

Quarterly Report

for Q3 2019

PATRIA BANK S.A.

September 30, 2019

- 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: **15.11.2019**

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

Registered 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**

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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 Bucharest Stock Exchange Code.

2. Executive Summary

The results of the third quarter of 2019 - **operating profit of RON 12 million and net profit of RON 3 million** – continue the positive trend noted in the first 2 quarters of 2019. Thus, the first 9 months of 2019 generated a **positive operating result of RON 18.8 million and net profit of RON 5.8 million**, in a positive dynamic compared to the similar period of 2018 (when it was registered a loss of RON 3.5 million and a net loss of RON 19.8 million).

The positive dynamics of bank's revenues (based mainly on the increase of interest income supported by the growth of lending activity, especially on the segment of legal entities and by the diversification of the structure of the commission income), careful management of the operational cost base and of the cost of risk led to the consolidation of the financial performance recorded in the first half of 2019.

Compared to the same period of 2018, in the first 9 month of 2019, the net banking income registered a positive evolution of +11% (increase in net interest income by 16.5% and net commission income by 17.5%) as a result of the continuation of the actions aimed at consolidating an optimal balance sheet structure (improvement of the "gross loans / deposits ratio" from 57% as of December 31, 2018 to 65% as of September 30, 2019 and an increase in the share of net loans in total assets from 45% as of December 31, 2018 to 51% as of September 30, 2019). Also, the base of operational costs registered a decrease of 11.6% (if the impact from the increase of the contribution to The Bank Deposits Guarantee Fund of RON 3.9 million is excluded). In addition, the efforts to consolidate the business model on the target segments materialized in obtaining net positive monthly operating results based on the recurring elements (a key element for enhancing profitability), create good premises for growth in the next period.

The program of optimization of the network of bank branches and of the organizational structure foreseen for 2019 and carried out in the first half of 2019 (with the objective of optimizing the cost base in direct correlation with ensuring a viable business model and an internal structure corresponding to it) starts to show effects, the operational cost base from the third quarter being 13% lower than the one from the second quarter.

In September 2019 the Bank carried out an **operation to consolidate the capital base** (in the form of Tier 2 instruments) by successfully launching and closing (before the maximum closing date foreseen) an issuance of unsecured, non-convertible and subordinated bonds amounting to EUR 5 million. Currently, the formalities for the admission to trading of the bonds on the regulated market operated by the Bucharest Stock Exchange are currently underway.

The month of September 2019, marked the launch of a **new internet and mobile banking platform**. This platform is aligned with European standards in the field of personal data protection and responds to the new PSD2 payment directive and also it has a dedicated application for smartphones - Patria Mobile Banking, available to individuals. The facilities provided within the platform help the users to have non-stop access to accounts, better control over the budget and to set up deposits directly through the platform.

Patria Bank S.A. – Bucharest, District 2, Globalworth Plaza Building, Pipera no 42, floors 7, 8 and 10; ORC: J40/9252/2016, C.I.F. RO 11447021, RB-PJR-32-045/15.07.1999. Share Capital social: 311.533.057,50 lei; Patria Bank is registered by the National Supervisory Authority for Personal Data Processing – ANSPDCP – with the notification no. 753. Tel: 0800 410 310 | Fax: +40 372 148 273 | info@patriabank.ro | www.patriabank.ro

For the next period, the Bank intends to continue its strategy of streamlining processes and significantly reducing operational costs by implementing several strategic projects such as: implementing new features for Internet Banking and Mobile Banking platform dedicated to both individual and corporate clients, digitization of certain flows and operations with impact on the level of customer interaction with the Bank, as well as on the level of internal processes.

3. Commercial and Operational aspects

On commercial level, the Bank continued to be an active and innovative participant in the segment of legal entities that are specific to bank's activity (agro, micro-enterprises and SMEs), with addressability both in the urban area but also in the rural area and develops the retail segment (individuals), mainly in urban environment and in small cities.

During the first 9 months of 2019 the lending activity generated new loans amounting to approx. RON 602 million, with a higher dynamics recorded in the area of legal entities. Although there was a certain pressure generated by the degree of achievement of the sales budget, this volume of new loans provided an increase of the gross balance of performing commercial loans of RON 152 million compared with the end of 2018.

Retail lending activity focused on the mortgage area, following the bank's strategy of balancing the secured and unsecured products portfolio, respectively to increase the volume of long-term exposures in the retail sector.

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

1. SME and Small Corporate;
2. Microenterprises (MICRO);
3. Agribusiness (AGRO).

and the dynamic of the new credit production generated a positive evolution of the balance of the performing loans within all business sub-segments.

In the **SMEs and Small Corporate segment**, the Bank is constantly focusing on the development of the customer base, through personalized offers and developing the quality of the customer relationship, as the main differentiators, along with an adequate response time.

As far as the **Micro sub-segment** is concerned, the strategy to increase the number of small value tickets and to spread the risk to a large number of customers has been strengthened. Thus, approx. 93% of all Micro funding in the first 9 month of 2019 are loan applications worth less than EUR 50,000.

In the **Agro sub-segment**, an important pillar of funding is the financing of EU Funds projects, both in the area of animal and vegetal farms.

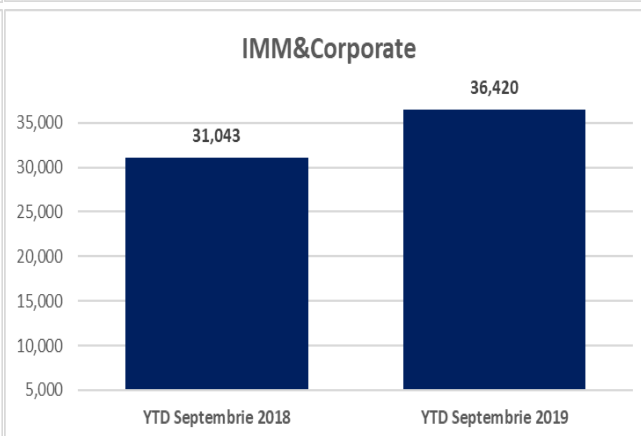
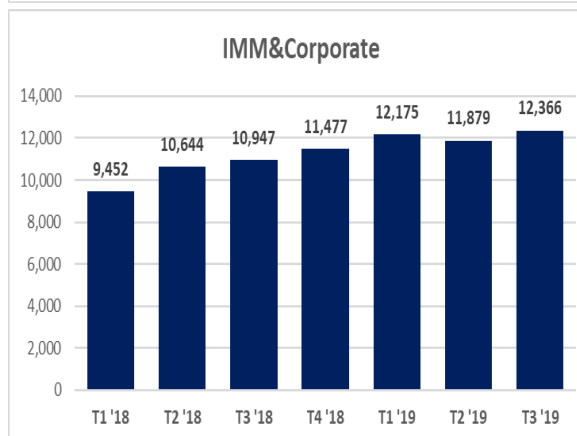
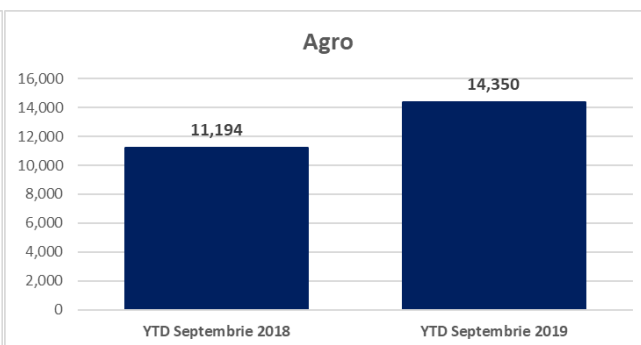
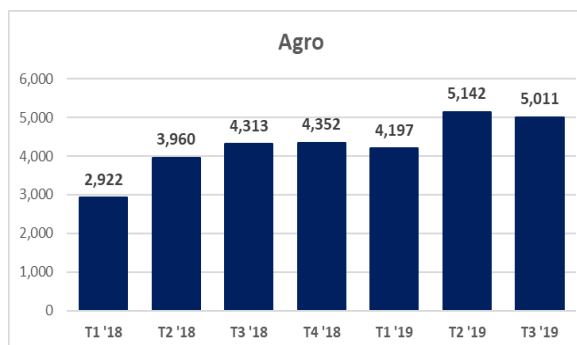
The Bank's interest in financing companies operating in the field of agriculture is also reiterated through the financing provided through the APIA program and by the financing provided for acquisition of equipment and agricultural land. In 2019, the Bank was one of the first signatory parties of the APIA Agreement. Based on the guarantees issued by third parties, it is worth noting that Patria Bank remains the second user of FGCR -Fondul de Garantare a Creditului Rural (Romanian Rural Credit Guarantee Fund) guarantees in the banking system.

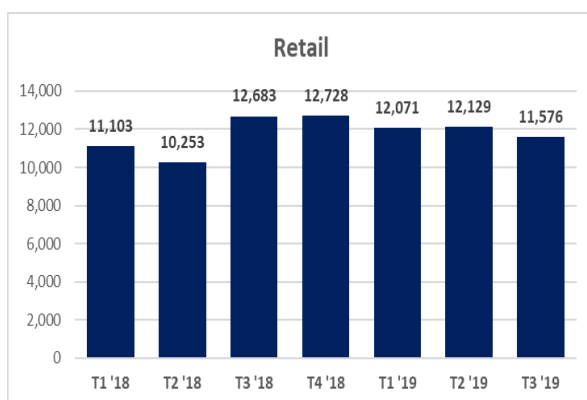
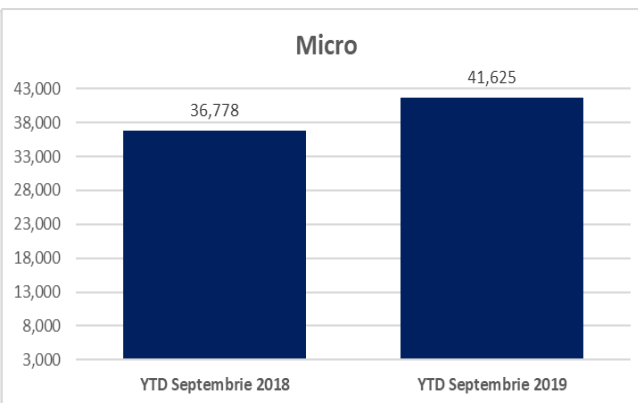
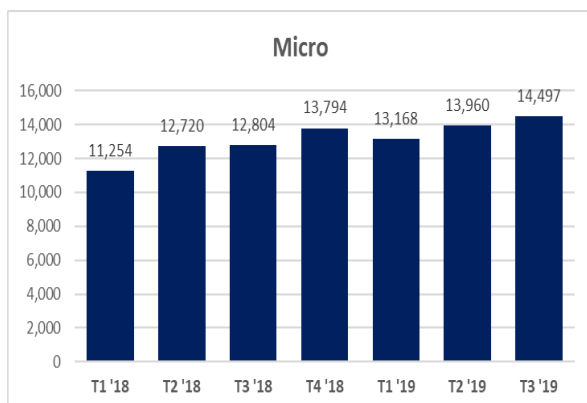
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In the transactional area, non-risk income consolidation activities continued, so that in the operating commissions income area there has been recorded an increase that supports the positive evolution of the net commissions income (+ 17.5% in the first months of 2019 vs. the same period of 2018).

The evolution of incomes (interest income from loans + income from commissions + income from FX) on business segments (RON million):

Business line	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	YTD Sep 2018	YTD Sep 2019	2019 vs. 2018
Agro	2,922	3,960	4,313	4,352	4,197	5,142	5,011	11,194	14,350	28.19%
IMM&Corporate	9,452	10,644	10,947	11,477	12,175	11,879	12,366	31,043	36,420	17.32%
Micro	11,254	12,720	12,804	13,794	13,168	13,960	14,497	36,778	41,625	13.18%
Retail	11,103	10,253	12,683	12,728	12,071	12,129	11,576	34,039	35,776	5.10%





On the operational level, in Q3 2019, the Bank continued to improve its lending flows to individuals by automating the end-to-end process and modifying the IT support flows to comply with the provisions of the EU Directive no. 92/2014 and EU Directive 2366/2015 – PSD II. Thus, a new PSD 2 Platform was implemented, thus observing the requirements of the Commission Delegated Regulation (EU) 2018/389 regarding regulatory technical standards for strong customer authentication and common and secure open standards of communication and of the Directive (EU) 2015/2366 regarding payment services in the internal market.

Also, a new Internet and mobile banking platform is available to Patria Bank customers, starting with September 2019. The new platform is aligned with European standards in the field of personal data protection and responds to the new PSDII payment directive. The new platform also has a dedicated application for smartphones, Patria Mobile Banking, available to individuals. The facilities provided within the platform help the users to have non-stop access to accounts, better control over the budget and to set up deposits directly through the platform.

For the next period, the Bank intends to continue its strategy of streamlining processes and significantly reducing operational costs by implementing several strategic projects such as: implementing new features for Internet Banking and Mobile Banking platform dedicated to both individual and corporate clients, digitization of certain flows and operations with impact on the level of customer interaction with the Bank, as well as on the level of internal processes.

4. Other aspects: subordinated bonds issue

By Patria Bank SA EGSM Decision no. 1/13.08.2019 it has been approved the issuance of a maximum number of 10,000 unsecured, non-convertible and subordinated bonds, denominated in EUR, with nominal value of EUR 500/bond and a total value of maximum EUR 5,000,000, in dematerialized form, with an eight-year maturity, at an interest rate (coupon rate) of no more 6.5 %/per annum, payable semi-annually, to be placed without drawing up a prospectus through a private placement as well as the admission to trading of the Bonds on the regulated market operated by the Bucharest Stock Exchange, after successfully closing of the Offer.

By BoD Decision no. 338/30.08.2019 it has been approved the setting of the final terms and conditions of the Subordinated Bond Offer issued by Patria Bank, out of which:

- Interest rate: Fixed, 6.50% per annum (in EUR);
- Issuance/selling price: equal with the nominal value, EUR 500/Bond;
- Condition for successful closing of the Offer: the placement of at least 6,000 Bonds, i.e. total subscriptions of at least EUR 3,000,000;
- Minimum subscription in the Offer: 50 Bonds;
- Maximum subscription in the Offer: 10,000 Bonds;
- Duration of the Offer: from September 16, 2019 until October 4, 2019, including these dates, with the possibility of early closing;
- Method of allocating the Bonds in case of oversubscription: Pro-rata;
- Method of payment of the principal at maturity: full payment at the final maturity of the Bonds.

The Offer for the sale of Bonds was carried out between September 16-17, 2019 and was successfully early closed, only two days after its launch. Through the offer, 10,000 bonds with a total value of EUR 5,000,000 were issued and allocated, representing the maximum possible number according to the EGMS Decision dated August 13, 2019.

By BoD Decision no. 354/18.09.2019, following the communication received on 17.09.2019 from the intermediary of the Offer related to the fact that the value of subscriptions validly processed after the first two days of the Offer was EUR 8,487,500, exceeding the total value of the Offer as approved by the EGSM from 13.08.2019, of EUR 5,000,000, the BoD of Patria Bank SA has ascertained the successful early closing of the Offer.

On October 10, 2019, the National Bank of Romania approved the inclusion of the unsecured, subordinated bonds, denominated in EUR, with a total value of EUR 5,000,000 in the Tier 2 Equity Funds of Patria Bank, following Bank's request in this regard (subsequent event to 30.09.2019).

By BoD Decision no. 389/24.10.2019, the admission of the bonds to trading on the regulated market operated by Bucharest Stock Exchange was approved. The procedure for admission to trading is ongoing at the date of this report – subsequent event to 30.09.2019.

5. Financial -economic ratios (individual level)

Main ratios		30.09.2019	31.12.2018
1	OCR	15.87%	15.48%
2	The potential change of the economic value (EVI / Own Funds)	8.04%	9.31%
2	Loans (gross value) / Customer deposits	65.33%	56.61%
3	Loans (gross value)/Total assets	55.89%	50.24%
4	Liquidity Coverage Ratio (LCR)	382.74%	653.39%
5	Liquid Assets / Total Assets	37.38%	44.68%
6	Debt securities and equity instruments/Total assets	24.33%	29.73%
7	Return on Assets ratio (ROA)	0.24%	-0.01%
8	Return on Equity ratio (ROE)	2.34%	-0.10%
10	Non Performing Loans (NPL)	12.74%	18.14%
11	Non Performing Exposures (NPE)	10.79%	14.90%
12	Coverage NPL - depreciation adjustments (*)	49.56%	43.53%
13	Coverage NPL- depreciation adjustments (**)	65.33%	61.58%

(*) Coverage NPL depreciation adjustments - calculated according to regulatory rules

(**) Coverage NPL depreciation adjustments – calculated in order to show the economic coverage of NPL with provisions (unwinding of interest and fair value adjustments are reclassified from gross exposures to provisions)

As at September 30, 2019, **the OCR** is of 15.87% (individual level, exceeding the minimum regulatory level) compared with the level as at September 30., 2018 of 12.59% (individual level). At consolidated level, the Total Capital ratio is of 15.39% (exceeding the minimum regulatory level).

The positive dynamics noted is the result of the actions carried out so far to consolidate the capital base both by share capital increase operations from October 2018, through a subordinated loan granted by the majority shareholder (in December 2018) as well as by improving the net result, thus stopping the erosion degree of the capital base.

In addition, during September 2019, **the Bank issued the subordinated bonds amounting to EUR 5 million**, which were fully subscribed. Prior approval for the inclusion of these instruments in Tier 2 Equity Funds was issued by the National Bank of Romania in October 2019. By including these subordinated bonds in Tier 2 Equity Funds, the Total Capital ratio **has improved by ~ 120 basis points**.

6. Financial Results

a) The Bank's financial position as at September 30, 2019 compared with September 30, 2018 and respectively with December 31, 2018 is as follows:

FINANCIAL POSITION -thousands RON-							
ASSETS							
	Sep 30, 2019	Sep 30, 2018	Sep 19/ Sep-18 (abs.)	Sep-19/ Sep-18 (%)	Dec 31, 2018	Sep 19/ Sep-18 (abs.)	Sep-19/ Sep-18 (%)
Cash and cash equivalents	410,787	532,991	(122,204)	(22.9%)	510,747	(99,960)	(19.6%)
Loans and advances to banks	6,327	5,360	967	18.0%	5,613	714	12.7%
Securities	778,246	1,018,846	(240,600)	(23.6%)	1,026,814	(248,568)	(24.2%)
Investments in subsidiaries	30,469	33,928	(3,459)	(10.2%)	31,725	(1,256)	(4.0%)
Loans and advances to customers, net	1,626,871	1,520,580	106,291	7.0%	1,543,019	83,852	5.4%
Other assets	345,381	348,197	(2,816)	(0.8%)	335,549	9,832	2.9%
Total ASSETS	3,198,081	3,459,902	(261,821)	(7.6%)	3,453,467	(255,386)	(7.4%)
LIABILITIES							
	Sep 30, 2019	Sep 30, 2018	Sep 19/ Sep-18 (abs.)	Sep-19/ Sep-18 (%)	Dec 31, 2018	Sep 19/ Sep-18 (abs.)	Sep-19/ Sep-18 (%)
Due to banks & REPO	16,147	47,694	(31,547)	(66.1%)	6,951	9,196	132.3%
Due to customers	2,735,848	3,085,418	(349,570)	(11.3%)	3,064,601	(328,753)	(10.7%)
Borrowings and other liabilities (including subordinated debt)	112,999	64,926	48,073	74.0%	64,041	48,958	76.4%
Total Liabilities	2,864,994	3,198,038	(333,044)	(10.4%)	3,135,593	(270,599)	(8.6%)
Total Equity	333,087	261,864	71,223	27.2%	317,874	15,213	4.8%
Total LIABILITIES AND EQUITY	3,198,081	3,459,902	(261,821)	(7.6%)	3,453,467	(255,386)	(7.4%)

The evolution of loans portfolio is presented below:

	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018	Sep-19/Sep-18	Sep-19/Dec-18
Gross loans	1,787,408	1,684,585	1,734,954	102,823 6%	52,454 3%
Performing loans	1,543,154	1,379,663	1,391,071	163,491 12%	152,083 11%
Non-Performing loans	244,254	304,922	343,883	(60,668) -20%	(99,629) -29%
Provisions	(160,537)	(164,005)	(191,935)	3,468 -2%	31,398 -16%
Provisions for performing loans	(25,680)	(27,318)	(26,690)	1,638 -6%	1,010 -4%
Provisions for non- performing loans	(134,857)	(136,688)	(165,245)	1,830 -1%	30,388 -18%
Net loans	1,626,871	1,520,580	1,543,019	106,291 7%	83,852 5%
Net performing loans	1,517,474	1,352,345	1,364,381	165,129 12%	153,093 11%
Net non-performing loans	109,397	168,235	178,638	(58,838) -35%	(69,241) -39%

- It is noticed a resizing of the balance sheet as a result of the optimization program that the Bank provided in the budget for 2019 (remodeling the territorial units network from a number of 81 units to 46 units with a corresponding decrease in the cost base); thus, the **total assets** as of 30.09.2019 registered a decrease with ~ 8% compared with the level as of September 30, 2018 as well as with the level as of

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December 31, 2018, corresponding to the reduction of Debt due to customers (current accounts and deposits);

- At the same time there was an improvement in the balance sheet structure, the "loans / deposits" ratio increased from 57% (December 2018) to 65% (September 2019) while the share of credits (gross value) in total assets increased **from 50% (December 2018) up to 56% (September 2019)**.
- The credit portfolio (gross value)** registered an increase by RON 52 million (+3 %) compared to December 31, 2018; in its structure, the performing portfolio (stage 1 + 2) registered an increase compared to December 31, 2019 of RON 152 million (+11%) while the portfolio of non-performing loans registered a decrease of RON 100 million (-29%) generated by the recoveries made on the non-performing exposures and by the settlement of the sale transactions of the non-performing loan portfolios for which binding offers were signed in December 2018 (details provided in the IFRS Financial Statements for 31.12.2018).

b) Income Statement (individual level): The main elements compared to the same period of last year

The Bank recorded a **positive operating result of RON 18.8 million** for the 9 months of 2019, in a positive dynamic compared to the same period of 2018 (loss of RON 3.5 million) and a **net profit result** of ~ RON 5.8 million compared to the net loss for the similar period of 2018 of RON 19.9 million.

FINANCIAL PERFORMANCE STATEMENT -thousands RON-	9 months up to Sep 30, 2019	9 months up to Sep 30, 2018	Δ 2019/ 2018 (abs.)	Δ 2019/ 2018 (%)
Net interest income	86,499	74,256	12,243	16.5%
Net fees and commission income	19,986	17,012	2,974	17.5%
Net gains from financial activity & other income	20,605	23,150	(2,545)	(11.0%)
Net banking Income	127,090	114,418	12,672	11.1%
Staff costs	(49,124)	(56,492)	7,368	(13.0%)
Depreciation and amortization	(17,424)	(12,094)	(5,330)	44.1%
Other operating and administrative expenses	(41,706)	(49,428)	7,722	(15.6%)
Total operating expense	(108,254)	(118,014)	9,760	(8.3%)
Operating Result	18,836	(3,596)	22,432	(623.8%)
Net impairment of financial assets	(10,383)	(16,269)	5,886	(36.2%)
Gain/ (Loss) before tax	8,453	(19,865)	28,318	(142.6%)
Expense from deferred tax	(2,616)	-	(2,616)	0.0%
Gain/ (Loss) for the year	5,837	(19,865)	25,702	(129.4%)

	9 months up to Sep 30, 2019	9 months up to Sep 30, 2018	Δ 2019/ 2018 (abs.)	Δ 2019/ 2018 (%)
Interest Income	115,141	101,744	13,397	13.2%
Loans	101,430	89,233	12,197	13.7%
Debt Securities	12,050	10,053	1,997	19.9%
Other interest earning assets	1,661	2,458	(797)	(32.4%)
Interest Expenses	(28,642)	(27,488)	(1,154)	4.2%
Due to customers	(26,869)	(24,450)	(2,419)	9.9%
Other interest bearing liabilities	(1,773)	(3,038)	1,265	(41.6%)
Net Interest Income	86,499	74,256	12,244	16.5%

Net banking income registered a **11% increase** compared with the same period of 2018 (+ RON 12.7 million), a positive evolution being recorded on all income categories and being supported by the growth of loan portfolio, the diversification of the commission income range and their volume increase (even under the circumstances of reducing the number of branches). Also, during the first none months of 2019, the actions for the sales of the non-productive assets that the Bank holds, continued.

- (1) **Interest income registered an increase of 13% (RON 13.4 million)** compared to the same period of 2018, based on the increasing of the loan portfolio granted by the Bank and a higher yield of debt instruments (government bonds) held by the Bank.
- (2) **Interest expenses recorded an increase of 4.2% (RON 1.2 million)** generated by the increase in the cost of funding, which registered an increasing trend starting with the end of 2018, due to the increase of the market interest rates.
- (3) **The net income from fees and commissions registered an increase of 18% (RON 3 million)**, an increase sustained by the **new initiatives** to diversify the range of commission revenues (launching of transaction packages, increase of tariffs) that were implemented starting with March 2019 for legal entities and starting with May 2019 for individuals;
- (4) **Incomes from financial activity and Other incomes registered a decrease of 11% (RON 2.5 million)**, due to 4 categories of activities:
 - (a) net income from FX clients and from the treasury activity (FX, debt instruments trading, balance sheet management) where an **increase** of RON 6 million is recorded;
 - (b) **losses from the derecognition of financial assets** for which in 2019 a loss of RON 2.8 million more than in 2018 is recorded;
 - (c) **income from dividends** where a decrease of RON 3.6 million is recorded;

(d) **other incomes** that include the income from the rental activity of the assets from the category of real estate investments (IAS 40) has recorded a relatively constant evolution during the analyzed period, with a slight upward slope compared to the levels of 2018 following the renegotiation of some rental contracts and the increase of the total effective rented area (the investments made in 2019 in these real estate assets created the premises for increasing the rental opportunities of the respective locations). At the same time, the activity of capitalization of repossessed assets by sale generated a lower impact in the profit and loss account compared to the same period of the previous year, but an improvement of the risk weighted assets ratio was obtained as a result of the sales of real estate assets.

Operating expenses decreased with 8.3% (RON 9.8 million) compared to the same period of 2018 but the cost base in 2019 includes certain non-recurring expenses in the amount of RON 5.8 million, as presented in the table below:

	9 months up to Sep 30, 2019	9 months up to Sep 30, 2018	Δ 2019/ 2018 (abs.)	Δ 2019/ 2018 (%)
Staff expenses	(49,124)	(56,492)	7,368	(13.0%)
Depreciation and amortisation expenses	(17,424)	(12,094)	(5,330)	44.1%
Other operating and administrative expenses	(41,706)	(49,428)	7,722	(15.6%)
Total operating expenses	(108,254)	(118,014)	9,760	(8.3%)
Non-recurring /exceptional expenses				
Staff restructuring expenses	(345)			
Other restructuring expenses	(1,536)			
Total restructuring expenses	(1,881)			
FGDB contribution additional costs	(3,945)			
Total exceptional expenses	(5,826)			
Total operating expenses excl. exceptional expenses	(102,428)	(118,014)	15,586	(13.2%)

	9 months up to Sep 30, 2019	9 month up to Sep 30, 2018	Δ 2019/ 2018 (abs.)	Δ 2019/ 2018 (%)
Depreciation and amortisation expenses	(17,424)	(12,094)	(5,330)	44.1%
Other operating and administrative expenses	(41,706)	(49,428)	7,722	(15.6%)
Total expenses other than staff expenses	(59,130)	(61,522)	2,392	(8.3%)

As it can be seen, if from the total cost base at 9 months 2019 we exclude the value of the exceptional costs (RON 5.8 million) then the **reduction of the cost base is of 13%** (RON 15.6 million) as compared to the same period last year.

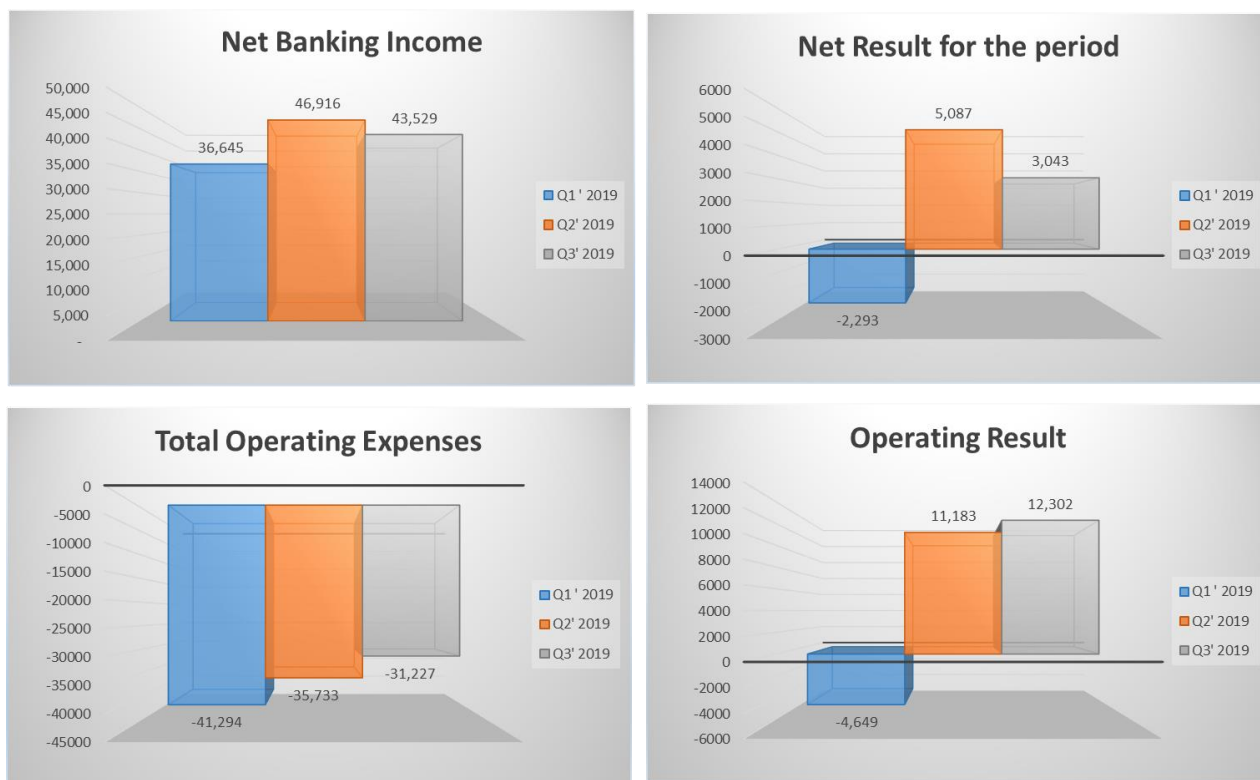
The position "**staff expenses**" registered a decrease of 13% (against the background of the optimization program of the territorial units network and the organizational structure of the head office). If the restructuring expenses in the amount of RON ~ 400 thousand are excluded then the decrease is of 13.7%.

The positions "**Other operational and administrative expenses**" and "**Depreciation and amortisation expenses**" analyzed cumulatively also registered a decrease of ~ 8.3% (RON 2.4 million) which on a recurrent base (excluding the exceptional expenses mentioned above) means a decrease of 12.8% (RON 7.8 million).

Note: on 01.01.2019, the implementation of IFRS16 took place and as a result elements of costs that were represented in 2018 in the line "Other operational and administrative expenses" are now represented in the line "Depreciation and amortization expenses".

The net cost of the risk registered a decrease compared to the same period of the year 2018, based both on the recovery actions, as well as the improvement of the payment behavior of the debtors.

The quarterly evolution of the financial results is presented below, showing a positive dynamics on the main elements.



Note: In Q2 "Net Banking Income" and "Net Income for the period" were positively influenced by the recognition of dividend income in the amount of RON 6 million.

FINANCIAL PERFORMANCE STATEMENT -thousands RON-	Q1 ' 2019	Q2' 2019	Q3' 2019	Cumulative 2019	Δ Q3 / Q1 (abs.)	Δ Q3 / Q1 (%)	Δ Q3 / Q2 (abs.)	Δ Q3 / Q2 (%)
Net interest income	27,899	29,242	29,358	86,499	1,459	5.2%	116	0.4%
Net fees and commission income	6,347	7,026	6,613	19,986	266	4.2%	(413)	(5.9%)
Net gains from financial activity & other income	2,399	10,648	7,558	20,605	5,159	215.1%	(3,090)	(29.0%)
Net banking Income	36,645	46,916	43,529	127,090	6,884	18.8%	(3,387)	(7.2%)
Staff costs	(18,261)	(16,218)	(14,645)	(49,124)	3,616	(19.8%)	1,573	(9.7%)
Depreciation and amortization	(5,920)	(6,049)	(5,455)	(17,424)	465	(7.9%)	594	(9.8%)
Other operating and administrative expenses	(17,113)	(13,466)	(11,127)	(41,706)	5,986	(35.0%)	2,339	(17.4%)
Total operating expense	(41,294)	(35,733)	(31,227)	(108,254)	10,067	(24.4%)	4,506	(12.6%)
Operating Result	(4,649)	11,183	12,302	18,836	16,951	(364.6%)	1,119	10.0%
Net impairment of financial assets	2,356	(5,380)	(7,359)	(10,383)	(9,715)	(412.3%)	(1,979)	36.8%
Gain/ (Loss) before tax	(2,293)	5,803	4,943	8,453	7,236	(315.6%)	(860)	(14.8%)
Expense from deferred tax	-	(716)	(1,900)	(2,616)	(1,900)		(1,184)	165.4%
Gain/ (Loss) for the year	(2,293)	5,087	3,043	5,837	5,336	(232.7%)	(2,044)	(40.2%)
Cost to Income Ratio	113%	76%	72%	85%				

7. The activity of the Bank's subsidiaries

Patria Credit IFN

Patria Credit IFN SA has maintained its increasing trend of activity, developing the balance of the loan portfolio at the end of Q3 2019 up to the equivalent of RON 74.5 million, up 19% compared to September 2018. The company made a profit of RON 3.3 million in the first 9 months of 2019, up 7% compared to the same period last year, in the context of intensifying the competition in the segment of granting loans for agriculture with an impact on reducing the interest margin.

The volume of new loans granted during Q3 2019 was of RON 14.2 million, an increase of 11% compared to the achievements of the same period of 2018.

Regarding the credit risk, the company has maintained a prudent and appropriate policy for its risk profile. Thus, Patria Credit IFN SA registered in the first 9 months of 2019 an annualized risk cost of 0.67%, calculated as a ratio between the level of expenses with the loan provisions and the average annual portfolio.

In August 2019, a collection contract was concluded with SelfPay, which extended the number of partners of the institution in the field of payment services in the rural area. Thus, starting with August 2019, Patria Credit IFN SA customers can pay the rates through more than 4,200 SelfPay terminals available in over 900 locations throughout the country. In September 2019, also in collaboration with SelfPay, 3 self-service Payment Stations were installed in the Patria Credit own units: Dragasani, Matca and Izbiceni.

Patria Credit IFN is the first financial institution in Romania to receive a subordinated loan from the European Investment Fund. Through the Capacity Building Investments Window of the EU's Employment and Social

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Innovation Programme (EaSI CBI), the European Investment Fund (EIF) grants Patria Credit IFN a subordinated loan for a period of 10 years. The RON 10 million loan is intended to support IFN's ambitious development plans in the next period, especially in the field of micro-farm financing, which generally have limited access to traditional lending. The loan also aims to improve Patria Credit's ability to contract other financing lines from reputed creditors.

SAI Patria Asset Management

SAI Patria Asset Management is an asset manager fund which on September 30, 2019 manages three unit trusts: Patria Obligatiuni, a fixed income instruments fund, Patria Global, a diversified fund and Patria Stock, a stock fund.

On 2 October 2019, the Financial Supervisory Authority authorized the Patria Euro Obligatiuni fund, a fund in Euro of fixed income instruments, that is to be launched in the next period.

At the end of September 2019, the assets managed by SAI Patria Asset Management registered a level of RON 53.48 million, up 0.3% compared to the level recorded at the end of the second quarter of 2019.

8. Annexes

- Statement of Financial Position as of 30.09.2019 for Patria Bank SA (individual)
- Statement of Financial Performance for the period ended 30.09.2019 for Patria Bank SA (individual)

NOTE: The present financial statements for Q3 2019 are not audited/revised by an independent financial auditor.

General Manager

Daniela Iliescu

Deputy General Manager – CFO

Lucica Pitulice

ANNEXES

STATEMENT OF FINANCIAL POSITION
RON Thousand

	30-Sep-19	31-Dec-18
Assets		
Cash and cash equivalents	410,787	510,747
Financial assets held for trading	34,261	6,785
Financial assets measured at fair value through other comprehensive income	404,949	651,914
Due from banks	6,327	5,613
Loans and advances to customers	1,626,871	1,543,019
Investments in debt instruments at amortised cost	339,036	368,115
Investment property	92,768	77,326
Reposessed assets	16,781	20,090
Investments in subsidiaries	30,469	31,725
Other financial assets	7,192	13,026
Other assets	17,793	17,524
Deferred income tax assets	21,282	23,215
Intangible assets	41,950	41,049
Property, plant and equipment	147,615	143,319
	3,198,081	3,453,467
Liabilities		
Deposits from banks	16,147	6,951
Deposits from customers	2,735,848	3,064,601
Borrowed funds	-	-
Other financial liabilities	38,212	8,015
Provisions for other risks, credit commitments and financial guarantees	9,162	9,964
Other liabilities	18,942	22,689
Subordinated debt	46,683	23,373
Total liabilities	2,864,994	3,135,593
Equity		
Share capital	315,829	315,829
Share premium	(67,569)	(67,569)
Redeemed own shares	-	-
Retained earnings (Accumulated deficit)	(3,047)	(21,890)
Revaluation reserves	46,008	49,639
Reserves for general banking risks	15,301	15,301
Legal reserves	11,887	11,886
Other reserves	14,678	14,678
Total shareholders' equity	333,087	317,874
	3,198,081	3,453,467

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STATEMENT OF COMPREHENSIVE INCOME
RON thousand

	30-Sep-19	30-Sep-18
Interest income	115,141	101,744
Interest expense	(28,642)	(27,488)
Net interest income	86,499	74,256
Fee and commission income	23,222	19,952
Fee and commission expense	(3,236)	(2,940)
Net fee and commission income	19,986	17,012
Net trading income	7,087	6,693
Net gain/(loss) from investments	3,084	(2,732)
Other operating income	10,434	19,189
Net operating income	127,090	114,418
Personnel expenses	(49,124)	(56,492)
Other operating and administrative expenses	(41,706)	(49,428)
Depreciation and amortisations expense	(17,424)	(12,094)
Total operating expenses	(108,254)	(118,014)
Operational Result	18,836	(3,596)
Charge/(release) with adjustments for impairment of financial assets	(10,383)	(16,269)
Gross result	8,453	(19,865)
(Expenses) / income with current profit tax	(2,616)	0
Net result for the period	5,837	(19,865)