

Quarterly Report for Q3

PATRIA BANK SA

September 30, 2018

- According to the FSA Regulation no. 5/2018 -

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

Report date: **15.11.2018**

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

Registered office: **Bucharest, District 1, 31 Ion Brezoianu Actor Street, floors 1, 2 and attic**

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

Phone/fax: **+40 372 538 725 / +40 21 206 39 02**

Tax identification number: **RO 11447021**

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

Issued and paid-in share capital: **RON 311,533,057.50**

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

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

Patria Bank S.A.

Sediul Social: Str. Brezoianu Ion, actor, nr. 31, Et. 1, 2 și mansardă, București, România, cod poștal 010131;

Sediul real: Bd. Pipera, nr. 42, Clădirea Globalworth Plaza, et. 7, 8, 10, sector 2, București

Bancă participantă la Fondul de Garantare a Depozitelor în Sistemul Bancar (FGDB); ORC: J40/9252/2016, C.I.F. RO 11447021, Nr. RB-PJR-32-045/15.07.1999;

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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.

2. Executive Summary

The third quarter of the year marks the return of the Bank's financial results to profit after a period of consolidation of the commercial and operational model. Financial results recorded a positive trend from one quarter to the next, although it continues to be under pressure, mainly due to the under-optimal structure of assets in the Bank's balance sheet generated by the excess of liquidity, but this pressure is decreasing as the Bank implements its credit growth strategy; thus, in the third quarter of 2018, the financial result of RON 3.4 million profit, due to the increase of the operational result, mainly supported by the positive evolution of the banking income on all pillars (net interest income, net commission income, other operating income) while maintaining operating costs under control.

These results confirm the budget forecasts according to which the Bank anticipated positive results in the second half of the year, mainly based on the upward trend of the banking income and on the positive results from the recovery of the repossessed assets and the non-performing assets existing in the Bank's balance sheet or off balance sheet.

The lending activity continues the accelerated growth trend, in the first 9 months of 2018 being granted new loans amounting to RON 725 million. This volume ensured implementation of the forecasted loan sales volumes by 104%, together with the increase by 53% of the volume of new loans granted compared to the same period of 2017.

It is also worth mentioning that in the legal entities lending segment, the significant increase of the new credit production is seen in all business sub-segments, both in the Micro and Agro area (116%), as well as in the SME and Small Corporate area (109%), the bank managing to gain monthly a market share related to newly granted loans significantly higher than the market share of the outstanding loans.

The lending portfolio (gross value as of September 30, 2018) shows an increase of RON 193 million compared to the end of 2017 (+ 13%) of which:

- RON 101 million Agro and Micro segments;
- RON 64 million SME and Corporate segments;
- RON 28 million Retail segment.

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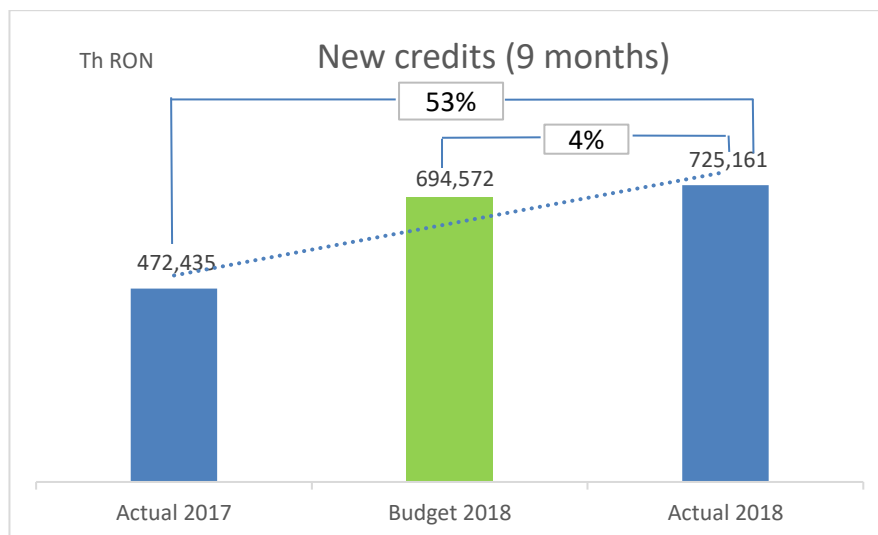
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As far as the Micro Sub-segment is concerned, expanding the cooperation with the European Investment Fund (EIF) through the EU guarantee for granting EaSI credits and diversifying alternative sales channels provides the premises for a continuous development. Through partners, brokers and direct sales agents it is generated 40% of the Micro loan contracts and 48% of the loans volume for this segment.



On the operational level, the Bank continued its strategy of streamlining processes and significantly reducing operational costs by:

- completion of the consolidation of the Bank's data centers;
- continuation of investments in IT infrastructure (data center / communication channels / information storage capabilities / increasing the security of the IT system / adapting the IT system to the GDPR requirements);
- optimization of card renewal flows (centralisation of the process) and ATMs cash filling (including the reconciliation process);
- Automations to reduce operational risks (related to requests for issuance of unprocessed cards, porting of accounts, expired insurance policies);
- completion of the implementation of a dedicated solution to improve the level of cyber security (Mobile – Device – Management, designed to secure the remote access to e-mail and file-sharing systems of the bank);
- restoration and proper testing of the IT Business Continuity Plan.
- implementing security measures according to PSD2 standards for the new Internet Banking platform.

In terms of the Bank's objectives and business plan for 2018, in the third quarter of 2018 the Bank improved its lending flows to individuals by automating the end-to-end process and modifying the flow of IT support to comply with EU Directive no. 92/2014.

For the next period, the Bank has under consideration:

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- completion of the process of implementing the IBA Mobility solution that will allow the use of the IBA application at the mobile sales force level, as well as the implementation of qualified electronic signature that will allow the transformation of full-paperless flows (impacting on operational efficiency, reducing the time to complete a transaction and, last but not least, significantly mitigating operational risks);
- the implementation of a new Internet Banking and Mobile Banking solution for retail clients (the deadline being Q1 2019), followed by the implementation of new modules dedicated to legal entities and Asset Management products;
- the Cashback project (cashback functionality through EPOSs and cards), which require obtaining certificates for both payment acceptance and issuance – estimated to be finalised during November 2018, following that the Bank will issue contactless cards in the first quarter of 2019.

From the **risk management** perspective:

The Bank continued in the third quarter of 2018 the optimization process of the allocation of the bank's capital in order to improve its management and the use of capital to create added value based on risk-adjusted returns, diversification of asset classes, portfolio and customers.

The Bank continued the process of analyzing and monitoring the cost of credit risk in order to identify in due time the higher-risk products / financing areas, in order to optimize the structure of the income-generating assets vs. the degree of risk and the level of associated provisions.

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

The Bank continued the process of improving the quality of its loan portfolio granted to its clients, both in retail and in the corporate segment, focusing on the quality of the client portfolio attracted by the Bank, both in the funding stage as well as in the subsequent monitoring process, in order to prevent possible difficulties that clients may encounter as a result of legislative changes, economic cycles or seasonal activities.

Also, the process of valorification of the repossessed assets taken over for the receivables, as well as the process of recovery of non-performing loans from the balance sheet as well as write-offs was continued, in the fourth quarter a transaction for the sale of a portfolio amounting to RON 245 million was completed, as described in section 4.

In the compliance area, the Bank has begun a process of improving the infrastructure and processes used to combat the money laundering and for „know your customer’ procedures, which will continue over the next quarter.

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3. Economic and financial ratios

Main ratios – the Bank	30.09.2018	31.12.2017
Total Own Funds Rate	12,59%	10,61%
Loans (gross) / Customer deposits	53%	45%
Liquid Assets / Total Assets	44%	52%
Liquidty Coverage Ratio (LCR)	927%	393%
Immediate Liquidity¹	44%	52%

¹ Cash and deposit to banks (net values) + free T-bills /sources attracted and borrowed

- The Bank still maintains a **high level of liquid assets** in the balance sheet (44%), but dropping from the level recorded in December 2017, as a result of the increase in the loans to customers balances;
- **The Loan / Deposits ratio** recorded an increased level in September 2018 compared with the level from the end of 2017 (53% vs. 45%), still well below the banking system average level of 75.22% (according to data provided by the National Bank of Romania for June 2018), which indicates that the liquidity resources needed to increase lending are still very high, well above the market level.

Bank's liquidity position

The liquidity ratio on 30.09.2018 is comfortably above the statutory limit, as follows:

Date	<= 1 month	1 -3 months	3-6 months	6-12 months	>12 months
31.12.2017	2,59	10,86	13,26	16,04	16,99
31.03.2018	2,59	9,96	15,04	14,59	12,08
30.06.2018	2,99	11,75	15,73	14,71	42,94
30.09.2018	2,65	9,45	13,76	17,54	34,82
Statutory limit	>= 1	>= 1	>= 1	>= 1	-

* *Liquidity indicator calculated for all values, in RON equivalent (according to the NBR Regulation 25/2011)*

4. Other information

4.1 Major events that took place in Q3 2018 and their impact on the financial position of the issuer and its subsidiaries

The achievement in the third quarter of 2018, of a positive financial result – profit - of RON 3.4 million contributed to the improvement of the net result of the nine-month period from 2018 compared to the same period of 2017. Thus, between 01.01.2018 - 30.09.2018 the Bank recorded a net loss of RON 19.9 million compared with a RON 26.3 million loss during the same period of last year, thereby reducing the loss by 25%. The Bank's profitability continues to be under pressure, mainly due to the under-optimal structure of assets in the

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Bank's balance sheet, where the significant liquidity surplus is invested in short-term government bonds, which, however, generates lower interest earnings than average yields of the loan portfolio, but this pressure is decreasing as the Bank implements its credit growth strategy. Thus, during 2018, the following results have been recorded:

- The share of Liquid Assets in Total Assets decreased from **53%** on September 30, 2017 to **44%** on September 30, 2018;
- Gross loans in Total Assets increased from **40%** in September 2017 to **48%** in September 2018;
- Loans to Deposits ratio increased from **44%** in September 2017 to **53%** in September 2018.

The Budget for 2018 forecasted a growth rate of operating result, mainly due to the Bank's income base growth on all components (interest income, commission income, other operating income) and the maintenance of operating costs under control. In addition, during the period up to the optimal level of the asset structure, in the budget for 2018 were considered actions that contribute to the Bank's financial performance consisting of recovery actions of the non-productive assets and the non-performing assets existing in its balance sheet and off balance sheet. These actions started in the second quarter of 2018 and continued in the third quarter of 2018, being materialised in the fourth quarter (due to the normal duration of such a sale portfolio process).

FINANCIAL PERFORMANCE STATEMENT <i>Thousand LEI</i>	Q1' 2018 <i>Actual</i>	Q1' 2018 <i>Budget</i>	Δ Q1 <i>/Budget</i>	Q2' Actual <i>2018</i>	Q2 2018 <i>Budget</i>	Δ Q1 <i>/Budget</i>	Q3' Actual <i>2018</i>	Q3 2018 <i>Budget</i>	Δ Q1 <i>/Budget</i>	2018 <i>Actual</i> <i>Cumulated</i>	2018 <i>Budget</i> <i>Cumulated</i>	Δ Actual <i>/Budget</i>
Total operating income	30,877	30,766	110	39,193	38,715	479	44,348	42,640	1,708	114,418	112,121	2,297
Total operating expenses	(40,572)	(41,659)	1,087	(39,149)	(39,303)	153	(38,293)	(38,205)	(88)	(118,014)	(119,167)	1,153
Operating result	(9,695)	(10,893)	1,198	44	(588)	632	6,055	4,434	1,621	(3,596)	(7,047)	3,451
Net impairment of financial assets	(9,319)	(7,235)	(2,083)	(4,329)	(3,217)	(1,113)	(2,621)	10,797	(13,418)	(16,269)	345	(16,614)
Tax on profit	-	-	-	-	(382)	382	-	(3)	3	-	(382)	385
Loss for the year	(19,014)	(18,128)	(885)	(4,285)	(4,186)	(99)	3,434	15,228	(11,794)	(19,865)	(7,084)	(12,779)

Operating expenses / Operating income 131% 135% 100% 102% 86% 90% 103% 106%

The third quarter results compared with the budget show better performance in terms of the operational result of + RON 1.6 million, but record a higher level of cost of risk by RON 13 million. In the 2018 budget, it was taken into account for September 2018, a selling of a portfolio of non-performing loans with a positive impact in Profit & Loss Account of + RON 9.4 million reflected in the cost of risk. The Bank carried out the first tranche of the non-performing loan assignment transaction in October 2018 and it generated a positive impact on the Profit & Loss Account – the sale of a portfolio of non-performing loans in nominal value of RON 245 million, coming from a number of approximately 9,800 credit agreements related to unsecured non-performing loans previously granted to individuals.

The quarterly breakdown of the financial result recorded in 2018 is presented in the table below:

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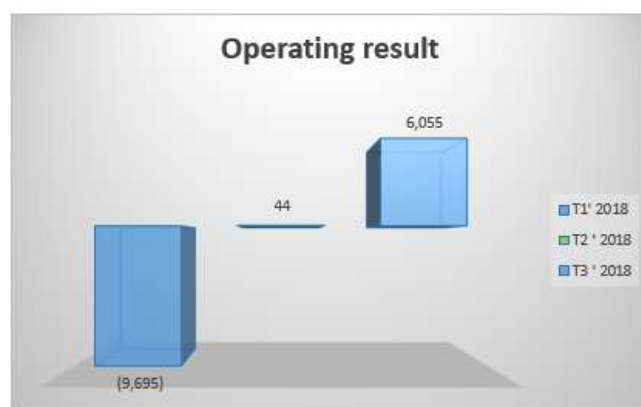
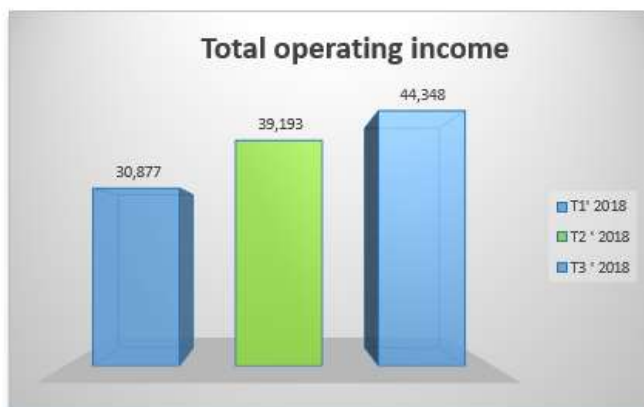
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FINANCIAL PERFORMANCE STATEMENT thousand RON	Q1' 2018	Q2' 2018	Q3' 2018	Cumulative 2018	Δ Q3 / Q1 (abs.)	Δ Q3 / Q1 2018	Δ Q3 / Q2 (abs.)	Δ Q3 / Q2 2018 (%)
Net interest income	21,658	24,404	28,194	74,256	6,536	30%	3,790	16%
Net fees and commission income	5,252	5,868	5,892	17,012	640	12%	24	0%
Net gains from financial activity & other income	3,966	8,922	10,262	23,150	6,296	159%	1,340	15%
Net banking Income	30,877	39,193	44,348	114,418	13,471	44%	5,155	13%
Staff costs	(19,727)	(18,766)	(17,999)	(56,492)	1,728	-9%	767	-4%
Depreciation and amortization	(3,790)	(4,085)	(4,219)	(12,094)	(429)	11%	(134)	3%
Other operating and administrative expenses	(17,055)	(16,298)	(16,075)	(49,428)	980	-6%	223	-1%
Total operating expense	(40,572)	(39,149)	(38,293)	(118,014)	2,279	-6%	856	-2%
Operating Result	(9,695)	44	6,055	(3,596)	15,750	-162%	6,011	13614%
Net impairment of financial assets	(9,319)	(4,329)	(2,621)	(16,269)	6,698	-72%	1,708	-39%
Loss before tax	(19,014)	(4,285)	3,434	(19,865)	22,448	-118%	7,719	-180%
Expense from deferred tax	-	-	-	-	-	-	-	-
Loss for the year	(19,014)	(4,285)	3,434	(19,865)	22,448	-118%	7,719	-180%

Operating expense / Operating Income 131% 100% 86% 103%



Patria Bank records a positive evolution as evidenced by the results of the third quarter of 2018, which shows the a profit during the quarter compared with the losses of RON 19 million registered in Q1 and respectively of RON 4 million in Q2.

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The improvement in the financial results in Q3 was achieved on all levels:

- by increasing operating revenues + 44% compared to Q1 and + 13% compared to Q2;
- reduction of operational expenses -6% compared to Q1 and -2% compared to Q2;
- decrease of cost of risk -72% compared to Q1 and -39% compared to Q2.

The total operating income of RON 114 million is over the budgeted level (+2%, + RON 2 mil.) and compared to the same period of 2017, the net interest income shows a slight decrease (due to a higher level of incomes from the fair value adjustments recorded in the first nine months of 2017 related to the loan portfolio acquired from the former Banca Comerciala Carpatica (BCC)).

Operating expenses: RON 118 million with a saving of 1%, RON 1.5 million compared to the budgeted level, registering a decrease compared to the first two quarters of the year, due to the continuous process of monitoring and optimization of the cost base.

The cost of risk: slightly under the previous year level (Sept. 2017) with 3%, provided that the net loans portfolio increased compared with the same period of last year with RON 255 million, +20%. The collection and workout activities have been intensified thus maintaining an annualized cost of risk of 1.4%.

4.2. General description of the financial position and performance of the issuer and its subsidiaries over the relevant time period

a) Balance sheet items: The Bank's financial position at the end of the third quarter of 2018 compared to the third quarter of 2017 and with the Budget, is as follows:

FINANCIAL POSITION										
-thousands RON-										
ASSETS	30 Sep 2018	30 Sep 2017	Δ Sep-18/ Sep-17 (abs.)	Δ Sep-18/ Sep-17 (%)	31 Dec 2017	Sep.18/ Dec.17 (abs.)	Sep.18/ Dec.17 (%)	Budget 30 Sep 18	Actual / Budget (abs.)	Actual / Budget (%)
Cash and cash equivalents	532,991	566,518	(33,527)	(6%)	610,562	(77,571)	(12.7%)	374,671	158,320	42%
Loans and advances to banks	5,360	5,109	251	5%	31,039	(25,679)	(82.7%)	134,129	(128,769)	(96%)
Securities	1,018,846	1,320,944	(302,098)	(23%)	1,287,407	(268,561)	(20.9%)	1,365,941	(347,095)	(25%)
Investments in subsidiaries	33,928	28,038	5,890	21%	27,505	6,423	23.4%	26,931	6,997	26%
Loans and advances to customers, net	1,520,580	1,266,026	254,554	20%	1,325,216	195,364	14.7%	1,583,816	(63,236)	(4%)
Other assets	348,197	363,074	(14,877)	(4%)	363,664	(15,467)	(4.3%)	336,830	11,367	3%
Total ASSETS	3,459,902	3,549,709	(89,807)	(3%)	3,645,393	(185,491)	(5.1%)	3,822,317	(362,415)	(9%)
LIABILITIES										
Due to banks & REPO	47,694	25,504	22,190	87%	95,967	(48,273)	(50.3%)	87,949	(40,255)	(46%)
Due to customers	3,085,418	3,210,014	(124,596)	(4%)	3,256,296	(170,878)	(5.2%)	3,326,027	(240,609)	(7%)
Borrowings and other liabilities (including subordinated loans)	64,926	59,317	5,609	9%	61,579	3,347	5.4%	86,999	(22,073)	(25%)
Total Liabilities	3,198,038	3,294,835	(96,797)	(3%)	3,413,842	(215,804)	(6.3%)	3,500,975	(302,937)	(9%)
Total Equity	261,864	254,874	6,990	3%	231,551	30,313	13.1%	321,342	(59,478)	(19%)
Total LIABILITIES AND EQUITY	3,459,902	3,549,709	(89,807)	(3%)	3,645,393	(185,491)	(5.1%)	3,822,317	(362,415)	(9%)

- On September 30, 2018, **the total assets** amounted to RON 3,459,902 thousand, slightly decreasing (5%) as compared to the end of 2017, but with a change in the structure of the assets due to the increasing of

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commercial credits and diminishing liquidity in excess, together with a decrease in commercial resources on the legal entities segment;

- The net value of **Loans and advances to customers** increased by 15%, + RON 195 million compared to the December 31, 2017 level and by 20% compared with September 30, 2017, the positive evolution being the result of the sales teams' efforts on all business lines of activity: MICRO, Agro, SMEs & Small Corporate and Retail that generated ***new loans in the first 9 months of 2018 amounting to RON 725 million***. Thus, there is a transfer of the liquidity excess towards lending activity, action which is aimed to contribute to the optimisation of the balance sheet structure as a strategic goal, leading ***to increase the share of net loans in total assets from 40% on December 31, 2017 to 48% on September 30, 2018***;
- During H1 2018, the Bank executed a write-off operation of non-performing loans fully covered by depreciation adjustments in order to improve the non-performing loans ratio (for a gross value of RON 30 mil.), followed by another tranche in September 2018 in amount of RON 11 million (loans fully covered by depreciation adjustments).
- **Deposits attracted from bank customers** recorded a 5% drop as of September 30, 2018 compared to the beginning of the year, this being mainly concentrated on few counterparties from the Corporate & Financial Institutions segment; the financing sources were diversified through REPO operations on government bonds with market's counterparties and the subordinated loan of EUR 5 million received in March 2018. The Bank has paid more attention to commercial resources by maintaining a high duration of the deposit portfolio, as well as the share of current accounts in total. By contrast, by comparing the share of deposits made by individuals in total deposits (77% at the end of Q3 2018 versus 74% at the end of 2017), we find a high degree of "stickiness" of the liabilities of Patria Bank SA, which confirms the stable character of the base of the attracted sources from the clients; the evolution of the balance of credits and deposits led to an improvement in Gross Loans / Deposits ratio as of September 30, 2018 to 53% compared to December 31, 2017 when its level was 45%;
- **The Common Equity Tier 1 Rate (CET1)** on September 30, 2018 was 10.90%, above the TSCR (6.12%) and OCR (8%) for this capital adequacy ratio.

The **Total Capital Adequacy Ratio** (individual level) on September 30, 2018 was 12.59%, exceeding the TSCR limit (10.93%), but below the OCR level of 12.81% (TSCR plus 1.88% capital buffer) and registering an increase compared to 11.61% level at the end of 2017, supported by the share capital increase process completed on June 26, 2018. The TSCR limit has been increased starting with February 2018 from 10.57% to 10.93% following the completion of the Surveillance and Evaluation Process (SREP) conducted by the National Bank of Romania in 2017.

Based on the completion of the capital increase process in October and improvement of the financial performance, the Bank anticipates compliance with the OCR at the individual level at the end of October 2018.

The Bank continued the capital infusion process with a second capital increase operation in the current year, approved by the General Shareholders' Meeting no. 3 / 02.08.2018 and which was completed on October 23, 2018, the capital being increased by the amount of RON 37,367,365.30.

Patria Bank S.A.

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The results of the capital increase operation are presented below:

- the total value of the underwriting is **RON 37,367,365.30**, which was subscribed as follows:
 - the amount of **RON 23,329,000** resulting from the exercise of the preference rights corresponding to the conversion of the amount of EUR 5,000,000 at the NBR exchange rate of 4,6658 RON /EUR valid on the subscription date representing the subordinated loan granted to the Bank by EEF Financial Services BV under the subordinated loan agreement dated 29.03.2018.
 - the value of **RON 14,038,365.30** resulting from the exercise of the preference rights corresponding to the cash contribution of the bank's shareholders registered in the share register on 21.08.2018, out of which the amount of RON 13,965,000 represents the cash contribution of the majority shareholder EEF Financial Services BV and the remaining RON 73,365.30 represents the cash contribution of the minority shareholders from their own sources.

The Bank's share capital increased by RON 37,367,365.30 RON from RON 274,165,692.20 to RON 311,533,057.50, subscribed as follows:

Cash contribution:

- Majority shareholder EEF Financial Services BV: RON 13,965,000;
- Minority shareholders: RON 73,365.30;

Conversion of receivables from the subordinated loan:

- Majority shareholder EEF Financial Services BV: 23,329,000 RON.

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

FINANCIAL PERFORMANCE STATEMENT	30 Sep 2018	30 Sep 2017	Δ 2018/ 2017 (abs.)	Δ 2018/ 2017 (%)	Budget 30 Sep 18	Actual / Budget (abs.)	Actual / Budget (%)
-thousands RON-							
Net interest income	74,256	77,535	(3,279)	(4%)	76,820	(2,564)	(3%)
Net fees and commission income	17,012	17,400	(388)	(2%)	20,061	(3,049)	(15%)
Net gains from financial activity & other income	23,150	22,823	327	1.4%	15,240	7,910	52%
Net banking income	114,418	117,758	(3,340)	(3%)	112,121	2,297	2%
Staff costs	(56,492)	(60,414)	3,922	(6%)	(57,400)	908	(2%)
Depreciation and amortization	(12,094)	(11,697)	(397)	3%	(49,819)	37,725	(76%)
Other operating and administrative expenses	(49,428)	(55,175)	5,747	(10%)	(11,948)	(37,480)	314%
Total operating expense	(118,014)	(127,286)	9,272	(7%)	(119,167)	1,153	(1%)
Operating Result	(3,596)	(9,528)	5,932	(62%)	(7,047)	3,451	(49%)
Net impairment of financial assets	(16,269)	(16,797)	528	(3%)	345	(16,614)	(4815%)
Loss before tax	(19,865)	(26,325)	6,460	(25%)	(6,702)	(13,163)	196%
Expense from deferred tax	-	-	-	-	(384)	384	(100%)
Loss for the year	(19,865)	(26,325)	6,460	(25%)	(7,086)	(12,779)	180%

- **Net interest income: - 4% (RON 3 million) compared to September, 30 2017** of which:
 - **from commercial loans: increased by + 13%, + RON 11 million**, excluding the impact of the resumption of fair value adjustments for the loan portfolio taken over from the former BCC which shows a decrease of RON 11 million compared to the same period of previous year. This evolution is generated by the evolution

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of the balance of loans from the acquisition of the former BCC, as well as by the change in treatment for the POCI („Purchased or Originated Credit-Impaired)” exposures under IFRS 9 (reversal of value adjustments related to POCI loans is recognized in the cost of risk starting with 01.01.2018);

- **from debt securities portfolio:** increased by 3%, + RON 0.3 million in line with: (1) the liquidity management strategy by identifying the best investment options and (2) the evolution (increase) of interest rates in the market.
- **Interest expense + 14%, (RON 3 million) versus September 30, 2017** being influenced by the financing strategy: deposits in RON attracted from clients (where the financing cost increased during 2018 compared to the same period of 2017 in line with the evolution of interest rates on the market), the increase of deposits attracted from the interbank market, REPO operations, new subordinated loans received by the Bank; for the deposits in foreign currency attracted from clients, the Bank reduced interest rates in line with the objectives of optimizing the financing cost and the structure of the balance sheet.
- The Bank has achieved a Net Commission Income similar with the level registered in the same period of the previous year (this economic parameter being influenced by the decrease by 27 in the number of territorial units by the end of 2017);.
- **Other operating income** recorded an increase of 1.4% in the first 9 months of 2018 compared with the same period of 2017. Compared with the budget, it has been recorded a significant increase of +52%, + RON 8 million on September 30, 2018, based on the increase of the income from dividends, as well as the sale of repossessed assets (on the receivable account after the execution process) and the sale of other assets .
- **Operating expenses decreased by 7% - RON 9 million** compared to the same period of the previous year, being 1% below the budgeted level; the Bank continues to identify new opportunities to optimize operational processes in order to maximize the synergies resulting from the merger process.
- **Cost of risk** decreased by RON 0.5 million, -3%, compared to the same period last year, although the net loan portfolio increased by 20%, + RON 255 million.

In the first 9 months of 2018, the activity of recovery of non-performing loans was intensified, the Bank recovering approximately RON 41 million (net exposure) from its *legacy portfolio* coming from the former BCC and RON 5 mil. coming from of write-offs.

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5. Annexes

- Statement of Financial Position as of 30.09.2018 for Patria Bank SA (individual)
- Statement of Financial Performance for the period ended 30.09.2018 for Patria Bank SA (individual)

NOTE: The financial statements for the first nine months of 2018 have not been audited/reviewed by an independent financial auditor.

Deputy General Director - CFO

Lucica Pitulice

Financial – Accounting Director

Georgiana Stanciulescu

Patria Bank S.A.

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ANNEXES

Patria Bank S.A.

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Statement of Financial Position

-thousands RON-

Assets	30 Sep 2018	31 Dec 2018
Cash and cash equivalents	532,991	636,525
Loans and advances to banks	5,360	5,076
Financial assets held for trading	27,460	28,635
Financial assets at fair value through other comprehensive income	573,802	1,151,064
Financial assets at amortised cost - Debt securities	417,584	107,708
Investment in subsidiaries	33,928	27,505
Loans and advances to customers ,net	1,520,580	1,325,216
Investment property	71,829	73,476
Other assets	63,027	56,155
Deferred tax assets	22,887	22,936
Intangible assets	40,466	43,211
Tangible assets	149,988	167,886
Total assets	3,459,902	3,645,393
	30 Sep 2018	31 Dec 2018
Liabilities		
Due to other banks	47,694	95,967
Customer deposits	3,085,418	3,256,296
Loans from banks and other financial institutions	1	59
Provisions for liabilities and charges	9,298	10,979
Other liabilities	22,461	20,952
Subordinated debt	33,166	29,589
Total liabilities	3,198,038	3,413,842
Equity		
Share capital	278,462	231,418
Merger premium	(67,569)	(67,569)
Accumulated losses	(42,251)	(25,226)
Revaluation reserve	51,356	51,063
Other reserves	41,866	41,865
Total equity	261,864	231,551
Total liabilities and equity	3,459,902	3,645,393

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Statement of Comprehensive Income

-thousands RON-

	30 Sep 2018	30 Sep 2017
Interest income	101,744	101,571
Interest expense	(27,488)	(24,036)
Net interest income	74,256	77,535
Fee and commission income	19,952	20,853
Fee and commission expense	(2,940)	(3,453)
Net fee and commission income	17,012	17,400
Gains /(losses) from financial trading, derivatives and FX	6,693	8,636
Gains from disposals of financial assets at fair value through other comprehensive income	(2,732)	546
Other operating income	19,189	13,641
Total operating income	114,418	117,758
Staff costs	(56,492)	(60,414)
Depreciation and amortization	(12,094)	(11,697)
Other operating and administrative expenses	(49,428)	(55,175)
Total operating expense	(118,014)	(127,286)
Net impairment of financial assets	(16,269)	(16,797)
Provisions for credit commitments and financial guarantees	-	-
Loss before tax	(19,865)	(26,325)
Income tax	-	-
Loss for the year	(19,865)	(26,325)

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