

# Positive Results in a Difficult Context

## Presentation of results and outlook

Bucharest • March 2021

# I. Patria Bank – Background strategic update

Romania represents an important opportunity in the financial services sector due to a low level of financial intermediation. Patria Bank is positioned to capture the potential of banking services on the Romanian market through products, distribution model and knowledge of target segments.

# We are positioned to capture the potential of banking services

› Romania represents an important opportunity in the financial services sector due to the low level of financial intermediation:

- › The lending to the private sector as share in GDP was of only 25% in March 2020
- › As per an OECD study from 2020, only 53% of the adults in Romania held a bank account or a debit card (payment instruments)
- › In accordance with the same study, only 23% of the adults held a saving or investment instrument, and only 41% a loan.

Romania: adults without a current account or debit card

**47%**

Romania: Lending to the private sector / GDP (Mar 2020)

**25%**

## Patria Bank is positioned to capture the potential of banking services in Romania

- › Patria Bank is a commercial bank with Romanian management listed on Bucharest Stock Exchange (Premium Category)
- › The Bank is excellently positioned to capture the Romanian potential in financial services due to:
  - › knowledge and understanding of target segments
  - › flexible, customer-oriented products
  - › distribution model based on own network and alternative channels
- › Patria Bank developed a significant loan portfolio in the micro-enterprises and agricultural businesses segments, where it benefits from the expertise developed in over 15 years of doing business
- › The Bank is also growing strongly in the SME & Small Corporate and in the Retail (individuals) segments.



# Products for banked and non-banked customers

## Target segments



- › Patria Bank focuses on **SME**, **Microenterprises (“Micro”)**, **Agriculture (“Agro”)** and **Retail**, especially in areas where a competitive advantage is identified
- › The distribution model based on **partnerships** and a **mobile sales force** composed of specialized relationship managers allowed for an increase in credit activity at a higher rate than market average in the two key segments specific to “2<sup>nd</sup> Romania”: Micro and Agro.



## Competitive advantages of Patria Bank

- › **Decentralised and dynamic** distribution and sales models
- › Tailored specific products: **flexible** lending products designed according to client business and cash flows (Agro and Micro)
- › Business model with a **specific financing technology**, developed *in-house*, with a track record of over 15 years
- › Knowledge of target segments (especially Micro and Agro) developed over a 15-year funding history
- › **Specialized sales force**
- › De-localized/regional specific collection model.



# Target segments (I)

## SME and Small Corporate (“SME”)



### SME

- › Focus on developing customer base **through personalized offers** and continuously improving quality of customer relationship
- › Portfolio: optimal combination between secured and unsecured financing, together with **sector diversification** and a comfortable level of maximum loan value
- › Implementation of the **IMM Invest** Government program for supporting Small and Medium Enterprises. Patria Bank's approach: targeting SME & Corporate, as well as larger Agriculture and Micro-enterprises clients.
- › Initial limit of RON 135 Million for IMM Invest supplemented to approximately RON 280 Million.

## Microenterprises (“Micro”)



### MICRO

- › Patria Bank is **one of the major players** on the market in this segment (ranked in Top 3)
- › Partnerships with various regional and international expertise centers such as the European Investment Fund (EIF)
- › In June 2020 Patria Bank signed with the EIF an increase of the EASI guarantee limit by an additional RON 300 Million
- › Average ticket size in 2020 was EUR 22.4 Thousand
- › **38%** of 2020 loan generation was generated by partners (*lead providers*).



# Target segments (II)

## Agricultural producers (“Agro”)



- › **Key segment** for Patria Bank, affected to a lesser extent by the Covid-19 pandemic
- › Portfolio predominantly focused on vegetable farming and increasing interest in financing irrigation equipment
- › Patria Bank is **one of the main partners of the Rural Credit Guarantee Fund**
- › Developing relations with agricultural equipment and inputs partners
- › **Expanding relation with APIA** - one of the first signatories of the 2020 convention with APIA
- › Design of new products in cooperation with our clients and partners and benefiting from the experience of the bank's specialists and agricultural engineers.

## Individuals (“Retail”)



- › Continuously offering high service level through branch network (remained opened in its entirety during pandemic)
- › Increase of the retail loan balance by **10% in 2020**
- › Transformation of traditional banking towards new technologies - **internet/mobile banking, contactless**
- › Support for clients through own and Government-regulated payment deferral programs
- › Additional offer for the **employees and retirees** market in large cities, along with the classic strategy of penetrating the medium-sized urban market
- › **Expanding partnerships** with credit brokers and digital platforms of lead providers
- › **Online onboarding and online lending** are in preparation for launch in 2021.

Source: Patria Bank



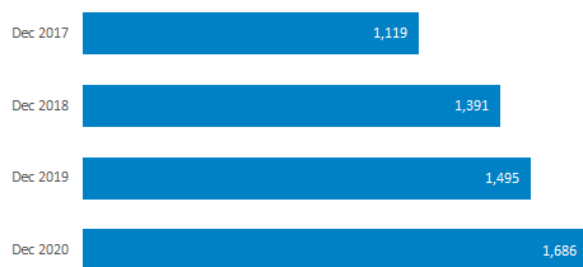
## II. Financial performance at 31.12.20

For the second consecutive year Patria Bank reports a net profit and succeeds to improve its Capital Adequacy Ratio, by 350 bps in 2020, with results influenced by the Covid-19 pandemic context • New loans amounted to RON 823 Million which led to an increase of 13% in the performing loans portfolio • Offsetting contraction of operating revenues with results from cost optimizations leading to an improved operating result compared to 2019.

# Placement of cash in income-generating assets continues

## Evolution of loan portfolio [Million RON]

- › RON 823 Million in new loans granted in 2020. Evolution of gross performing loan portfolio was as follows:

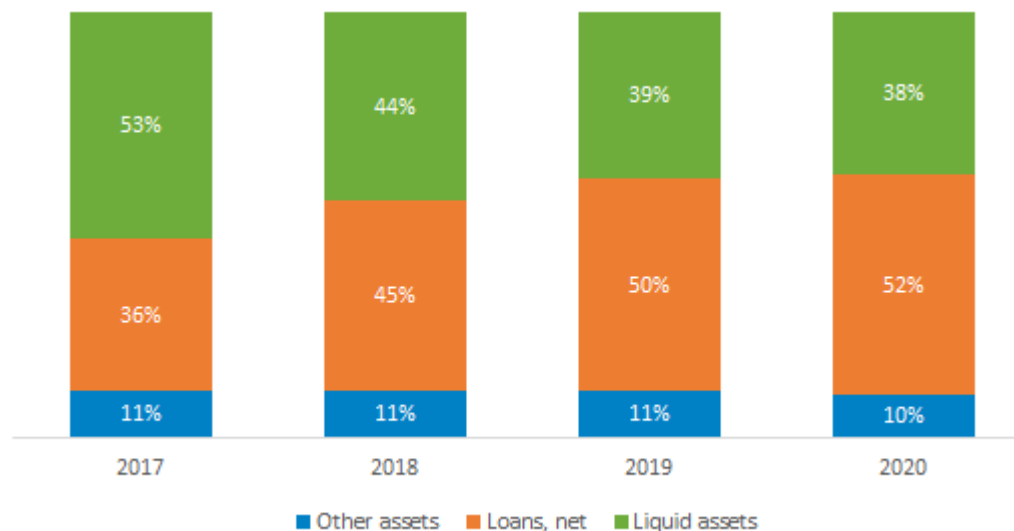


- › Balance of loans granted to individuals increased by 11.90% in 2020 (vs. an average banking system growth rate of 4.80%), while balance of loans granted to companies increased by 11.91% (vs. 7.46% market average).

## Asset structure 2017 - 2020

In 2020 the Bank continued the process of placement of liquid assets in loans granted to customers.

The share of liquid assets in the balance sheet decreased from 53% in 2017 to 44% in 2018 and 38% in 2020, while the share of assets placed in loans increased from 36% in 2017 to 45% in 2018 and 52% in 2020.



Source: Patria Bank. Standalone data. 2020 figures are preliminary and not audited.





# Key Balance Sheet items

## Increase in balance sheet size during a pandemic context

- › Total Assets increased by 7% compared to 2019, due to increase in both total loan portfolio (+12%) and in deposits from customers (+6%)
- › Net loans increased by RON 190.0 Million
- › Strong improvement in Total Own Funds Ratio, Gross loans/Total assets and Gross loans/Deposits in 2020 vs. 2019.

Gross loans / Total assets at Dec 2020

**56** %

## Selected ratios 2018 - 2020 [%]

%	Dec 2018	Dec 2019	Dec 2020
› Total Own Funds Ratio	15.78	17.75	21.43
› Gross loans / Total assets	50	53	56
› Gross loans / Deposits	56	62	66
› LCR*	632	422	206
› Return on Assets (RoA)	0.0	0.2	0.1
› Return on Equity (RoE)	-0.1	1.6	0.8

## Balance sheet items [RON Million]

	Dec 2018	Dec 2019	Dec 2020
› Liquid assets	1,543.2	1,251.3	1,315.9
› Loans and advances to customers (net)	1,543.0	1,588.3	1,778.3
› Total assets	3,453.5	3,193.8	3,430.0
› Deposits from customers	3,064.6	2,733.7	2,904.8
› Total liabilities	3,135.6	2,860.3	3,086.3
› Shareholders' equity	317.9	333.5	343.7

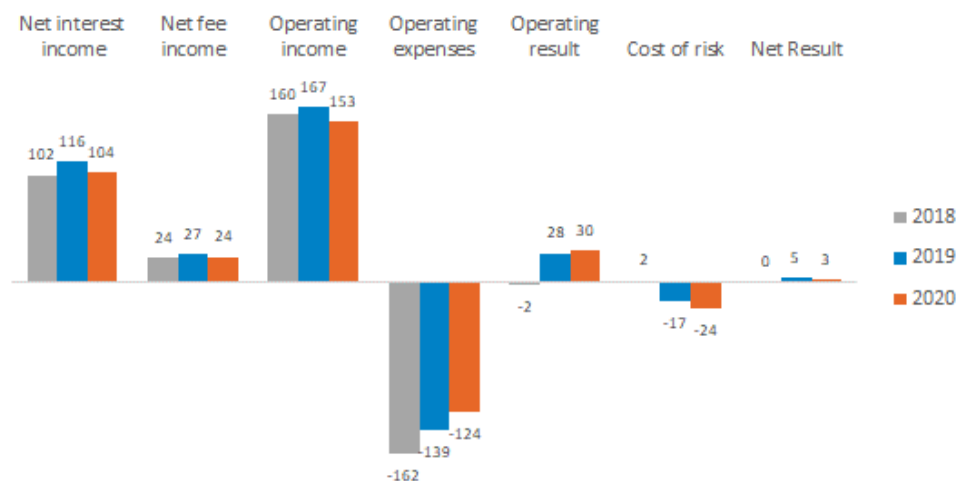
Source: Patria Bank. Standalone data. 2020 figures are preliminary and not audited. \*LCR - Liquidity Coverage Ratio.



# Net profit in a pandemic context

- › After reaching *break-even* in 2018, Patria Bank ended 2019 with a net profit of RON 5.3 Million and **remained profitable in 2020 with a net profit of RON 2.8 Million**
- › Net interest income shows a contraction of 8% compared to 2019 due to decrease of the ROBOR reference index by 115 bps
- › Increase in interest expense by 14% based on financing strategy: increase of deposit base, REPO operations, new subordinated bond issue
- › Cost of risk recorded an additional charge due to updates of Probability of Default curves and macroeconomic indicators, new default definition, write-off operations (NPL clean-up) and coverage ratio improvements.

Profit and loss account 2018- 2020 [RON Million]



	Dec-18	Dec-19	Dec-20
› Net interest income	102.3	115.6	104.4
› Net fees income	23.6	26.7	24.4
› Total operating income	160.0	167.1	153.2
› Total operating expenses	(161.8)	(139.3)	(123.5)
› Operating result	(1.8)	27.8	29.7
› Cost of risk	1.5	(16.5)	(23.6)
› Result of the financial year	(0.3)	5.3	2.8

Source: Patria Bank. Standalone data. 2020 figures are preliminary and not audited.

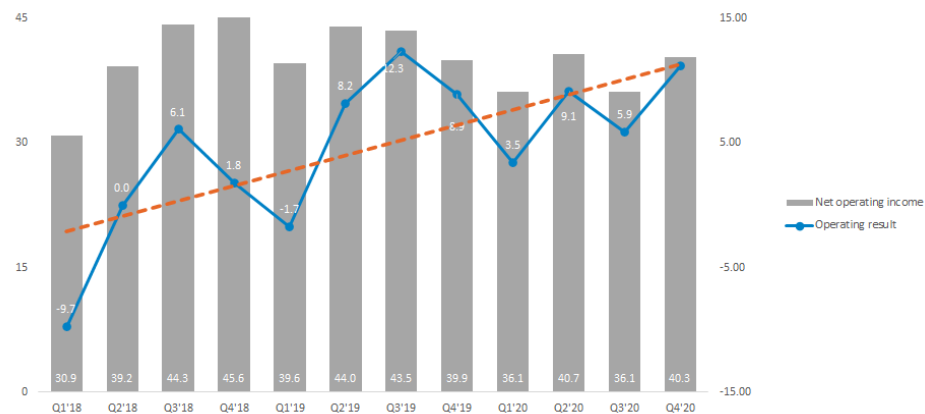


# The road to sustainable and profitable growth

## Innovative participant in key segments

- › The Bank continued to be an active and innovative participant in the segments of key companies for its activity (agriculture, micro-enterprises and SMEs)
- › Accelerating strategy for expansion of retail segment (individual clients), mainly in urban markets, through increase in the mortgage lending area and optimizing lending without collateral, among others
- › During 2020 the lending activity generated new loans of approx. RON 823 Million, with a higher growth rate in companies client segments
- › The Bank maintained credit appetite at volumes comparable to 2019 during the pandemic context and supported the activity of existing and new clients.

## Quarterly results evolution [RON Million]



## New loans sales by segment [RON Million]

	2017	2018	2019	2020
› No. of branches (end of year)	85	81	46	45
› New loans sales, out of which:	688.5	978.2	841.0	825.6
• SME & Small Corporate	270.0	384.3	349.4	332.3
• Micro	180.3	223.1	213.6	182.5
• Agro	107.4	191.7	188.5	171.2
• Retail	130.8	179.2	89.4	139.5
› Sales/branch	8.1	12.1	18.3	18.3

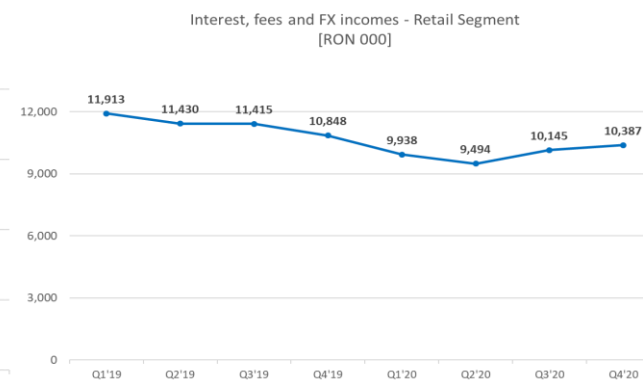
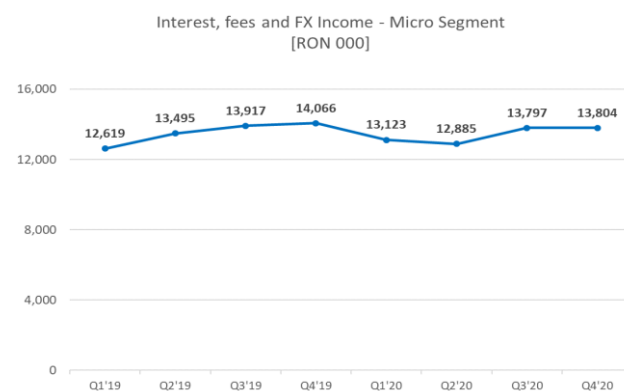
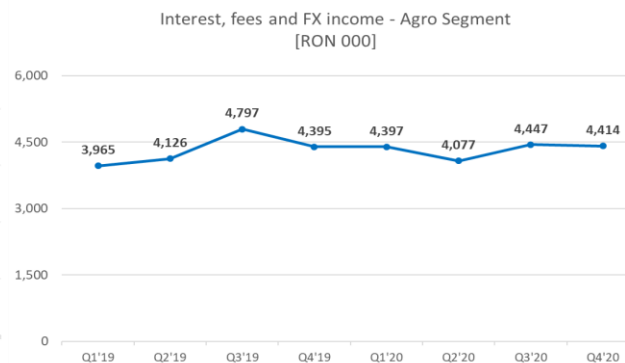
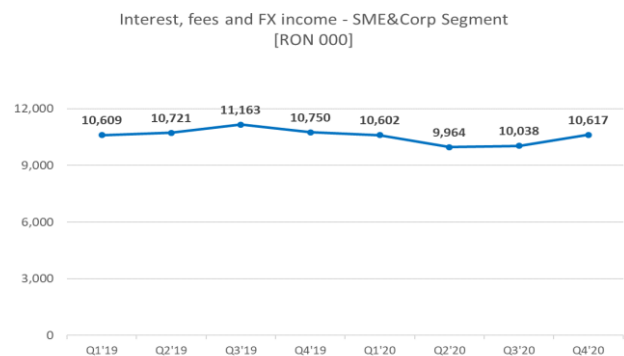
Source: Patria Bank. Standalone data. 2020 figures are preliminary and not audited.



# The road to sustainable and profitable growth

- › Income decreased in the first two quarters of the year followed by an increase in the second half of 2020
- › The decrease was mostly due to the ROBOR reference index which lost almost 115 bps in 2020
- › Patria Bank felt this impact considering the structure of its loan portfolio, which is mainly based on loans in RON with variable interest
- › This impact on income from interest was of approximately RON 6.3 Million.

Gross quarterly income from interest, fees, commissions and FX [RON Thousand]



Source: Patria Bank. Standalone data. 2020 figures are preliminary and not audited.



# Investment in technology and operational flows



## Main investments with impact on business in 2020

- › New functionalities for the iBanking platform for companies: payments through packages, scheduled payments and optimization of the salary module
- › Optimizing transactional packages, credit products, and flows for individuals and relaunch of the Overdraft product and credit products with real estate guarantee
- › Continuously looking for new opportunities to expand the branch network in attractive locations
- › Optimization of internal flows and processes for increased efficiency
- › Implementation of the Government's IMM Invest program
- › Solutions with impact on the operational security area: classifying and encrypting documents, Endpoint Detection & Response Solution, document sanitization, Anti-DDoS solution.

## Projects with impact on business implemented in Q4

- › Implementation of the Strong Customer Authentication (SCA). Patria Bank offers all cardholders/users use of biometric authentication for online transactions
- › New Ghepard platform for online access of specific card Services and for brokers (sending credit applications)
- › Forced Executions Module - management of flows in the area of non-performing loans recovery.

## Future projects and development plans

- › Internet & Mobile Banking Platform aligned with European standards for information security and the PSDII Directive
- › Development of Asset Management module in iBanking platform with information on mutual funds products
- › Instant Payments - payments/collections in max.20 seconds
- › Online Customer Onboarding (est. launch early Q2)
- › Trusted Services focused on Electronic Signature
- › Customer Digital Lending (est. launch at year-end).

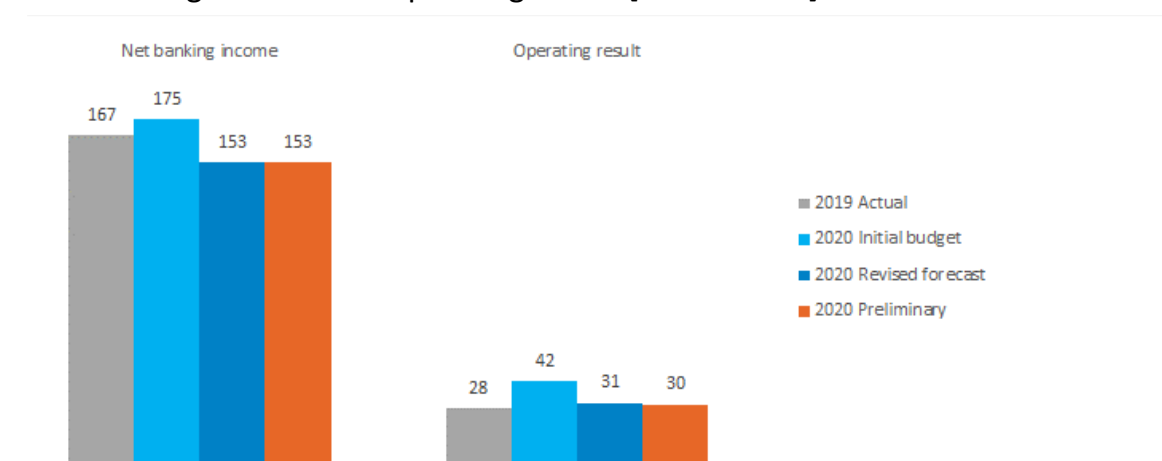
Source: Patria Bank



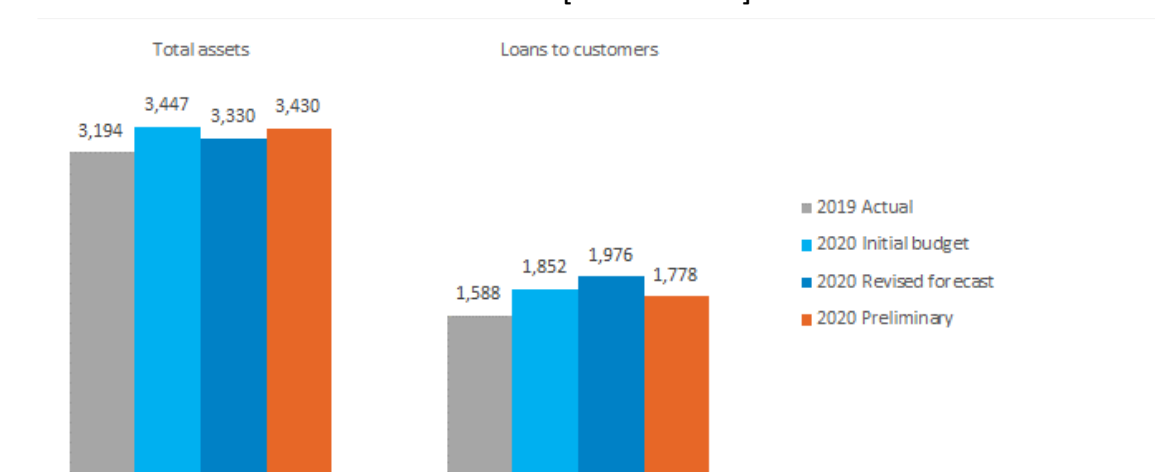
# 2020 preliminary results vs. budget and forecasts during Covid-19 (I)

- › Following analysis of financial results the management considers that Patria Bank's activity has already been impacted by the COVID-19 pandemic, and that it will be possible to mitigate future effects by appropriate measures taken by the Bank, by the evolution of financial markets or by economic recovery measures initiated by the Government
- › The 2020 revised forecast estimated both a higher level of installments postponed and a higher need for liquidity for clients compared to actual amounts, which explains the difference between forecasted and recorded levels of loans to customers.

Net Banking Income and Operating Result [RON Million]



Total Assets and Loans to Customers [RON Million]



Source: Patria Bank. Standalone data. 2020 figures are preliminary and not audited.



# 2020 preliminary results vs. budget and forecasts during Covid-19 (II)

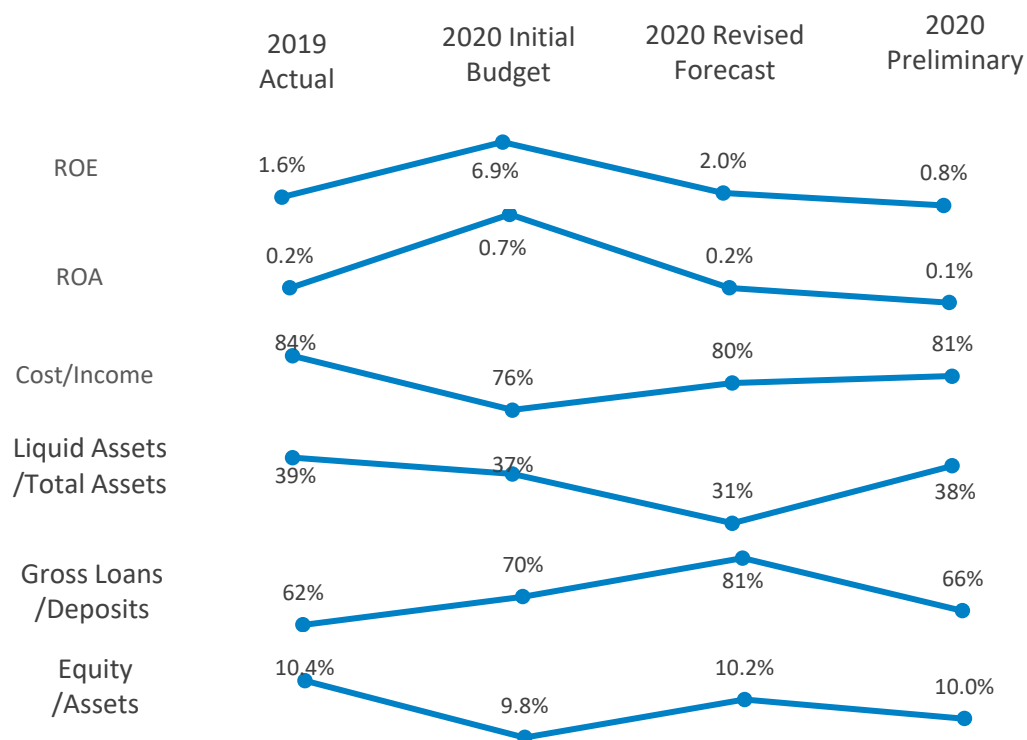
- Yield of the loan portfolio decreased from 7.3% in 2019 to 6.8% in 2020, while Net Interest Margin decreased from 6.0% in 2019 to 5.3% in 2020 (preliminary figures for 2020)

	2019	2020
<b>Average interest</b>	7.3%	6.8%
<b>NIM*</b>	6.0%	5.3%

- The change in net interest margin was determined by different rates of decrease between financing costs and the reference interest rate (ROBOR).

## Main ratios in 2020

The main banking activity ratios recorded in 2020 and compared with the year's initial and revised budgets, as well as with 2019 figures, are presented below.



Source: Patria Bank. Standalone data. 2020 figures are preliminary and not audited. \*NIM - Net Interest Margin



### III. Patria Bank stocks and bonds - market trends

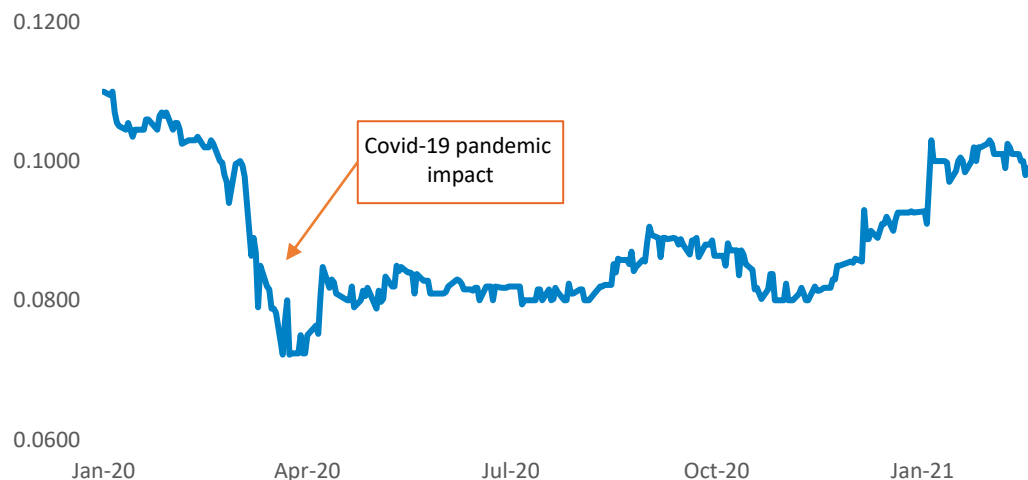
Patria Bank has three securities issues listed on the regulated market of the Bucharest Stock Exchange: the bank's shares (trading with PBK ticker symbol) and two subordinated bond issues trading with ticker symbols PBK27E and PBK28E.



# PBK shares on the Bucharest Stock Exchange

- › Patria Bank shares are traded on the regulated market operated by the Bucharest Stock Exchange (Premium Tier) with PBK ticker symbol
- › Share price decreased by 15.4% in 2020 mainly due to a 30% drop in March following the start of the Covid-19 pandemic
- › Issue ISIN: ROBACRACNOR6
- › Total number of shares outstanding: 3,115,330,575
- › Par value: RON 0.1000 per share
- › Market Capitalization at 31 December 2020: RON 288.5 Million
- › Majority shareholder: EEF Financial Services BV
- › Majority shareholder holding at 31 December 2021: 83.22%.

PBK shares on the Bucharest Stock Exchange (RON/share)



## 2021 Financial calendar

## Date

› Annual General Shareholders Meeting	26/27.04.2021
› Publication of 2020 Annual Report	28.04.2021
› Publication of Q1 2021 financial results	17.05.2021
› Investor and analyst teleconference	25.05.2021
› Publication of 2021 half-year financial results	17.08.2021
› Publication of Q3 2021 financial results	15.11.2021
› Investor and analyst teleconference	23.11.2021

Source: Patria Bank, BSE



# PBK bonds on the Bucharest Stock Exchange

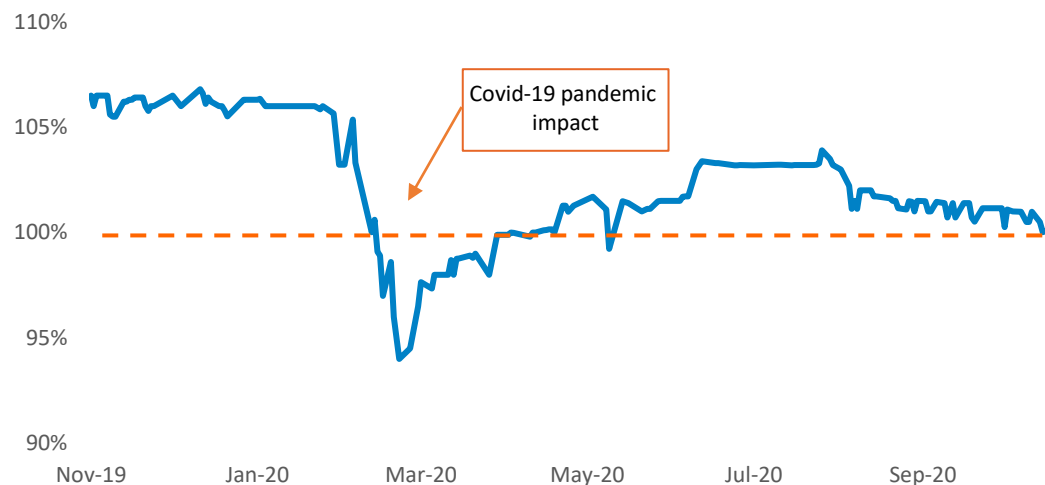
## PBK27E bond issue

- › Subordinated, unsecured, nonconvertible issued in Euro
- › Issue Date: 20 September 2019
- › Total value: EUR 5.0 Million
- › Interest rate: 6.50% pa (fixed)
- › Maturity Date: 20 September 2027
- › ISIN: ROZN0PQQARR5.

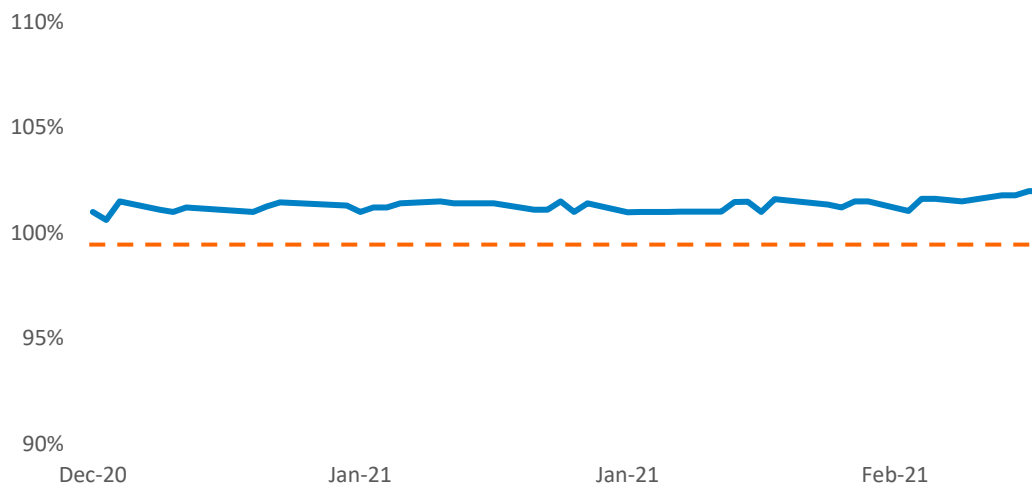
## PBK28E bond issue

- › Subordinated, unsecured, nonconvertible issued in Euro
- › Issue Date: 5 October 2020
- › Total value: EUR 8.2 Million
- › Interest rate: 6.50% p.a. (fixed)
- › Maturity Date: 5 October 2028
- › ISIN: ROWRHZRZD4L3.

PBK27E bonds on the Bucharest Stock Exchange since listing



PBK28E bonds on the Bucharest Stock Exchange since listing













# Strong shareholding structure

## Emerging Europe Accession Fund

- › The main shareholder of Patria Bank is EEAF Financial Services BV, an investment vehicle managed by Axxess Capital Partners, with a 83.22% holding
- › EEAF is a private equity fund whose main investors are international financial institutions (EBRD, EIF, DEG)
- › Axxess Capital Partners is a Private Equity funds management company with an extensive experience in financial and banking services on the local market
- › Past deals of Axxess Capital-managed funds include four banks, four leasing companies and five Non-Banking Financial Institutions.

## Axxess Capital track record in the financial services sector

Investment	Buyer upon exit
 Banca Agricola	
 BANCA ROMĂNEASCĂ S.A. Membră a Grupului National Bank of Greece	 NATIONAL BANK OF GREECE
	 GE Money
	 GE Money
 Domenia Credit Creditul Ipotecar Româno-American	 GE Money

Source: Patria Bank



# Experienced management and board executives teams



**Horia Manda**  
BoD Chairman

Managing Partner-Axess Capital BoD member – various companies  
Selected M&A experience:  
Banca Agricola, Banca Romaneasca, RALFI, Motoractive, Romexterra, Patria, BCC, Jet Finance



**Vasile Iuga**  
BoD member  
(independent)

Ex-Managing Partner-South East Europe, Romania  
Country Manager, PwC  
VP-American Chamber of Commerce in Romania  
EIB Audit Committee member



**Bogdan Merfea**  
BoD member

CEO-Raiffeisen Bank Kosovo  
Ex-ED-Raiffeisen Bank Romania  
Selected M&A experience:  
Patria, BCC



**Nicolae Surdu**  
BoD member  
(independent)

Ex CEO and President BCC  
Ex-CEO Fortis Bank Romania  
Ex-VP Credit Europe Bank  
Ex-Director Operations-Tiriac Bank  
Ex-BoD member: Piraeus Bank RO



**Burak Yildiran**  
CEO (pending NBR approval)

COO TotalSoft  
Almost 20 years with the Garanti BBVA group,  
out of which 6 years as Deputy General Manager of Garanti BBVA Romania



**Daniela Iliescu**  
CEO & BoD member

CFO-Axess Capital BoD member-BCC  
Ex-Senior Manager-PwC  
Selected M&A experience: Patria, Jet Finance, BCC



**Valentin Vancea**  
COO & Deputy General Manager

COO-BCC, Nextebank, Volksbank RO  
CEO – ANSSI  
Ex-Audit Director UniCredit Ro  
Selected M&A experience: HVB Bank, Unicredit, BCC, KPMG



**Codrut Nicolau**  
CCO & Deputy General Manager

Ex- Retail Commercial Strategy Director, UniCredit RO  
Ex-Retail Sales Director, UniCredit RO  
Ex-Corporate Director, UniCredit RO



# Investor relations

## Patria Bank SA

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## Information for shareholders and bondholders

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- › <https://en.patriabank.ro/about-patria-bank/investors>

