loss	-	-	-	-	-	19,377	19,377
Financial assets evaluated at fair value through other comprehensive income	-	18,048	151,228	430,231	73,005	10,344	682,856
Due from other banks	-	-	5,834	-	-	-	5,834
Loans and advances to customers, including future interest	-	125,300	329,005	1,077,721	924,186	754	2,456,967
Investments in debt securities at amortised cost	-	-	-	194,291	65,430	-	259,721
Other financial assets	-	40	107	631	62	14,303	15,143
Total financial assets	<u>387,316</u>	<u>253,388</u>	<u>486,174</u>	<u>1,702,874</u>	<u>1,062,683</u>	<u>44,778</u>	<u>3,937,214</u>
Financial liabilities							
Due to other banks	14,844	-	-	-	495	2,973	18,312
Customer deposits, including future interest	719,041	1,180,673	1,344,433	80,993	7,666	114	3,332,920
Loans from banks and other financial institutions, including future interest	-	-	-	-	-	-	-
Other financial liabilities	-	2,170	5,990	23,756	1,044	20,872	53,832
Subordinated debt and debt securities in issue, including future interest	-	-	-	30,548	92,274	-	122,822
Total financial liabilities	<u>733,885</u>	<u>1,182,843</u>	<u>1,350,423</u>	<u>135,297</u>	<u>101,479</u>	<u>23,959</u>	<u>3,527,886</u>
Liquidity excess/(deficit)	<u>(346,569)</u>	<u>(929,455)</u>	<u>(864,249)</u>	<u>1,567,577</u>	<u>961,204</u>	<u>20,819</u>	<u>409,328</u>
Off-Balance items							
Loans Commitments given to customers	332,987	-	-	-	-	-	332,987
Guarantees issued to customers	10,647	-	-	-	-	-	10,647

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)

The residual maturity analysis of the monetary assets and liabilities of the Bank at 31 December 2020 is presented below:

Bank	31 December 2020						
<i>Thousand RON</i>	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	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	<u>330,943</u>	<u>341,967</u>	<u>482,924</u>	<u>1,419,134</u>	<u>860,672</u>	<u>42,665</u>	<u>3,478,306</u>
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	<u>635,880</u>	<u>1,095,339</u>	<u>1,160,432</u>	<u>95,519</u>	<u>126,146</u>	<u>18,616</u>	<u>3,131,932</u>
Liquidity excess/(deficit)	<u>(304,937)</u>	<u>(753,372)</u>	<u>(677,508)</u>	<u>1,323,615</u>	<u>734,526</u>	<u>24,049</u>	<u>346,374</u>
Off-Balance items							
Loans Commitments given to customers	299,405	-	-	-	-	-	299,405
Guarantees issued to customers	14,600	-	-	-	-	-	14,600

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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 2021 and 31 December 2020 the Group's own fund calculated as per statutory regulations and capital requirement for 31 December 2021 and 31 December 2020 are within the regulatory limits and requirements of the NBR.

At 31 December 2021 and 31 December 2020 the Bank's own fund calculated as per statutory regulations and capital requirement for 31 December 2021 and 31 December 2020 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.

Covid-19 and the context of rising inflation generated mainly by rising energy and gas prices and supply chain disruptions

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 which lasted until May 14, 2020. Since then, the Romanian Government has maintained a state of alert until on March 9, 2022. 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

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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, the automotive industry, and partially the construction segment (especially in the commercial area) and related 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 Romanian companies have instructed employees to stay home and have temporarily restricted or temporarily suspended commercial operations or restricted access to office space. However, it should be noted that during 2021, the Government did not declare a state of emergency with the total / almost total closure of economic activities, the situations being analyzed and adapted locally depending on the degree of incidence and severity of the pandemic.

The Fed, at its last monetary policy meeting on March 16, 2022, reduced the QE program started in 2020 and kept the monetary policy rate at the same level, later signalling a 25bps increase at the next meeting, as the market expect a more aggressive move from the Fed. In March 2022, the ECB increased the QE-reducing momentum presented above and opened the discussion on a possible increase in the monetary policy rate in the future.

At the same time, in the context of rampant inflation generated mainly by rising energy and gas prices and supply chain disruptions and in the context of the war between Russia and Ukraine, European central banks reacted and raised monetary policy interest rates. The NBR reacted similarly, raising the interest rate on monetary policy lant months of 2021 from 1.25% to 2.5% at present. Moreover, the NBR resumed the process of buying government securities in RON in March 2022, in order to compensate the withdrawals of liquidity from the system made by the NBR by selling EUR-RON on the foreign exchange market in an attempt to stabilize the exchange rate.

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 anticipatory elements reflects the Group's and the Bank's expectations and involves the creation of scenarios, including a probability assessment for each scenario.

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

Scenarios weights

	Base scenario	Adverse scenario
Year 2020	70%	30%
Year 2021	70%	30%

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

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)**

Values used as of 31.12.2021

GDP (real)	2021	2022	2023	2024
Central 70%	7.51	5.30	5.39	4.83
Advers 30%	6.60	3.94	4.20	3.50
GDP -average	7.23	4.89	5.03	4.43
Unemployment	2021	2022	2023	2024
Central 70%	5.30	4.71	4.54	4.54
Advers 30%	5.37	5.31	5.14	5.15
UR average	5.32	4.89	4.72	4.72

Values used as of 31.12.2020

GDP (real)	2020	2021	2022	2023
Central 70%	(4.43)	4.60	4.15	4.20
Adverse 30%	(4.93)	0.50	2.50	3.50
GDP -average	(4.58)	3.37	3.66	3.99
Unemployment	2020	2021	2022	2023
Central 70%	5.10	5.95	5.53	5.10
Advers 30%	5.28	6.65	6.10	5.60
UR average	5.15	6.16	5.70	5.25

Considering the above scenarios, the graph of PD curves shifted upward relative to the graph of behavioral curves for all segments. Given the above scenarios, the graph of the PD curves shifted upwards for all segments.

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 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 7.8 million as of 31 December 2021 (RON 2.2 million as of 31 December 2020).

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)**

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:

<i>Thousand LEI</i>	Individual	Consolidated
Base scenario	1,765	1,796
Crisis scenario	4,499	4,592

In order to assess a potential increase in expected losses, the Bank uses a general scenario to identify the Bank's exposure to macroeconomic risk for the reference date 31 December 2021, and the results of the simulation were as follows:

<i>Thousand LEI</i>	Individual	Consolidated
Base scenario	11,642	11,732
Crisis scenario	16,928	17,103

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 (the values from the "Autumn 2020 Forecast" were maintained, which were lower than those from the following projections) and the average scenario used by the Bank
- for UR - the highest value between EBA forecast (the values from the "Autumn 2020 Forecast" were maintained, which were lower than those from the following projections) 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)	2021	2022	2023	2024
GDP -average scenario used by the Bank	7.51	5.30	5.39	4.83
GDP - base scenario EBA forecast	3.30	3.80	3.80	3.80
GDP -ICAAP - base scenario	3.30	3.80	3.80	3.80

Unemployment

	2021	2022	2023	2024
UR average scenario used by the Bank	5.30	4.71	4.54	4.54
UR - base scenario EBA forecast	6.20	5.10	5.10	5.10
UR - ICAAP - base scenario	6.20	5.10	5.10	5.10

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)**

Crisis scenario

GDP (real)	2021	2022	2023	2024
GDP -average scenario used by the Bank	6.60	3.94	4.20	3.50
GDP - crisis scenario EBA forecast	2.20	3.50	3.50	3.50
GDP -ICAAP - crisis scenario	2.20	3.50	3.50	3.50

Unemployment	2021	2022	2023	2024
UR average scenario used by the Bank	5.37	5.31	5.14	5.15
UR - crisis scenario EBA forecast	7.00	7.50	7.50	7.50
UR - ICAAP - crisis scenario	7.00	7.50	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 in 2020 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.

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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 2021.

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. During 2021, a number of 54 clients with total exposures of 12,807 thousand LEI requested the extension of the payment deferral moratorium. Of these, total exposures amounting to 10,926 thousand LEI represented exposures to companies. An additional measure that the Romanian Government has taken to support the SME segment was IMM Invest Program. The total guarantees that could be granted under the program was 15 billion LEI for 2021 (20 billion LEI for 2020). As of December 31, 2021, the Group's portfolio included 233 approved financing applications (138 as of December 31, 2020), amounting to 251,776 thousand LEI (100,108 thousand LEI as of December 31, 2020).

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 unlikeliness 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.

In the process of analysis, the Bank carefully analyses the Manufacturing Industry (automotive industry, production of electrical and electronic products, production of fertilizers for agriculture, production of cement,

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production of aluminum, steel), companies operating in the field of electricity and heat supply, and transportation, which may be affected by rising energy, gas, or supply crisis prices.

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.
- **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.

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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 and ETF BET Patria – Tradeville), are consolidated.

31 December 2021:

Investment Fund	Total fund units		Fund units held by the Bank		
	Number	Total value (Thousand RON)	Number	Total value (Thousand RON)	Percentage (%)
FDI Patria Global	637,116	16,531	213,717	5,545	34%
FDI Patria Stock	218,129	5,017	160,853	3,700	74%
FDI Patria Euro Obligatiuni	146,763	7,405	100,000	5,045	68%
FDI Patria Obligatiuni	1,894,678	26,779	-	-	0%
FDI ETF BET Patria Tradeville	2,590,000	46,849	-	-	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.

(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

- *Debt securities*

- *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 2021				31 December 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	97,181	-	-	97,181	54,155	-	-	54,155
Financial asset measured at fair value through other items of comprehensive income	<u>576,520</u>	<u>95,992</u>	<u>10,344</u>	<u>682,856</u>	<u>600,727</u>	-	<u>9,209</u>	<u>609,936</u>
- <i>Debt securities</i>	576,520	95,992	-	672,512	600,727	-	-	600,727
- <i>Equity investments</i>	-	-	10,344	10,344	-	-	9,209	9,209
Derivative financial instruments	-	-	-	-	-	-	36	36
Investment Property	-	-	118,871	118,871	-	-	115,823	115,823
Fixed assets held for sale	-	-	7,011	7,011	-	-	19,936	19,936
Total assets at fair value	<u>673,701</u>	<u>95,992</u>	<u>136,226</u>	<u>905,919</u>	<u>654,882</u>	-	<u>145,004</u>	<u>799,886</u>
<i>Liabilities at fair value</i>								
- Foreign exchange forward contracts	-	-	130	130	-	-	-	-
Total liabilities at fair value	-	-	<u>130</u>	<u>130</u>	-	-	-	-

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)
Bank

	31 December 2021				31 December 2020			
<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	19,377	-	-	19,377	28,101	-	-	28,101
Financial asset measured at fair value through other items of comprehensive income	<u>576,520</u>	<u>95,992</u>	<u>10,344</u>	<u>682,856</u>	<u>600,727</u>	=	<u>9,209</u>	<u>609,936</u>
-Debt securities	576,520	95,992	-	672,512	600,727	-	-	600,727
- Equity investments	-	-	10,344	10,344	-	-	9,209	9,209
Derivative financial instruments	-	-	-	-	-	-	36	36
Non-financial assets								
Investment Property	-	-	118,871	118,871	-	-	115,823	115,823
Fixed assets held for sale	-	-	7,011	7,011	-	-	19,936	19,936
Total assets at fair value	<u>595,897</u>	<u>95,992</u>	<u>136,226</u>	<u>828,115</u>	<u>628,828</u>	=	<u>145,004</u>	<u>773,832</u>
Liabilities at fair value								
- Foreign exchange forward contracts	-	-	130	130	-	-	-	-
Total liabilities at fair value	=	=	<u>130</u>	<u>130</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**Tangible assets**

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 2021 and based on the revaluation of the buildings and land owned by the Group, performed by a certified evaluator the Group's management considers that the value of land and buildings as at 31 December 2021 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 2021 (2020: 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 2021. 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.

(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

Thousand RON

Financial Assets

	31 December 2021				31 December 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	299,701	203,273	-	502,974	266,904	87,889	-	354,793
Placements with banks having short term maturity	-	5,834	-	5,834	-	7,428	-	7,428
Loans and advances to customers	-	-	2,223,719	2,154,954	-	-	1,899,587	1,861,888
Investments in debt instruments at amortized cost	257,520	-	-	259,463	324,487	-	-	319,532
Other financial assets	-	-	14,960	14,960	-	-	9,392	9,392
Tangible Assets (Land & Buildings)	-	-	76,047	76,047	-	-	73,638	73,638
Total	557,221	209,107	2,314,726	3,014,232	591,391	95,317	1,982,617	2,626,671

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Group
Thousand RON
Financial liabilities

Deposits from banks:

- Correspondent accounts and overnight placements of other banks

- Term deposits from banks

- Collateral deposits from banks

Customer deposits:

- Current accounts and transitory amounts of companies

- Term deposits of companies

- Current accounts and transitory amounts of individuals

- Term deposits of individuals

Loans from banks and other financial institutions:

- Loans from banks

- Loans from other financial institutions

Subordinated debts

Debt securities in issue

Other financial liabilities:

- Financial liabilities to owners of fund units

- Other financial liabilities

Total

31 December 2021				31 December 2020			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
-	<u>18,312</u>	-	<u>18,312</u>	-	<u>37,459</u>	-	<u>37,459</u>
-	17,817	-	17,817	-	11,967	-	11,967
-	0	-	-	-	25,005	-	25,005
-	495	-	495	-	487	-	487
-	-	<u>3,312,467</u>	<u>3,306,159</u>	-	-	<u>2,903,368</u>	<u>2,898,050</u>
-	-	384,153	384,153	-	-	319,807	319,807
-	-	921,410	919,205	-	-	669,020	667,496
-	-	336,660	336,660	-	-	305,566	305,566
-	-	1,670,244	1,666,141	-	-	1,608,975	1,605,181
-	-	<u>99,377</u>	<u>99,377</u>	-	-	<u>56,562</u>	<u>56,562</u>
-	-	49,080	49,080	-	-	4,389	4,389
-	-	50,297	50,297	-	-	52,173	52,173
-	-	34,896	34,896	-	-	34,555	34,555
-	-	64,174	64,174	-	-	62,797	62,797
-	-	<u>143,711</u>	<u>143,711</u>	-	-	<u>82,406</u>	<u>82,406</u>
-	-	86,227	86,227	-	-	33,480	33,480
-	-	57,484	57,484	-	-	48,926	48,926
-	<u>18,312</u>	<u>3,654,625</u>	<u>3,666,629</u>	-	<u>37,459</u>	<u>3,139,688</u>	<u>3,171,829</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)
Bank

	31 December 2021				31 December 2020			
<i>Thousand RON</i>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets								
Cash and cash equivalents	298,601	198,715	-	497,316	266,441	84,502	-	350,943
Placements with banks having short term maturity	-	5,834	-	5,834	-	7,428	-	7,428
Loans and advances to customers	-	-	2,097,676	2,028,911	-	-	1,815,997	1,778,298
Investments in debt instruments at amortized cost	257,520	-	-	259,463	324,487	-	-	319,532
Other financial assets	-	-	15,143	15,143	-	-	10,034	10,034
Tangible Assets (Land & Buildings)	-	-	74,910	74,910	-	-	72,194	72,194
Total	<u>556,121</u>	<u>204,549</u>	<u>2,187,729</u>	<u>2,881,577</u>	<u>590,928</u>	<u>91,930</u>	<u>1,898,225</u>	<u>2,538,429</u>

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FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in thousand RON)
Bank

<i>Thousand RON</i>	31 December 2021				31 December 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities								
Deposits from banks:	-	<u>18,312</u>	-	<u>18,312</u>	-	<u>37,459</u>	-	<u>37,459</u>
- Correspondent accounts and overnight placements of other banks	-	17,817	-	17,817	-	11,967	-	11,967
- Term deposits from banks	-	-	-	-	-	25,005	-	25,005
- Collateral deposits from banks	-	495	-	495	-	487	-	487
Customer deposits:	-	-	<u>3,321,154</u>	<u>3,314,846</u>	-	-	<u>2,910,089</u>	<u>2,904,771</u>
- Current accounts and transitory amounts of companies	-	-	388,307	388,307	-	-	322,291	322,291
- Term deposits of companies	-	-	925,943	923,738	-	-	673,257	671,733
- Current accounts and transitory amounts of individuals	-	-	336,660	336,660	-	-	305,566	305,566
- Term deposits of individuals	-	-	1,670,244	1,666,141	-	-	1,608,975	1,605,181
Subordinated debts	-	-	24,797	24,797	-	-	24,403	24,403
Debt securities in issue	-	-	64,174	64,174	-	-	62,797	62,797
Other financial liabilities	-	-	53,702	53,702	-	-	45,233	45,233
Total	-	<u>18,312</u>	<u>3,463,827</u>	<u>3,475,831</u>	-	<u>37,459</u>	<u>3,042,522</u>	<u>3,074,663</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

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.

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.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

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").

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(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 2021:

Group	31 December 2021			
<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	502,974	-	-	502,974
Financial assets measured at fair value through profit or loss	-	97,181	-	97,181
Financial assets measured at fair value through other items of comprehensive income:	-	-	<u>682,856</u>	<u>682,856</u>
- <i>Debt securities</i>	-	-	672,512	672,512
- <i>Equity investments</i>	-	-	10,344	10,344
Placements with banks having short term maturity	5,834	-	-	5,834
Loans and advances to customers:	<u>2,154,954</u>	-	-	<u>2,154,954</u>
- <i>Corporate loans</i>	1,409,329	-	-	1,409,329
- <i>loans to individuals – consumer loans</i>	164,250	-	-	164,250
- <i>loans to individuals – entrepreneurs</i>	243,445	-	-	243,445
- <i>Mortgage loans</i>	306,481	-	-	306,481
- <i>State and municipal organizations</i>	31,449	-	-	31,449
Investments in debt instruments at amortized cost	259,463	-	-	259,463
Other Financial assets	14,960	-	-	14,960
Total financial assets	<u>2,938,185</u>	<u>97,181</u>	<u>682,856</u>	<u>3,718,222</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(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 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 2021
(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 2021:

Bank	31 December 2021			
<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	497,316	-	-	497,316
Financial assets measured at fair value through profit or loss	-	19,377	-	19,377
Financial assets measured at fair value through other items of comprehensive income:	-	-	<u>682,856</u>	<u>682,856</u>
- <i>Debt securities</i>	-	-	672,512	672,512
- <i>Equity investments</i>	-	-	10,344	10,344
Placements with banks having short term maturity	5,834	-	-	5,834
Loans and advances to customers:	<u>2,028,911</u>	-	-	<u>2,028,911</u>
- <i>Corporate loans</i>	1,393,531	-	-	1,393,531
- <i>loans to individuals – consumer loans</i>	164,195	-	-	164,195
- <i>loans to individuals – entrepreneurs</i>	133,255	-	-	133,255
- <i>Mortgage loans</i>	306,481	-	-	306,481
- <i>State and municipal organizations</i>	31,449	-	-	31,449
Investments in debt instruments at amortized cost	259,463	-	-	259,463
Other Financial assets	15,143	-	-	15,143
Total financial assets	<u>2,806,667</u>	<u>19,377</u>	<u>682,856</u>	<u>3,508,900</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(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 2020:

Bank	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	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 2021
(All amounts are in Thousand RON)

Presentation of financial instruments by measurement category:

Group	31 December 2021		31 December 2020	
Thousand RON	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	18,312	-	37,459	-
Customer deposits	<u>3,306,159</u>	-	<u>2,898,050</u>	-
- Current accounts and transitory amount of companies	384,153	-	319,807	-
- Deposits of companies	919,205	-	667,496	-
- Current accounts and transitory amount of private individuals	336,660	-	305,566	-
- Deposits of private individuals	1,666,141	-	1,605,181	-
Loans from banks and other institutions	99,377	-	56,562	-
Other financial liabilities	143,711	130	82,406	-
Subordinated debt	34,896	-	34,555	-
Debt securities in issue	64,174	-	62,797	-
Total financial liabilities	<u>3,666,629</u>	<u>130</u>	<u>3,171,829</u>	-

Bank	31 December 2021		31 December 2020	
Thousand RON	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	18,312	-	37,459	-
Customer deposits	<u>3,314,846</u>	-	<u>2,904,771</u>	-
- Current accounts and transitory amount of companies	388,307	-	322,291	-
- Deposits of companies	923,738	-	671,733	-
- Current accounts and transitory amount of private individuals	336,660	-	305,566	-
- Deposits of private individuals	1,666,141	-	1,605,181	-
Other financial liabilities	53,702	130	45,233	-
Subordinated debt	24,797	-	24,403	-
Debt securities in issue	64,174	-	62,797	-
Total financial liabilities	<u>3,475,831</u>	<u>130</u>	<u>3,074,663</u>	-

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

8. NET INTEREST INCOME

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Interest and similar income				
Loans and advances to customers (*)	154,122	149,742	130,468	130,939
Debt instruments at amortised cost	5,117	5,442	5,117	5,442
Financial assets at fair value through other comprehensive income	14,152	14,780	12,642	13,275
Due from other banks	644	538	528	459
Interest income on lease receivables	7	4	3	10
Total interest and similar income using effective interest method	<u>174,042</u>	<u>170,506</u>	<u>148,758</u>	<u>150,125</u>
Interest and similar expense				
Customer deposits	37,870	40,846	37,920	40,926
Loans from banks and other financial institutions	5,414	4,248	646	798
Subordinated liabilities	1,398	1,987	1,282	1,316
REPO operations	0	51	0	51
Other interest expense	266	277	255	266
Subordinated bonds	4,580	2,413	4,580	2,413
Total interest and similar expense	<u>49,528</u>	<u>49,822</u>	<u>44,683</u>	<u>45,770</u>
Net interest income	<u>124,514</u>	<u>120,684</u>	<u>104,075</u>	<u>104,355</u>

(*) Interest income at Group level includes RON 5,243 thousand (2020: RON 6,643 thousand) interest income recognized on impaired loans to customers.

(*) Interest income at Bank level includes RON 4,759 thousand (2020: RON 5,877 thousand) interest income recognized on impaired loans to customers.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

9. NET FEE AND COMMISSION INCOME

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Fee and commission income				
Cards activity (VISA & MC)	7,933	6,510	7,933	6,510
Non-cash transactions	13,122	11,496	13,154	11,509
Non-deferrable commissions related to loans	1,416	1,749	1,218	1,749
Cash transactions	5,948	5,525	5,948	5,525
Income from other financial services	3,811	3,113	2,770	2,399
Bank assurance services	-	-	-	-
Interbank settlements	277	355	277	355
<i>Total fee and commission income from contracts with customers</i>	<u>32,507</u>	<u>28,748</u>	<u>31,300</u>	<u>28,047</u>
Issuing financial guarantees	281	238	281	238
Total fee and commission income	<u>32,788</u>	<u>28,986</u>	<u>31,581</u>	<u>28,285</u>
Fee and commission expense				
Cards activity (VISA & MC)	1,200	950	1,200	950
Interbank settlements	2,136	1,942	2,135	1,940
Expenses from other financial services	2,217	1,464	377	353
Other	743	651	742	637
Total fee and commission expense	<u>6,296</u>	<u>5,007</u>	<u>4,454</u>	<u>3,880</u>
Net fee and commission income	<u>26,492</u>	<u>23,979</u>	<u>27,127</u>	<u>24,405</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.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

10. NET GAIN/(LOSS) FROM FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Net gain/(loss) from financial assets measured at fair value through profit or loss	7,545	921	1,312	808
Net gain/(loss) from derivatives	(22)	(916)	(22)	(916)
Total	<u>7,523</u>	<u>5</u>	<u>1,290</u>	<u>(108)</u>

11. NET GAIN/(LOSS) FROM DISPOSAL OF INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Gains from disposals of investment securities at fair value through other comprehensive income	7,107	5,744	7,107	5,744
Losses from disposals of investment securities at fair value through other comprehensive income	(300)	(649)	(300)	(649)
Total	<u>6,807</u>	<u>5,095</u>	<u>6,807</u>	<u>5,095</u>

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

12. OTHER OPERATING INCOME

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Net gain/ (loss) from foreign exchange transactions	7,674	7,687	7,523	7,570
Dividend income	3,700	2,020	7,261	5,904
Other operating income	1,665	1,250	1,536	1,153
Gain / (Loss) from disposal of intangible assets	(78)	-	(78)	-
Gain / (Loss) from disposal of premises and equipment sales	(417)	(616)	(417)	(532)
Income from rental of real estate	6,511	5,470	6,511	5,470
Total	<u>19,055</u>	<u>15,811</u>	<u>22,336</u>	<u>19,565</u>

For the Bank, dividend income of RON 7,261 thousand (2020: RON 5,904 thousand) represents share of profits paid proportionally to the Bank, as follows:

- RON 5,000 thousand, received from Patria Credit IFN (2020: RON 4,019 thousand);
- RON 1,409 thousand, received from TRANSFOND SA (2020: RON 1,201 thousand) (also included in the consolidated figures);
- RON 818 thousand, received from GLOBINVEST SA (2020: RON 625 thousand) (also included in the consolidated figures);
- RON 34 thousand, received from other investments (2020: RON 59 thousand) (also included in the consolidated figures).

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

13. IMPAIRMENT OF FINANCIAL ASSETS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Charge with adjustments for impairment of cash and cash equivalents	60	-	24	-
Charge/(Release) with adjustments for impairment of loans and advances to customers	29,215	29,066	27,517	27,773
Loss from written off loans	581	481	65	461
Recoveries from loans previously written off	(6,981)	(5,796)	(6,917)	(5,781)
Charge/(Release) with the adjustments for impairment of financial asset measured at fair value through other items of comprehensive income	505	38	505	38
Charge/(Release) with the adjustments for impairment of debt instruments at amortised cost	231	(1)	231	(1)
Charge/(Release) with the adjustments for impairment of credit commitments and financial guarantees	(79)	498	(223)	604
Impairment adjustment for equity investments	-	258	-	258
Charge/(Release) with adjustments for impairment of other financial assets	713	249	726	252
Net charge with adjustments for impairment of financial assets	<u>24,245</u>	<u>24,793</u>	<u>21,928</u>	<u>23,604</u>

14. PERSONNEL EXPENSES

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Wages and salaries	64,530	60,992	58,297	55,804
Social security contributions	2,267	2,221	1,897	1,921
Net expense/(income) with provisions related to wage costs	314	(477)	195	(629)
Other personnel expense	565	414	557	406
Total	<u>67,676</u>	<u>63,150</u>	<u>60,946</u>	<u>57,502</u>

The Group number of employees at 31 December 2021 was 737 employees (31 December 2020: 751 employees).

The Bank number of employees at 31 December 2021 was 599 employees (31 December 2020: 612 employees).

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

15. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Third parties services	35,964	36,351	34,180	34,835
Rent	(275)	(120)	(307)	(111)
Materials and small inventories	1,968	1,774	1,669	1,546
Annual contribution to Guarantee Fund	1,119	1,449	1,119	1,449
Other taxes	3,448	3,624	3,008	3,260
Advertising and publicity	1,399	1,382	1,206	1,262
Net charge/(release) of litigation provisions	2,536	(691)	2,574	(55)
Other operating expenses	1,590	1,834	1,254	958
The expense related to the financial debt for the fund unit holders	8,022	1,052	-	-
Total	<u>55.771</u>	<u>46.655</u>	<u>44.703</u>	<u>43.144</u>

*) The Group's cards related expenses for 2021 are RON 9,465 thousand (2020: RON 8,616 thousand) and IT related expenses for 2021 are RON 5,920 thousand (2020: RON 5,152 thousand).

The Group's audit expenses for 2021 were RON 1,321 thousand (2020: RON 1,211 thousand).

*) The Bank's cards related expenses for 2021 are RON 9,465 thousand (2020: RON 8,616 thousand) and IT related expenses for 2021 are RON 5,307 thousand (2020: RON 4,529 thousand).

The Bank's audit expenses for 2021 were RON 1,114 thousand (2020: RON 1,097 thousand).

Due to pandemic conditions, de Bank received during 2020 rent concessions amounting RON 210 thousand for a period of 2 – 7 months. There were no rent concessions in 2021.

16. INCOME TAX

(a) Components of income tax expense / (credit)

Income tax expense recorded in profit or loss for the year comprises the following:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deferred tax	5,722	3,232	5,966	3,313
Current tax expense	1,436	771	-	-
Net income tax	<u>7.158</u>	<u>4.003</u>	<u>5.966</u>	<u>3.313</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

(b) Reconciliation between the accounting profit and the fiscal result

A reconciliation between the expected and the actual taxation charge is provided below.

Thousand RON	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Profit before income tax	17,045	6,894	15,428	6,110
Income tax at standard rate	2,727	1,103	2,468	978
Tax effect of items which are not deductible:	-	-	-	-
- Non-deductible expenses	3,773	3,632	3,564	3,420
- Income which is exempt from taxation	(3,617)	(3,105)	(3,705)	(3,273)
- Elements similar with taxable income	2,625	1,043	2,625	1,043
- Elements similar with deductible expenses	(136)	(27)	(123)	(49)
Temporary differences	(440)	2,226	(440)	2,226
Recognised tax loss carry forwards	(5,372)	(2,646)	(4,829)	(2,119)
Unrecognised tax loss carry forwards	7,598	1,777	6,406	1,087
Income tax expense/(credit) for the year	<u>7,158</u>	<u>4,003</u>	<u>5,966</u>	<u>3,313</u>

(c) Tax loss carry forwards

Fiscal year loss:

- 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 2021, Patria Bank has a total fiscal loss for 2015 – 2016 period of RON 51,540 thousand (at the end of 2020 year had RON 97,113 thousand).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

(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 2021	Income tax recognized in profit or loss	Charged to comprehensive income	31 December 2021
Revaluation reserve for Premises	(7,362)	-	705	(6,657)
Revaluation reserve securities at fair value through other comprehensive income	(2,224)	-	3,335	1,111
Tax loss carryforwards	17,283	(6,406)	-	10,877
Purchase Price allocation adjustment	-	-	-	-
Other temporary differences	5,818	684	132	6,634
Net deferred tax asset/(liability)	13,515	(5,722)	4,172	11,965

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 carryforwards	18,370	(1,087)	-	17,283
Purchase Price allocation adjustment	-	-	-	-
Other temporary differences	7,965	(2,147)	-	5,818
Net deferred tax asset/(liability)	16,915	(3,234)	(166)	13,515

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

Bank				
<i>Thousand RON</i>				
	1 January 2021	Income tax recognized in profit or loss	Charged to comprehensive income	31 December 2021
Tax effect of deductible temporary differences				
Revaluation reserve for Premises	(7,363)	-	705	(6,658)
Revaluation reserve securities at fair value through other comprehensive income	(2,224)	-	3,335	1,111
Tax loss carry forwards	17,283	(6,406)	-	10,877
Purchase Price allocation adjustment	-	-	-	-
Other temporary differences	5,625	440	-	6,065
Net deferred tax asset/(liability)	<u>13,320</u>	<u>(5,966)</u>	<u>4,040</u>	<u>11,394</u>

Bank				
<i>Thousand RON</i>				
	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)	<u>16,800</u>	<u>(3,313)</u>	<u>(166)</u>	<u>13,320</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

17. CASH AND CASH EQUIVALENTS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash on hand	18,220	18,590	18,220	18,591
Cash in ATMs	62,892	43,764	62,893	43,764
Mandatory minimum reserve	279,641	240,041	279,641	240,041
Correspondent accounts and sight deposits with other banks	47,653	49,010	46,558	48,547
Placements with other banks with original maturities of less than three months	94,568	2,384	90,004	-
Placements with other banks with original maturities between 3-6 months	-	1,004	-	-
Total	<u>502,974</u>	<u>354,793</u>	<u>497,316</u>	<u>350,943</u>

(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 2021 the mandatory minimum reserve requirement was 8% (2020: 8%) for RON funds raised from customers and 5% (2020: 8%) for foreign currency denominated funds raised.

For the mandatory minimum reserve in EUR, the National Bank of Romania granted during 2021 an interest of 0.00% p.a. (2020 between 0.00% and 0.01% p.a.). For the mandatory minimum reserve in RON, the National Bank of Romania granted during 2021 an interest an interest between 0,08% - 0,13% p.a. (2020 between 0.10%-0.19% 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

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:

Thousand RON

	Group 31 December 2021				
	Cash on hand and ATMs	Mandatory minimum reserve	Correspondent accounts and sight deposits with other banks	Placements with banks having short term maturity	Total
<i>Neither impaired nor past due</i>					
Higher credit quality grade	-	279,641	20,060	-	299,701
Low credit quality grade	-	-	64,897	-	64,897
Unrated	81,112	-	57,264	-	138,376
Total	<u>81,112</u>	<u>279,641</u>	<u>142,221</u>	<u>-</u>	<u>502,974</u>

Thousand RON

	Group 31 December 2020				
	Cash on hand and ATMs	Mandatory minimum reserve	Correspondent accounts and sight deposits with other banks	Placements with banks having short term maturity	Total
<i>Neither impaired nor past due</i>					
Higher credit quality grade	-	240,041	26,863	-	266,904
Low credit quality grade	-	-	341	-	341
Unrated	62,354	-	21,806	3,388	87,548
Total	<u>62,354</u>	<u>240,041</u>	<u>49,010</u>	<u>3,388</u>	<u>354,793</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

<i>Thousand RON</i>			Bank 31 December 2021		
	Cash on hand and ATMs	Mandatory minimum reserve	Correspondent accounts and sight deposits with other banks	Placements with banks having short term maturity	Total
<i>Neither impaired nor past due</i>					
Higher credit quality grade	-	279,641	18,960	-	298,601
Low credit quality grade	-	-	60,482	-	60,482
Unrated	81,113	-	57,120	-	138,233
Total	<u>81,113</u>	<u>279,641</u>	<u>136,562</u>	<u>-</u>	<u>497,316</u>

<i>Thousand RON</i>			Bank 31 December 2020		
	Cash on hand and ATMs	Mandatory minimum reserve	Correspondent accounts and sight deposits with other banks	Placements with banks having short term maturity	Total
<i>Neither impaired nor past due</i>					
Higher credit quality grade	-	240,041	26,400	-	266,441
Low credit quality grade	-	-	341	-	341
Unrated	62,355	-	21,806	-	84,161
Total	<u>62,355</u>	<u>240,041</u>	<u>48,547</u>	<u>-</u>	<u>350,943</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

18. FINANCIAL ASSETS EVALUATED AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Equity instruments(i)	19,377	9,095	19,377	17,689
Debt instruments (ii)	77,804	45,060	-	10,412
Total	<u>97,181</u>	<u>54,155</u>	<u>19,377</u>	<u>28,101</u>

- (i) In this category the Group included shares held at Visa Inc. in amount of RON 4,308 thousand (2020: RON 3,964 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:

<i>Thousand RON</i>	Group			Group		
	31 December 2021	31 December 2020	Total	31 December 2021	31 December 2020	Total
	Equity instruments	Debt instruments		Equity instruments	Debt instruments	
<i>Neither impaired nor past due</i>						
- Higher credit quality grade	4,308	77,804	82,112	3,964	45,060	49,024
- Unrated	15,069	-	15,069	5,131	-	5,131
Total	<u>19,377</u>	<u>77,804</u>	<u>97,181</u>	<u>9,095</u>	<u>45,060</u>	<u>54,155</u>

<i>Thousand RON</i>	Bank			Bank		
	31 December 2021	31 December 2020	Total	31 December 2021	31 December 2020	Total
	Equity instruments	Debt instruments		Equity instruments	Debt instruments	
<i>Neither impaired nor past due</i>						
- Higher credit quality grade	4,308	-	4,308	3,964	10,412	14,376
- Unrated	15,069	-	15,069	13,725	-	13,725
Total	<u>19,377</u>	<u>-</u>	<u>19,377</u>	<u>17,689</u>	<u>10,412</u>	<u>28,101</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

19. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Debt securities at fair value through other items of comprehensive income				
-Treasury bills issued by the Ministry of Public (i)	630,719	600,727	630,719	600,727
-Debt securities issued by MAS SECURITIES BV	33,737	-	33,737	-
-Debt securities issued by AGRICOVER HOLDING S.A.	8,056	-	8,056	-
Equity investments at fair value through other comprehensive income	-	-	-	-
-Equity investments	10,344	9,209	10,344	9,209
Total	<u>682,856</u>	<u>609,936</u>	<u>682,856</u>	<u>609,936</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 2021 the Group has no assets pledged for Repo contracts (31 December 2020: the Group has no pledged assets for Repo Contracts).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

The Group holds the following equity investments FVOCI:

<i>Thousand RON</i>	Nature of business	Group				Bank			
		31 December 2021		31 December 2020		31 December 2021		31 December 2020	
		Carring amount	Effective Holding (%)	Carring amount	Effective Holding (%)	Carring amount	Effective Holding (%)	Carring amount	Effective Holding (%)
Transfond SA	Clearing House	7,812	5.69	6,696	5.69	7,812	5.69	6,696	5.69
Globinvest	Investments fund administrator	2,142	19.99	2,128	19.99	2,142	19.99	2,128	19.99
Biroul de credit S.A.	Collection and processing of customer data	59	0.32	61	0.32	59	0.32	61	0.32
BIOFARM S.A.	Pharmaceutical Company	-	0.00	27	0.01	0	0.00	27	0.01
SWIFT	Payment activities	331	0.01	297	0.01	331	0.01	297	0.01
Total equity investments		<u>10.344</u>		<u>9.209</u>		<u>10.344</u>		<u>9.209</u>	

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

Analysis by credit quality of debt securities outstanding is as follows:

<i>Thousand RON</i>	Group 31 December 2021			Group 31 December 2020		
	Debt securities	Equity investments	Total	Debt securities	Equity investments	Total
Neither impaired nor past due						
- Higher credit quality grade	630,719	-	630,719	600,727	-	600,727
- Low credit quality grade	33,737	-	33,737	-	-	-
- Unrated	8,056	10,344	18,400	-	9,209	9,209
Total	<u>672,512</u>	<u>10,344</u>	<u>682,856</u>	<u>600,727</u>	<u>9,209</u>	<u>609,936</u>

<i>Thousand RON</i>	Bank 31 December 2021			Bank 31 December 2020		
	Debt securities	Equity investments	Total	Debt securities	Equity investments	Total
Neither impaired nor past due						
- Higher credit quality grade	630,719	-	630,719	600,727	-	600,727
- Low credit quality grade	33,737	-	33,737	-	-	-
- Unrated	8,056	10,344	18,400	-	9,209	9,209
Total	<u>672,512</u>	<u>10,344</u>	<u>682,856</u>	<u>600,727</u>	<u>9,209</u>	<u>609,936</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

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:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Collateral deposit Banca Transilvania S.A.	437	397	437	397
Collateral deposit U.S. Bank N.A.	5,397	4,897	5,397	4,897
Collateral deposit CITIBANK EUROPE PLC	-	2,134	-	2,134
Total	<u>5,834</u>	<u>7,428</u>	<u>5,834</u>	<u>7,428</u>

Interest rate analysis of Due from other banks is disclosed in Note 4.

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Neither impaired nor past due				
-Higher credit quality grade	5,397	7,031	5,397	7,031
-Lower credit quality grade	437	397	437	397
Total	<u>5,834</u>	<u>7,428</u>	<u>5,834</u>	<u>7,428</u>

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

21. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
<i>Thousand RON</i>				
Gross carrying amount of loans and advances to customers at AC	2,295,659	1,998,954	2,159,647	1,907,111
Credit loss allowance	(140,705)	(137,066)	(130,736)	(128,813)
Total net loans and advances to customers	<u>2,154,954</u>	<u>1,861,888</u>	<u>2,028,911</u>	<u>1,778,298</u>

The structure of loan portfolio classified per main business lines is as follows:

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
<i>Thousand RON</i>				
Consumer loans	176,921	163,362	176,541	162,895
Mortgage loans	312,461	247,250	312,461	247,250
Loans to entrepreneurs	256,227	219,683	137,558	129,307
SME loans	1,518,601	1,333,102	1,501,638	1,332,102
State and municipal organizations	31,449	35,557	31,449	35,557
Total gross loans and advances to customers	2,295,659	1,998,954	2,159,647	1,907,111
Less: Provision for loan impairment	(140,705)	(137,066)	(130,736)	(128,813)
Total net loans and advances to customers	<u>2,154,954</u>	<u>1,861,888</u>	<u>2,028,911</u>	<u>1,778,298</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

Risk concentrations by economic sectors within the customer loan portfolio were as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Loans to individuals	<u>489,382</u>	<u>410,612</u>	<u>489,002</u>	<u>410,146</u>
Loans to corporate customers:	<u>1,806,277</u>	<u>1,588,342</u>	<u>1,670,645</u>	<u>1,496,965</u>
Agriculture	503,167	474,772	383,659	382,544
Trade	345,260	274,463	338,675	271,303
Industry	302,259	322,468	300,677	321,013
Hotels and restaurants	58,614	61,551	57,038	60,573
Constructions	197,273	145,413	194,828	144,111
Transport	86,255	68,825	83,772	68,064
Professional Services	33,534	37,572	32,381	35,511
Services	52,221	51,015	51,103	50,663
Financial and real estate activities	160,437	82,437	161,564	93,470
Others	26,400	21,932	26,376	21,932
IT, research and development	12,872	16,690	12,587	16,577
Public Administration and Defence	27,985	31,204	27,985	31,204
Total loans and advances to customers before provisions	<u>2,295,659</u>	<u>1,998,954</u>	<u>2,159,647</u>	<u>1,907,111</u>
Less provision for impairment losses on loans	<u>(140,705)</u>	<u>(137,066)</u>	<u>(130,736)</u>	<u>(128,813)</u>
Total	<u>2,154,954</u>	<u>1,861,888</u>	<u>2,028,911</u>	<u>1,778,298</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

The structure of the Group's loan portfolio is as follows:

Group

<i>Thousand RON</i>	31 December 2021						Total
	Stage 1 Collective	Stage 2 Individual	Collective	Stage 3 Individual	Collective	POCI	
Performing loans	1,840,570	19,409	228,796	-	-	1,158	2,089,933
Non-performing loans	-	-	-	101,113	46,089	58,524	205,726
Total gross exposure	<u>1,840,570</u>	<u>19,409</u>	<u>228,796</u>	<u>101,113</u>	<u>46,089</u>	<u>59,682</u>	<u>2,295,659</u>
Less: Provision for loan impairment	(19,651)	(1,155)	(11,341)	(53,959)	(23,575)	(31,024)	(140,705)
Net Exposure	<u>1,820,919</u>	<u>18,254</u>	<u>217,455</u>	<u>47,154</u>	<u>22,514</u>	<u>28,658</u>	<u>2,154,954</u>

<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>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

The structure of the Bank's loan portfolio is as follows:

Thousand RON	31 December 2021						POCI	Total
	Stage 1 Collective	Individual	Stage 2 Collective	Individual	Stage 3 Collective			
Performing loans	1,722,530	19,409	219,915	-	-	1,158	1,963,012	
Non-performing loans	-	-	-	101,113	36,998	58,524	196,635	
Total gross exposure	<u>1,722,530</u>	<u>19,409</u>	<u>219,915</u>	<u>101,113</u>	<u>36,998</u>	<u>59,682</u>	<u>2,159,647</u>	
Less: Provision for loan impairment	(17,544)	(1,155)	(10,621)	(53,959)	(16,434)	(31,023)	(130,736)	
Net Exposure	<u>1,704,986</u>	<u>18,254</u>	<u>209,294</u>	<u>47,154</u>	<u>20,564</u>	<u>28,659</u>	<u>2,028,911</u>	

Thousand RON	31 December 2020						Total
	Stage 1 Collective	Individual	Stage 2 Collective	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>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

Structure of the Group's loans outstanding classified on stages is as follow:

Group

Thousand RON	31 December 2021						POCI	Total
	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3 Individual	Stage 3 Collective			
Neither past due nor impaired	1,828,249	19,409	177,511	-	-	736	2,025,905	
Less impairment provisions	(19,136)	(1,155)	(4,337)	-	-	(9)	(24,637)	
Net exposure	1,809,113	18,254	173,174	-	-	727	2,001,268	
Past due but not impaired	12,321	-	51,285	-	-	422	64,028	
- less than 30 days overdue	12,321	-	44,943	-	-	422	57,686	
- 30 to 90 days overdue	-	-	6,342	-	-	-	6,342	
- 91 to 180 days overdue	-	-	-	-	-	-	-	
- 181 to 360 days overdue	-	-	-	-	-	-	-	
- over 360 days overdue	-	-	-	-	-	-	-	
Less impairment provisions	(515)	-	(7,004)	-	-	(17)	(7,536)	
Net exposure	11,806	-	44,281	-	-	405	56,492	
Loans impaired	-	-	-	101,113	46,089	58,524	205,726	
- less than 30 days overdue	-	-	-	20,173	21,542	2,165	43,880	
- 30 to 90 days overdue	-	-	-	2,309	8,431	130	10,870	
- 91 to 180 days overdue	-	-	-	1,871	3,672	4,914	10,457	
- 181 to 360 days overdue	-	-	-	3,499	3,526	-	7,025	
- over 360 days overdue	-	-	-	73,261	8,918	51,315	133,494	
Less impairment provisions	-	-	-	(53,959)	(23,575)	(30,998)	(108,532)	
Net exposure	-	-	-	47,154	22,514	27,526	97,194	
Total loans (gross)	1,840,570	19,409	228,796	101,113	46,089	59,682	2,295,659	
Less impairment provisions	(19,651)	(1,155)	(11,341)	(53,959)	(23,575)	(31,024)	(140,705)	
Total loans (net)	1,820,919	18,254	217,455	47,154	22,514	28,658	2,154,954	

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

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)	1,389,759	8,477	372,214	97,989	37,120	93,395	1,998,954	
Less impairment provisions	(16,343)	(1,785)	(12,263)	(44,907)	(19,329)	(42,439)	(137,066)	
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 2021
(All amounts are in Thousand RON)

Structure of the Bank's loans outstanding classified on stages is as follows:

Bank

Thousand RON	31 December 2021						POCI	Total
	Stage 1 Collective	Individual	Stage 2 Collective	Individual	Stage 3 Collective			
Neither past due nor impaired	1,714,022	19,409	170,799	-	-	736	1,904,966	
Less impairment provisions	(17,361)	(1,155)	(4,139)	-	-	(8)	(22,663)	
Net exposure	1,696,661	18,254	166,660	-	-	728	1,882,303	
Past due but not impaired	8,508	-	49,116	-	-	422	58,046	
- less than 30 days overdue	8,508	-	43,527	-	-	422	52,457	
- 30 to 90 days overdue	-	-	5,589	-	-	-	5,589	
- 91 to 180 days overdue	-	-	-	-	-	-	-	
- 181 to 360 days overdue	-	-	-	-	-	-	-	
- over 360 days overdue	-	-	-	-	-	-	-	
Less impairment provisions	(183)	-	(6,482)	-	-	(17)	(6,682)	
Net exposure	8,325	-	42,634	-	-	405	51,364	
Loans impaired	-	-	-	101,113	36,998	58,524	196,635	
- less than 30 days overdue	-	-	-	20,173	18,588	2,165	40,926	
- 30 to 90 days overdue	-	-	-	2,309	7,354	130	9,793	
- 91 to 180 days overdue	-	-	-	1,871	2,871	4,914	9,656	
- 181 to 360 days overdue	-	-	-	3,499	3,440	-	6,939	
- over 360 days overdue	-	-	-	73,261	4,745	51,315	129,321	
Less impairment provisions	-	-	-	(53,959)	(16,434)	(30,998)	(101,391)	
Net exposure	-	-	-	47,154	20,564	27,526	95,244	
Total loans (gross)	1,722,530	19,409	219,915	101,113	36,998	59,682	2,159,647	
Less impairment provisions	(17,544)	(1,155)	(10,621)	(53,959)	(16,434)	(31,023)	(130,736)	
Total loans (net)	1,704,986	18,254	209,294	47,154	20,564	28,659	2,028,911	

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

Bank

Thousand RON	31 December 2020						Total
	Stage 1 Collective	Individual	Stage 2 Collective	Individual	Stage 3 Collective	POCI	
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)	-	(5,335)	-	-	(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 2021
(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 2021

	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
	<u>1,389,759</u>	<u>380,691</u>	<u>135,109</u>	<u>93,395</u>	<u>1,998,954</u>
Transfers to Stage 1	279,811	(275,526)	(4,285)	-	-
Transfers to Stage 2	(270,469)	274,535	(4,066)	-	-
Transfers to Stage 3	(7,728)	(47,329)	55,057	-	-
Other changes (normal payments, interest accruals)	(806,269)	(132,999)	(26,514)	406	(965,376)
New financial assets originated or purchased	1,250,189	47,067	1,179	1,348	1,299,783
Financial assets that have been derecognised (excluding write offs)	-	-	(7,123)	(26,623)	(33,746)
Write offs	-	-	(2,942)	(9,311)	(12,253)
Foreign exchange adjustments	5,277	1,766	787	467	8,297
Gross carrying amount as at 31 December 2021	<u>1,840,570</u>	<u>248,205</u>	<u>147,202</u>	<u>59,682</u>	<u>2,295,659</u>

Group
Thousand RON
Gross carrying amount as at 1 January 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>
Transfers to Stage 1	306,574	(304,777)	(1,798)	-	(1)
Transfers to Stage 2	(533,943)	539,006	(5,063)	-	-
Transfers to Stage 3	(8,969)	(55,711)	64,677	4	1
Other changes (normal payments, interest accruals)	(514,819)	(70,908)	(7,987)	(11,534)	(605,248)
New financial assets originated or purchased	824,740	20,493	603	1,277	847,113
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	1,434	611	306	8,103
Gross carrying amount as at 31 December 2020	<u>1,389,759</u>	<u>380,691</u>	<u>135,109</u>	<u>93,395</u>	<u>1,998,954</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

Analysis of Bank's gross carrying amount is as follow:

Bank

Thousand RON	Stage 1	Stage 2	2021 Stage 3	POCI	Total
Gross carrying amount as at 1 January 2021	<u>1,314,983</u>	<u>369,886</u>	<u>128,847</u>	<u>93,395</u>	<u>1,907,111</u>
Transfers to Stage 1	273,429	(269,298)	(4,132)	-	(1)
Transfers to Stage 2	(258,238)	261,728	(3,490)	-	-
Transfers to Stage 3	(6,560)	(42,871)	49,431	-	-
Other changes (normal payments, interest accruals)	(772,519)	(128,901)	(24,438)	406	(925,452)
New financial assets originated or purchased	1,166,157	47,015	1,179	1,348	1,215,699
Financial assets that have been derecognised (excluding write offs)	-	-	(7,123)	(26,623)	(33,746)
Write offs	-	-	(2,942)	(9,311)	(12,253)
Foreign exchange adjustments	5,278	1,765	779	467	8,289
Gross carrying amount as at 31 December 2021	<u>1,722,530</u>	<u>239,324</u>	<u>138,111</u>	<u>59,682</u>	<u>2,159,647</u>

Bank

Thousand RON	Stage 1	Stage 2	2020 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>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

Analysis of Group's loss allowance:

Group
Thousand RON
Loss allowance as at 1 January 2021

Transfers to Stage 1

Transfers to Stage 2

Transfers to Stage 3

Net remeasurement of loss allowance

New financial assets originated or purchased

Financial assets that have been derecognised (excluding write offs)

Write offs

Foreign exchange adjustments

Loss allowance as at 31 December 2021

	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2021	<u>16,343</u>	<u>14,048</u>	<u>64,236</u>	<u>42,439</u>	<u>137,066</u>
Transfers to Stage 1	12,676	(11,090)	(1,586)	-	-
Transfers to Stage 2	(3,948)	5,111	(1,163)	-	-
Transfers to Stage 3	(1,142)	(8,956)	10,098	-	-
Net remeasurement of loss allowance	(21,146)	11,480	13,117	12,079	15,530
New financial assets originated or purchased	16,835	1,868	722	165	19,590
Financial assets that have been derecognised (excluding write offs)	-	-	(5,373)	(14,555)	(19,928)
Write offs	-	-	(2,942)	(9,311)	(12,253)
Foreign exchange adjustments	33	35	425	207	700
Loss allowance as at 31 December 2021	<u>19,651</u>	<u>12,496</u>	<u>77,534</u>	<u>31,024</u>	<u>140,705</u>

Group
Thousand RON
Loss allowance as at 1 January 2020

Transfers to Stage 1

Transfers to Stage 2

Transfers to Stage 3

Net remeasurement of loss allowance

New financial assets originated or purchased

Financial assets that have been derecognised (excluding write offs)

Write offs

Foreign exchange adjustments

Loss allowance as at 31 December 2020

	2020				
	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>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

Analysis of Bank's loss allowance is as follow:

Bank	2021				
Thousand RON	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2021	<u>14,753</u>	<u>12,882</u>	<u>58,739</u>	<u>42,439</u>	<u>128,813</u>
Transfers to Stage 1	12,285	(10,845)	(1,440)	-	-
Transfers to Stage 2	(3,375)	4,266	(891)	-	-
Transfers to Stage 3	(1,056)	(7,726)	8,782	-	-
Net remeasurement of loss allowance	(20,940)	11,297	12,378	12,079	14,814
New financial assets originated or purchased	15,845	1,867	722	165	18,599
Financial assets that have been derecognised (excluding write offs)	-	-	(5,373)	(14,555)	(19,928)
Write offs	-	-	(2,942)	(9,311)	(12,253)
Foreign exchange adjustments	32	35	418	206	691
Loss allowance as at 31 December 2021	<u>17,544</u>	<u>11,776</u>	<u>70,393</u>	<u>31,023</u>	<u>130,736</u>

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>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts are in Thousand RON)

Information about Group's collaterals is as follows:

Thousand RON	31 December 2021					Total
	SME loans	Consumer loans	Entrepreneurs loans	Mortgage loans	State and municipal organizations	
Unsecured loans*	267,863	148,323	70,117	5,446	-	491,749
Loans guaranteed by other parties	381,597	438	125,853	6,981	413	515,282
Loans collateralized by:	<u>869,141</u>	<u>28,160</u>	<u>60,257</u>	<u>300,034</u>	<u>31,036</u>	<u>1,288,628</u>
- residential real estate	82,590	21,227	10,149	292,633	-	406,599
- other real estate	664,261	2,537	20,070	7,284	-	694,152
- cash collateral	10,827	4,396	438	117	-	15,778
- other assets	111,463	-	29,600	-	31,036	172,099
Total loans and advances to customers	<u>1,518,601</u>	<u>176,921</u>	<u>256,227</u>	<u>312,461</u>	<u>31,449</u>	<u>2,295,659</u>

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	-	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	-	360,888
- other real estate	628,633	3,052	22,537	7,610	-	661,832
- cash collateral	11,334	2,587	546	155	-	14,622
- other assets	142,378	-	32,613	-	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>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts are in Thousand RON)

Information about Bank's collaterals is as follows:

31 December 2021						
Thousand RON	SME loans	Consumer loans	Entrepreneurs loans	Mortgage loans	State and municipal organizations	Total
Unsecured loans	265,310	148,258	16,962	5,446	-	435,976
Loans guaranteed by other parties, including credit insurance	373,497	438	68,112	6,981	413	449,441
Loans collateralized by:	862,831	27,845	52,484	300,034	31,036	1,274,230
- residential real estate	79,834	21,162	7,251	292,633	-	400,880
- other real estate	662,557	2,287	18,315	7,284	-	690,443
- cash collateral	10,827	4,396	438	117	-	15,778
- other assets	109,613	-	26,480	-	31,036	167,129
Total loans and advances to customers	1,501,638	176,541	137,558	312,461	31,449	<u>2,159,647</u>

31 December 2020						
Thousand RON	SME loans	Consumer loans	Entrepreneurs loans	Mortgage loans	State and municipal organizations	Total
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>

*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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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

The effect of Group's collateral is as follows:

Thousand RON	31 December 2021					
	<u>Over- collateralized loans</u>		Fair Value of the collateral	<u>Under- collateralized loans</u>		Fair Value of the collateral
	Carrying value	Net Present Value of collateral		Carrying value	Net Present Value of collateral	
Consumer loans	22,720	51,292	89,835	141,530	4,060	7,774
Mortgage loans	104,127	168,341	294,782	202,354	155,859	272,179
Entrepreneurs loans	16,294	28,160	65,814	227,151	128,756	192,728
SME loans	214,738	328,818	743,859	1,194,591	777,861	1,335,194
State and municipal organizations	31,449	392,300	814,740	-	-	-
Total	389,328	968,911	2,009,030	1,765,626	1,066,536	1,807,875

Thousand RON	31 December 2020					
	<u>Over- collateralized loans</u>		Fair Value of the collateral	<u>Under- collateralized loans</u>		Fair Value of the collateral
	Carrying value	Net Present Value of collateral		Carrying value	Net Present Value of 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

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

The effect of Bank's collateral at is as follows:

Thousand RON	31 December 2021					
	<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	22,665	51,182	89,291	141,530	4,060	7,774
Mortgage loans	104,127	168,341	294,782	202,354	155,859	272,179
Entrepreneurs loans	14,261	25,470	58,531	118,994	79,543	126,308
SME loans	212,786	325,673	735,474	1,180,745	769,296	1,320,189
State and municipal organizations	31,449	392,300	814,740	-	-	-
Total	385,289	962,966	1,992,818	1,643,623	1,008,758	1,726,450

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	401,813	1,020,844	2,038,493	1,376,485	802,661	1,438,755

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

The effect of Group's collateral at 31 December 2021 for **credit impaired portfolio** is as follows:

Thousand RON	<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	751	1,778	3,764	1,755	493	1,616
Mortgage loans	4,781	7,700	14,864	2,840	2,458	5,329
Entrepreneurs loans	4,117	6,205	14,050	1,278	1,255	2,250
SME loans	26,685	35,140	99,865	27,459	18,515	51,232
State and municipal organizations	-	-	-	-	-	-
Total	36,335	50,823	132,543	33,332	22,721	60,427

The effect of Group's collateral at 31 December 2020 for **credit impaired portfolio** is as follows:

Thousand RON	<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

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

The effect of Bank's collateral at 31 December 2021 for **credit impaired portfolio** is as follows:

Thousand RON	31 December 2021					
	<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	695	1,668	3,219	1,755	493	1,616
Mortgage loans	4,781	7,700	14,864	2,840	2,458	5,329
Entrepreneurs loans	2,882	4,718	10,458	1,124	1,101	1,627
SME loans	26,180	34,593	98,357	27,459	18,515	51,232
State and municipal organizations	-	-	-	-	-	-
Total	34,539	48,680	126,898	33,178	22,567	59,804

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

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

The loan portfolio includes 32 exposures towards local public administrations in amount of RON 31,449 thousand as of 31 December 2021 (13 exposures with RON 35,557 thousand as of 31 December 2020). 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 2021, 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 12,253 thousand. (2020: RON 21,357 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 2021 for all the loans that underwent restructuring is RON 144,241 thousand (31 December 2020: RON 137,051 thousand) and the net exposure is RON 106,461 thousand (31 December 2020: RON 94,521 thousand).

The Bank's outstanding gross exposure as of 31 December 2021 for all the loans that underwent restructuring is RON 141,032 thousand (31 December 2020: RON 133,678 thousand) and the net exposure is RON 104,625 thousand (31 December 2020: RON 92,017 thousand).

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

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 2021.

Thousand RON	31 December 2021	31 December 2020
<i>Loans to corporate customers</i>	349,916	302,504
Loans to entrepreneurs	13,953	13,119
SME loans	335,963	289,385
State and municipal organizations	-	-
<i>Loans to individuals</i>	23,313	31,307
Consumer loans	17,367	25,504
Mortgage loans	5,946	5,803
Total	373,230	333,811

22. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

Thousand RON	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Treasury bills issued by the Ministry of Public Finance of Romania	219,769	295,157	219,769	295,157
Bonds issued by Alpha Bank	24,764	24,375	24,764	24,375
Bonds issued by LIBRA INTERNET BANK S.A.	14,930	-	14,930	-
Total	259,463	319,532	259,463	319,532

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

23. INVESTMENT PROPERTY

a) Reconciliation of book value

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Balance at 1 January	115,823	130,302	115,823	130,100
Acquisitions	-	7,121	-	7,121
Transfers from/(to) fixed assets held for sale	6,108	(6,108)	6,108	(6,108)
Transfer from/(to) from IAS 16 (Sales)	-	248	-	248
	(4,809)	(15,407)	(4,809)	(15,407)
Net gain / (loss) from revaluation of investment property	2,071	(524)	2,071	(524)
Value increases	78	393	78	393
Outflows	-	(202)	-	-
(-) Provisions for impairment losses	(400)	-	(400)	-
Balance at 31 December	<u>118,871</u>	<u>115,823</u>	<u>118,871</u>	<u>115,823</u>

During 2021, the rental incomes from real estate investments amounted 6,511 thousand RON (31 December 2020: 5,470 thousand RON) for the Group and for the Bank. Direct operating expenses (repair, maintenance, local taxes, etc.) from Investment property that generated rental income during 2021 were in the amount of 2,186 thousand RON (31 December 2020: 1,741 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 2021 or at 31 December 2020.

c) The evaluation techniques for measuring the fair value of real estate investments and the dates of entry used:

Evaluation techniques

According to the 2021 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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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

- 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 2021	31 December 2020	31 December 2021	31 December 2020
Balance at 1 January	19,936	7,417	19,936	7,417
Acquisitions	-	325	-	325
Transfer from/(to) investment property	(6,108)	6,108	(6,108)	6,108
Transfer from/(to) from IAS 16	(6,460)	11,324	(6,460)	11,324
Sales	(348)	(5,012)	(348)	(5,012)
Net gain/ (loss) from revaluation of Non Current Assets Held for Sale	(9)	80	(9)	80
Write-off	-	(306)	-	(306)
Balance at 31 December	<u>7,011</u>	<u>19,936</u>	<u>7,011</u>	<u>19,936</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

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:

<i>Thousand RON</i> Subsidiary name	31 December 2021			31 December 2020		
	Gross value	Impairment adjustments	Net value	Gross value	Impairment adjustments	Net value
Patria Credit IFN	32,522	-	32,522	32,522	-	32,522
SAI Patria Asset Management S.A.	1,774	-	1,774	800	-	800
Carpatica Invest S.A.	6,807	(6,807)	-	6,807	(6,807)	-
Total	<u>41,103</u>	<u>(6,807)</u>	<u>34,296</u>	<u>40,129</u>	<u>(6,807)</u>	<u>33,322</u>

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, 2021 and 2020.

26. OTHER FINANCIAL ASSETS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Amounts to be recovered from banks and clients	7,537	6,809	7,537	6,809
Other financial assets	9,651	3,697	9,362	3,696
Derivative financial instruments	-	36	-	36
Other debtors	8,529	8,373	8,000	7,983
Subleasing IFRS 16	-	575	839	1,353
(-) Provisions for impairment losses	(10,757)	(10,062)	(10,595)	(9,807)
Total	<u>14,960</u>	<u>9,428</u>	<u>15,143</u>	<u>10,070</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

Movements in the provision for other financial assets for Group are as follows:

<i>Thousand RON</i>	Group	
	31 December 2021	31 December 2020
Provision for impairment at 1 January	10,062	10,567
Charge of provision for impairment during the year	3,015	1,964
Resume of provision for impairment during the year	(2,384)	(2,381)
Foreign exchange differences	64	-88
Provision for impairment at 31 December	<u>10,757</u>	<u>10,062</u>

Movements in the provision for other financial assets for Bank are as follows:

<i>Thousand RON</i>	Bank	
	31 December 2021	31 December 2020
Provision for impairment at 1 January	9,807	9,585
Charge of provision for impairment during the year	3,096	2,614
Resume of provision for impairment during the year	(2,372)	(2,378)
Foreign exchange differences	64	(14)
Provision for impairment at 31 December	<u>10,595</u>	<u>9,807</u>

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts are in Thousand RON)

Analysis by credit quality of other financial assets outstanding for Group at 31 December 2021 and 31 December 2020 is as follows:

<i>Thousand RON</i>	Group					Total
	Amounts to be recovered from banks and clients	Other financial assets	Derivative financial instruments	Sundry debtors	Subleasing IFRS 16	
Neither past due nor impaired	-	9,368	-	2,193	-	11,561
Less provisions for impairment	-	-	-	-	-	-
Total neither past due nor impaired (net)	-	9,368	-	2,193	-	11,561
Impaired financial assets	7,537	283	-	6,336	-	14,156
Less provision for impairment	6,665	-	-	4,092	-	10,757
Total net impaired loans	872	283	-	2,244	-	3,399
Total other gross financial assets	7,537	9,651	-	8,529	-	25,717
Total provision for impairment	6,665	-	-	4,092	-	10,757
Total other net financial assets	872	9,651	-	4,437	-	14,960

<i>Thousand RON</i>	31 December 2020					Total
	Amounts to be recovered from banks and clients	Other financial assets	Derivative financial instruments	Sundry debtors	Subleasing IFRS 16	
Neither past due nor impaired	-	3,697	36	1,555	575	5,863
Less provisions for impairment	-	-	-	-	-	-
Total neither past due nor impaired (net)	-	3,697	36	1,555	575	5,863
Impaired financial assets	6,809	-	-	6,818	-	13,627
Less provision for impairment	5,994	-	-	4,068	-	10,062
Total net impaired loans	815	-	-	2,750	-	3,565
Total other gross financial assets	6,809	3,697	36	8,373	575	19,490
Total provision for impairment	5,994	-	-	4,068	-	10,062
Total other net financial assets	815	3,697	36	4,305	575	9,428

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts are in Thousand RON)

Analysis by credit quality of other financial assets outstanding at 31 December 2021 and 31 December 2020 for Bank is as follows:

<i>Thousand RON</i>	Amounts to be recovered from banks and clients	Other financial assets	Bank 31 December 2021			Total
			Derivative financial instruments	Sundry debtors	Subleasing IFRS 16	
Neither past due nor impaired	-	9,362	-	1,826	839	12,027
Less provisions for impairment	-	-	-	-	-	-
Total neither past due nor impaired (net)	-	9,362	-	1,826	839	12,027
Impaired financial assets	7,537	-	-	6,174	-	13,711
Less provision for impairment	6,665	-	-	3,930	-	10,595
Total net impaired loans	872	-	-	2,244	-	3,116
Total other gross financial assets	7,537	9,362	-	8,000	839	25,738
Total provision for impairment	6,665	-	-	3,930	-	10,595
Total other net financial assets	872	9,362	-	4,070	839	15,143

<i>Thousand RON</i>	Amounts to be recovered from banks and clients	Other financial assets	31 December 2020			Total
			Derivative financial instruments	Sundry debtors	Subleasing IFRS 16	
Neither past due nor impaired	-	3,696	36	1,484	1,353	6,569
Less provisions for impairment	-	-	-	-	-	-
Total neither past due nor impaired (net)	-	3,696	36	1,484	1,353	6,569
Impaired financial assets	6,809	-	-	6,499	-	13,308
Less provision for impairment	5,994	-	-	3,813	-	9,807
Total net impaired loans	815	-	-	2,686	-	3,501
Total other gross financial assets	6,809	3,696	36	7,983	1,353	19,877
Total provision for impairment	5,994	-	-	3,813	-	9,807
Total other net financial assets	815	3,696	36	4,170	1,353	10,070

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

27. OTHER ASSETS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Sundry debtors	117	115	97	94
Other income to be received	-	66	-	66
Prepayments	3,954	3,998	3,906	3,525
Income tax to recover	2,584	4,032	2,853	4,017
Other assets	1,753	3,340	1,587	2,954
Total	<u>8,408</u>	<u>11,551</u>	<u>8,443</u>	<u>10,656</u>

28. INTANGIBLE ASSETS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Goodwill	20,103	20,103	20,103	20,103
Other intangible assets	26,902	25,774	26,036	24,779
Total	<u>47,005</u>	<u>45,877</u>	<u>46,139</u>	<u>44,882</u>

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

The cost movements of intangible assets and amortisation are the following:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Balance at 1 January	84,434	77,498	79,093	72,167
Acquisitions	15,197	9,424	14,926	9,414
-transfers from intangible assets in progress	7,494	2,488	7,494	2,488
Release of intangible assets in progress	(7,494)	(2,488)	(7,494)	(2,488)
Disposals	(173)	-	(171)	-
Balance at 31 December	91,964	84,434	86,354	79,093
<i>Cumulative amortisation</i>				
Balance at 1 January	38,557	31,735	34,211	27,790
Amortisation and impairment expense	4,010	4,335	3,953	4,277
Expense with acquisition clients list and brand	2,487	2,487	2,144	2,144
Disposals	(95)	-	(93)	-
Balance at 31 December	44,959	38,557	40,215	34,211
<i>Net carrying amount</i>				
<i>Balance at 1 January</i>	<u>45,877</u>	<u>45,763</u>	<u>44,882</u>	<u>44,377</u>
<i>Balance at 31 December</i>	<u>47,005</u>	<u>45,877</u>	<u>46,139</u>	<u>44,882</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

29. PROPERTY AND EQUIPMENT

<i>Thousand RON</i>	Group 31 December 2021				Total
	Land and buildings	Furniture and equipment	Means of transport	Assets in the course of construction	
Cost					
Balance at 1 January	95,626	72,622	6,374	1,447	176,069
Acquisitions and transfers from assets under construction	1,199	1,353	-	2,497	5,049
Transfer from IFRS 5	6,460	-	-	-	6,460
Outflows, transfer from assets under construction, write-offs	(1,802)	(47)	(102)	(3,071)	(5,022)
Right of use - new contracts	8,510	6,782	222	-	15,514
Right of use (early termination of lease contracts)	(3,428)	-	-	-	(3,428)
Balance at 31 December	<u>106,565</u>	<u>80,710</u>	<u>6,494</u>	<u>873</u>	<u>194,642</u>
Cumulative depreciation					
Balance at 1 January	21,988	61,099	3,021	-	86,108
Amortization expense	12,041	5,689	1,305	-	19,035
Impairment expense	-	250	-	-	250
Outflows	(3,511)	(46)	(89)	-	(3,646)
Balance at 31 December	<u>30,518</u>	<u>66,992</u>	<u>4,237</u>	<u>-</u>	<u>101,747</u>
Net carrying amount					
Balance at 1 January	<u>73,638</u>	<u>11,523</u>	<u>3,353</u>	<u>1,447</u>	<u>89,961</u>
Balance at 31 December	<u>76,047</u>	<u>13,718</u>	<u>2,257</u>	<u>873</u>	<u>92,895</u>

<i>Thousand RON</i>	Group 31 December 2020				Total
	Land and buildings	Furniture and equipment	Means of transport	Assets in the course of construction	
Cost					
Balance at 1 January	102,553	88,390	9,203	3,883	204,029
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>
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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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

	Bank 31 December 2021				
<i>Thousand RON</i>	Land and buildings	Furniture and equipment	Means of transport	Assets in the course of construction	Total
<i>Cost</i>					
Balance at 1 January	92,962	71,661	5,800	1,448	171,871
Acquisitions and transfers from assets under construction	1,128	1,225	-	2,496	4,849
Transfer from IFRS 5	6,460	-	-	-	6,460
Outflows, transfer from assets under construction, writte-offs	(1,802)	-	(102)	(3,071)	(4,975)
Right of use - new contracts	8,036	6,782	105	-	14,923
Right of use (early termination of lease contracts)	(2,717)	-	-	-	(2,717)
Balance at 31 December	<u>104.067</u>	<u>79.668</u>	<u>5.803</u>	<u>873</u>	<u>190.411</u>
<i>Cumulative depreciation</i>					
Balance at 1 January	20,768	60,519	2,823	-	84,110
Amortization expense	11,594	5,536	1,180	-	18,310
Impairment expense	-	250	-	-	250
Outflows	(3,205)	-	(89)	-	(3,294)
Balance at 31 December	<u>29.157</u>	<u>66.305</u>	<u>3.914</u>	<u>0</u>	<u>99.376</u>
Net carrying amount					
Balance at 1 January	<u>72.194</u>	<u>11.142</u>	<u>2.977</u>	<u>1.448</u>	<u>87.761</u>
Balance at 31 December	<u>74.910</u>	<u>13.363</u>	<u>1.889</u>	<u>873</u>	<u>91.035</u>

	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	99,130	88,419	7,732	3,883	199,164
Acquisitions and transfers from assets under construction	1,553	3,086	-	2,261	6,900
Outflows, transfer from assets under construction, writte-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>0</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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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

As of December 31, 2021, the Group has concluded lease agreements amounting to 31,917 thousand RON (December 31, 2020: 29,718 thousand RON) for land, buildings, equipment and means of transport.

As of December 31, 2021, the Bank has concluded lease agreements amounting to 30,386 thousand RON (December 31, 2020: 27,759 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.

30. DUE TO OTHER BANKS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Sight deposits	14,844	10,000	14,844	10,000
Term deposits	-	25,005	-	25,005
Collateral deposits	495	487	495	487
Transitory amounts	2,973	1,967	2,973	1,967
Total	<u>18,312</u>	<u>37,459</u>	<u>18,312</u>	<u>37,459</u>

31. CUSTOMER DEPOSITS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Retail customers				
Current accounts	336,660	305,566	336,660	305,566
Term deposits	1,657,796	1,597,879	1,657,796	1,597,879
Collateral deposits	8,345	7,302	8,345	7,302
Corporate customers				
Current accounts	378,228	317,677	382,381	320,314
Sight deposits	11,265	37,742	11,265	37,742
Term deposits	874,335	600,458	878,868	604,695
Collateral deposits	33,605	29,296	33,605	29,296
Amounts in transit	5,925	2,130	5,926	1,977
Total	<u>3,306,159</u>	<u>2,898,050</u>	<u>3,314,846</u>	<u>2,904,771</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

Risk concentrations by economic sectors within the deposits from customers portfolio were as follows:

<i>Thousands RON</i>	Bank			
	31 December 2021	Percentage of total deposits(%)	31 December 2020	Percentage of total deposits(%)
	Amount		Amount	
Retail customers	<u>2,002,801</u>	<u>60.42</u>	<u>1,910,747</u>	<u>65.78</u>
Corporate customers	<u>1,150,671</u>	<u>34.71</u>	<u>875,550</u>	<u>30.14</u>
Financial and real estate activities	474,947	14.33	326,094	11.23
Industry	74,675	2.25	57,460	1.98
Others	105,530	3.18	70,857	2.44
Constructions	82,958	2.50	58,953	2.03
IT, research and development	7,598	0.23	8,343	0.29
Trade	135,569	4.09	103,240	3.55
Transport	56,272	1.70	30,987	1.07
Professional Services	43,058	1.30	33,730	1.16
Services	52,266	1.58	105,973	3.65
Agriculture	103,722	3.13	70,175	2.42
Hotels and restaurants	14,076	0.42	9,738	0.34
Public Administration and Defense	<u>161,374</u>	<u>4.87</u>	<u>118,474</u>	<u>4.08</u>
Total	<u>3,314,846</u>	<u>100.00</u>	<u>2,904,771</u>	<u>100.00</u>

32. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Financing name				
EFSE - European Fund for Southeast Europe (i)	27,926	25,734	-	-
First Bank S.A. (ii)	8,460	-	-	-
Raiffeisen Bank S.A. (iii)	11,229	4,389	-	-
Symbiotics Sicav (Lux.) (iv)	22,371	16,739	-	-
Casa de Economii si Consemnatiuni (v)	19,610	9,700	-	-
Garanti BBVA România S.A. (vi)	9,781	-	-	-
Total	<u>99,377</u>	<u>56,562</u>	=	=

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

(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 15 December 2023.

In December 2021, the Group obtained a new loan facility from EFSE, amounting RON 19,600 thousand. The loan provides a variable interest rate of ROBOR 3 months plus margin and final maturity on 15 December 2024.

The total outstanding loan from EFSE as at 31 December 2021 is RON 27,926 thousand.

(ii) *First Bank S.A.*

In August 2021, the Group obtained a loan facility from First Bank S.A. amounting RON 12,900 thousand for a period of one year. The loan provides a variable interest rate of ROBOR 3 months plus margin 2.9% and final maturity on 24 August 2022.

In August 2021, the Group also obtained a loan facility from First Bank S.A. amounting RON 2,100 thousand for 2 years period. The loan provides a variable interest rate of ROBOR 3 months plus margin 3.2% and final maturity on 24 November 2023.

The total outstanding loan from First Bank at 31 December 2021 is RON 8,460 thousand.

(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. In July 2021, the value of the loan has been increased to RON 12,000 thousand with a maturity on 20 July 2024.

The total outstanding loan from Raiffeisen Bank at 31 December 2021 is RON 11,229 thousand.

(iv) *Symbiotics Sicav (Lux.)*

In December 2018 the Group obtained a 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 a 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.

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

In April 2019 the Group obtained a 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 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 a 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 a 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.

In February 2021 the Group obtained two new loan facilities from Symbiotics in total amount of RON 6,250 thousand for 2 years : the first loan amounting RON 2,500 provides a fixed interest rate of 5.75% with final maturity on 25 May 2023, the second loan amounting RON 3,750 thousand provides a fixed interest rate of 5.65% with final maturity on 25 February 2023.

In March 2021 the Group obtained a new loan facility from Symbiotics in total amount of RON 3,750 thousand for 3 years. The loan provides a fixed interest rate of 6.1% and final maturity on 12 March 2024. The total outstanding loan from Symbiotics at 31 December 2021 is RON 22,371 thousand.

(v) *CEC Bank S.A.*

In November 2020 the Group obtained a 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. In April 2021 the value of the loan was increased to RON 19,700 thousand. The total outstanding loan from CEC Bank at 31 December 2021 is RON 19,610 thousand.

(vi) *Garanti BBVA România S.A.*

In September 2021, the Group obtained a new loan facility from Garanti Bank S.A. in amount of RON 9,800 thousand for 2 years period. The loan provides a variable interest rate of ROBOR 3 months plus margin and final maturity on 1 July 2023.

The total outstanding loan from Garanti Bank S.A. at 31 December 2021 is RON 9,781 thousand.

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 2021 and as at 31 December 2021, the Group complied with all the covenants included in the loan agreements.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

33. OTHER FINANCIAL LIABILITIES

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Financial liabilities to owners of fund units	86,227	33,480	-	-
Derivative financial instruments	130	-	130	-
Other financial liabilities	23,775	18,451	20,777	16,052
Lease liabilities IFRS 16	33,709	30,475	32,925	29,181
Total	<u>143,841</u>	<u>82,406</u>	<u>53,832</u>	<u>45,233</u>

The Group classified the fund units issued by FDI Patria Stock, FDI Patria Global, FDI Patria Obligatiuni, Patria EURO Obligatiuni and FDI ETF BET Patria Tradeville as financial liabilities. Please also see Note 5.

34. PROVISIONS

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Provisions for loan commitments and financial guarantees	2,177	2,250	2,178	2,394
Provisions for personnel expenses	3,373	3,068	2,774	2,579
Provisions for litigations	2,609	2,863	2,600	2,816
Other provisions	2,954	263	2,805	233
Total	<u>11,113</u>	<u>8,444</u>	<u>10,357</u>	<u>8,022</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.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

Provisions for loan commitments and financial guarantees are analysed as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Balance at 1 January	2,250	1,782	2,394	1,782
Provisioning expenses during the year	4,050	5,138	4,208	5,282
Provision cancellation income	(4,129)	(4,679)	(4,430)	(4,679)
Exchange rate differences	6	9	6	9
Balance at 31 December	<u>2,177</u>	<u>2,250</u>	<u>2,178</u>	<u>2,394</u>

Movements in the personnel expenses provision is as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Balance at 1 January	3,068	3,582	2,579	3,206
Provisioning expenses during the year	2,123	2,818	1,669	2,373
Provision cancellation income	(1,818)	(3,332)	(1,474)	(3,000)
Balance at 31 December	<u>3,373</u>	<u>3,068</u>	<u>2,774</u>	<u>2,579</u>

The provision for litigations can be further analysed as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Balance at 1 January	2,863	2,851	2,816	2,851
Provisioning expenses during the year	1,128	1,115	1,119	1,101
Provision cancellation income	(1,398)	(1,155)	(1,351)	(1,155)
Exchange rate differences	16	52	16	19
Balance at 31 December	<u>2,609</u>	<u>2,863</u>	<u>2,600</u>	<u>2,816</u>

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FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

35. OTHER LIABILITIES

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Other liabilities	146	77	91	14
State budget debts	3008	2,844	2,747	2,584
Other income to be received	550	997	548	997
Total	<u>3.704</u>	<u>3.918</u>	<u>3.386</u>	<u>3.595</u>

36. SUBORDINATED DEBT

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Balance at 1 January	34,555	34,348	24,403	23,951
New subordinated debt	-	-	-	-
Repayments & FX differences	341	207	394	452
Balance at 31 December	<u>34.896</u>	<u>34.555</u>	<u>24.797</u>	<u>24.403</u>

The Group has the following outstanding subordinated loans as of December 31, 2021:

- EUR 2,000 thousand with interest rate EURIBOR 6M + 585 bps margin, 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 2021;
- EUR 11.5 thousand representing the balance of the loan 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 2021;
- 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;

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

- RON 10,000 thousand loan granted to Patria Credit IFN by FEI in 2019 with EURIBOR interest 6M + 300 bps margin. No changes during 2021;

The Group has the following outstanding subordinated loans as of December 31, 2020:

- EUR 2,000 thousand with interest rate EURIBOR 6M + 585 bps margin, 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.
- EUR 4,300 thousand granted to the Bank by EAAF 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 EAAF 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 EAAF Financial Services BV in 2019 with EURIBOR interest 6M + 300 bps margin.

37. DEBT SECURITIES IN ISSUE

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Debt securities in issue	64,174	62,797	64,174	62,797
Balance at 31 December	<u>64,174</u>	<u>62,797</u>	<u>64,174</u>	<u>62,797</u>

As of December 31, 2021 and December 31, 2020, the Group has 2 debt securities in issues as follows:

- 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.

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FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

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 2021	31 December 2020	31 December 2021	31 December 2020
Share Capital according to Trade Register	311,533	311,533	311,533	311,533
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>315,833</u>	<u>315,833</u>	<u>315,833</u>	<u>315,833</u>

The main shareholders are presented below:

Name of the shareholder	31 December 2021		31 December 2020	
	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	456,357,973	14.65	456,143,034	14.64
Legal entities	66,351,887	2.13	66,566,826	2.14
Total	3,115,330,575	100.00	3,115,330,575	100.00

(*) No individual holds more than 10% of the shares.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

39. EARNINGS PER SHARE

	31 December 2021	31 December 2020
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	<u>3,115,330,575</u>	<u>3,115,330,575</u>

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 2021	No. of shares in movement	No. days
No. of shares 01.01.2021-31.12.2021	3,115,330,575	365
Average no. of shares	3,115,330,575	365
Result of the period at 31.12.2021	<u>9,887,043</u>	
Profit per share (RON/share)	0.0032	

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	<u>2,890,914</u>	
Profit per share (RON/share)	0.0009	

Bank		
31 December 2021	No. of shares in movement	No. days
No. of shares 01.01.2021-31.12.2021	3,115,330,575	365
Average no. of shares	3,115,330,575	365
Result of the period at 31.12.2021	<u>9,461,645</u>	
Profit per share (RON/share)	0.0030	

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	<u>2,797,395</u>	
Profit per share (RON/share)	0.0009	

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

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.

41. RESERVES

At 31 December 2021 and at 31 December 2020 the reserves were as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Reserves from revaluation of financial assets at fair value through other items of comprehensive income	(5,840)	11,668	(5,840)	11,668
Revaluation reserve for premises	39,659	43,360	37,949	41,648
Statutory legal reserve	13,641	12,752	13,524	12,752
Reserves for general banking risks*)	-	15,301	-	15,301
Other Reserves	14,678	14,678	14,678	14,678
Total	<u>62,138</u>	<u>97,759</u>	<u>60,311</u>	<u>96,047</u>

*) According to the EGMS no.1 from 18.10.2021, the Bank used on 31.12.2021 the amount of 15,301 thousand Lei by transfer in the retained earnings. The general reserve for banking risks, composed of the General reserve for credit risk in the amount of 3,426 thousand lei and the reserve representing the fund for risks in the amount of 11,875 thousand lei were constituted from the gross profit based on regulations applicable before 2006, their purpose being the coverage of the losses from loans, respectively the coverage of the losses generated by risky assets. The use of these reserves was made with the prior consultation of the National Bank of Romania, which mentioned the conditions under which these reserves may be used.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

The movements in the revaluation reserve from the financial asset measured at fair value through other items of comprehensive income were the following:

<i>Thousand RON</i>	Total gross	Group Deferred tax	Total net
Balance at 1 January 2021	13,882	(2,214)	11,668
Net profit/(loss) related to debt instruments measured at fair value through other items of comprehensive income recycled in the profit or loss account	(6,807)	1,089	(5,718)
Net profit/(loss) related to debt instruments measured at fair value through other items of comprehensive income	(15,169)	2,420	(12,749)
Net profit/(loss) from investments measured at fair value through OCI	1,142	(183)	959
Balance at 31 December 2021	<u>(6,952)</u>	<u>1,112</u>	<u>(5,840)</u>
Balance at 1 January 2020	10,201	(1,625)	8,576
Restatement at 1 January 2020	(3,886)	-	(3,886)
Balance at 1 January 2020 restated	<u>6,315</u>	<u>(1,625)</u>	<u>4,690</u>
Net profit/(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)
Net profit/(loss) related to debt instruments measured at fair value through other items of comprehensive income	11,868	(1,277)	10,591
Net profit/(loss) from investments measured at fair value through OCI	794	(127)	667
Balance at 31 December 2020	<u>13,882</u>	<u>(2,214)</u>	<u>11,668</u>

<i>Thousand RON</i>	Total gross	Bank Deferred tax	Total net
Balance at 1 January 2021	13,882	(2,214)	11,668
Net profit/(loss) related to debt instruments measured at fair value through other items of comprehensive income recycled in the profit or loss account	(6,807)	1,089	(5,718)
Net profit/(loss) related to debt instruments measured at fair value through other items of comprehensive income	(15,169)	2,420	(12,749)
Net profit/(loss) from investments measured at fair value through OCI	1,142	(183)	959
Balance at 31 December 2021	<u>(6,952)</u>	<u>1,112</u>	<u>(5,840)</u>
Balance at 1 January 2020	10,201	(1,625)	8,576
Restatement at 1 January	(3,886)	-	(3,886)
Adjusted balance at 1 January	<u>6,315</u>	<u>(1,625)</u>	<u>4,690</u>
Net profit/(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)
Net profit/(loss) related to debt instruments measured at fair value through other items of comprehensive income	11,868	(1,277)	10,591
Net profit/(loss) from investments measured at fair value through OCI	794	(127)	667
Balance at 31 December 2020	<u>13,882</u>	<u>(2,214)</u>	<u>11,668</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

The movements in the revaluation reserves for property were the following:

<i>Thousand RON</i>	Group		
	Total gross	Deferred tax	Total net
Balance at 1 January 2021	51,052	(7,692)	43,360
Net result from revaluation	-	-	-
Realized revaluation reserve	(4,408)	708	(3,700)
Balance at 31 December 2021	<u>46,644</u>	<u>(6,984)</u>	<u>39,660</u>
Balance at 1 January 2020	53,776	(8,114)	45,662
Net result from revaluation	-	-	-
Realized revaluation reserve	(2,724)	422	(2,302)
Balance at 31 December 2020	<u>51,052</u>	<u>(7,692)</u>	<u>43,360</u>

<i>Thousand RON</i>	Bank		
	Total gross	Deferred tax	Total net
Balance at 1 January 2021	49,014	(7,366)	41,648
Net result from revaluation	-	-	-
Realized revaluation reserve	(4,407)	708	(3,699)
Balance at 31 December 2021	<u>44,607</u>	<u>(6,658)</u>	<u>37,949</u>
Balance at 1 January 2020	51,652	(7,788)	43,864
Net result from revaluation	-	-	-
Realized revaluation reserve	(2,638)	422	(2,216)
Balance at 31 December 2020	<u>49,014</u>	<u>(7,366)</u>	<u>41,648</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.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

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 2021. The debt items are those that are reported as financing in the statement of cash flows.

<i>Thousand RON</i>	Group			Bank		
	Long term borrowings from banks and other financial institutions	Subordinated debts	Total	Long term borrowings from banks and other financial institutions	Subordinated debts	Total
Net debt at 1 January 2021	56,562	97,352	153,914	-	87,200	87,200
Cash flows	43,463	-	43,463	-	-	-
Non-cash movement	(648)	286	(362)	-	339	339
Foreign exchange adjustments	-	1,432	1,432	-	1,432	1,432
Net debt at 31 December 2021	<u>99,377</u>	<u>99,070</u>	<u>198,447</u>	<u>-</u>	<u>88,971</u>	<u>88,971</u>
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	<u>56,562</u>	<u>97,352</u>	<u>153,914</u>	<u>-</u>	<u>87,200</u>	<u>87,200</u>

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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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

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

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Letters of guarantees	10,647	14,600	10,647	14,600
Commitments of granted credits	333,450	300,095	332,987	299,405
Total	<u>344.097</u>	<u>314.695</u>	<u>343.634</u>	<u>314.005</u>

Transfer pricing

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

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

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

Litigations

At 31 December 2021, the provision for litigation, in which the Group is involved as defendant is in amount of RON 1,396 thousand (31 December 2020: RON 1,787 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:

- (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%

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

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 250,882,873 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.

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, on September 2, 2021, following the procedures provided by articles 77 and 78 of CRR, Patria Bank announced the partial redemption of its own shares amounting to 1,089,572 lei, proportionally from the shareholders who filed withdrawal requests during the merger process, according to those registered in the Withdrawal Procedures.

The partial redemption of the shares and the payment of the price was conditioned by the blocking in the account (unavailability) of the shares, in Section I of the Depozitarul Central S.A. starting with the date of unavailability and until the date of the transfer of ownership. Each shareholder who made a withdrawal request, in accordance with the Withdrawal Procedures, had the obligation to carry out the procedures for making the partially redeemable shares unavailable.

The bank received a single request for unavailability, until September 20, 2021, for a number of 16,190 PBK shares, for which Depozitarul Central SA confirmed that it operated the unavailability and paid the amount of 2,371 lei to the respective shareholder. The shares were transferred by the Central Depository owned by Patria Bank S.A. in accordance with applicable regulations.

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.

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

On 23.07.2020 the Bucharest Court of Appeal rejected the appeal made by Ilie Carabulea as unfounded (civil decision no.904/23.07.2020). A recourse was filed against this decision by Mr. Ilie Carabulea. By the decision pronounced on 21.10.2021, the High Court of Cassation and Justice rejected as unfounded the recourse filed in by Mr. Ilie Carabulea.

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 2021 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 2021.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

The Group's income and expense items with related parties are as follows:

<i>Thousand RON</i>	31 December 2021				31 December 2020			
	Immediate parent company	Other affiliated entities	Key personnel	Other affiliated parties	Immediate parent company	Associated entities	Key personnel	Other affiliated parties
Interest and similar income calculated using the effective interest rate	-	-	31	1,378	-	-	29	716
Interest and similar expense	749	-	548	47	770	-	556	9
Fee and commission income	-	-	-	13	-	-	-	6
Net charge with impairment of financial assets	-	-	-	847	-	-	-	-
Other operating and administrative expenses	-	-	10	-	-	-	13	-
Dividends income	-	818	-	-	-	625	-	-

Dividend income of RON 818 thousand (2020: RON 625 thousand) represents share of profits paid proportionally to the participation of the Group.

The Group's outstanding balances with related parties were as follows:

<i>Thousand RON</i>	31 December 2021				31 December 2020			
	Immediate parent company	Other affiliated 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	-	2,142	-	-	-	2,128	-	-
Loans and advances to customers	-	-	862	28,473	-	-	605	8,299
Other financial assets	-	-	30	-	-	-	-	-
Liabilities								
Deposits from customers	1,557	457	6,660	29,969	24	502	1,996	5,998
Subordinated debt	14,901	-	9,896	-	14,664	-	9,739	-
Provisions	-	-	1	198	-	-	-	-
Commitments to customers	-	-	104	8,644	-	-	68	8,550

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

The Bank's income and expense items with related parties are as follows:

<i>Thousand RON</i>	31 December 2021					31 December 2020				
	Immediate parent company	Other affiliated entities	Key personnel	Subsidiaries	Other affiliated parties	Immediate parent company	Associated entities	Key personnel	Subsidiaries	Other affiliated parties
Interest and similar income calculated using the effective interest rate	-	-	31	604	1,378	-	-	29	904	716
Interest and similar expense	749	-	548	56	47	770	-	556	80	9
Fee and commission income	-	-	-	4	13	-	-	-	4	6
Net gain/(loss) from financial assets measured at fair value through profit or loss	-	-	-	1,001	-	-	-	-	740	-
Net charge with impairment of financial assets	-	-	-	556	847	-	-	-	421	-
Other operating and administrative expenses	-	-	10	-	-	-	-	13	-	-
Dividends income	-	818	-	5,000	-	-	625	-	4,020	-

The Bank's outstanding balances with related parties were as follows:

<i>Thousand RON</i>	31 December 2021					31 December 2020				
	Immediate parent company	Other affiliated entities	Key personnel	Subsidiaries	Other affiliated parties	Immediate parent company	Associated entities	Key personnel	Subsidiaries	Other affiliated parties
Financial Assets										
Financial asset evaluated at fair value through other comprehensive income	-	2,142	-	-	-	-	2,128	-	-	-
Financial assets measured at fair value through profit or loss	-	-	-	14,291	-	-	-	-	13,117	-
Loans and advances to customers	-	-	862	1,127	28,473	-	-	605	10,582	8,299
Investment in subsidiaries	-	-	-	34,296	-	-	-	-	33,322	-
Other financial assets	-	-	30	839	-	-	-	-	-	-
Liabilities										
Deposits from customers	1,557	457	6,660	8,686	29,969	24	502	1,996	6,875	5,998
Subordinated debt	14,901	-	9,896	-	-	14,664	-	9,739	-	-
Provisions	-	-	1	-	198	-	-	-	144	-
Commitments to customers	-	-	104	-	8,644	-	-	68	5,675	8,550

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)

The key management compensation is presented below:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Short-term benefits:				
-Salaries of which:	10,530	8,978	9,155	8,194
<i>Social insurance contribution</i>	233	384	202	180
- Short-term bonuses	305	58	190	-
- Benefits	14	6	-	-
Post-employment benefits:				
-Amounts granted on cancellation of employment contract	186	-	186	-
Total	<u>11,035</u>	<u>9,042</u>	<u>9,531</u>	<u>8,194</u>

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(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:

Thousand RON	Group 31 December 2021				Group 31 December 2020			
	Land and buildings	Equipments	Cars	Total	Land and buildings	Equipments	Cars	Total
<i>Right of use at 1 January</i>	32,659	8,003	5,127	45,789	27,220	8,003	5,127	40,350
<i>New contracts during the period</i>	8,510	6,782	222	15,514	20,455	-	-	20,455
<i>Contracts closed during the period</i>	(3,428)	-	-	(3,428)	(15,016)	-	-	(15,016)
Balance at 31 December	<u>37,741</u>	<u>14,785</u>	<u>5,349</u>	<u>57,875</u>	<u>32,659</u>	<u>8,003</u>	<u>5,127</u>	<u>45,789</u>
<i>Depreciation at 1 January</i>	8,990	5,143	1,938	16,071	6,236	2,296	875	9,407
<i>Expenses with depreciation during the period</i>	9,856	2,516	1,132	13,504	6,617	2,847	1,063	10,527
<i>Depreciation for contracts closed during the period</i>	(3,616)	-	-	(3,616)	(3,863)	-	-	(3,863)
Balance at 31 December	<u>15,230</u>	<u>7,659</u>	<u>3,070</u>	<u>25,958</u>	<u>8,990</u>	<u>5,143</u>	<u>1,938</u>	<u>16,071</u>
Balance at 1 January	<u>23,669</u>	<u>2,860</u>	<u>3,189</u>	<u>29,718</u>	<u>20,984</u>	<u>5,707</u>	<u>4,252</u>	<u>30,943</u>
Balance at 31 December	<u>22,511</u>	<u>7,126</u>	<u>2,279</u>	<u>31,917</u>	<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 2021
(All amounts are in Thousand RON)**

Information about leases for which the Bank is a lessee is presented below:

<i>Thousand RON</i>	Bank 31 December 2021				Bank 31 December 2020			
	Land and buildings	Furniture and equipment	Means of transport	Total	Land and buildings	Furniture and equipment	Means of transport	Total
<i>Right of use at 1 January</i>	30,257	7,782	4,552	42,591	24,212	7,782	4,552	36,546
New contracts during the period	8,035	6,782	106	14,923	20,297	-	-	20,297
Contracts closed during the period	(2,717)	-	-	(2,717)	(14,252)	-	-	(14,252)
Balance at 31 December	<u>35.575</u>	<u>14.564</u>	<u>4.658</u>	<u>54.797</u>	<u>30.257</u>	<u>7.782</u>	<u>4.552</u>	<u>42.591</u>
<i>Depreciation at 1 January</i>	8,033	5,055	1,744	14,832	5,751	2,296	794	8,841
Expenses with depreciation during the period	9,414	2,471	1,003	12,888	6,145	2,759	950	9,854
Depreciation for contracts closed during the period	(3,309)	-	-	(3,309)	(3,863)	-	-	(3,863)
Balance at 31 December	<u>14.138</u>	<u>7.526</u>	<u>2.747</u>	<u>24.411</u>	<u>8.033</u>	<u>5.055</u>	<u>1.744</u>	<u>14.832</u>
Balance at 1 January	<u>22.224</u>	<u>2.727</u>	<u>2.808</u>	<u>27.759</u>	<u>18.461</u>	<u>5.486</u>	<u>3.758</u>	<u>27.705</u>
Balance at 31 December	<u>21.437</u>	<u>7.038</u>	<u>1.911</u>	<u>30.386</u>	<u>22.224</u>	<u>2.727</u>	<u>2.808</u>	<u>27.759</u>

The future minimum lease payments under non-cancellable operating leases were payable as follows:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Not later than 1 year	8,333	8,025	7,549	8,136
Later than 1 year and not later than 5 years	17,410	21,887	17,410	20,518
More than 5 years	7,966	563	7,966	563
Total	<u>33.709</u>	<u>30.475</u>	<u>32.925</u>	<u>29.217</u>

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 2021
(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

The Group concluded rental agreements for commercial premises. The future value of the minimum revenues from operating leasing is presented in the table below:

<i>Thousand RON</i>	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Not later than 1 year	2	388	160	457
Later than 1 year and not later than 5 years	-	186	630	895
More than 5 years	-	-	49	-
Total	<u>2</u>	<u>574</u>	<u>839</u>	<u>1,352</u>

46. SUBSEQUENT EVENTS

- At the beginning of 2022, Patria Bank completed the increase of the share capital operation from RON 311,533,057.50 to RON 327,881,437.60. During the subscription period, held between 20.12.2021 and 19.01.2022, subscriptions in the total amount of RON 16,348,380.10 were made, out of which the subscription in the amount of RON 14,847,300.00 lei represents the conversion of the loan in amount of EUR 3,000,000 granted to the Bank by EEAF Financial Services BV in 2018 while the cash subscriptions amounted to RON 1,501,080.10. The Financial Supervisory Authority issued the new Certificate of Registration of Financial Instruments for Patria Bank shares on 10.02.2022 and the Central Depository registered the new shares on 15.02.2022.
- On February 21, 2022, the Russian Federation officially recognized two separatist regions in eastern Ukraine and authorized the use of military force in those territories. These ongoing operations have led to casualties, significant relocation of the population, deterioration of infrastructure and disruption of economic activity in Ukraine. In response, several jurisdictions, including the EU, the United Kingdom, Switzerland, the United States, Canada, Japan and Australia have announced initial tranches of economic sanctions for Russia (and in some cases Belarus).
The economic sanctions applied are in the financial field, energy, transport, technology, defense and dual-use goods. These sanctions are applied to some state-owned companies and banks as well as to some individuals. The sanctions include the exclusion of Russian banks from the SWIFT settlement system, a ban

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**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Thousand RON)**

on imports of raw materials from Russia, a ban on exports of finished goods to Russia, and a freeze on assets held by individuals subject to sanctions.

Following the start of the conflict, there has been an increase in volatility of financial markets, including exchange rates. These events are expected to affect the activities of European companies in various sectors of the economy and could lead to additional pressure on inflation which would cause higher price for energy, goods and food.

The Group has no direct or indirect exposure to entities / persons domiciled / resident in Russia and has not recorded any deposits from entities in that country.

In the context described above, the Group has taken some additional measures to manage liquidity risk by conducting periodic simulations on the forecasted evolution of liquidity indicators for future periods.



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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 2021, the consolidated statements of profit or loss, profit or loss and 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 2021, the separate statements of profit or loss, profit or loss and 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 2021 are identified as follows:
 - Total consolidated equity: Lei 322,801 thousand
 - Net consolidated profit for the year: Lei 9,887 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.

The separate financial statements as at and for the year ended 31 December 2021 are identified as follows:

- Total separate equity: Lei 336,385 thousand
- Net separate profit for the year: Lei 9,462 thousand

The consolidated and separate financial statements have been signed with a qualified electronic signature by Burak Yildiran, in his capacity of General Manager of the Bank on 2022.03.25 and by Grigore-Valentin Vancea, in his capacity of Deputy General Manager of the Bank, on 25.03.25.

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 2021, respectively and of their consolidated and unconsolidated financial performance and its 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 related to loans and advances to customers ("ECL")

As at 31 December 2021, the consolidated financial statements include gross loans and advances to customers of RON 2,295,659 thousand, expected credit losses of RON 140,705 thousand, impairment losses for loans and advances to customers recognized in the consolidated statement of profit or loss of RON 29,215 thousand (31 December 2020: gross loans and advances to customers of RON 1,998,954 thousand, expected credit losses of RON 137,066 thousand, impairment losses for loans and advances to customers recognized in the consolidated statement of profit or loss of RON 29,066 thousand).

As at 31 December 2021, the separate financial statements include gross loans and advances to customers of RON 2,159,647 thousand, expected credit losses of RON 130,736 thousand, impairment losses for loans and advances to customers recognized in the separate statement of profit or loss of RON 27,517 thousand (31 December 2020: gross loans and advances to customers of RON 1,907,111 thousand, expected credit losses of RON 128,813 thousand, impairment losses for loans and advances

to customers recognized in the separate statement of profit or loss of RON 27,773 thousand).

See Notes 3 Significant accounting policies, 4 Financial risk management, 5 Use of estimates and judgements, 13 Net Impairment losses 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 Note 3 – Significant 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 and the downward macroeconomic effects of the increase in energy and other commodities prices and resulting inflationary pressures and disruptions in the global supply chains. 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 and advances (collectively, “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	Our audit procedures in the area, performed, where 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 selected 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 value and interest rates), ○ Approval of loans, ○ System computation of debt service, and ○ Testing of the IT control environment for data security and access, assisted by our own IT specialists; • 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 discussion 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

credit losses include the following:

- Definition of default and of significant increase in credit risk (SICR);
- 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 specific client risk analysis in the context of COVID-19 and macroeconomic developments related to the increase in energy and other commodities prices and resulting inflationary pressures and disruptions in the global supply chains;
- Scenario selection, including the range of future economic conditions (macro-economic inputs and risk modelling) assigned to each economic scenario;
- 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.

the assistance of our own valuation specialists.

- 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 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 and macroeconomic developments related to the increase in energy and other commodities prices and resulting inflationary pressures and disruptions in the global supply chains; 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 and macroeconomic developments, by means of corroborating inquiries of the management and inspection of publicly available information.
 - Evaluating the appropriateness and 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, 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 standards.

Other information

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Annual Board of Directors' Report (separate and consolidated) (which includes also the Non-financial Statement) and the Remuneration Report, but does not include the 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. We have nothing to report in this regard.

Other Reporting Responsibilities Related to Other Information – Annual Board of Directors' Report (separate and consolidated)

With respect to the Annual Board of Directors' Report (separate and consolidated) we read and report whether the Annual Board of Directors' Report (separate and consolidated) 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 Annual Board of Directors' Report (separate and consolidated) 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 Annual Board of Directors' Report (separate and consolidated) 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 Annual Board of Directors' Report (separate and consolidated). We have nothing to report in this regard.

Other Reporting Responsibilities Related to Other Information – Remuneration Report

With respect to Remuneration Report, we read the Remuneration Report in order to determine whether it presents, in all material respects, the information required by article 107, alin (1) and (2) of the Law no. 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

7. The Management of the Bank ("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 or the Group 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 and separate 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 - Report on Compliance with the ESEF Regulation

- 15. In accordance with Law no. 162/2017 on statutory audits of annual financial statements and consolidated financial statements and amendment of certain regulations, we are required to express an opinion on compliance of the consolidated and separate financial statements (Romanian version), with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management

- 16. Management is responsible for the preparation of the consolidated and separate financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:
 - the preparation of the consolidated and separate financial statements in the applicable xHTML format;
 - the selection and application of appropriate iXBRL tags, in the preparation of the consolidated financial statements, using judgment where necessary;
 - ensuring consistency between the tagged data and the consolidated financial statements of the Group presented in human-readable format; and
 - ensuring consistency between digitised information in human-readable format and the digitally signed consolidated and separate financial statements; and
 - the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Auditors' Responsibilities

- 17. Our responsibility is to express an opinion on whether the consolidated and separate financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

18. A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:
- with respect to the consolidated financial statements:
 - obtaining an understanding of the tagging process;
 - evaluating the design and implementation of relevant controls over the tagging process;
 - tracing the tagged data to the consolidated financial statements of the Group presented in human-readable digital format;
 - evaluating the completeness of the Group's tagging of the consolidated financial statements;
 - evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
 - evaluating the use of anchoring in relation to the extension elements; and
 - with respect to the consolidated and and separate financial statements:
 - evaluating the appropriateness of the format of the separate and consolidated financial statements.
 - assessing consistency between the digitized information in the human readable format of the separate and consolidated financial statements and the digitally signed and audited consolidated and separate financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

19. In our opinion, the consolidated financial statements of the Group and the separate financial statements of the Bank as at and for the year ended 31 December 2021 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Report on Other Legal and Regulatory Requirements - EU Regulation (EU) No 537/2014

20. 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 2021. Our total uninterrupted period of engagement is 3 years, covering the periods ended 31 December 2019 to 31 December 2021.

21. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank, which we issued on 21 March 2022. 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.:

Refer to the original signed Romanian version

Furtuna Cezar-Gabriel

registered in the electronic public register of
financial auditors and audit firms under no
AF1526

KPMG Audit SRL

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FA9

Bucharest, 28 March 2022