

# 2021 Preliminary Financial Results

**PATRIA BANK S.A.**



According to the FSA Regulation no. 5/2018

Report date: **28.02.2022**

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

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

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

Tax identification number: **RO 11447021**

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

Issued and paid-in share capital: **RON 327,881,437.60 lei**

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

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

*This version of the accompanying documents is a translation from the original which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views and opinions, the original language version of the report takes precedence over this translation.*

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## 1. Disclosure requirements

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

## 2. Executive Summary

**For the third consecutive year Patria Bank reports profit and succeeds to consolidate 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 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:

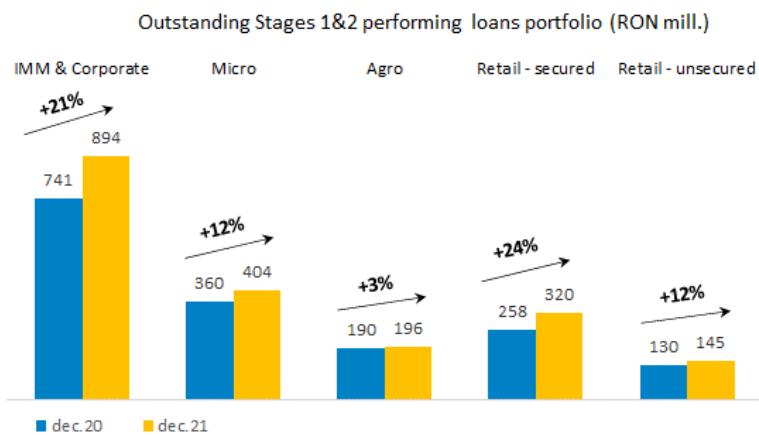
- **New loans granted in the amount of RON 1,087 Million during 2021**, the highest annual value recorded since 2017, which led to an increase in the portfolio of performing loans by 16% (RON +277 Million) compared to December 2020
- **Increase of total assets by 12% (RON +396 Million)** by increasing 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 compared to the previous year (RON +3.4 Million) 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 result of Q3 2021 and of RON 5.4 Million compared to the Q4 2020 value**
- **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 pp. 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.

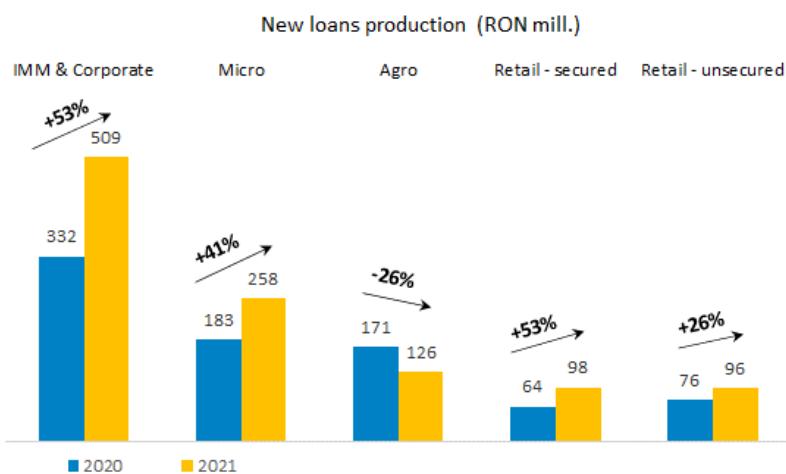
### 3. Highlights of commercial, operational and risk management activity

**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 17%, or RON +278 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 **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, 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.

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).

**In terms of operations** Patria Bank continued its digital strategy focused on both innovation and customer experience in 2021, Patria Bank being in a continuous diversification process of the entire range of products and services, as well as implementing relevant optimization and digitization projects within the current market context - projects that come to support and strengthen all the objectives agreed in the Bank's strategic plan.

**In the following period** Patria Bank will continue to offer its customers innovative tools and solutions for accessing services online, quickly and securely. The implementation of the already established objectives continues with the development and delivery of projects with an impact on the commercial area as detailed below.

#### **I. Continuous development of existing digital platforms and new initiatives for financial education of the customers:**

- Further development of the **Bank's Internet & Mobile Banking Platform, Patria Online**, with new digital options for customers (launched in production at the end of 2021):
  - implementation of the **Asset Management Module** for viewing access for clients' holdings in Patria Asset Management investment funds and for promotion of the funds among all of the Bank's clients
  - development of **Instant Payments** - implementation of the instant payment/collection option in RON for small amounts that are executed in maximum 20 seconds from the moment of initiation (transfers being possible only to the other member banks of the

payment scheme implemented by Transfond; the platform is available at <https://www.patriabank.ro/noua-platforma-patria-online> )

- **Patria Online recorded an increase of over 95% in the number of Internet & Mobile Banking users at 31.12.2021** compared to the platform's launch at the end of 2019, while the number of transactions made by customers through the platform recorded an increase of 22% during the same period.

## **II. Accelerated continuation of digitization projects for launching new digital trading channels:**

- The “**Patria de oriunde” Project - Online Onboarding for Individuals** was launched in July 2021 and allows 100 % online access to banking products including client enrollment, current account opening, setting up of deposits and contracting Internet/Mobile Banking services with the use of qualified electronic signatures. Developed with internal resources, the platform enjoys an intuitive and user-friendly interface for customers and has evolved rapidly since its launch
- **Development of Customer Digital Lending platform for individuals** - as an expansion of the Customer Onboarding platform, Patria Bank will develop the portfolio of remote services with the implementation of a digital lending platform, through which customers will have the opportunity to request credit products with automatic and fast decision by signing an electronic contract, without coming into physical contact with bank offices (starting with mid-2022)
- **Delivery of cards to the client's registered address and delivery of PIN codes by SMS** - eliminating the need of interacting with the bank in offices
- **Implementation of the second authentication and authorization factor for e-Commerce transactions** - addition of the second authentication factor imposed by the low adoption rate of the biometric authentication version, providing high security of personal details and preventing fraudulent transactions on behalf of customers. Implementation of the new solution offers customers who have not opted for the biometrics functionality the alternative to use a password and OTP code (one-time password) for authentication of e-commerce transactions. This functionality will be made available to customers on 01.03.2022
- **Multi Functional Machines Program** - in order to modernize the automated services and taking into account the evolution of banking Self Service terminals and the positive average of adoption of these services in the local market, Patria Bank started replacing the Bank's ATM fleet with multifunctional machines as well as setting-up of self-service-type areas in offices included in the program
- 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.

From the **risk management** perspective, in the context of the Covid-19 pandemic, the Bank carried out a careful process of monitoring customers that could be affected by the pandemic's economic impact. Patria Bank has also successfully managed operational risk due to the Covid-19 pandemic.

At the same time, the Bank has successfully continued its model of business and of reduction of credit risk in the Micro and Agro areas that have generated higher than market returns while maintaining a low cost of risk.

In the area of lending for individuals the Bank continued its process of consolidating and improving the risk acceptance model with a positive impact on the related cost.

Improvements in the quality of the loan portfolio have been felt both at the funding stage as well as in the subsequent credit monitoring and recovery process, a fact highlighted in the cost of risk which maintained a level of 1.10% in 2021, similar to the 2020 level of 1.11%, in the context of the Covid-19 pandemic impact on the economy.

The lower 2021 cost of risk when compared to budgeted level, as a result of a proper management of both performing loan portfolio and non-performing loan portfolio clients, allowed the Bank to accelerate efforts to reduce the balance of NPL loans, which led to an improved NPL ratio compared to the budgeted level.

In 2021 the Bank continued the process of recovering both off-balance sheet non-performing loans (leading to the total recoveries of approximately EUR 1.4 Million) and on-balance sheet non-performing loans, leading to recoveries of approx. EUR 15.1 Million. This process, together with soft-collection activity, led to the recording of a non-performing exposures ratio (*NPE Ratio*) without considering Provisions for Purchases and Acquisitions of 7.9% in December 2021, representing a significant improvement compared to the level recorded in December 2020 of 10.3%. The degree of coverage with provisions of non-performing loans (*NPL coverage*) without considering Provisions for Purchases and Acquisitions was 53.62%, increasing compared to the level recorded in December 2020 of 47.71% and the degree of coverage with provisions of non-performing loans (*NPL coverage*) including Provisions for Purchases and Acquisitions was 59.67% at the end of December 2021 compared to 54.68% recorded at the end of December 2020.

In the area of liquidity risk the Bank continued to record comfortable levels of main monitored prudential ratios (even under the circumstances of maintaining the effects related to the Covid-19 pandemic and of the economic effects generated by the increase of energy, gas and raw material prices and of the level of inflation).

The market risk is strictly managed as a result of reduced appetite for trading and foreign currency positions. The interest rate risk outside the trading portfolio was maintained at optimal levels during 2021, according to the policy and risk appetite established by the Bank for this risk.

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

Main ratios	31.dec.21	31.dec.20
1 Total Own Funds ratio	18.6%	21.6%
2 Economic Value Potential Change Ratio (EVI/OF)	9.7%	7.0%
3 Loans (gross value) / Customer Deposits	65%	66%
4 Loans (gross value) / Total Assets	56%	56%
5 Liquidity Coverage Ratio (LCR)	177%	206%
6 Liquid Assets / Total Assets	38%	38%
7 Debt Securities and Equity Instruments / Total Assets	25%	28%
8 Return on Assets (RoA)	0.3%	0.1%
9 Return on Equity (RoE)	2.8%	0.8%
10 Cost to Income ratio	77%	81%
11 Non-performing Loans Ratio (*)	9.4%	11.9%
12 Non-performing Exposure Ratio (*)	7.9%	10.3%
13 Impairment adjustments coverage rate of non-performing loans	53.6%	47.7%
14 Impairment adjustments coverage rate of non-performing loans (**)	59.7%	54.3%

(\*) As per individual FINREP

(\*\*) As per the presentation for the calculation of the systemic risk buffer

- **The Own Funds Ratio** shows a decrease compared to the previous year, this being explained by the following:
  - Own funds do not include the profit of 2021 amounting to RON 9.5 Million as the audit process is not complete at this time. Had Own Funds included the 2021 2021, then the Own Funds Rate would have had a level of 19.16%
  - The negative evolution brought by changes in fair value related to debt instruments valued by other elements of the global result following increase in yields of Government securities on the secondary market, determined by an increasing perspective of inflation both domestically and internationally
- **The balance sheet structure** highlighted by the **Loans (gross value)/Total Assets ratio remained at a level of 56%** whereas Total Assets increased by 12% in 2021 compared to 2020
- **Liquidity ratios are maintained at an adequate level** ensuring the conditions for the Bank's organic growth
- **RoA and RoE profitability ratios show a significant increase compared to 2020** generated by the significant increase in net result compared to 2020
- **There is an improvement in the Cost/Income ratio which decreased to 77% in 2021 from 81% in 2020**
- **The Non-Performing Exposures (NPE) ratio improved significantly, decreasing from 10.34% in 2020 to 7.9% in 2021** a result of write-offs and assignments of non-performing loans, among others. Also, the non-performing loans coverage rate increased compared to the previous year.

## 5. Financial Results

a) Balance sheet items: The Bank's financial position at the end of 2021 compared with 2020 is as follows:

FINANCIAL POSITION -thousands RON-		31.dec.21	31.dec.20	dec.21/ dec.20 (abs.)	dec.21/ dec.20 (%)
<b>ASSETS</b>					
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%)	
<b>Total ASSETS</b>	<b>3,826,089</b>	<b>3,430,008</b>	<b>396,081</b>	<b>11.5%</b>	
<b>LIABILITIES</b>					
	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%	
<b>Total Liabilities</b>	<b>3,489,704</b>	<b>3,086,280</b>	<b>403,424</b>	<b>13.1%</b>	
<b>Total Equity</b>	<b>336,385</b>	<b>343,728</b>	<b>(7,343)</b>	<b>(2.1%)</b>	
<b>Total LIABILITIES AND EQUITY</b>	<b>3,826,089</b>	<b>3,430,008</b>	<b>396,081</b>	<b>11.5%</b>	

The financial statements for year ended 2021 are currently under audit by the financial auditor.

- At 31 December 2021 **Total Assets** amounted to RON 3,826,089 Thousand, increasing by 12% compared to the end of 2020, an evolution generated mainly by the commercial activity - both by increasing the net loan portfolio (+14%) and deposits attracted from customers (+14%)
- The net value of **Loans and Advances to Customers increased by 14%** (RON 250,613 Thousand) compared to 31 December 2020. This positive evolution was the result of sales teams efforts in all business lines, Micro, Agro, SME & Small Corporates and Retail, which generated **new loans amounting to RON 1.1 Billion in 2021**. Optimizing balance sheet structure, a measure aimed at achieving strategic objectives, was achieved by maintaining the share of gross loans in total assets at around 56% while the the balance sheet expanded by 12% compared to the previous year
- At the same time, the Bank implemented measures to dispose of non-interest-bearing assets in order to improve the balance sheet structure and the efficiency of the activity.

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

<i>Thousands RON</i>	<b>31.dec.21</b>	<b>31.dec.20</b>	<i>dec-21/ dec-20</i>	
<b>Gross loans</b>	<b>2,159,648</b>	<b>1,907,110</b>	252,538	13%
Performing loans	1,963,164	1,686,136	277,029	16%
Non-performing loans	196,483	220,974	(24,491)	-11%
<b>Provisions</b>	<b>(130,736)</b>	<b>(128,812)</b>	<b>(1,924)</b>	<b>1%</b>
Performing loans provisions	(29,320)	(27,664)	(1,657)	6%
Non-performing loans provisions	(101,416)	(101,148)	(268)	0%
<b>Net loans</b>	<b>2,028,911</b>	<b>1,778,298</b>	<b>250,613</b>	<b>14%</b>
Net performing net 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 from clients** recorded an increase of 14% as of 31 December 2021 (RON +410 Million) compared to the beginning of the year through measures meant to retain and consolidate the stable deposit base held by the Bank. Following the balanced evolution of the loans and deposits balance in 2021, the Gross Loans/Deposits ratio had a constant evolution, at around 65%
- **Liquid assets** in total balance sheet show an adequate level of 38% similar to that of 2020, while the share of debt securities and equity instruments in total assets decreased slightly from 28% at the end of 2020 to 25% at 31 December 2021, with the liquidity surplus being used in lending activity
- **The Total Capital Adequacy Ratio (standalone level) at 31 December 2021 was of 18.6%** (not including the non-audited profit recorded in 2021) or **19.16%** including the profit recorded in 2021, exceeding the OCR limit of 13.85% (standalone level).

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

FINANCIAL PERFORMANCE STATEMENT -thousands RON-	12M up to 31.dec.21	12M up to 31.dec.20	△ 2021/ 2020 (abs.)	△ 2021/ 2020 (%)
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%
<b>Net banking Income</b>	<b>164,306</b>	<b>153,249</b>	<b>11,057</b>	<b>7%</b>
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%
<b>Total operating expense</b>	<b>(126,950)</b>	<b>(123,535)</b>	<b>(3,415)</b>	<b>3%</b>
<b>Operating Result</b>	<b>37,356</b>	<b>29,714</b>	<b>7,642</b>	<b>26%</b>
Net impairment of financial assets	(21,928)	(23,604)	1,676	(7%)
<b>Gain/ (Loss) before tax</b>	<b>15,428</b>	<b>6,110</b>	<b>9,318</b>	<b>153%</b>
Expense from deferred tax	(5,966)	(3,313)	(2,653)	80%
<b>Gain/ (Loss) for the year</b>	<b>9,462</b>	<b>2,797</b>	<b>6,665</b>	<b>238%</b>

The financial statements for the year 2021 are currently being audited by the financial auditor.

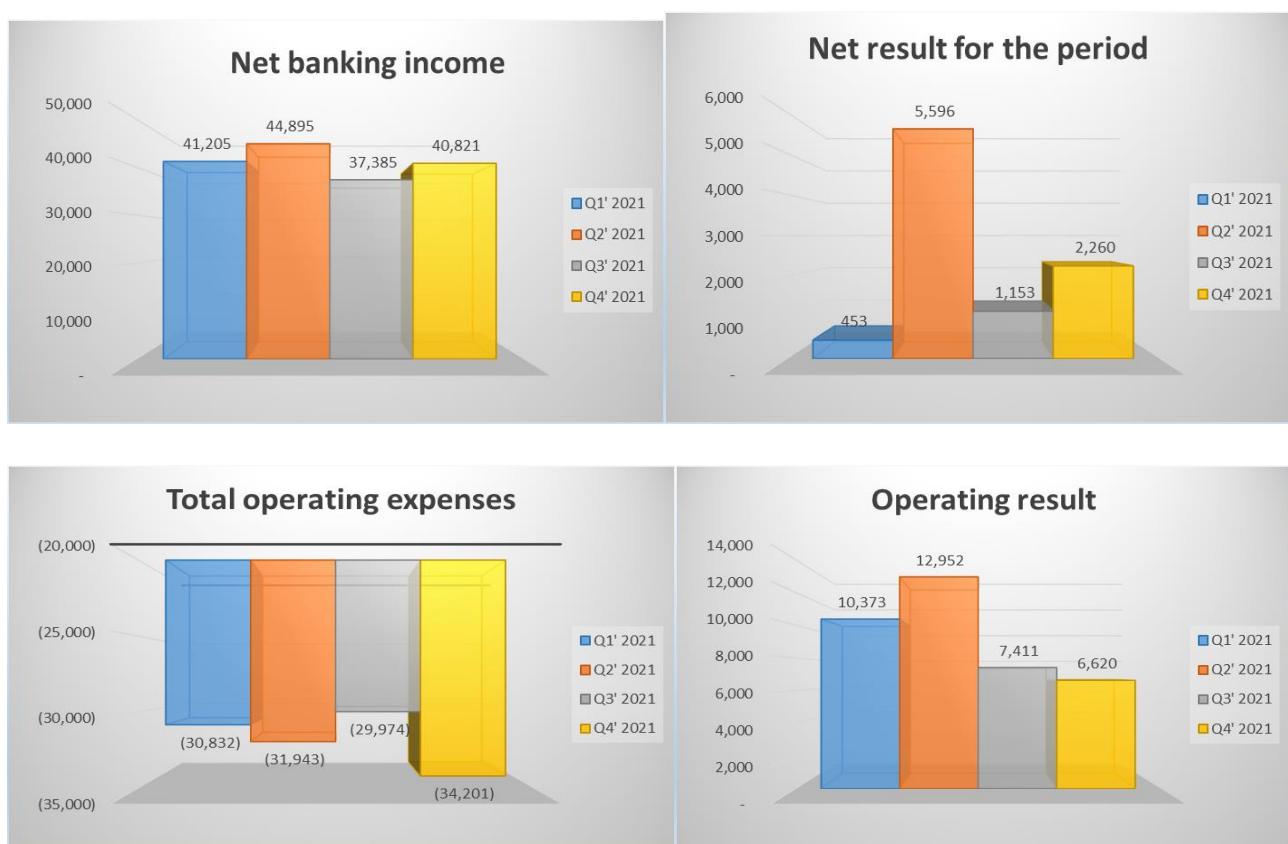
- **The net interest income recorded in 2021 is similar to the previous year's level**, mainly due to the reduction of interest income related to the portfolio of debt instruments. Interest income related to the loan portfolio increased by RON 4 Million compared to the previous year excluding the negative impact from the fair value adjustments resulting from write-off operations and assignments
- **Interest expenses decreased by 2% in 2021 (RON 1.1 Million), of which expenses related to sources attracted from customers decreased by 7% (RON 3 Million) given that deposits increased by +14% (RON +410 Million)** compared to the previous year. The evolution of interest expenses was the result of the Bank's financing strategy correlated with lending activity
- **The Net Fees and Commission Income recorded an increase of 11% compared to the previous year's level** due to increase in number of transactions and operations carried out by customers
- **Other operating incomes increased by 35%, both from the income obtained from dividends and from the capitalization of repossessed assets**
- **Operating expenses increased by 3% (RON 3.4 Million) compared to 2020**, at a lower level compared to the increase in net operating income of 7%
- In 2021 the Bank managed **to improve its operating result by 26% (RON 7.6 million)**. The main driver for this evolution was the increase in net operating income
- **Annual cost of risk amounted to RON -21.9 Million, representing 1.1% of the average loan portfolio**. This value incorporates changes brought by the new definition of *default*, the update of the provisioning calculation methodology with new macroeconomic ratios and the write-off operations performed.

The evolution of the quarterly results in 2021 was as follows:

Thousand RON

FINANCIAL PERFORMANCE STATEMENT -thousands RON-	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%)
Net gains from financial activity & other income	9,033	11,633	3,693	8,745	33,104	5,052	136.8%
<b>Net banking Income</b>	<b>41,205</b>	<b>44,895</b>	<b>37,385</b>	<b>40,821</b>	<b>164,306</b>	<b>3,436</b>	<b>9.2%</b>
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%
<b>Total operating expense</b>	<b>(30,832)</b>	<b>(31,943)</b>	<b>(29,974)</b>	<b>(34,201)</b>	<b>(126,950)</b>	<b>(4,227)</b>	<b>14.1%</b>
<b>Operating Result</b>	<b>10,373</b>	<b>12,952</b>	<b>7,411</b>	<b>6,620</b>	<b>37,356</b>	<b>(791)</b>	<b>(10.7%)</b>
Net impairment of financial assets	(9,048)	(5,531)	(3,258)	(4,091)	(21,928)	(833)	25.6%
<b>Gain before tax</b>	<b>1,325</b>	<b>7,421</b>	<b>4,153</b>	<b>2,529</b>	<b>15,428</b>	<b>(1,624)</b>	<b>(39.1%)</b>
Expense from deferred tax	(872)	(1,825)	(3,000)	(269)	(5,966)	2,731	(91.0%)
<b>Gain for the year</b>	<b>453</b>	<b>5,596</b>	<b>1,153</b>	<b>2,260</b>	<b>9,462</b>	<b>1,107</b>	<b>96.0%</b>
<b>Operating expenses / Operating incomes</b>	<b>75%</b>	<b>71%</b>	<b>80%</b>	<b>84%</b>		<b>77%</b>	

The financial statements for the year 2021 are currently under audit by the financial auditor.



There is an **improving trend in quarterly net results**: the net result recorded in Q4 2021 showed an increase of RON 1.1 Million compared to the result of Q3 2021 and of RON 5.4 Million compared to Q4 2020 value.

Thus, the favorable evolution of the quarterly results ensures an improved predictability of future financial results.

## 6. Other issues: share capital increase

The shareholders of Patria Bank, via EGMS decision no. 1/18.10.2021, 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 nominative, ordinary, dematerialized shares, each having a par value of 0.10 RON/share and issued at par value. By the same decision it was approved that the share capital increase would be carried out through i) the conversion, up to RON 14,925,000, of the subordinated loan granted to the Bank by EEA Financial Services BV on December 18, 2018 (representing the RON equivalent of EUR 3,000,000 at the estimated exchange rate of 4.9750 RON/EUR updated with the NBR exchange rate on the date of subscription) and ii) additional cash contributions with granting of preference rights to all shareholders registered in the shareholders' registry at the Record Date.

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 - EEA 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. 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.

## 7. Issues impacting the overall economic and banking environments

From an economic point of view, the main risks identified during 2021 were generated by the high inflationary pressures correlated with a deepening of the twin budget and trade deficits. Thus, the budget

execution in the previous year resulted in a deficit of RON 80.0 Billion, the equivalent of 6.7% of GDP, decreasing compared to the level of RON 101.8 Billion, respectively 9.6% of GDP, recorded in 2020. Even though it slowed in Q4 2021 due to intensification of the new coronavirus infection waves, the economy performed at a rate above the estimated level, the expected advance being about 6% - a level that exceeds the Eurozone average of only 5.1%. This performance, however, came in the context of the amplification of macroeconomic imbalances, the increase of public debt and the explosion of prices.

An GDP growth of 4.6% is forecasted for this year with a budget deficit of 5.8% of GDP, 13 % increase in revenues and 11% increase in expenditures.

The trade deficit reached a record level in 2021 at EUR 23.5 Billion, a difference of EUR 5.3 Billion compared to 2020. For the current year the deficit is expected to reach EUR 26 Billion with no short-term reduction prospects which leads to additional pressures on the EUR/RON exchange rate to a depreciation of up to 2.5-3%.

The annual inflation rate increased by 6.13 percentage points in 2021 (from 2.06% in December 2020 to 8.19% in December 2021). An overwhelming proportion, of 80% of the increase, came from increase in prices of natural gas, electricity and fuels, while half of the 15% contribution brought by core inflation belonged to processed foods. Thus, increase in the annual inflation rate was almost entirely determined by global supply shocks which led to a sharp rise in global inflation in 2021, registered in many European countries as well. Internally, these effects have been amplified by the liberalization of the electricity market for household consumers. A value of 9.6% is projected for December 2022 with a maximum reached during April based on the assumption that support schemes implemented at the end of the previous year for domestic consumers of electricity and natural gas will not be extended. Inflation levels are expected to remain high until the end of the Q3 2023 and will return within the target range in the last quarter of 2023, the forecast for December 2023 being 3.2%.

Net wages were higher by 7.2% in December 2021 compared to December 2020 (+9.7% in the private sector and -1.3% in the public sector). As a result of the much faster advance of the annual inflation rate (8.2% in December 2021), total net earnings decreased by 1.3% in real terms in December 2021 compared to December 2020 (+ 0.7% in private sector and -8.8% in the public sector).

In terms of monetary policy, in order to moderate inflationary pressures, the National Bank started a cycle of successive increases of the reference rate starting with October of last year, at the same time with maintaining a firm control over liquidity. Thus, over four consecutive monetary policy sessions, the reference rate increased from 1.25% to 2.50%, with steps of 25 basis points in the first three and 50 basis points in the February 2022 meeting. Moreover, a continuation of this policy of increasing reference rates is expected taking into account inflationary expectations. The National Bank has a prudent approach so that, through the implemented monetary policy, it contributes to the achievement of a sustainable economic growth in the context of the fiscal consolidation process and in conditions of protection of financial stability.

## 8. Appendices

- Statement of Financial Position as of 31.12.2021 for Patria Bank SA
- Statement of Financial Performance for the period ended 31.12.2021 for Patria Bank SA

*NOTE: The financial statements for the year 2021 are currently under audit by the financial auditor.*

General Manager

Deputy General Manager

Burak Yildiran

Valentin Vancea



**PRELIMINARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**



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

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



**CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021 (All amounts are in thousand RON)**

<b>Thousand RON</b>	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Assets</b>				
Cash and cash equivalents	502,974	354,793	497,316	350,943
Financial assets measured at fair value through profit or loss	97,181	54,155	19,377	28,101
Financial asset measured at fair value through other items of comprehensive income	682,856	609,936	682,856	609,936
Due from other banks	5,834	7,428	5,834	7,428
Loans and advances to customers	2,154,954	1,861,888	2,028,911	1,778,298
Investments in debt instruments at amortized cost	259,463	319,532	259,463	319,532
Investment property	118,871	115,823	118,871	115,823
Fixed assets held for sale	7,011	19,936	7,011	19,936
Investment in subsidiaries	-	-	34,296	33,322
Other financial assets	14,960	9,428	15,143	10,070
Other assets	8,408	11,551	8,443	10,656
Deferred tax assets	11,965	13,515	11,394	13,320
Intangible assets	47,005	45,877	46,139	44,882
Property and equipment	92,895	89,961	91,035	87,761
<b>Total assets</b>	<b>4,004,377</b>	<b>3,513,823</b>	<b>3,826,089</b>	<b>3,430,008</b>
<b>Liabilities</b>				
Due to other banks	18,312	37,459	18,312	37,459
Customer deposits	3,306,159	2,898,050	3,314,846	2,904,771
Loans from banks and other financial institutions	99,333	56,562	-	-
Other financial liabilities	143,841	82,406	53,832	45,233
Provisions	11,113	8,444	10,357	8,022
Other liabilities	3,704	3,918	3,386	3,595
Subordinated debts	34,940	34,555	24,797	24,403
Debt securities in issue	64,174	62,797	64,174	62,797
<b>Total liabilities</b>	<b>3,681,576</b>	<b>3,184,191</b>	<b>3,489,704</b>	<b>3,086,280</b>



**CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021 (All amounts are in thousand RON)**

<b>Equity</b>				
Share capital and equity premiums	315,833	315,833	315,833	315,833
Merger premium	(67,569)	(67,569)	(67,569)	(67,569)
Treasury shares	(1,140)	(1,138)	(6)	(4)
Accumulated Profits / (Losses)	13,539	(15,253)	27,816	(579)
Revaluation reserve	33,820	55,028	32,109	53,316
Reserves for general banking risks	-	15,301	-	15,301
Statutory legal reserve	13,640	12,752	13,524	12,752
Other reserves	14,678	14,678	14,678	14,678
<b>Total equity</b>	<b>322,801</b>	<b>329,632</b>	<b>336,385</b>	<b>343,728</b>
<b>Total liabilities and equity</b>	<b>4,004,377</b>	<b>3,513,823</b>	<b>3,826,089</b>	<b>3,430,008</b>

**Note to the financial information as at 31.12.2021**

The information presented for the period ended December 31, 2021 as well as for the prior periods, was prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and applicable at that date. The financial information relates to the Bank and the Group and it does not constitute a complete set of financial statements. The information for the financial year 2021 is not audited or revised while the information for the financial year 2020 is audited.

Burak Yildiran  
General Manager

Valentin Vancea  
Deputy General Manager