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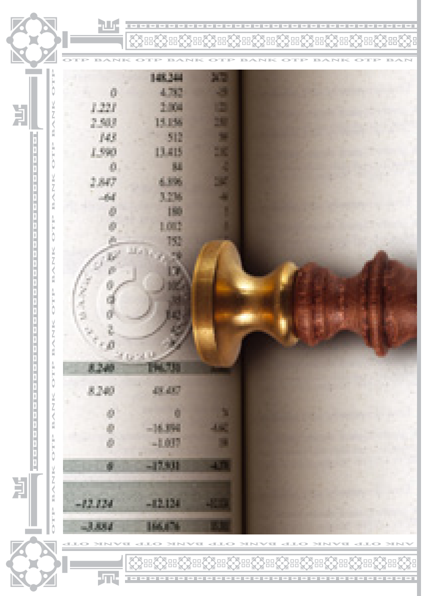
Annual Report

2020



OTP Bank
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2020

Summary

MESSAGE FROM THE CHAIRMAIN OF THE SUPERVISORY BOARD

With over 70 years of experience in the European banking sector, OTP Group consistently pursues its business strategy focused on efficiency, generating value and solutions for shareholders, customers and employees in the 11 countries in which it operates. In direct contact with the market and the needs of customers in the CEE region, OTP Group's mission is to innovate and support companies and individual customers with personalized banking services and solutions, while consolidating its operations in the region.

In 2020, despite the unfavorable macroeconomic context generated by the COVID-19 pandemic crisis, the Group's performance remained robust. Last year, OTP Group recorded a consolidated net profit of EUR 739 million.

In line with its organic growth strategy, OTP Bank Romania managed to increase both its market share in lending and number of its clients and reported a net adjusted profit after tax of HUF 1.6 billion (RON 22 million) for 2020, a decrease of 75% compared to 2019, due to the increase of risk costs generated by the COVID-19 pandemic (provisions related to credit risk increased by 80% amid uncertainties caused by the pandemic, most of which have been in place since the first half of last year).

Local commercial activity gradually intensified, continuing the strategy of organic growth, with a rapid increase in the volume of new mortgages, financing granted to companies and a great increase in the volume of personal loans. To support business relations and mainly the businesses affected by the pandemic, solutions towards postponing the repayment of installments, interests and loans related to commissions and OTP Bank Romania became one of the first banks to grant loans under the IMM Invest Romania Program.

At the same time, the immediate liquidity rate increased slightly to 33.03% from 32.8% (calculated in-house) in December 2019 and the liquidity coverage ratio (LCR) reached a level of 150% at the end of last year.

The positive result of last year is the fruit of a balanced lending activity aimed at supporting the local economy, through financial support provided to a mixed portfolio of companies and SMEs. At the same time, the Bank also supported Romanians' saving activity, offering products adapted to current needs, while the deposits of customers recorded a considerable increase of 20%. The net loans / deposits indicator improved by 7pp, reaching 115% at the end of last year.

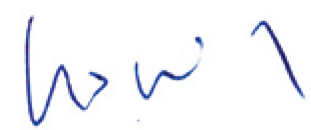
The involvement of OTP Bank Romania in the evolution and development of the local banking sector was maintained. The Bank has constantly contributed towards increasing the financial education of the population through programs developed and implemented by the "Right to Education Foundation" and the first non-formal financial education center in Romania, OK Center. The Right to Education Foundation maintained and developed new public and private partnerships, and through their nationwide courses during the year, the Foundation's trainers reached, via 298 training sessions, 4,071 pupils from 36 locations, while also developing 89 partnerships with schools and NGOs. In the second year of activity, OK Center organized 96 financial education courses, counseling and training in partnership with NGOs, private organizations, entrepreneurs or public institutions. Furthermore, another 175 in-house OTP Bank Romania events and other 859 events were held at OK Center by external entities.

For 2020, following recent acquisitions, the OTP Group aimed to consolidate capital and integrate new entities into the OTP ecosystem.

Even though macroeconomic indicators showed stability at the beginning of the year, we predicted a downward economic trend for the following period. But not to the extent of this historic global event, with major repercussions for the entire world economy.

As soon as the situation required it, we activated the Business Continuity Plan and set priorities for both our own employees and our clients. We acted quickly, we implemented sanitary and business measures and we followed the NBR's guidance to alleviate the fiscal burden for Romanians. We are currently operating at full capacity and are ready to contribute to the economic reconstruction that will follow.

Antal György Kovács,
Chairman of the Supervisory Board



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Financial Highlights

Financial Highlights

MAIN FINANCIAL INDICATORS OF OTP GROUP

Main components of the adjusted Statement of recognised income in RON mn	2019	2020	Y-o-Y
Consolidated after tax profit	6,017	3,578	-41%
Adjustments (total)	-94	-698	639%
Consolidated adjusted after tax profit without the effect of adjustments	6,112	4,275	-30%
Pre-tax profit	6.796	4.848	-29%
Operating profit	7,439	7,406	0%
Total income	15.718	16.121	3%
Net interest income	10,301	10,860	5%
Net fees and commissions	4,120	4,039	-2%
Other net non-interest income	1,297	1,223	-6%
Operating expenses	-8,280	-8,715	5%
Total risk costs	-687	-2,591	277%
Provision for possible loan losses (adj.) without the revaluation of FX provisions	-430	-2,183	408%
Other cost of risk	-257	-408	58%
One off items	44	33	-27%
Corporate taxes	-684	-572	-16%
Main components of the adjusted balance sheet closing balances in RON mn	**2019**	**2020**	**Y-o-Y**
Total assets	291,282	311,186	7%
Total customer loans (net, FX adjusted)	186,776	180,405	-3%
Total customer loans (gross, FX adjusted)	196,949	191,536	-3%
Total customer loans (net, FX adjusted)	-10,173	-11,131	9%
Total customer deposits (FX adjusted)	**235,388**	**238,577**	**1%**
Issued securities	5,691	6,190	9%
Subordinated loans	3,618	3,663	1%
Total shareholders' equity	33,169	33,833	2%
Indicators based on adjusted earnings %	**2019**	**2020**	**Y-o-Y**
ROE (from accounting net earnings)	20.3%	10.9%	-9.4%p
ROE (from adjusted net earnings)	20.6%	13.0%	-7.6%p
ROA (from adjusted net earnings)	2.4%	1.4%	-1.0%p
Operating profit margin	2.97%	2.47%	-0.51%p
Total income margin	6.28%	5.37%	-0.92%p
Net interest margin	4.12%	3.61%	-0.5%p
Cost-to-asset ratio	3.31%	2.90%	-0.4%p
Cost/income ratio	52.7%	54.1%	1.4%p
Provision for impairment on loan and placement losses-to-average gross loans ratio	0.28%	1.15%	0.87%p
Total risk cost-to-asset ratio	0.27%	0.86%	0.59%p
Effective tax rate	10.1%	11.8%	1.7%p
Net loan/(deposit+retail bond) ratio (FX adjusted)	79%	76%	-4%p
Capital adequacy ratio (consolidated, IFRS) - Basel3	16.8%	17.7%	1.0%p
Tier1 ratio - Basel3	14.4%	15.4%	1.0%p
Common Equity Tier 1 ('CET1') ratio - Basel3	14.4%	15.4%	1.0%p
Share Data	**2019**	**2020**	**Y-o-Y**
EPS diluted (HUF) (from unadjusted net earnings)	1,575	1,003	-36%
EPS diluted (HUF) (from adjusted net earnings)	1,602	1,200	-25%
Closing price (HUF)	15,430	13,360	-13%
Highest closing price (HUF)	15,600	15,630	0%
Lowest closing price (HUF)	11,270	8,010	-29%
Market Capitalization (EUR billion)	13,1	10,2	-22%
Book Value Per Share (HUF)	8,183	9,061	11%
Tangible Book Value Per Share (HUF)	7,362	8,436	15%
Price/Book Value	1.9	1.5	-22%
Price/Tangible Book Value	2.1	1.6	-24%
P/E (trailing, from accounting net earnings)	10.5	14.4	38%
P/E (trailing, from adjusted net earnings)	10.3	12.1	17%
Average daily turnover (EUR million)	16	22	35%
Average daily turnover (million share)	0.4	0.7	69%

FX rates (in HUF)	2019	2020
HUF/RON (closing)	69.1	75.0
HUF/RON (average)	68.6	72.6

Financial Highlights

MAIN FINANCIAL INDICATORS OF OTP BANK ROMANIA SA

Main components of the Statement of recognised income in RON million	2019	2020	Y-o-Y
Profit after tax	70.5	2.4	3%
Pre-tax profit	70.5	-1,1	-2%
Operating profit	175.0	163.4	93%
Total income	549.3	595.4	108%
Net interest income	403.2	435.7	108%
Net fees and commissions	91.5	106.9	117%
Other net non-interest income	54.6	52.8	97%
Operating expenses	-374.3	-432.0	115%
Total risk cost	-104.4	-164.5	158%
Corporate taxes	0.0	3.5	
Main components of balance sheet closing balance in RON million	**2019**	**2020**	**Y-o-Y**
Total assets	13,242	14,834	112%
Total customer loans (net)	9,139	10,187	111%
Total customer loans (gross)	9,589	10,686	111%
Allowances for possible loan losses	-450	-499	111%
Total customer deposits	**7,975**	**9,511**	**119%**
Issued securities	-	-	0%
Subordinated loans	-	-	0%
Total shareholders' equity	1,618	1,614	100%
Indicators based on actual earnings %	**2019**	**2020**	**Y-o-Y**
ROE (from net earnings)	5.0%	0.1%	-4.8%p
ROA (from net earnings)	0.6%	0.0%	-0.6%p
Operating profit margin	1.3%	1.1%	-0.2%p
Total income margin	4.5%	4.2%	-0.3%p
Net interest margin	3.3%	3.1%	-0.2%p
Cost-to-asset ratio	3.1%	3.1%	0.0%p
Cost/income ratio	68.1%	72.6%	4.4%p
Risk cost to average gross loans	1.2%	1.6%	0.4%p
Total risk cost-to-asset ratio	0.9%	1.2%	0.3%p
Effective tax rate	0.0%	307%	307%p
Net loan/deposit ratio	115%	107%	-7.5%p
Capital adequacy ratio (IFRS)-Basel3	20.4%	20.3%	0.0%p
Tier ratio - Basel3	20.4%	20.3%	0.0%p
Common Equity Tier 1 (CET1) ratio - Basel3	20.4%	20.3%	0.0%p

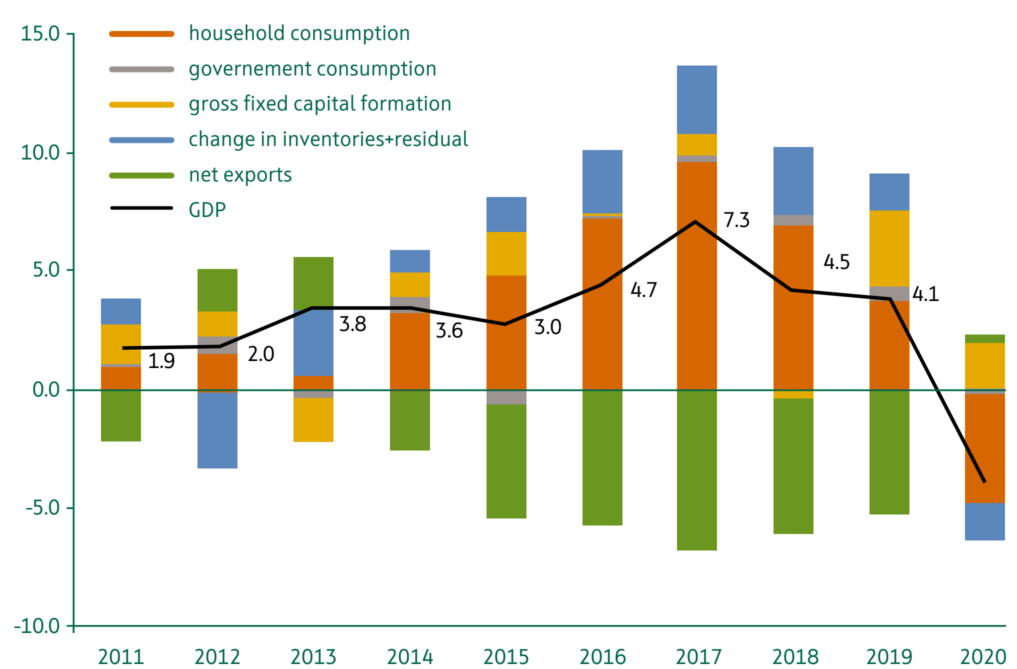
MACROECONOMIC AND FINANCIAL ENVIRONMENT

The pandemic completely overhauled the macroeconomic and financial environment in 2020. Romania weathered the crisis with a GDP fall well below the EU average and despite fiscal fragilities, economic policies could give significant support. After the parliamentary election, the new government's commitment to fiscal consolidation was well received by markets.

The **pandemic has brought severe lockdowns** already from last March, after the first cases were detected at the end of February. Severe lockdowns were implemented both, last spring and from October, however even during the summer, when the curfew was eased significantly, rules did not allow normal life, similarly to other countries in the region. All this had a visible effect on economic activity. While 2020Q1 growth remained relatively dynamic (2.4% YoY), Q2 brought a 10% decline, roughly in line with regional peers. Although most indicators suggested a good recovery in H2, Q3 growth rates were significantly affected by the weak performance of agriculture due to a drought. This latter shaved off 2.0 ppts. from Q3 GDP growth. By Q4 this latter effect had faded, and the YoY growth rate turned out at -1.4%, among the best ones in the EU and well above EU average (-4.6%). Overall, in 2020, **GDP growth at -3.9% was well above the EU average** (-6.2%). From the expenditure side, **household consumption was the biggest drag** on GDP performance (-4.8 ppts), while despite the fall in exports, net exports contributed positively to GDP as imports fell more than exports. The **bright spot was investments** which added +2.0 ppts to GDP growth, as government sponsored infrastructural spending gained momentum, sponsored by EU funds.

On the production side, the industry contributed to the biggest extent to the 2020 GDP fall (-2.1 pts), followed by **wholesale and retail trade** (-1.6 ppts). **Agriculture** shaved off 0.8 ppts, from the annual growth. At the same time, market services added 0.9 ppts plus, mostly driven by a double-digit growth of the information and communication sector, which more than counteracted the negative performance of most services.

DECOMPOSITION OF GDP GROWTH BY EXPENDITURE-SIDE ITEMS (%)



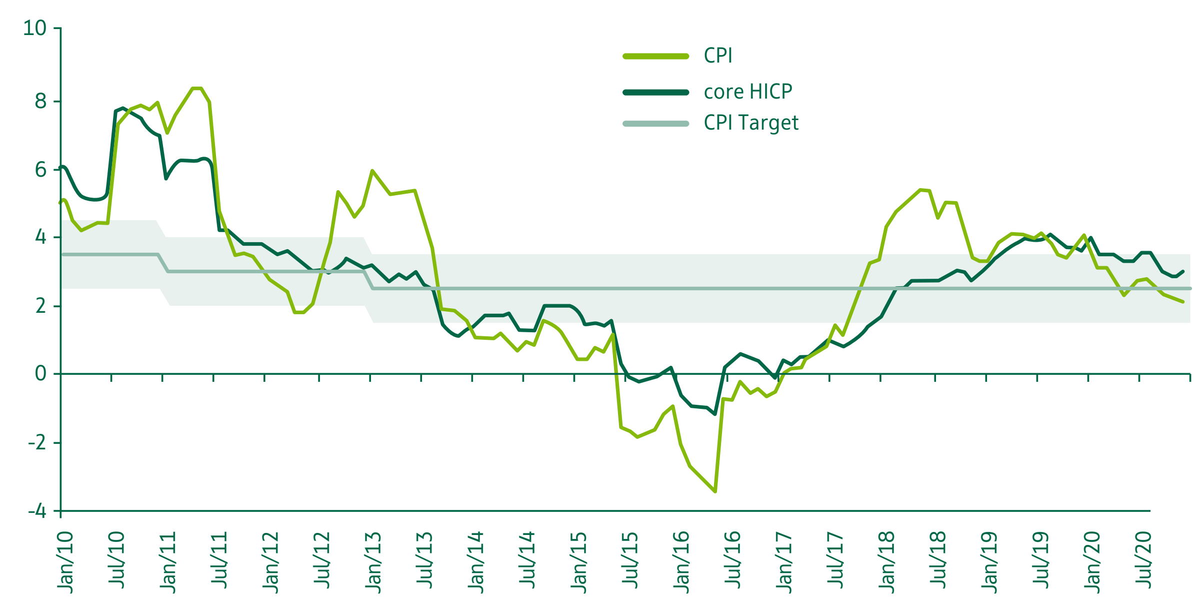
Sources: NIS, OTP Research

Policy support from both the fiscal and monetary side was significant throughout the year. In terms of **fiscal policy,** key tax and spending measures amounted to roughly 3 percent of GDP including (i) additional funds for the healthcare system, (ii) covering partially the wages of parents staying home for the period the schools are closed, and (iii) measures to support businesses including covering in part the wages of self-employed and workers in danger of being laid off, partially subsidizing the wages of those returning to work, deferral of utility payments for SMEs, (iv) bonus for corporate income tax payments (v) grants for the businesses. In addition, the government has rescheduled the payment of certain taxes for companies in difficulty. The government in 2020 has provided an envelope of around 3 percent of GDP for loan guarantees and subsidized interest for working capital and investment for SMEs and large companies. Other measures include faster reimbursement of VAT, suspending foreclosures on overdue debtors, suspending tax authorities' control, discounts for paying corporate income taxes, postponement of property tax by three months, exempting the hospitality industry from the specific tax for 90 days, changes in the insolvency legislation.

Key **monetary measures** included: i) reducing the monetary policy rate by 1.0 percentage point to 1.5 percent; (ii) narrowing the corridor defined by interest rates on standing facilities around the monetary policy rate to ±0.5 percentage points from ±1.0 percentage points; (iii) providing liquidity to credit institutions via repo transactions (repurchase transactions in government securities); (iv) purchasing government securities on the secondary market; and (v) operational measures to ensure the smooth functioning of payment and settlement systems. The European Central Bank has set up a euro repo line with Romania's central bank worth a maximum of EUR 4.5 billion. **Credit moratoria** was also introduced for households and businesses affected by COVID-19 for up to nine months – applicable also in 2021.

Starting from 4% in December 2019, **inflation** fell almost uninterruptedly – except for a temporary halt back in the summer - throughout 2020. Consumer price growth ended the year with a 2.1% rate. Overall annual inflation turned out at 2.6%. The disinflation process was most prevalent at services and non-food products, where weak demand and lower average oil prices compared to previous years also affected. At the same time, food inflation followed a hump shaped pattern, increasing until mid-summer on account of the spill over effect of swine-fever, and drought, and falling in the second half of the year. Throughout

NBR POLICY RATE AND INFLATION (%)



Sources: NIS, OTP Research

the year, inflation remained inside the National Bank's tolerance band, except for January.

Given the initial fiscal fragilities, the recession and fiscal support, the 2020 **fiscal policy** has become a major risk factor for the Romanian economy. Overall a 3% of GDP support package was adopted, which together with the recession could likely ended-up with an (ESA based) budget deficit around of 9.5% of GDP. Despite political uncertainties, the government could have financed the deficit from domestic sources as well as by issuing euro bonds. Furthermore, by the end of the year, after the parliamentary election, a new government was set-up, which committed fiscal consolidation and economic reform. Still, the decline in deficit is likely to be slow (this year's ESA target is 8.2% of GDP).

The **EUR/RON** rate ended in 2020 at 4.87, a close to 2% depreciation compared to 2019, slightly less than in the previous year. The currency depreciated in two waves: first in the spring, related to the eruption of the pandemic and increasing concerns of investors about emerging markets, and in the autumn, when the political battles inside the country intensified on the pension increase and investor's concern increased regarding the sustainability of budgetary financing. Driven by loosening ECB policy, and later improving risk assessment toward RON assets, Romanian long-term **government securities yields** declined from 4.53 to 3.93% (from 2019 to 2020, both 10Y). However, this tendency was also not monotonous during the year. Around mid-March, the 10Y yield peaked around 6%, as markets were concerned about the financing of the economy support, given the introduction of stringent lockdowns. However, later, the support provided by Central Banks through monetary policies has contributed to increasing the appetite for high-yield assets. This led to a 4% decrease in the yield on 10-year government bonds by the middle of the year. A new wave of decline followed in the autumn, especially in December, when markets began to appreciate the clear outcome of the parliamentary elections and the new government's communication on fiscal consolidation and reforms.

Despite the fall in domestic demand, the **current account deficit** has widened from 4.7% in 2019 to 5.1% of GDP by 2020, as the fiscal financing need to be increased significantly. The external financing deficit was half of this amount (2.6%) of GDP, as EU funds covered 1.8 ppts of GDP of the current account deficit (and the NEO component fell). However, as FDI inflows weakened significantly, and the government increased FX reserves via Eurobond issuances, while nominal GDP fell slightly, gross external debt has grown from 33 to 41.4% of GDP.

In 2020, the stock of **non-government (household+corporate) loans** increased by 5.5%, compared with a 6.6% increase in 2019 and 8% in 2018. Growth of household loans moderated to 4.8% from 7.6%, driven mainly by weaker consumer loan growth (-1.9% vs. 4% in 2019), while mortgage loan growth remained surprisingly stable (9.9% in 2020 vs. 10.5% in 2019). The share of credits in lei rose further, in household loans it reached nearly 80% from 76% a year ago, while in corporate loans it rose to 62% from 60.5%. At the same time, the decreasing trend of non-performing loans reversed, as while its ratio decreased from 4.1% at the end of 2019 to 3.9% by 2020Q1, it started to increase afterwards and reached 4.1% in 2020Q3. NBR data showed that the **profitability** of the financial sector deteriorated further up to Q3 on an annual basis, with the ROE index declining to 10.5% compared to 12-13% in 2019. At the same time, the capital adequacy ratio remained high, reaching 22.8% by Q3 2020 compared to 20-22% in 2019.

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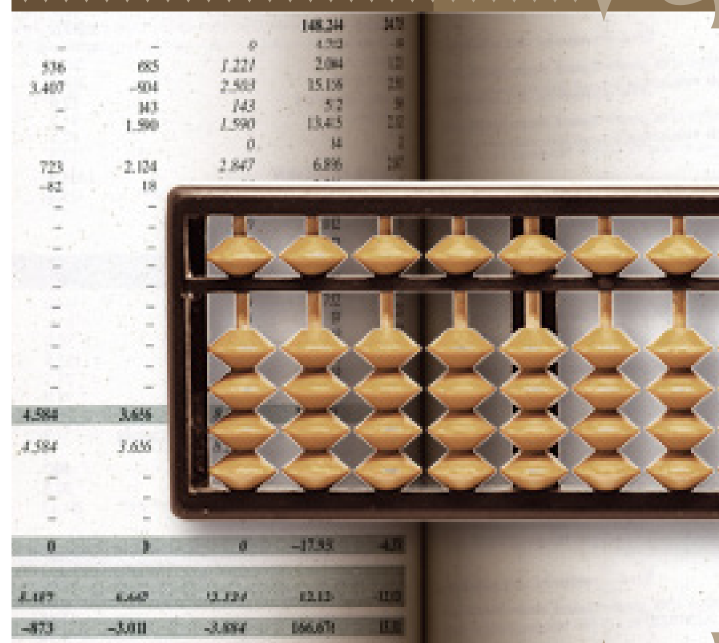


Business results

HISTORY OF OTP BANK ROMANIA

OTP Bank Romania, a subsidiary of OTP Group, is an integrated and self-financed financial services provider, present for 17 years on the Romanian banking market. The company entered the financial-banking market through buying 99.99% of RoBank, which later became OTP Bank Romania.

We believe in people and their dreams, which is why we have developed a universal bank that offers full financial solutions for individuals and companies.

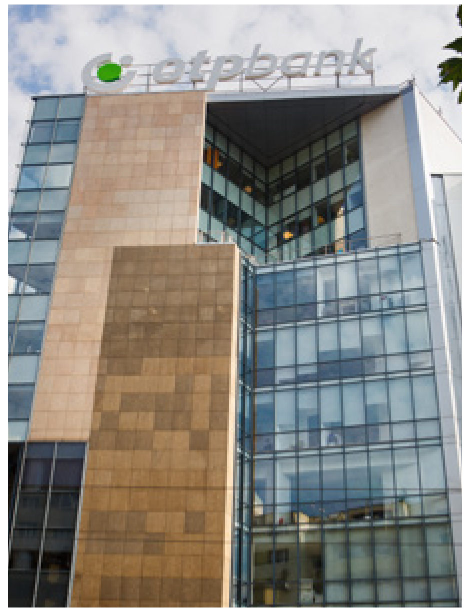
2005 was the year when OTP Bank Romania entered the retail market and launched its first products for individuals: personal loans, personal loans with mortgage, overdraft, bank deposits and current account.

2006 was the launching year for seven bank cards types, dedicated to both individuals and companies. Two of them represented absolute premieres on the local market: the first co-branded card issued together with MOL Romania and the first transparent credit card.

2007 was the year in which the total share capital of OTP Bank Romania increased by 15.9%. In a single month, December 2007, 20 new units were opened, OTP Bank Romania reaching a significant number of 104 branches.

2008 was the first profitable year in the history of OTP Bank Romania. The Bank recorded an increase in operating income of 65.5%. This year also marked significant increases in assets, loans, and deposits. Total assets increased by 24% compared to the previous year, the volume of loans by almost 50%, while the volume of deposits increased by 20%.

2009 and 2010 were difficult years for the banking market players. OTP Group, therefore,



also OTP Bank Romania, aimed at stability, liquidity, and profitability.

2011 was the year in which the Romanian subsidiary of OTP Group registered positive financial performances, according to the initial report submitted to the Budapest Stock Exchange. The bank recorded a profit of RON 13 million after tax, while the operating result remained stable throughout the year.

2012 was the year in which OTP Bank Romania continued the process of consolidating its position on the local market, turning challenges into development opportunities.

In 2013 the Bank approached a prudent strategy, but at the same time took advantage of the large number of loans and the fact that OTP Bank Romania is an entity with its own financing.

2014, more precisely the date of July 30, marks the moment when OTP Bank Romania signed the acquisition contract for Millennium Bank, a subsidiary of Banco Comercial Portugues. The value of the transaction amounted to EUR 39 million. Millennium Bank had almost 80 thousand customers and a network of 56 units and 58 ATMs, with a large share in Bucharest.
2015 was the year in which the acquisition was final, and the integration process was completed in November 2015. After the integration, OTP Bank Romania's market share increased by approximately 2% after assets. The total number of branches in Romania increased by 24 during 2015, and the new customer portfolio reached over 426,000 customers, increasing by 13% compared to the portfolio prior to the acquisition.

Also in 2015, in December, OTP Bank Romania launched a conversion program for mortgage loans in CHF. The program underlined the bank's desire to restore strong and healthy long-term relationships with its customers, constantly looking for those pragmatic solutions, adapted to the economic reality of the market. The program was continued in

2016, and over 70% of the bank's customers with loans in Swiss francs paid a lower rate from the moment they accepted the offer proposed by the bank. The offer initiated by the bank represented a RON 425 million financial effort.

2016 was the year in which OTP Bank Romania continued to prosper and achieved a net profit of HUF 1.65 billion (RON 24 million), an increase of 12% compared to 2015. The Bank continued to develop its banking product portfolio, by creating solutions dedicated to individuals, legal entities, and SMEs, as well as digital apps and the development of internet banking service.

2017 was also a productive year for the Romanian subsidiary OTP Bank, which recorded the largest net profit in history: HUF 3 billion (RON 45 million), an improvement of 80.8% compared to 2016. The bank dedicated 2017 to innovation and improvement of digital services, both for customers and for internal operations.

2018 marked the moment when OTP Bank Romania managed to consolidate its position on the Romanian market, reaching the 9th place on the banking market, with a market share of 2.37% in September 2018, all through an organic growth.

At the end of the year, OTP Bank Romania had a team of specialists of 1,364 employees, registering an increase of 7% compared to the number of employees in 2017. During the same year, the team woks with an extensive portfolio of over 358,000 customers.

2019 was the year in which OTP Bank Romania achieved an important goal, becoming the largest integrated and self-financed provider of financial services and a major player in the Central and Eastern region. At the same time, OTP Bank Romania launched an organic growth program - Apollo, the most revolutionary change made within the Bank. The ambitions of the program are first doubling the market share and consolidating the market position, in a period of 5 years, and changing the way the Bank interacts with customers, through a customer-focused perspective.

2020 was a year marked by the COVID-19 pandemic, but despite the challenges posed by the new context, OTP Bank Romania exceeded its pre-established objectives, by introducing innovative banking instruments, accelerating portfolio digitization, and expanding the branch network. In addition, the Bank has fulfilled its mission to finance customers and the local economy, providing support and security to customers, through the rapid implementation of the Government moratorium and participation in government financing programs. An example is SME Invest, where it has obtained two successive increases in the guaranteed ceiling.

OTP Bank Romania is now part of a process of accelerated organic growth, which includes an extensive recruitment program, focused on increasing the sales force. Last year alone we hired about 200 new colleagues and we are looking to continue hiring.

We reached and implemented most of the points in our development strategy, which we will continue to do in 2021.

OTP BANK ROMANIA'S APPROACH

OTP Bank Romania has been present on the Romanian banking market for over 17 years, as a universal bank that offers complete financial solutions for individuals and companies.

Romania is one of the most attractive markets in the region, so our decisions are meant to support the development of the Bank at local level and the strategic objectives of the group.

OTP Bank Romania has grown organically since entering the local market, while consolidating its position in 2016, after completing the integration process of Millennium Bank Romania in November 2015 and proving to be a strong, stable, and reliable partner, for customers, collaborators, and employees.

In 2020, OTP Bank Romania consolidated its systemic position and remained in the top 10 banks on the local market, ranking 9th after assets.

The new working and thinking method, based on the Agile principle, defined, and implemented with the launch of the organic growth strategy, Apollo, proved useful in the difficult context generated by the COVID-19 pandemic. The bank has thus shown agility, flexibility, and openness for adapting quickly to a social and economic crisis. An example is the quick response of OTP Bank Romania to the necessity of postponing the payment of installments, introducing its own solution before issuing the Government regulation on the public moratorium. At the same time, the Bank implemented in just a few weeks the Octavian chatbot, the clients' digital assistant for suspending rates and quickly expanded the robotization solutions. Last but not least, as a partner in the SME Invest Romania Program, it started the financing activity, obtaining twice the supplementation of the initial limit and thus succeeding in quickly supporting the Romanian entrepreneurs affected by the crisis. These are just some of the arguments that strengthen our belief that the Agile principle, adopted in 2019, will continue to be part of our way of thinking and acting.

For OTP Bank Romania, ensuring safety at work and protecting the health of employees and customers have been and remain firm objectives, especially in the current pandemic context, by applying all necessary measures. According to the announcements regarding the preventive measures taken by the authorities, the employees of OTP Bank Romania have a flexible work schedule or work remotely, precisely for the activity to be carried out in the best and safest conditions.

Furthermore, we aim to offer a full range of the best quality financial services, by operating in a prudent and transparent manner and by constant innovation. We offer clients financing solutions meant to help them during this period, considering the diversified credit offer, either to support the current activity or for business development in the pandemic context. We continue the process of accelerated digitization, but we are also concerned with strengthening personal relationships with customers by strengthening the branch network. We launched the new versions for OTPdirekt - Internet Banking and the SmartBank application, we introduced mobile payment for both iPhone and Android users, we launched the possibility for new customers to fully open a current account online and we successfully adapted to the new normality imposed by the pandemic by reducing bureaucracy.

Our success is based on customer trust, built by understanding local and regional needs, but also on the professionalism of our employees, whom we constantly support in their development.

Plans

In 2020, we continued the organic growth strategy, Apollo, launched a year earlier. This is a paradigm shift for the organization, with a focus on customers (internal and external) and experiences created in connection with the Bank. The program aims to change the implementation of projects by adapting employees and promoting their performance.

Since the beginning of the pandemic generated by the COVID-19 virus, OTP Bank Romania has managed to quickly assess the impact and take important measures to support the social and economic environment, applying a comprehensive plan of protection and support for individuals and companies affected.

The digitization process, an important pillar for OTP Bank Romania, has been accelerated due to the new context in which physical distance is recommended. Through a consistent team effort, supported by appropriate investments, we managed in just a few months to launch the new versions of OTPdirekt and SmartBank; the Octavian chatbot – the digital assistant for customers, which played an important role in the process of suspending installments; mobile Payments for Android and iOS. We have also implemented a new online onboarding procedure, so that new individual customers can open a new account in a fully digital manner. The biggest achievement is that we have fulfilled our mission correctly, that of financing our customers and the local economy.

We carry on the same direction in 2021, expanding the branch network, innovating through new products and services, so as to introduce other banking instruments adapted to current needs. Examples of this are: launching an application that allows the transformation of the mobile phone into POS for accepting card payments or granting personal loans 100% online. Our goal is to meet those people who want a new, completely innovative way of communicating with their bank.

Last but not least, OTP Bank Romania aims to maintain its role as a mentor in the field of financial education offered to young people, adults and entrepreneurs through projects with a significant impact in building a financial culture, but also designed to support responsibility to society and the environment.

OBJECTIVES

In 2020, we managed to consolidate our systemic position and remained in the top 10 banks on the local market, ranking 9th after assets.

We have kept the promise we made in 2018, to pay increased attention to financial education through the projects of the Right to Education Foundation, and the results of 2020 show that we have managed to keep our promise, despite the pandemic context.

For 2021, together with the Right to Education Foundation, our aim is carrying on this initiative that contributes to increasing the level of financial education in local communities.

As for the business objectives, the most ambitious program launched in 2019, Apollo, is the most revolutionary change made within OTP Bank Romania and aims at organic growth. The objectives of the program are to increase the market share to 5% by 2024 and to change the way the Bank interacts with customers, through a customer-focused perspective. Also, our strategy involves changing the way we work (Agile) and streamlining business processes. This led to a significant increase in local operations and a 13% increase in the loan portfolio, while the market share in the credit segment rose to 3.74%. Thus, we managed to finance the local economy, postpone the payment of installments on time for customers financially affected by the pandemic context, provide financing for small and large companies, expand our branch network, and expand our team by 200 new colleagues. All this, while we have given special priority to protecting the health of our customers and employees in the context of the pandemic caused by the

COVID-19 virus, constantly adapting our workflows to the new conditions to maintain the quality of the existing portfolio.

Therefore, in 2021, we intend to continue investing in increasing the network and the number of active customers, as well as in developing the portfolio of banking products and services, to offer a complete banking experience. At the same time, we are implementing an ambitious plan for operational efficiency through digitization programs and improving the customer experience, with several projects.

We aim to fulfill all the digitization projects we have planned and to offer our customers rapid, simplified, and personalized banking products and services that fully meet their needs. In addition, we also rely on the personal advice that our colleagues provide to clients as direct contact with them is very important.

STRATEGIC PROJECTS OF OTP BANK ROMANIA

In 2020, OTP Bank Romania focused on the digitization and modernization of the Bank's business platforms, maintaining its major projects with the aim of supporting the Bank's activity, developing and improving the Bank's customer relationship.

The Apollo program for transformation and organic growth was adapted to the new market conditions. Apollo continued to deliver important milestones in 2020, that sustain the organic growth of the market share, focusing on clients satisfaction and continuously improving the way we interact with clients.

The Apollo program was restructured in 6 streams:

1. Operational Excellence: The stream delivered an online onboarding platform where individuals can open a current account and a debit card 100% remotely. The stream continued to optimize workflows and customer experience in our locations. The stream also focuses on the reduction/ elimination of non-sales activities in the agencies, improvement of core Bank processes, reduction of paper use and digital onboarding of legal entities;

2. Implementation of a new customer service model in agencies and a new agency design model: aims to define a customer service model in units and improve sales productivity. Focused on training and coaching programs and using tools for performance management, the activities of the stream in 2020 covered more than half of the branches staff. Also, we continued to invest in branches by opening a new cashless branch in Pipera, Bucharest, and refurbishing several other locations.

3. Implementation of CRM solutions: The stream aims to implement lead management campaigns through CRM modules; in 2020 we finalised all the requirements and selected the optimal implementation solution;

4. Implementation of online personal loans: The developments for the online cash loan advanced at a very good pace and the stream implemented a series of improvements for the branch flow when granting a cash loan;

5. Improvement of the mortgage processes and products: Improving the supply of real estate loans and introducing new products in this category; the stream delivered in 2020 important flow improvements that will help increase the clients' satisfaction and reduce the operational work.

6. Omni-channel: The stream focused onenhancing the remote relationship with clients by creating a digital strategy with the aim to improve instruments such as internet and mobile banking andto create new remote communication channels such as video banking.

At the same time, the Bank continued the implementation of its portfolio projects, in order to address business development and process optimization, as well as to ensure compliance of its activities and services to the current legislation.In this sense, the projects carried out in 2020 covered most of the business and operational areas of the Bank, as they were aligned with the Bank's strategy.

The main projects for business development and optimization of processes carried out during 2020 were:

- Continuing the development and implementation of the **Business Process Management (BPM) platform,** with the main objective of streamlining of business processes;
- Continuing the implementation of the **Data Warehouse project** to ensure all the data and information requirements necessary to carry out daily operational activities and to facilitate the business decision making;
- **Implementation of a Communication channels management module,** addressing the need for a better administration and management of the clients' interaction with the Bank through written communication channels;
- **Human Resources Management Solutions Improvement Program** which aims to improve the efficiency of HR specific services.

Among the most important projects ensuring compliance with the regulatory requirements we mention:

- **The PSD2 project,** with the purpose of implementing the European Directive 2015/2366, also called the Payment Services Directive 2 (PSD2), which continued during 2020 with the implementation of a new Internet Banking solution. The new solution embeds the regulatory requirements and brings improved clients experience.
- **Implementation of the EU Regulations CRD V, BRRD, CRR II, SRMR II requirements** in the field of risk and capital;
- **DAC 6 project** implementing the requirements of European Directive 822/2018 on the tax regime in the Member States;
- **TARGET 2** project meeting the requirements of the NBR on the technical and functional consolidation of the TARGET2 and T2S systems;
- **Implementation of European Banking**

OTPdirekt

Internet Banking, SmartBank, Contact Center, SMS Alerts and Push Notification

OTPdirekt is a high-quality service package which perfectly fits the modern lifestyle. It is a comfortable, omnichannel, fast and secure alternative that allows customers to carry out transactions and receive information about their accounts without having to come to the Bank's territorial units, in conditions of utmost security. OTPdirekt is the service through which OTP Bank Romania offers its clients the possibility to access their banking accounts 24 hours a day, through four channels.

1. OTPdirekt – Internet Banking (transactions and information)

Available 24 hours out of 24, 7 days a week, the Internet Banking service brings all the information about the customer's accounts to the distance of a click. The commissions for payments can be up to two times smaller than those in OTP Bank Romania's territorial units, while the account balance interrogation and the account statement are free of charge. The following functions are available through the Internet Banking service:

- check the account's balance;
- check transaction history;
- transfers in RON or foreign currencies to beneficiaries to accounts, be it Romania or foreign;
- standing orders;
- foreign exchanges;
- transfers between the same customer's accounts;
- opening/viewing/closing deposits;
- account balance generated in files that can be printed, sent directly to an e-mail address or saved on the user's computer;
- special payments model for utility bills;
- detailed information about loans, insurance policies information, incoming and outgoing debit instruments) and collateral deposits (through Electronic RM menu);
- importing domestic or foreign payments from a file (e.g. inter-banking payments, payments representing treasury rates and taxes, transfers to beneficiaries who have accounts opened at OTP Bank Romania etc.);
- creating models of domestic payments;
- models of foreign currency payments;
- sending and receiving messages to/from the Bank;
- modifying card limits, online payment activation, report lost/stolen card;
- personal financial tool - MyMentor; settings budgets and new goals, transaction categorization;
- account opening;
- self-reset and unblocking for the access code to internet banking;
- SMS Alerts and Push Notification configuration;
- Money Magnet: transferring money from other banks to OTP Bank Romania accounts, using debit cards issued by other banks in Romania;
- Subscription and redemption of investment funds;
- Nearest ATMs or branches by client location.

2. OTPdirekt – SmartBank (transactions and information)

A secured application downloadable from Google Play or Apple Store that allows clients to access information about their financial situation and to make transactions via a smartphone. The following functions are available:

- check the account's balance;
- check transaction history;
- transfers in RON, transfers between own accounts;
- foreign payments;
- foreign exchanges;
- create deposits;
- closing deposits;
- cards information menu;
- changing card limits, enabling virtual payments, card lock;
- loans information menu;
- Money Magnet: online transfer of money from other banks to OTP Bank Romania accounts, using debit cards issued by other banks in Romania;
- SMS Alerts and Push Notification configuration;
- My Mentor: list of transaction, categorization;
- ATM and branch locator of OTP Bank Romania;
- foreign exchange rates;
- Bank contact;
- received messages from the Bank;
- quick access with fingerprint/face ID;
- languages: Romanian/English/Hungarian.

3. OTPdirekt – Contact Center (transactions and information)

With OTPdirekt - Contact Center, one phone call is enough to find out any information regarding OTP Bank Romania or to order transactions and operations on your accounts. The Bank representatives can be reached free of charge in all networks, by calling 0800.88.22.88. Contact Center can be contacted also from international networks and through local networks at operator's costs, by dialing +4021.308.57.10. The Contact Center can be reached from Monday to Friday, starting from 08:30 until 21:00 (local Romanian time).

Besides general information regarding OTP Bank Romania, through OTPdirekt – Contact Center, customers can find out anything they want about the Bank's financial products and services, about the exchange rates, standard commissions, and many others. If a customer already has an OTP Bank account, then he can choose:

- to obtain specific information (private) regarding his financial status (accounts, deposits, credits, taxes, commissions, special offers etc.);
- to perform transactions/operations: opening current accounts, transfers and payments in lei or foreign currencies, exchange, card blocking, opening/closing deposits, closing/ending/ modifying/ suspending an intra-banking direct debit payment.

4. OTPdirekt – SMS/PUSH Alerts (information only)

OTPdirekt – SMS/PUSH Alerts refer to sending alerts in the form of SMS to the mobile telephone numbers indicated by the client, according to the contract signed with OTP Bank Romania, or in the form of a PUSH message to the smartphone with the SmartBank application installed.

The alerts received through a SMS/PUSH

notification can be of several types, depending on the client needs:

• account balance: the client is informed about the account balance selected in the contract, at the requested date;
• account control: the client is informed about the activities on the current account (crediting/debiting of the account, regardless of the reason), having full control on his account, in real time;
• card control: sends an alert immediately after the card was used in a transaction (POS/online payments/cash withdrawals) or security inquiry (incorrect PIN/CVC);
• NBR Exchange Rate: this alert will send, daily, the NBR quotations (from Monday to Friday), after 13:00 o'clock (after the official exchange rates are supplied by NBR);
• debit instruments for payment (only for legal entities): the alert will be sent in real time immediately after the information for the instrument is verified in the system. It is useful for the clients to better manage their payment instruments;
• electronic RM: is sent only for legal entities, to be notified concerning: maturity of credit facilities, commissions, loan installments, loans interests, deposits that reach their maturity. Together with the alert sent on the mobile phone, the customers will also be notified through the alerts received on the Internet Banking interface;
• deposits maturity: this alert sends SMS/PUSH notification three working days before the deposit maturity, regardless of type of deposit or its maturity option. The alert contains information regarding the amount of the deposit, the account alias, interest rate, maturity option and maturity date;
• garnishment alert: this alert is available for both individuals, legal entities and private entrepreneur clients and will be sent to client in the same day when the garnishment will be constituted, starting with 08:00 PM. The alert is detailed and offer information about: the amount of garnishment, type of garnishment, no. of file for the garnishment and exchange rate.

The number of OTPdirekt – Internet Banking and Contact Center users, on December 31, 2020, was 143,921, divided as follows:

- private individuals: 122,851;
- legal entities: 21,070.

The number of OTPdirekt – SMS Alerts contracts, on December 31, 2020, was 122,851 divided as follows:

- private individuals: 124,447;
- legal entities: 10,948.

The number of SMSs messages sent to the clients during 2020 was 16,182,006.

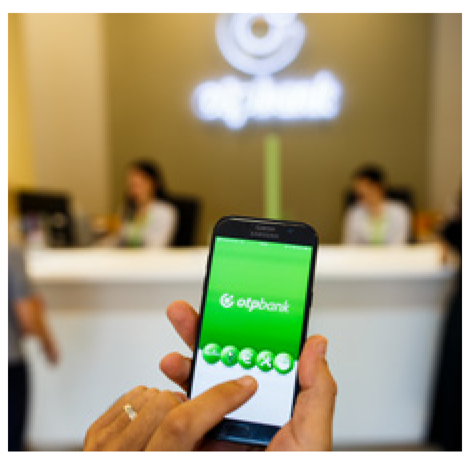
The number of calls to the Contact Center received in 2020 was 212,931.

The number of transactions through OTPdirekt - Internet Banking was 3,086,406 by the end of 2020.

During 2020 the SmartBank application was used by 61,330 clients.

The transaction volume through OTPdirekt was of:

- Contact Center: EUR 2,167;
- Internet Banking: EUR 10,353,995,525.



BANK CARD BUSINESS

In 2020, OTP Bank Romania managed to further increase its bank card portfolio through steady organic growth.

OTP Bank expanded the card acquiring business on the Merchant POS segment and succeeded to continuously improve the quality of the card-related products and services offered to its customers. At the end of 2020, the merchant POS network reached **6,199 POS,** both in-store terminals and virtual terminals (e-commerce), which represent an increase of more than 26% comparing to previous year.

As of December 2020, the bankcard portfolio of OTP Bank Romania increased with **2%** compared to the previous year. The debit card segment represents 94%, while the credit cards stand for around 6% of the total bankcard portfolio. The cards new sales in 2020 mainly consisted of salary cards, pension cards, and SME business cards, the bank continuing its strategy started in 2019 of attracting new income transfer clients, as well as micro and small companies, through a wide range of competitive packages, addressed both to individuals and legal entities.

The total volume of bank card transactions performed by the OTP Bank cardholders in 2020 reached **RON 3,494 million,** which marked a stable increase of **9%** compared to the previous year. On the card acquiring side, the Merchant POS transactions volume registered an increase of 5% in 2020, reaching **RON 2.304** million.

Among the most important OTP Bank Romania card related projects in 2020, we mention the launch of two Premium debit cards dedicated to private individuals (PI) and legal entities (LE): Mastercard Debit Gold for PI and Mastercard Debit Corporate for LE.

Also, we mention the implementation of biometric authentication for the online transactions performed through OTP Bank cards. The **owned app** for Mobile Payments – **OTPay** - offered for Friends & Family in December 2019 was launched to the whole Mastercard card portfolio users, with Android devices.
Introduction of Mobile Payments triggered the increase of card usage via mobile devices due to faster, more secure and convenient payments.

Considering the debit card portfolio, the educational project initiated 3 years before with the aim of switching the card usage from ATM withdrawals to POS purchases and to increase the loyalty towards OTP Bank debit card, making it the top of wallet, continued in 2020. Therefore, we initiated a project of Portfolio Optimization, with the aim to improve customer loyalty and behavior towards payment cards. The debit card portfolio of OTP Bank Romania was analyzed, segmented and profiled and concluded into clusters of clients to be targeted with card usage offers.

Currently, OTP Bank Romania offers one of the most comprehensive card product portfolios on the Romanian market, consisting of the following main products:
• MasterCard Flat and Standard (RON & EUR) - debit cards for individuals;
• Visa Business and Visa Business Silver (RON & EUR) - debit cards for companies;
• Mastercard Corporate (RON & EUR) – debit cards for companies;
• Mastercard Debit Gold (RON & EUR) – debit card for individuals;
• MasterCard Standard and Visa Transparent - credit cards for individuals;
• Visa Junior Plus and Junior Max (RON & EUR) - debit cards for individuals;
• VISA Sapientia - co-branded debit card;
• VISA Gold - credit card for individuals (premium);
• MasterCard OTP-MOL - co-branded credit card;
• MasterCard Platinum - credit card (Private Banking);
• Visa Business Silver - credit card for companies.

INDIVIDUALS (LOANS AND LIABILITIES)

In 2020, the main activities were associated with increasing the portfolio of clients and the number of products owned, both for liabilities and lending side. Simultaneously the protection of our customers in the pandemic context generated by the COVID-19 virus, the update of workflows amid these new conditions and maintaining the quality of the existing portfolio of loans were the Bank's priorities.

Loans

During 2020, OTP Bank Romania continuously offered lending solutions through dedicated campaigns or by adjusting the existing products to the market practice and to the clients' need and through updating its pricing conditions periodically for the customers.
On the lending segment, according to the Bank's strategy, OTP Bank Romania focused on increasing the number and volume of credits to customers with good payment behaviour as well as maintaining a good quality of the actual portfolio, as well as improving Time to Yes indicator. At the beginning of the pandemic, OTP Bank Romania was one of the first banks to offer customers with on-going loan facilities solutions to postpone their delayed payments, in the context in which the customers were confronted with the temporary incapacity of payment in the period March-May 2020, as a direct or indirect effect generated by COVID-19.

From a legislative perspective, 2020 had a powerful influence on the individuals' lending conditions, by offering solutions for instalment payment postponement through legislative and non-legislative moratoria, for the customers that had their income affected directly or indirectly by the difficult situation generated by the COVID-19 pandemic. Despite the limitations imposed by the economic instability, OTP Bank Romania continued its consistent efforts to achieve its business plans and to even overpass some of its objectives.

Depending on the loan purpose and the specific collateral required, individuals lending products of OTP Bank Romania are divided in two main categories:

- loans for real estate investments, including First Home;
- consumer loans.

1. Loans for real estate investments

Mortgage loan for acquisition (ML). The purpose of this loan is the full or partial acquisition of houses or flats and refinancing mortgage loans previously contracted from other banks. In 2020, the lending activity was carried exclusively in RON, in line with market development which practically moved decisively to LCY lending and also considering the legal provisions. The minimum loan amount is EUR 1,000 (RON equivalent) and the maximum is EUR 200,000 (RON equivalent). The minimum granting period is of 6 months and the maximum 360 months. The collateral accepted is 1st rank mortgage on the purchased property and property insurance assigned in favour of OTP Bank Romania.

In order to provide to its customers lending products that best suit their needs, in 2020 OTP Bank Romania maintained the pricing structure for mortgage loans with fixed interest rate in the first 5 years, then variable, adjusting constantly the pricing in accordance with market conditions.

With a diversified offer for the Mortgage loan in RON and a periodic adjustment of the price conditions and lending conditions determined by the pandemic context, tightly correlated to direct competitors' movements, the new sales of mortgage loans offered by OTP Bank Romania considerably exceeded the number and volumes of "First home" facilities. This trend was also similar in the market, with big banks promoting extremely competitive prices for mortgage loans in RON, which inevitably diminished the consumption preferences for "First home" loan.

In this respect, OTP Bank Romania continued to promote the Mortgage loan in RON with variable interest rate having a pricing scheme simpler and easier to access (based on loan amount and the option of income transfer), considering OTP Bank Romania's strategic objective to maintain the competitiveness on the ML market. Because of the new pricing scheme launched in February 2020, the acquisition loan in RON with variable interest rate benefited from media promotion with large exposure on a series of communication channels, in accordance with the spring campaign from the period 10.02.2020-15.03.2020.

2. Consumer loans

Personal loan without Mortgage (PL). This product is addressed to individual clients, Romanians or foreign citizens with Romanian residence and the purpose of this loan without collateral is to cover the general customers' needs. OTP Bank Romania accepts a wide variety of eligible incomes and it offers the loan only in RON. The Bank's personal loan offer includes different pricing schemes as to be more in line with the market and to better understand the clients' needs (with better pricing for customers choosing to receive their income with OTP Bank Romania, decreased interest rate based on customers income level, possibility to choose between fixed and variable interest rate etc). The maximum loan amount is RON 100,000. For different loan amounts, for example:

- RON 44,000 or
- RON 66,000/RON 100,000 it is necessary to meet some predefined conditions.

In the spring of 2020, OTP Bank Romania improved its customers' experience and the options they have by introducing the possibility of protection in case of decease, permanent invalidity and involuntary unemployment, with monthly payment of the insurance bounty. This way, customers who choose additional protection along with their granted personal needs loan, have the possibility to choose full payment or monthly payment together with the payment of loan installment at their disposal.

OTP Bank Romania's strategic objective remained to attract higher quality clientele, with income transfer, increased cross-sell potential and low-risk profile.

During 2020, OTP Bank Romania's efforts regarding the Personal loan without Mortgage concentrated on loans with fixed interest rate, considering the competitive price mechanism based on customer financial profile and a constant promotion through mass-communication channels.

OTP Bank Romania's offer for consumer loans, with competitive characteristics and favourable price conditions, was promoted through campaigns launched in the autumn of 2020 (07.09.2020–11.10.2020) and winter of the year 2020 (01.01.2020–12.01.2020, 09.12.2020–24.12.2020).

Overdraft

This product covers the clients' different short-term expenses. The clients benefit from all the advantages of a consumer loan through a revolving credit line with maximum flexibility.

Clients must reimburse only the calculated interest of the used funds every month. The maximum limit for the overdraft facility is RON 20,000 and this product is addressed mainly to customers who receive their monthly salary in accounts opened at OTP Bank Romania.

Liabilities

Taking into consideration the market evolution, the strategy of the Bank and the fact that customers' needs are continuously changing, OTP Bank Romania is periodically updating the pricing conditions and the characteristics of the liabilities products, in a constant effort to decrease the cost of funds and to improve the LCR ratios.

In 2020, OTP Bank Romania continued its strategy to increase the volumes generated by savings products and to maintain volumes which were already attracted from its customers.

Thus, through a customer-oriented approach, which takes into account factors such as the level of use of banking products, lifestyle, customer profile, OTP Bank Romania continued to promote in 2020 the LeZero product and service package, launched in November 2019.

The LeZero product and service package brings together several products and services - current accounts, debit card and OTPdirekt, including SMS Alerts - for whose usage are offered several benefits, such as: the ZERO cash withdrawal fee in RON for any withdrawals from any ATM from Romania, ZERO fee for processing payments in RON on the Romanian territory, if ordered through OTPdirekt service. The package includes many other ZERO commissions and discounts compared to using the same product or service but purchased separately.

If the customer has monthly receipts of RON 1,200 or any amount above this limit in one of the accounts held at OTP Bank Romania and makes at least one debit card payment at POS or through the OTPdirekt service, the fee of the package in that month becomes ZERO.

The LeZero package has been promoted through several campaigns, both online and through the network of territorial units.

During the period 02.07.2020–31.12.2020, as part of the campaign "Come to OTP Bank, use the services and products of the LeZero Package and you can be rewarded", individuals who have become customers of the Bank and have purchased the leZero package of banking products and services could benefit from a 10% "cash back" bonus from the sum of transactions made with the Mastercard debit card (maximum RON 50 net monthly, up to RON 600 in the first year), if they met the following criteria cumulatively every month:

- Receipt of at least RON 1,200 in the current account opened at OTP Bank Romania;
- Make at least 5 Payments with the Mastercard debit card included in the LeZero package, or through mobile payments, OTPay and Apple Pay apps;
- Make at least one payment via the OTPdirekt service.

The bonus is awarded every month for 12 full months from the date of purchase of the LeZero package.

Since September 2020, OTP Bank Romania has accelerated the digitization process and launched a digital onboarding solution for new individual customers, developed with the help of FintechOS technology, a global provider of financial-banking and insurance applications. The first product available through this digital channel is the LeZero Package, which contains current account in RON, Mastercard debit card, Internet and Mobile Banking at zero cost to the user, if the conditions necessary to contract this package are met.

Another promotional campaign that included the LeZero package of products and services was "Zero Friday 2020 - ZERO administration fee, for life, on the LeZero package" and took place between 13.11.2020-20.11.2020. The benefit of this campaign consisted of ZERO monthly administration fee of the LeZero Banking Package, for the entire duration of the contract signed within the Campaign. Individuals interested in this promotional campaign were able to become clients and contract the package through a process that was conducted 100% online or were able to apply to the campaign by registering on the Bank's website so that they could be contacted by a representative of the bank to schedule a visit to one of the territorial units.

The liabilities products for individuals offered by OTP Bank Romania are divided into the following categories:

- term deposits;
- savings account;
- junior account;
- current account;
- payment account with basic payment features;
- OTP Express service;
- automatic saving tool service;
- modular structures of products and services;
- Lezero banking products and services package.

Term deposits.

The term deposits are saving products with fixed interest rates until maturity. The standard maturities offered by OTP Bank Romania for term deposits are of 1, 3, 6, 12, 18 and 24 months, the Bank deciding to withdraw from its offer the 2 and 9 months term deposits and the possibility to open term deposits on flexible maturities, calculated in days, in the range of 30 to 730 days. Thus, the offer has been simplified to make it easier to understand and follow by customers. The currencies used for deposit openings are: RON, EUR, USD, HUF, GBP and CHF. There are no commissions for opening, closing, or withdrawing, in case withdrawals are made at the deposit maturity date (except the deposits with maturity of one month, for which the commission is levied for withdrawing from the current account, including at the deposit maturity).

The minimum amount for opening a deposit is RON/USD/EUR/GBP 100 and HUF 25,000. For standard term deposits, clients have the possibility of automatic administration of deposits, by choosing at the deposit opening moment one of the three options available for maturity:

- automatic deposit renewal with interest capitalization - the deposit will be automatically extended by the Bank for an equal number of months with the initial option, using the interest rates valid on the renewal date of the deposit, while the accumulated interest for the previous period will be added to the initial deposit;
- automatic deposit renewal without capitalization - the deposit will be automatically extended by the Bank for an equal number of months, with the initial option, using the interest rate valid on the renewal date of the deposit, while the accumulated interest for the previous period will be transferred into the current account;
- automatic deposit liquidation – the Bank transfers the deposit amount and the appropriate interest in the client's current account.

OTP Bank Romania also offers different types of term deposits with special characteristics, such as higher interest rates than standard using the bonuses concept, or the flexible maturities chosen by clients:

- **Anniversary Term Deposit** – clients benefit of a bonus over the interest rate if they open a term deposit during their birthday month;
- **Term Deposit for Retirees** – based on the latest pension coupon or the bank account statement in original (not older than 2 months), a retiree can benefit of a bonus over the interest rate when opening a term deposit. This facility is available for clients just within Retirees Package;
- **OTPdirekt Term Deposits** – clients benefit of a bonus over the interest rate if they open a term deposit through the Internet Banking platform;

In 2020, OTP Bank Romania initiated a campaign dedicated to attract new funds, offering a higher interest rate for opening term deposits on 6 and 12 months with new funds, compared to standard deposits, opened with the money that the customers already had in the Bank. This promotional offer was sustained by an online marketing campaign.

Savings Account is a hybrid product that combines the advantages of the high interest rate of a term deposit product with the flexibility of the current account. The interest rate is fixed, calculated daily and registered in the saving account in the last working day of each month. There are four available currencies: RON, EUR, USD and HUF. Customers can cash a deposit and withdraw without restrictions, to make inter/intra-banking transfers, to transfer funds only to the owned current accounts opened at OTP Bank Romania and to automatically reimburse credit instalments from the savings accounts. The savings account can also be accessed through a debit card issued in the name of the account's holder or his/her empowered.

Junior Account is a savings account opened on the child's name with additional attached facilities. It is available in RON, EUR, USD and HUF. The interest rate is fixed and paid in tranches. With a larger amount, the client receives a higher interest, thus having the advantage of obtaining a higher interest rate compared to the current account.

Types of Junior accounts:
- Junior Start, designed for children under 14 years;
- Junior Plus, created for teenagers between 14 and 18 years. The client has the possibility to also use a Junior Plus debit card;
- Junior Max, created for youth aged between 18 and 25 years. Clients also have the possibility to use a Junior Max debit card.

Current Account.

For the amounts placed in their current account, clients receive their interest rate for their sight deposits. A current account can be opened in RON, EUR, USD, HUF, GBP or CHF. The customer can attach the following services to the current accounts: Overdraft, Debit Card, Direct Debit, OTPdirekt – Internet Banking, SmartBank, Contact Center and SMS Alerts.

Payment account with basic payment features

– an account held in the name of one or more consumers which is used for the execution of payment transactions.
For the payment account with basic payment features, the target market is formed by individual clients that do not own a payment account (including a payment account with basic features) at any banking institution from Romania (including OTP Bank Romania SA) or the clients which make the proof that they were notified by a financial institution regarding the current accounts closure. Clients who can open a payment account with basic payment features are, as per the legislation in force, split into:
- Financially vulnerable consumers - a consumer with a monthly income (or, during the last 6 months) lower than the equivalent of 60% of the national average gross wage as forecasted each year by the National Institute of Prognosis for the following year;
- Non-vulnerable consumer - consumers that do not fall in the above-mentioned category.

OTP Express service allows individuals and legal entities to make remittances (EUR, USD and HUF) from the accounts opened at OTP Bank Romania to OTP Bank Nyrt clients or to any bank from OTP Group, in a very short time and at advantageous costs. There is no minimum amount for a transfer through OTP Express. Cut-off time for accept remittances in territorial units through OTP Express service is: for normal payment, 16:00 (the beneficiary account is credited next day); for urgent payment, 11:00 (the beneficiary account is credited same day).

Automatic Saving Tool service is a flexible service, which allows customers by means of a contract, to set a periodical transfer of a certain amount of money into the saving account, term deposits or open-end funds managed by OTP Asset Management Romania SAI S.A., without the need of coming to the bank each time for performing such transactions. In this way, clients can start developing a portfolio of savings and/or investment products, with minimum effort, in just a few simple steps. The service is available for RON, USD and EUR and it can be opened in any branch or via OTPdirekt. The periodicity of the automatic transfers is very flexible, so the clients may choose a certain frequency (expressed in days or months) for each product selected in the automatic savings tool (junior accounts, saving accounts, term deposits or open-end funds managed by OTP Asset Management Romania SAI S.A.).

Modular structures of products and services represent a flexible package consisting in a base of products and services (a predefined number of products/services, e.g: debit card, OTPdirekt, current account) and at least one option (usually represented by benefits for certain products/services) chosen by the customer. Customers can activate which options suits them best from the ones dedicated to the segment in which they were included and use them for the amount of time they chose. This way, clients are encouraged to pay for usage rather than buy several products which they do not fully use.

The LeZero product and service package brings together several products and services - current accounts, debit card and OTPdirekt, including SMS Alerts - for whose usage are offered several benefits, such as: the ZERO cash withdrawal fee in RON for any withdrawals from any ATM from Romania, ZERO fee for processing payments in RON on the Romanian territory, if ordered through OTPdirekt service. The package includes many other ZERO commissions and discounts compared to using the same product or service but purchased separately.

In case the client cashes in at least RON 1,200 per month in one of the accounts held at OTP Bank Romania and makes at least one payment by debit card through a POS or through the OTPdirekt service, the package tax for that month is ZERO.

Because OTP Bank Romania wanted all the Bank's individual customers to access in an easy and simple way products that offer financial protection, in the fall of 2020 it launched the Life Insurance with Advance in case of Critical Illness. This product:

- has coverages specially designed for OTP Bank Romania customers and their families, offering security and financial protection in unforeseen situations;
- it is different from the competition by having, besides the classic death cover for any cause (illness or accident), the critical illness coverage which consists in the Insurer bearing, within the insured amount, the expenses related to medical care in case of diagnosis with a critical condition;
- It is simple to understand and to purchase, benefiting from a fixed regular premium and the payment of the premium exclusively through direct debit.

Small and Medium Enterprises Directorate

In 2020, the SME business line changed the segmentation approach of the clients administered, by targeting and managing mainly legal entities clients with an annual business turnover between EUR 1 million and EUR 5 million, in order to better understand and focus on meeting the expectations and business needs on the increasingly more sophisticated small and medium enterprises.

The Micro Directorate was established in order to manage the business relationship with the legal entities clients with annual turnover up to EUR 1 million and with the private entrepreneurs, in order to support this segment of clients with standardized flows and products, adapted to their needs.

In 2020, **the SME business line (including Micro) recorded an increase with 12% of the total loans volume and with 20% of number of active clients**, maintaining at the same time the complex approach of the cross-sell/ up-sell methods. **39% out of the total revenues generated by the transactional activity of the Bank's clients, was generated by the SMEs (including Micro clients),** confirming the strategic importance of this segment.

The year 2020 brought unexpected challenges and extraordinary circumstances for the business environment and the entire society, as we faced global pandemics caused by the COVID-19 virus. Therefore, the daily activities and ways of conducting the daily business activities suffered a major impact with many industries severely affected by the consequences of the pandemics.

As our SME and Micro clients were confronted with decreases of the sales, temporary activity suspensions or supply chain problems, affecting their repayment capabilities as well or plans for requesting new development loans, we have presented them with important opportunities and tools in order to support them and at the same time conduct our operations in a responsible manner:

- **OTP Bank became a solid partner of the IMM Invest Program**, launched by the Romanian Government on the 17th of April 2020, having the initial allocated amount within the Program increased twice. We were one of the first banks that granted loans within the IMM Invest Program. We understood the emergency and the necessity of standing by the Romanian entrepreneurs and we adjusted our products (the credit line and the investment loan) and internal flows to become a part of this ambitious Program. We have created a dedicated section on OTP Bank Romania's website for this Program, including a dedicated application form in order to facilitate the access to funding for the companies affected by the COVID-19 pandemics and the necessary health restrictions imposed.
- To sustain the business environment and mainly the businesses affected by the pandemics, **we have implemented the solutions for postponing the reimbursements of instalments, interests and lending related fees according to the Government Emergency Order no. 37/2020.** We have developed a fast and simple flow for the approval of the requests submitted by the clients within the OTPlus application, to ensure the proper monitoring of the mechanisms implemented and the efficient processing of the requests. We provided the clients the possibility to apply for the legal mechanism on several different channels (website, branches etc). Other solutions for postponing the due payments for the clients that did not meet the requirements of the GEO no. 37/2020 were accommodated as well, according to the European legislation in force.
- We continued our efforts for implementing innovative developments and therefore, starting with 20th of February 2020, it became possible to retrieve financial data from ANAF automatically, based on the protocol concluded between the Romanian Banking Association and ANAF (The National Agency for Fiscal Administration). **The development improves considerably the lending flow and increases the efficiency of processing the loan applications.** It is no longer necessary to manually input the data from the clients' term sheet, but based on the agreement signed by the clients' representatives, the interrogation of the ANAF database is done automatically and the financial data are retrieved and imported in the processes conducted by the CRPJ lending application (including internal rating calculation). In addition, to simplify the lending flow and decrease the processing time for the standard and semi-standard lending applications, a first step in the automated consultation of CRC database was taken, by implementing the automated mapping of the CRC interrogations results without being necessary to manually input the data.In addition, starting with March 2020, we implemented the automation of the Credit Bureau interrogation process for all the participants involved in the lending process (associates, shareholders, administrators, guarantors), through the CRPJ platform, without being necessary the manually interrogation. Moreover, starting with November 2020, the process of CRC interrogation for the loans processed through the CRPJ application became fully automated, by the implementation of a dedicated robot. The automated flow is implemented for the SME and Micro clients as well as for the private individuals acting as guarantors, based on the consultation agreements provided by the involved parties.
- Moreover, in order to accommodate the daily operational needs of the SME and Micro customers, on the 1st of April 2020 **we launched the Calculat and Relaxat packages of banking products and services,** contributing with a diverse offer, adapted to the ever-evolving needs of our customers. The packages are offering multiple benefits, adapted to the different transactional needs, consisting of free of charge current accounts, Internet Banking and Visa debit cards, free of charge online payments in lei or in foreign currencies, discounts for using debit instruments, the Direct Debit Service etc., depending on the selected package.
- In order to improve the **customer service quality and increase the efficiency of**

the opening of the business relationship phase, we have improved the current account opening flow for legal entities and private entrepreneurs as well as the share capital account opening flow starting with September 2020. The main improvements of the current account opening flow consist in the simplification of the current account and packages of banking products and services contracts, the automatic retrieval of the majority of the data requested in the contracts from the OTPlus flow-based application and their automated completion in the contractual documents.

- In order to reduce the timeframe related to opening **the share capital accounts,** the flow was fully integrated at the level of the territorial units/Regional Centers, maintaining at the same time the "four eyes principle". Therefore, the share capital accounts are opened within a single visit of the clients to the territorial units and the contracts are automatically generated from the OTPlus application.
- In October 2020, **OTP Bank Romania become a partner bank by concluding the Convention with the Ministry for Economy, Energy and Business Environment for the support measures instituted by the GEO no.130/2020 regarding the grants from external non-reimbursable funds, within the Operational Competitive Program 2014-2020, within the context of the crisis caused by COVID-19.** Therefore, we have opened accounts and distributed the funds for the eligible companies and private entrepreneurs according to the conditions of the program.
- In order to promote the transactions through the digital services and the brand awareness, we developed **a very successful "Zero Friday" campaign** in November 2020. All the clients that registered exclusively in the dedicated online landing page and met the criteria of the campaign could benefit of: the free of charge current accounts at the bank, Internet Banking for one user and Visa Business debit card, unlimited number of inter-banking payments in lei by Internet Banking and optionally, one POS terminal with special transaction fees.

At the same time, in 2020, besides the specific projects of the SME and Micro client category and measures taken to support the businesses through the difficult economic and social period, we continued to place **the agriculture at the center of the OTP Bank Romania preoccupations. In this respect, we recalibrated the Loan for double pre-financing of the APIA SAPS subsidies and the Loan for pre-financing the APIA subsidies** in order to accommodate the latest legal and conventional provisions, but also to increase the efficiency of the lending flow. The loan for double pre-financing of the APIA SAPS subsidies is still unique on the banking market and represented a real support for the Agri businesses.

By continuing to offer a complete range of solution through simple and efficient financing products, as well as by specialty consultancy, OTP Bank Romania registered an increase with **46% of the volume of Agri new loans,** granted in 2020 compared to the previous year.

Private Banking

OTP Group has a tradition of more than 20 years in the Private Banking field. The service was first launched in Hungary, back in 1995. Since that moment, this business segment has been permanently improved and the success of this approach is confirmed by continuous and sustained growth in both number of clients and assets under management.

The international recognition highlights our performance: OTP Private Banking was designated again the best private bank in Hungary, in the Global Private Banking Awards, event organized in 2020 by the prestigious publications The Banker and Professional Wealth Management, members of the Financial Times Group.

Our local business benefits from the OTP Group expertise in the Private Banking field. The Private Banking activity in OTP Bank Romania was officially launched in February 2008, as a service offered to high net-worth clients. The main objective of this activity is to increase the added value, by creating a complete package, carefully tailored and adapted to the characteristics of each client.

In 2015, OTP Bank Romania received the award: "Bank of the Year on Private Banking segment", during a Gala organized by Piata Financiara publication. The recognition considered our local business successful receipt: combining the most appropriate investment and saving solutions, in accordance to clients' financial profiles. The award proves that Private Banking strategy was successful in implementing innovative solutions and tackling new challenges.

Currently, Private Banking service is addressed to customers who invest more than EUR 50,000 in products offered by OTP Bank Romania or cash-in a minimum monthly income of EUR 2,000 in a current account opened at OTP Bank Romania. An important aspect for the clients included in the Private Banking category is represented by the personalized relationship between them and the dedicated counsellor. In addition, clients are members of a group that benefits from products and services offered in accordance to their profiles, objectives, needs and risk tolerance. All these advantages provide them a special statute. The package includes a dedicated offer, flexible savings and investment solutions, premium debit and credit cards (Mastercard Gold and Platinum, or Visa Gold), loan products and non-financial facilities.

The Private Banking services of OTP Bank Romania were initially offered through a singular banking unit. However, in order to offer the Private Banking package to the elite clients countrywide, regardless of their location, we extended these services to all territorial units.

Starting 2013, adapting to each client's individual profile took an important role in the Private Banking strategy. OTP Bank Romania collaborates with local and cross-border asset management companies, in order to offer clients a wide variety of financial solutions, to satisfy their safety and capital growth needs. Investors have the possibility to access Romanian and international markets in flexible conditions. Thus, depending on client's financial needs and objectives, we were able to offer them adapted solutions, from extra safe savings to riskier instruments.

In the last year, the number of Private Banking clients and the total assets under management registered an increase of approximately 24%. Consequently, there are good premises for further development and sustainable growth in the Private Banking segment.

Corporate Banking

Corporate Banking is an important contributor to the bank's performance. Our Bank offer corporates a wide range of products and services, the technologies to leverage them anytime, anywhere and the expertise to customize them to client-specific requirements.
From cash management to corporate finance, from forex to acquisition financing, OTP Bank Romania provides corporate clients end-to-end services for all their banking needs.

Corporate Banking clientele consists in the upper mid and large corporate (both local and multinational, companies with good financial standing, cash rich companies), with high up-sell and cross sell potential, and selectively project finance deals (residential projects), transactional companies.

Highlights of the year:

2020 was a year full of challenges in all areas, starting with the business activity of Corporate Banking, that had to be adapted to the Covid-19 situation, in order not to disrupt the reaching of goals assumed for short and medium term, to the business activity of our clients that were also faced with an unknown situation , resulting in the need for a deeper collaboration between partners and action plans to be drawn and adjusted depending on the overall evolution of the economy.

- OTP Bank Romania continued the Growth program called **Apollo.** The Apollo program is the **most revolutionary change** made within OTP Bank Romania, thus it requires an **adaptive way of working** for all of the employees and a **major change of projects implementation** framework. It is a change of paradigm for the organization, with **focus on customers** (internal and external) and the **experiences** created in relation with our Bank.

Within the Apollo program, the Corporate Stream (Corporate Organic Growth) focuses on:

- o increasing sales volumes;
- o increasing the number of active clients by doubling the figures until end of 2024;
- o offering the client a centric and dedicated tailor made approach (products & services).

Some of the most notable achievements in 2020 are:

- o Access the syndicated/club loans market as we implemented a full, digitized solution for syndication loans in order to offer corporate clients services at the highest level of quality;
- o A decrease of TTY and TTC was achieved through the automation and digitization of certain parts of the lending process;
- o Pricing flow for credit and non-credit products was designed and is under developments and testing phase. New CRM functions were implemented that, allow optimization of the commercial activity and easier-to-do follow-up, analysis, action plans for improvements (Opportunity & activity management);
- o Corporate Career Path Concept was implemented with the aim of increase the level of know-how (specialized training), apply a nice experience for the new colleagues who joined corporate team, provide a predictable career path;
- o Developments were started for a dedicated module in order to administrate the most difficult product from operational perspectives - PNs discounting ceiling product, with the aim to reduce operational time and decrease TTC and offer a better experience to the clients.

- Our main goal is to sustain the medium and large companies. In these respect we are permanently acting in **developing the existing relationships with the guarantee and state institutions in order to facilitate the access of the clients to financing:**
  - o We extended the relationship with **EXIMBANK** in order to grant loans secured with state guarantees issued by EXIMBANK, to those medium and large clients affected by the pandemic, that faced difficulties related to lack of liquidity and collaterals;
  - o We participated in the **IMM INVEST Romania** program, with intention to support the entrepreneurial environment, facilitating SMEs' access to financing, to ensure them the necessary liquidity to continue economic activity, by accessing loans for investments and/or working capital, guaranteed by FNGCIMM (Romanian SME Guarantee Fund). OTP Bank Romania registered a strong demand for IMM Invest, a successful combination between the guarantee offered by the Government and the opening of the bank to offer financing tools in this respect;
  - o We implemented several measures, addressing the need of the clients, both through the **moratorium provided by the state** through the Government Ordinance no. 37/2020, that allows the postponement of debts for a limited period. For the clients not eligible for the state program, we offered similar facilities through an internal moratorium.

- **Agri-business sector** is a strategic one for our Bank, sector that also was faced with important challenges as:
  - o Supply chain disruptions;
  - o Slowdowns in raw material procurement;
  - o Borrowing cost has increased;
  - o Transport restrictions and quarantine measures limited farmer's access to markets;
  - o Some food commodity prices are increasing;
  - o Less available hard collateral.

That is why we are also continuous acting for:
  - **o improving the conventions signed with the Guarantee Fund for Rural Credit** in order to sustain the access of all agri-business clients to loans secured with guarantees instruments issued by this fund;
  - o improving the existing conventions and signing new conventions with **the Agency for Intervention and Payment in Agriculture for collection the EU subsidies** of all agri clients of the Bank and prefinancing of these.

- Given the current pandemic context, OTP Bank Romania initiated and developed projects to increase the protection of employees and customers and to avoid congestion in OTP Bank Romania units.

Therefore:
  - o We have developed a new product from the cash management area: **Cash Sweeping - Standing Order** through which the legal entities clients make recurring payment orders without physically presenting

themselves in OTP Bank Romania branches and without initiating them manually from Internet Banking;

- o We have **extended the cash collection service** so that the legal entities clients can also hand over debit instruments, not only the cash without physically presenting themselves in OTP Bank Romania branches;
- o We have **extended the partnership with specialized cash collection companies** so that they empty the equipment without the need for this operation to be performed by the bank's employees;
- o We have **externalized the entire ATMs network** from territorial units.

• A dedicated flow was implemented at Bank level, valid only during the emergency state, in order to support the clients who have individual accounts opened at OTP Bank Romania and also have activities as entities without legal personality and want to benefit from the provisions of the Government Emergency Ordinance no. 32/2020 regarding the technical unemployment allowance.

• **The Zero Friday campaign for legal entities**, with attractive offer in terms of current account commisions, had very good results on the Corporate side also.

• The digital abilities were boosted by extending the use of the electronic signature and encouraging the usage of the internet banking platform through its multiple functionalities.

Overall approach was a client centricity/ making things happen even in difficult times, being able to service complex requirements from home, with close collaboration between sales force, branch network, support departments, treasury team, local subsidiaries of the group, all concentrated in fulfilling a great work in channelling with the market needs and demand outflows in terms of liquidity.

THE TREASURY

The year 2020 started with significant volatility in the Romanian financial markets, especially in the bonds and FX Swap markets, in the context of the COVID-19 pandemic, and in line with the volatility seen in markets around the world.

Despite wide foreign exchange fluctuations in CEE countries, the RON national currency had a stable evolution with a depreciation of less than 2.5% (difference between maximum and minimum of the year), while other currencies in the region had 5% to 8% variations.

RON interest rates had a much higher fluctuation than the foreign exchange rate. Interest rates on RON ranged from 2% to 20% in the very short tenors and 5-10% in the 1Mth-3Mths tenors. Bonds in RON also had variations of up to 300 bps.

The GDP of Romania had a negative evolution in 2020, as in most countries, reading -3.65%. The current account deficits were high at around EUR 10 billion. The public debt increased with EUR 25 billionm reaching approximately 47% of the GDP, of which roughly 35% is short term debt.
Inflation in Jan-Dec 2020 reached 2.60% yoy (down from 3.80% yoy in 2019).

Government focus was on keeping the pandemic under control and implementing supportive measures for the economy and workforce.

Despite all difficulties, OTP BANK ROMANIA's Treasury managed to ensure a proper functioning and even exceed targets (133% versus target). This was mainly the result of a great performance in Treasury Sales activity which, similarly to previous years, represented the engine of the Treasury's growth.

Major contributors to Sales' performance were: a pro-active sale approach, more active sales of the regional treasury team and better cooperation with the Bank's lines of business. We were able to replicate in 2020 the record high FX volumes of 2019 in the context of the difficulties related to the pandemic situation, with a slightly higher margin.

In 2020, we successfully answered requests from customers willing to hedge their FX exposures from business activity or interest rate exposures related to their loans, by offering them the hedging products they requested.

On Trading activity, we continued to deliver good results since 2019 and succeeded in approaching the set targets (in Money Markets and Fixed Income) or even exceeded the targets (in FX Trading). Our goal has been to develop the activity with as many banking counterparts as possible and to become a known player on FX and FX Swap local interbank markets.

All the good results of 2020 were only possible thanks to the hard work and dedication of each member of our united Treasury team and due to a better cooperation between Treasury and the business lines of the Bank.

OTP Leasing Romania IFN S.A.

OTP Leasing Romania IFN S.A. provides financial leasing solutions for legal entities to purchase cars, commercial vehicles, and equipment, having almost 14 years of experience in the market. More than ever, in 2020, the company took a proactive approach, aiming to support customers with the solutions they needed.

Given the specifics of 2020, OTP Leasing had an advantage in the fact that the business strategy was already built on the pillars of digital transformation, including technology upgrade, transition to agile and growth mindset. This allowed fast changes and reprioritization of projects so that the company became more agile and connected to the needs of customers and the market. Thus, the company focused on developing the investment in technology, self-service solutions, and simplifying the pre-sales process for the financial leasing products, especially through digitization projects and initiatives supporting the economic recovery of local companies.

For OTP Leasing, one of the projects with the biggest impact this year was the launch of the Eliza chatbot, which provides 24/7 support to users of the OTP Leasing website and My Leasing platform. Hosted directly on the OTP Leasing website, Eliza can be accessed both by current customers, through the secure My Leasing platform, and by potential customers. Customers in the OTP Leasing Romania portfolio have access to queries related to the account, payment statements or they can download claims for damages and exit from the country.

The deferral of payment of instalments was one of how OTP Leasing supported customers who had encountered difficulties. Before the public moratorium was promulgated, OTP Leasing launched solutions to the portfolio companies to support them in the pandemic period.

Along with public and private moratoriums, OTP Leasing aims to contribute to the economic recovery of local companies, launching a series of campaigns, such as the 6-month grace campaign for a new financial leasing contract for the purchase of vehicles and commercial vehicles or the Black Friday campaign, dedicated to repossessed goods, which included substantial discounts for all products in stock OTP Leasing Romania: cars, commercial vehicles and equipment.

Also, this year, OTP Leasing launched the Agriculture Division and the Agritool platform for vendor and broker partners, through which they can make personalized offers for farmers. It has a workflow-specific automated integration and allows for a quick response for those interested.

In recent years, the company has steadily increased the financed value in all targeted segments: cars, equipment, and commercial vehicles. The newly financed volume in 2020 has remained similar to that of 2019. OTP Leasing Romania finances all business sectors, with a highlight in industries such as transport, telecommunications, services, agricultural production, medical, and IT. In terms of the area of financing, the companies with which OTP Leasing works come from all areas of the country, Bucharest, Iasi, Cluj, Brasov, Timisoara being the predominant regions.

OTP Consulting

OTP Consulting Romania SRL was established in 2007 by OTP Bank Romania and the Hungarian consultancy company OTP Hungaro Project. Since then, the company went through an important and continuous development and due to its flexible approach and extensive set of skills it provides clients with the high-quality business value they need.

The wide range of services provided by the company cover financial advisory services, local development consultancy and business and treasury consulting, offering complex development solutions for companies and local authorities, including trainings and technical assistance, support in identifying new projects and financing sources for these, consultancy services in drawing up different projects, as well as project management services.

In collaboration with local authorities, OTP Consulting Romania implemented more than 20 projects with the theme of environmental protection, especially in the area of water and wastewater and other wastes.

The quality of its consultants is the cornerstone of the company`s ability to serve its clients, leading the company also in 2020 to a large number of successful projects.

Also, in partnership with NGOs (LAM Foundation and AGROSIC), OTP Consulting Romania developed a truly innovative concept for small manufacturers in order to develop their food industry marketing, brand share, to sell products online and through a special weekly market.

In addition, the small manufacturers receive consulting services and training to acquire the necessary knowledge to hit the market.

OTP Consulting Romania is a partner of EBRD through BAS Business Advisory Service program.

The Project, prepared by OTP Consulting Romania for an agriculture company, was promoted as BEST PRACTICE by EBRD.

In 2015, one of the most important projects was "Entrepreneur – Successful business ideas and development of entrepreneurship in the regions Bucharest-Ilfov and South-West Oltenia", financed by the Human Resources Sectorial Operational Program, with a total budget of EUR 1.2 million.

In 10 months of its implementation, 400 people received entrepreneurial training, 40 start-ups were founded and given a grant of EUR 10,000 each and more than 80 workplaces for young people were created. During the project's implementation and after, all entrepreneurs received business development consulting.

At present, OTP Consulting is involved in 3 projects with European funding in a partnership with the Chamber of Commerce of Romania, with a total value of over EUR 10 million.

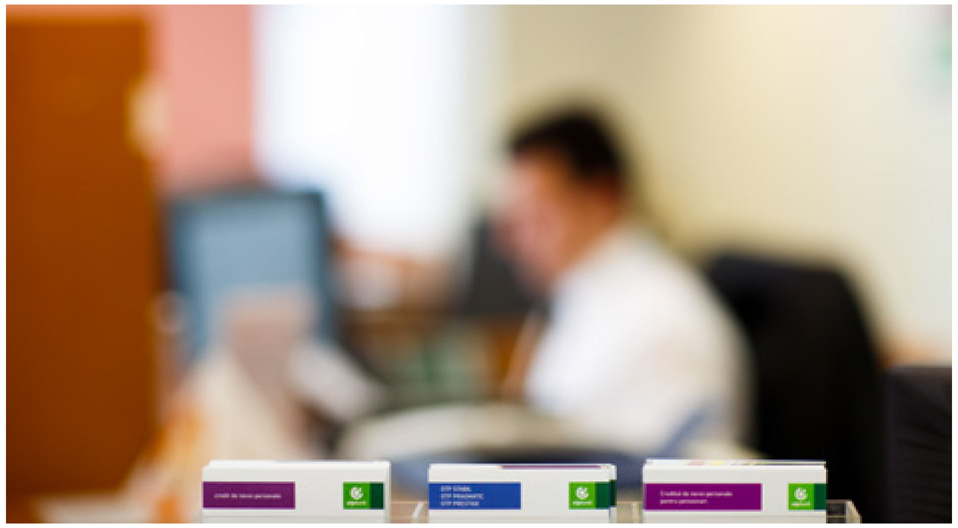
The three projects are:

· **"FIA" Project "Become Entrepreneur at Home! Invest in your future!"** - In partnership with the Chamber of Commerce of Romania and the League of Romanian Students Abroad (LSRS), with a total budget of EUR 1.7 million, aims to: inform more than 10,000 Romanians in the Diaspora about opportunities in the field of entrepreneurship, to develop an entrepreneurial training program for at least 220 Romanian trainees in the diaspora; to select for funding of max. EUR 40,000 and monitor a number of 22 best business plans. The aim of the project is to facilitate/support the return of Romanian people from the diaspora at home.
OTP Consulting is the Lead Partner in the "FIA" Project "Become Entrepreneur at Home! Invest in your future!" and it is involved with its partners at all stages of the project implementation.

· **The Sustainable Entrepreneurship Project in the Center Region,** launched in partnership with the Chamber of Commerce of Romania, aims to support entrepreneurial initiatives to develop the economic environment and increase employment in the Center region of Romania. The project is aimed at Romanian citizens aged over 18, who live in rural or urban areas in Harghita, Mures, Covasna, Brasov, Sibiu and Alba, who want to set up a non-agricultural business in the urban area. With a total budget of EUR 5 million, the 36 months project is divided as follows: entrepreneurial training programs for 740 young people (12 months) that will conclude with the selection of 89 business plans. In the second stage (18 months), the 89 entrepreneurs will receive business development support and grants of up to EUR 34,200 for each new business. Realized objectives: 879 people were registered, they all received entrepreneurial training concluded with 91 business plans selected for funding.

· **SMART StartUP project**. Innovative and Sustainable Entrepreneurship in the South Muntenia Region is launched in partnership with the Chamber of Commerce of Romania and aims to support entrepreneurial initiatives to develop the economic environment and increase employment in the South Muntenia region. The project is dedicated to young people aged over 18 from Arges, Dambovita, Prahova, Teleorman, Calarasi, Ialomita and Giurgiu who want to set up a non-agricultural business in the urban area. The main objective: 570 people formed - ANC accredited entrepreneurship training; selecting, funding and monitoring a number of 72 businesses. With a total budget of EUR 4 million, the 36 months' project is divided as follows: entrepreneurial training programs for 570 young people (12 months) that will conclude with the selection of 72 business plans. In the second stage (18 months), the 72 entrepreneurs will receive advice and support for business development and grants of up to EUR 34,000 for each new business. During 2020, the project attained accomplished all proposed objectives regarding the registration and trainee of 570 people. 72 business plans were selected for funding.

In 2020 the company signed new consulting contracts for project elaboration and



management under various financing programs:

- Investments in agricultural holdings;
- Agriculture and rural development;
- Investments related to cultural heritage protection;
- Urban development;
- Development strategies and economic

OTP Consulting Romania supports the innovative start-ups and the entrepreneurial spirit of Romanians.

OTP Advisors SRL

OTP Advisors S.R.L. started its activity in July 2007, under the name of OTP Broker Pensii Private S.R.L.. At that moment, OTP Broker Pensii Private S.R.L. was managing the contracts to the private pension fund that OTP Bank Romania used to own.

Starting July 2008, the activity was extended to promoting and distributing banking products and services offered by OTP Bank Romania. The name of the company was changed to OTP Broker de Intermedieri Financiare S.R.L.

In 2012, the company went through a rebranding process and become OTP Advisors S.R.L., a team of financial advisors focused on providing first class tailor made financial services for Romania private individuals. The sole shareholders of OTP Advisors S.R.L. is OTP Bank Romania (100%), member of OTP Group.

In 2020, OTP Advisors has changed shareholders structure and since 2020, October, OTP Bank became Unique Shareholder of Company.

OTP Advisors S.R.L. has continued its development strategy and diversifying of all kinds of selling products of OTP Bank Romania (mortgage loans and personal loans with mortgage, credit packages and IMM).

OTP Advisors S.R.L. developed a national network covering all the main cities of the country: Bucuresti, Ploiesti, Pitesti, Cluj, Targu Mures, Brasov, Timisoara, Oradea, Sibiu, Iasi, Bacau, Constanta, Arad, Craiova.

By December 31, 2020, OTP Advisors S.R.L. sales force generated sales volume of the total sales of OTP Bank Romania on average, as follows: 32% of personal unsecured loans, 23% of mortgages and personal loans with mortgage and 39% of credit cards.

OTP Asset Management Romania

SAI SA

OTP Asset Management Romania is operational since April 2008, being positioned on the local market as an innovative, dynamic, performance-oriented and customer-centred player.

The company's mission is to create long-term value and to continuously implement new investment opportunities for its customers. The company is dedicated to providing a high level of performance and excellent services compared to the competition. Ranked the 6th player on the local market, the company has assets under management of RON 590 million. In 2020, the number of investors grew by 20%, reaching 10,076 individual and institutional clients. Through the products offered, clients can diversify their investment portfolio in a broad range of asset classes, such as: equities, bonds, T-bills, deposits, capturing the opportunities from the financial markets. As part of the strategy to increase financial education among customers, the company focused on promoting and implementing automatic savings programs, which recorded an increase in the volume of over 175% compared with the previous year.

Starting with 18th of May 2020, among the ten open ended funds managed by OTP Asset Management Romania, the company added new EURO and RON classes for a part of the funds, as follows:

- OTP AvantisRO Class L and OTP AvantisRO Class E (equity fund, RON, EUR);
- OTP Expert (equity fund, RON);
- OTP Real Estate & Construction Class L and OTP Real Estate & Construction Class E (diversified fund, RON, EUR);

- OTP Global Mix Class L and OTP Global Mix Class E (multi-asset fund, RON, EUR);
- OTP Premium Return Class L and OTP Premium Return Class E (Absolute-Return fund, RON, EUR);
- OTP Dinamic Class L and OTP Dinamic Class E (Absolute-Return fund, RON, EUR);
- OTP Dollar Bond (bond fund, USD);
- OTP Euro Bond (bond fund, EUR);
- OTP Obligațiuni (bond fund, RON);
- OTP ComodisRO (short bond fund, RON).

In 2020, OTP Global Mix Class L and OTP Premium Return Class L funds reached the top 5 best performing funds in the Romanian fund industry, according to official statistics of the Fund Managers' Association. OTP Global Mix Class L achieved a yield of 11.6%, while OTP Premium Return Class L reached a performance of 9%.In order to recognize the outstanding results of the team's performance, OTP Asset Management received for OTP Global Mix Class L the award for The best local investment fund, with exposure in Romania for 2020. The award was granted by the Bucharest Stock Exchange during the ISEY Gala, the capital market performers' gala.

During the past 7 years, the company has been actively involved in projects dedicated to increasing the level of financial education of the population together with partners such as Bucharest Stock Exchange, OK Center - The Right to Education Foundation of OTP Bank or the Financial Supervisory Authority. OTP Asset Management Romania was awarded a special prize for financial education, granted by the Financial Supervision Authority for the involvement in most financial education initiatives and partnerships (within the 3rd Gala of the EduFin Awards 2019).

Over the years, the company has grown steadily, the centre of its preoccupation stands the customer and his needs. All the more so in a pandemic context, caused by SARS-CoV-2, the company is constantly communicating with its clients and is taking steps towards a digitalized access to the services offered, within the current legal framework.

otp Factoring

OTP Factoring SRL

OTP Factoring was founded in 2009, as a member of OTP Bank Group, and has as its main activity the debt management of the receivables portfolios acquired from different Banking and Non-Banking Financial Institutions.

Starting with 2012, the company became one of the best performing on the Romanian market in the field of Debt Management. The registered office of OTP Factoring Romania is located on Nicolae Caramfil Street no 71-73, Bucharest, District 1.

OTP Factoring's mission is to be helpful toward their clients and offer them support in solving their financial issues. This is why they treat each case individually, and thus are to provide the best solutions, even in the case of a forced foreclosure.

OTP Factoring is also a member of the Association for Management of Trade Receivables (AMCC), whose purpose is to promote a healthy business environment and to protect the management activities of the receivables' trade in specific ways.
With help from OTP Factoring, OTP Group's financial market is growing.

Using positive, reasonable and realistic collection techniques, through commitment solutions unique in Romania, the Romanian clients are helped to financially rehabilitate.
Also, professional legal solutions are offered, which ensures the settlement of debts by clients.

Financial Highlights

According to the English version summary of the 2020 Business Report of the Board of Directors

MAIN FINANCIAL INDICATORS OF OBR GROUP (ROMANIA)

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments	6,309	1,558	-75%
Income tax	-598	91	-115%
Profit before income tax	6,906	1,467	-79%
Operating profit	12,314	11,811	-4%
Total income	37,530	43,748	17%
Net interest income	28,254	32,739	16%
Net fees and commissions	3,180	3,813	20%
Other net non-interest income	6,097	7,195	18%
Operating expenses	-25,216	-31,937	27%
Total provisions	-5,408	-10,344	91%
Provision for impairment on loan and placement losses	-3,018	-7,840	160%
Other provision	-2,390	-2,504	5%
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	953,345	1,162,183	22%
Gross customer loans	708,299	861,393	22%
Gross customer loans (FX-adjusted)	773,358	861,393	11%
Retail loans	522,937	587,724	12%
Corporate loans	237,111	257,860	9%
Car financing loans	13,311	15,809	19%
Allowances for possible loan losses	-39,327	-48,174	22%
Allowances for possible loan losses (FX-adjusted)	-42,997	-48,174	12%
Deposits from customers	546,350	710,047	30%
Deposits from customers (FX-adjusted)	590,707	710,047	20%
Retail deposits	442,397	506,773	15%
Corporate deposits	148,310	203,274	37%
Liabilities to credit institutions	257,404	284,173	10%
Total shareholders' equity	116,432	127,238	9%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	593,922	690,664	16%
Stage 1 loans under IFRS 9/gross customer loans	83.9%	80.2%	-3.7%p
Own coverage of Stage 1 loans under IFRS 9	1.3%	1.0%	-0.2%p
Stage 2 loan volume under IFRS 9 (in HUF million)	61,556	114,615	86%
Stage 2 loans under IFRS 9/gross customer loans	8.7%	13.3%	4.6%p
Own coverage of Stage 2 loans under IFRS 9	5.7%	9.0%	3.3%p
Stage 3 loan volume under IFRS 9 (in HUF million)	52,821	56,113	6%
Stage 3 loans under IFRS 9/gross customer loans	7.5%	6.5%	-0.9%p
Own coverage of Stage 3 loans under IFRS 9	53.7%	54.6%	0.9%p
Provision for impairment on loan and placement losses/average gross loans	0.47%	0.99%	0.52%
90+ days past due loan volume (in HUF million)	35,416	38,713	9%
90+ days past due loans/gross customer loans	5.0%	4.5%	-0.5%p
Performance Indicators	**2019**	**2020**	**Y-o-Y**
ROA	0.7%	0.1%	-0.6%p
ROE	6.6%	1.3%	-5.4%p
Total income margin	4.37%	4.18%	-0.19%p
Net interest margin	3.29%	3.13%	-0.16%p
Cost/income ratio	67.2%	73.0%	5.8%p
Net loans to deposits (FX-adjusted)	124%	115%	-9%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/RON (closing)	69.1	75.0	9%
HUF/RON (average)	68.6	72.6	6%

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MAIN FINANCIAL INDICATORS OF DSK GROUP (BULGARIA)

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments	67,879	40,957	-40%
Income tax	-7,199	-3,707	-49%
Profit before income tax	75,078	44,665	-41%
Operating profit	83,495	89,775	8%
Total income	155,567	166,668	7%
Net interest income	109,030	111,239	2%
Net fees and commissions	42,019	45,453	8%
Other net non-interest income	4,517	9,975	121%
Operating expenses	-72,071	-76,893	7%
Total provisions	-8,418	-45,110	436%
Provision for impairment on loan and placement losses	-5,216	-44,875	760%
Other provision	-3,201	-235	-93%
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	3,669,766	4,283,625	17%
Gross customer loans	2,350,694	2,634,870	12%
Gross customer loans (FX-adjusted)	2,596,088	2,634,870	1%
Retail loans	1,597,408	1,614,561	1%
Corporate loans	953,025	938,117	-2%
Car financing loans	45,655	82,191	80%
Allowances for possible loan losses	-135,640	-185,829	37%
Allowances for possible loan losses (FX-adjusted)	-149,830	-185,829	24%
Deposits from customers	3,015,805	3,587,364	19%
Deposits from customers (FX-adjusted)	3,315,475	3,587,364	8%
Retail deposits	2,780,781	3,012,074	8%
Corporate deposits	534,694	575,290	8%
Liabilities to credit institutions	59,867	17,010	-72%
Total shareholders' equity	528,759	620,379	17%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	2.081.790	2.142.644	3%
Stage 1 loans under IFRS 9/gross customer loans	88.6%	81.3%	-7.2%p
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.0%	-0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	99,917	297,292	198%
Stage 2 loans under IFRS 9/gross customer loans	4.3%	11.3%	7.0%p
Own coverage of Stage 2 loans under IFRS 9	8.5%	12.6%	4.1%p
Stage 3 loan volume under IFRS 9 (in HUF million)	168,986	194,934	15%
Stage 3 loans under IFRS 9/gross customer loans	7.2%	7.4%	0.2%p
Own coverage of Stage 3 loans under IFRS 9	62.0%	65.6%	3.7%p
Provision for impairment on loan and placement losses/average gross loans	0.24%	1.79%	1.55%p
90+ days past due loan volume (in HUF million)	108,600	126,242	16%
90+ days past due loans/gross customer loans	4.6%	4.8%	0.2%p
Performance Indicators	**2019**	**2020**	**Y-o-Y**
ROA	1.9%	1.0%	-0.9%p
ROE	13.7%	7.0%	-6.6%p
Total income margin	4.28%	4.13%	-0.15%p
Net interest margin	3.00%	2.75%	-0.24%p
Cost/income ratio	46.3%	46.1%	-0.2%p
Net loans to deposits (FX-adjusted)	74%	68%	-6%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/BGN (closing)	169.0	186.7	10%
HUF/BGN (average)	166.3	179.5	8%

MAIN FINANCIAL INDICATORS OF OTP BANKA HRVATSKA (CROATIA)

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments	30,719	14,830	-52%
Income tax	-6,681	-2,771	-59%
Profit before income tax	37,400	17,600	-53%
Operating profit	42,925	40,329	-6%
Total income	85,069	84,907	0%
Net interest income	56,812	58,199	2%
Net fees and commissions	17,032	16,093	-6%
Other net non-interest income	11,225	10,615	-5%
Operating expenses	-42,144	-44,578	6%
Total provisions	-5,525	-22,728	311%
Provision for impairment on loan and placement losses	-2,835	-19,491	588%
Other provision	-2,691	-3,238	20%
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	2,098,951	2,325,669	11%
Gross customer loans	1,370,057	1,642,170	20%
Gross customer loans (FX-adjusted)	1,503,015	1.642,170	9%
Retail loans	812,239	853,245	5%
Corporate loans	617,623	722,320	17%
Car financing loans	73,152	66,606	-9%
Allowances for possible loan losses	-68,701	-100,920	47%
Allowances for possible loan losses (FX-adjusted)	-75,254	-100,920	34%
Deposits from customers	1,478,223	1,634,652	11%
Deposits from customers (FX-adjusted)	1,613,110	1,634,652	1%
Retail deposits	1,213,410	1,231,516	1%
Corporate deposits	399,700	403,136	1%
Liabilities to credit institutions	253,176	287,647	14%
Total shareholders' equity	292,649	328,165	12%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,140,495	1,257,492	10%
Stage 1 loans under IFRS 9/gross customer loans	83.2%	76.6%	-6.7%p
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.8%	0.0%p
Stage 2 loan volume under IFRS 9 (in HUF million)	143,843	241,962	68%
Stage 2 loans under IFRS 9/gross customer loans	10.5%	14.7%	4.2%p
Own coverage of Stage 2 loans under IFRS 9	3.5%	5.7%	2.2%p
Stage 3 loan volume under IFRS 9 (in HUF million)	85,719	142,716	66%
Stage 3 loans under IFRS 9/gross customer loans	6.3%	8.7%	2.4%p
Own coverage of Stage 3 loans under IFRS 9	63.6%	53.9%	-9.6%p
Provision for impairment on loan and placement losses/average gross loans	0.22%	1.27%	1.05%p
90+ days past due loan volume (in HUF million)	51,012	68,712	35%
90+ days past due loans/gross customer loans	3.7%	4.2%	0.5%p
Performance Indicators	**2019**	**2020**	**Y-o-Y**
ROA	1.6%	0.7%	-0.9%p
ROE	10.9%	4.7%	-6.2%p
Total income margin	4.35%	3.93%	-0.42%p
Net interest margin	2.91%	2.69%	-0.21%p
Cost/income ratio	49.5%	52.5%	3.0%p
Net loans to deposits (FX-adjusted)	89%	94%	6%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/HRK (closing)	44.4	48.4	9%
HUF/HRK (average)	43.9	46.6	6%

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MAIN FINANCIAL INDICATORS OF OTP BANK SERBIA

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments	10,430	7,298	-30%
Income tax	459	-1,157	-352%
Profit before income tax	9,970	8,455	-15%
Operating profit	13,143	35,898	173%
Total income	43,276	79,001	83%
Net interest income	30,809	59,514	93%
Net fees and commissions	9,506	14,766	55%
Other net non-interest income	2,962	4,721	59%
Operating expenses	-30,133	-43,102	43%
Total provisions	-3,173	-27,443	765%
Provision for impairment on loan and placement losses	-1,634	-22,170	
Other provision	-1,539	-5,273	243%
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	1,659,483	2,052,332	24%
Gross customer loans	1,199,580	1,539,738	28%
Gross customer loans (FX-adjusted)	1,325,734	1,539,738	16%
Retail loans	633,684	747,715	18%
Corporate loans	642,532	737,969	15%
Car financing loans	49,518	54,054	9%
Allowances for possible loan losses	-18,904	-43,597	131%
Allowances for possible loan losses (FX-adjusted)	-20,907	-43,597	109%
Deposits from customers	910,623	1,147,712	26%
Deposits from customers (FX-adjusted)	1,003,698	1,147,712	14%
Retail deposits	604,453	676,599	12%
Corporate deposits	399,245	471,112	18%
Liabilities to credit institutions	436,449	548,354	26%
Subordinated debt	24,460	31,033	27%
Total shareholders' equity	249,461	273,046	9%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,151,763	1,367,313	19%
Stage 1 loans under IFRS 9/gross customer loans	96.0%	88.8%	-7.2%p
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.8%	0.4%p
Stage 2 loan volume under IFRS 9 (in HUF million)	21,447	132,427	517%
Stage 2 loans under IFRS 9/gross customer loans	1.8%	8.6%	6.8%p
Own coverage of Stage 2 loans under IFRS 9	5.8%	8.5%	2.7%p
Stage 3 loan volume under IFRS 9 (in HUF million)	26,370	39,998	52%
Stage 3 loans under IFRS 9/gross customer loans	2.2%	2.6%	0.4%p
Own coverage of Stage 3 loans under IFRS 9	50.0%	53.6%	3.6%p
Provision for impairment on loan and placement losses/average gross loans	0.25%	1.62%	1.37%p
90+ days past due loan volume (in HUF million)	20,702	22,697	10%
90+ days past due loans/gross customer loans	1.7%	1.5%	-0.3%p
Performance Indicators	**2019**	**2020**	**Y-o-Y**
ROA	1.1%	0.4%	-0.7%p
ROE	7.6%	2.7%	-4.9%p
Total income margin	4.70%	4.25%	-0.45%p
Net interest margin	3.35%	3.20%	-0.15%p
Cost/income ratio	69.6%	54.6%	-15.1%p
Net loans to deposits (FX-adjusted)	130%	130%	0%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/RSD (closing)	2.8	3.1	11%
HUF/RSD (average)	2.8	3.0	8%

MAIN FINANCIAL INDICATORS OF SKB BANKA (SLOVENIA)

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments		9,665	
Income tax		-2,439	
Profit before income tax		12,104	
Operating profit		19,787	
Total income		40,388	
Net interest income		28,103	
Net fees and commissions		11,127	
Other net non-interest income		1,158	
Operating expenses		-20,601	
Total provisions		-7,683	
Provision for impairment on loan and placement losses		-6,244	
Other provision		-1,440	
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	1,130,871	1,353,772	20%
Gross customer loans	831,139	909,439	9%
Gross customer loans (FX-adjusted)	918,174	909,439	-1%
Retail loans	540,374	539,678	0%
Corporate loans	249,584	248,855	0%
Car financing loans	128,216	120,906	-6%
Allowances for possible loan losses	-4,051	-14,876	267%
Allowances for possible loan losses (FX-adjusted)	-4,475	-14,876	232%
Deposits from customers	880,839	1,136,666	29%
Deposits from customers (FX-adjusted)	971,653	1,136,666	17%
Retail deposits	853,172	973,276	14%
Corporate deposits	118,481	163,390	38%
Liabilities to credit institutions	94,909	29,524	-69%
Total shareholders' equity	132,667	166,124	25%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	822,118	753,584	-8%
Stage 1 loans under IFRS 9/gross customer loans (%)	98.9%	82.9%	-16.1%p
Own coverage of Stage 1 loans under IFRS 9 (%)	0.4%	0.5%	0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	0	142.015	
Stage 2 loans under IFRS 9/gross customer loans (%)	0.0%	15.6%	15.6%p
Own coverage of Stage 2 loans under IFRS 9 (%)	0.0%	4.3%	4.3%p
Stage 3 loan volume under IFRS 9 (in HUF million)	9,020	13,840	53%
Stage 3 loans under IFRS 9/gross customer loans (%)	1.1%	1.5%	0.4%p
Own coverage of Stage 3 loans under IFRS 9 (%)	8.7%	36.3%	27.6%p
Provision for impairment on loan and placement losses/average gross loans (%)	0.00%	0.70%	0.70%p
90+ days past due loan volume (in HUF million)	2,967	3,620	22%
90+ days past due loans/gross customer loans (%)	0.4%	0.4%	0.0%p
Performance Indicators (%)	**2019**	**2020**	**Y-o-Y**
ROA		0.8%	
ROE		6.3%	
Total income margin		3.18%	
Net interest margin		2.21%	
Cost/income ratio		51.0%	
Net loans to deposits (FX-adjusted)	94%	79%	-15%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/EUR (closing)	330.5	365.1	10%
HUF/EUR (average)	325.3	351.2	8%

MAIN FINANCIAL INDICATORS OF OTP BANK UKRAINE

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments	35,223	26,104	-26%
Income tax	-6,937	-5,485	-21%
Profit before income tax	42,160	31,589	-25%
Operating profit	44,353	42,030	-5%
Total income	67,451	67,385	0%
Net interest income	48,128	48,581	1%
Net fees and commissions	14,877	13,540	-9%
Other net non-interest income	4,446	5,264	18%
Operating expenses	-23,098	-25,355	10%
Total provisions	-2,194	-10,441	376%
Provision for impairment on loan and placement losses	-1,433	-6,286	339%
Other provision	-761	-4,155	446%
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	646,295	729,012	13%
Gross customer loans	468,715	443,031	-5%
Gross customer loans (FX-adjusted)	431,920	443,031	3%
Retail loans	136,749	118,709	-13%
Corporate loans	252,194	274,187	9%
Car financing loans	42,977	50,136	17%
Allowances for possible loan losses	-69,785	-46,200	-34%
Allowances for possible loan losses (FX-adjusted)	-64,223	-46,200	-28%
Deposits from customers	431,944	493,884	14%
Deposits from customers (FX-adjusted)	394,459	493,884	25%
Retail deposits	176,949	222,112	26%
Corporate deposits	217,509	271,772	25%
Liabilities to credit institutions	79,331	91,059	15%
Total shareholders' equity	109,128	117,071	7%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	345,955	365,266	6%
Stage 1 loans under IFRS 9/gross customer loans	73.8%	82.4%	8.6%p
Own coverage of Stage 1 loans under IFRS 9	0.9%	1.9%	1.0%p
Stage 2 loan volume under IFRS 9 (in HUF million)	41,847	31,726	-24%
Stage 2 loans under IFRS 9/gross customer loans	8.9%	7.2%	-1.8%p
Own coverage of Stage 2 loans under IFRS 9	8.3%	15.9%	7.6%p
Stage 3 loan volume under IFRS 9 (in HUF million)	80,913	46,039	-43%
Stage 3 loans under IFRS 9/gross customer loans	17.3%	10.4%	-6.9%p
Own coverage of Stage 3 loans under IFRS 9	77.9%	74.3%	-3.6%p
Provision for impairment on loan and placement losses/average gross loans	0.34%	1.39%	1.05%p
90+ days past due loan volume (in HUF million)	51,913	28,401	-45%
90+ days past due loans/gross customer loans	11.1%	6.4%	-4.7%p
Performance Indicators (%)	**2019**	**2020**	**Y-o-Y**
ROA	7.0%	3.8%	-3.2%p
ROE	42.5%	23.0%	-19.5%p
Total income margin	13.38%	9.78%	-3.60%p
Net interest margin	9.55%	7.05%	-2.50%p
Cost/income ratio	34.2%	37.6%	3.4%p
Net loans to deposits (FX-adjusted)	93%	80%	-13%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/UAH (closing)	12.4	10.5	-16%
HUF/UAH (average)	11.3	11.4	1%

MAIN FINANCIAL INDICATORS OF OTP BANK RUSSIA

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments	28,127	16,317	-42%
Income tax	-8,272	-5,092	-38%
Profit before income tax	36,399	21,409	-41%
Operating profit	84,946	65,068	-23%
Total income	146,582	123,198	-16%
Net interest income	113,572	99,872	-12%
Net fees and commissions	31,012	22,503	-27%
Other net non-interest income	1,998	823	-59%
Operating expenses	-61,636	-58,130	-6%
Total provisions	-48,547	-43,659	-10%
Provision for impairment on loan and placement losses	-46,123	-41,160	-11%
Other provision	-2,424	-2,499	3%
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	908,388	688,980	-24%
Gross customer loans	786,241	597,849	-24%
Gross customer loans (FX-adjusted)	661,721	597,849	-10%
Retail loans	573,592	505,902	-12%
Corporate loans	80,304	74,239	-8%
Car financing loans	7,825	17,708	126%
Allowances for possible loan losses	-152,741	-127,598	-16%
Allowances for possible loan losses (FX-adjusted)	-128,479	-127,598	-1%
Deposits from customers	471,735	350,608	-26%
Deposits from customers (FX-adjusted)	403,021	350,608	-13%
Retail deposits	301,897	288,058	-5%
Corporate deposits	101,124	62,550	-38%
Liabilities to credit institutions	155,306	90,852	-42%
Total shareholders' equity	202,761	183,402	-10%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	589,553	447,094	-24%
Stage 1 loans under IFRS 9/gross customer loans	75.0%	74.8%	-0.2%p
Own coverage of Stage 1 loans under IFRS 9	5.3%	4.6%	-0.7%p
Stage 2 loan volume under IFRS 9 (in HUF million)	94,413	67,394	-29%
Stage 2 loans under IFRS 9/gross customer loans	12.0%	11.3%	-0.7%p
Own coverage of Stage 2 loans under IFRS 9	27.4%	43.1%	15.7%p
Stage 3 loan volume under IFRS 9 (in HUF million)	102,274	83,361	-18%
Stage 3 loans under IFRS 9/gross customer loans	13.0%	13.9%	0.9%p
Own coverage of Stage 3 loans under IFRS 9	93.4%	93.4%	-0.1%p
Provision for impairment on loan and placement losses/average gross loans	6.61%	6.36%	-0.25%p
90+ days past due loan volume (in HUF million)	96,484	77,929	-19%
90+ days past due loans/gross customer loans	12.3%	13.0%	0.8%p
Performance Indicators (%)	**2019**	**2020**	**Y-o-Y**
ROA	3.4%	2.1%	-1.2%p
ROE	15.7%	8.9%	-6.8%p
Total income margin	17.53%	16.03%	-1.50%p
Net interest margin	13.58%	13.00%	-0.59%p
Cost/income ratio	42.0%	47.2%	5.1%p
Net loans to deposits (FX-adjusted)	132%	134%	2%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/RUB (closing)	4.7	4.0	-16%
HUF/RUB (average)	4.5	4.3	-5%

MAIN FINANCIAL INDICATORS OF CKB GROUP (MONTENEGRO)

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments	6,377	4,307	-32%
Income tax	-679	-302	-55%
Profit before income tax	7,056	4,609	-35%
Operating profit	5,692	8,353	47%
Total income	16,120	22,095	37%
Net interest income	11,464	17,188	50%
Net fees and commissions	4,215	4,446	5%
Other net non-interest income	441	461	4%
Operating expenses	-10,428	-13,743	32%
Total provisions	1,364	-3,743	-375%
Provision for impairment on loan and placement losses	1,293	-3,434	-366%
Other provision	71	-309	-536%
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	439,836	477,676	9%
Gross customer loans	319,836	362,067	13%
Gross customer loans (FX-adjusted)	353,327	362,067	2%
Retail loans	178,523	173,693	-3%
Corporate loans	174,707	188,299	8%
Car financing loans	97	75	-23%
Allowances for possible loan losses	-19,518	-24,510	26%
Allowances for possible loan losses (FX-adjusted)	-21,562	-24,510	14%
Deposits from customers	318,216	324,671	2%
Deposits from customers (FX-adjusted)	350,637	324,671	-7%
Retail deposits	228,438	213,067	-7%
Corporate deposits	122,199	111,604	-9%
Liabilities to credit institutions	36,733	58,967	61%
Total shareholders' equity	66,188	76,556	16%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	283,959	294,548	4%
Stage 1 loans under IFRS 9/gross customer loans (%)	88.8%	81.4%	-7.4%p
Own coverage of Stage 1 loans under IFRS 9 (%)	1.1%	1.3%	0.3%p
Stage 2 loan volume under IFRS 9 (in HUF million)	12,509	41,390	231%
Stage 2 loans under IFRS 9/gross customer loans (%)	3.9%	11.4%	7.5%p
Own coverage of Stage 2 loans under IFRS 9 (%)	4.8%	9.3%	4.5%p
Stage 3 loan volume under IFRS 9 (in HUF million)	23,369	26,129	12%
Stage 3 loans under IFRS 9/gross customer loans (%)	7.3%	7.2%	-0.1%p
Own coverage of Stage 3 loans under IFRS 9 (%)	68.2%	63.9%	-4.2%p
Provision for impairment on loan and placement losses/average gross loans (%)	-0.56%	0.99%	1.55%p
90+ days past due loan volume (in HUF million)	17,058	17,538	3%
90+ days past due loans/gross customer loans (%)	5.3%	4.8%	-0.5%p
Performance Indicators (%)	**2019**	**2020**	**Y-o-Y**
ROA	1.9%	0.9%	-1.0%p
ROE	11.9%	6.0%	-5.9%p
Total income margin	4.86%	4.70%	-0.16%p
Net interest margin	3.45%	3.65%	0.20%p
Cost/income ratio	64.7%	62.2%	-2.5%p
Net loans to deposits (FX-adjusted)	95%	104%	9%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/EUR (closing)	330.5	365.1	10%
HUF/EUR (average)	325.3	351.2	8%

MAIN FINANCIAL INDICATORS OF OTP BANK ALBANIA

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments	2,616	1,959	-25%
Income tax	-459	-489	6%
Profit before income tax	3,075	2,448	-20%
Operating profit	3,702	5,904	59%
Total income	7,953	11,597	46%
Net interest income	6,697	9,824	47%
Net fees and commissions	1,007	1,278	27%
Other net non-interest income	248	495	100%
Operating expenses	-4,250	-5,693	34%
Total provisions	-627	-3,455	451%
Provision for impairment on loan and placement losses	-249	-2,515	911%
Other provision	-379	-940	148%
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	247,997	286,606	16%
Gross customer loans	147,777	180,815	22%
Gross customer loans (FX-adjusted)	161,373	180,815	12%
Retail loans	72,937	83,948	15%
Corporate loans	86,138	94,275	9%
Car financing loans	2,299	2,592	13%
Allowances for possible loan losses	-3,657	-8,089	121%
Allowances for possible loan losses (FX-adjusted)	-4,001	-8,089	102%
Deposits from customers	179,755	214,808	20%
Deposits from customers (FX-adjusted)	196,492	214,808	9%
Retail deposits	167,088	179,853	8%
Corporate deposits	29,404	34,956	19%
Liabilities to credit institutions	36,901	3,151	1%
Total shareholders' equity	25,605	28,781	12%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	138,579	143,701	4%
Stage 1 loans under IFRS 9/gross customer loans (%)	93.8%	79.5%	-14.3%p
Own coverage of Stage 1 loans under IFRS 9 (%)	1.2%	1.3%	0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	4,593	31,620	588%
Stage 2 loans under IFRS 9/gross customer loans (%)	3.1%	17.5%	14.4%p
Own coverage of Stage 2 loans under IFRS 9 (%)	10.1%	10.4%	0.3%p
Stage 3 loan volume under IFRS 9 (in HUF million)	4,604	5,494	19%
Stage 3 loans under IFRS 9/gross customer loans (%)	3.1%	3.0%	-0.1%p
Own coverage of Stage 3 loans under IFRS 9 (%)	33.1%	54.2%	21.2%p
Provision for impairment on loan and placement losses/average gross loans (%)	0.23%	1.55%	1.32%p
90+ days past due loan volume (in HUF million)	2,270	3,984	76%
90+ days past due loans/gross customer loans (%)	1.5%	2.2%	0.7%p
Performance Indicators (%)	**2019**	**2020**	**Y-o-Y**
ROA	1.4%	0.7%	-0.7%p
ROE	14.1%	7.3%	-6.8%p
Total income margin	4.27%	4.32%	0.06%p
Net interest margin	3.59%	3.66%	0.07%p
Cost/income ratio	53.4%	49.1%	-4.4%p
Net loans to deposits (FX-adjusted)	80%	80%	0%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/ALL (closing)	2.7	2.9	8%
HUF/ALL (average)	2.6	2.8	7%

MAIN FINANCIAL INDICATORS OF MOBIASBANCA (MOLDOVA)

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments	1,936	3,973	105%
Income tax	-174	-540	210%
Profit before income tax	2,110	4,513	114%
Operating profit	2,929	7,707	163%
Total income	5,902	14,596	147%
Net interest income	3,959	8,889	125%
Net fees and commissions	891	2,137	140%
Other net non-interest income	1,052	3,570	239%
Operating expenses	-2,974	-6,889	132%
Total provisions	-819	-3,193	290%
Provision for impairment on loan and placement losses	-737	-2,695	266%
Other provision	-82	-499	508%
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	211,043	249,921	18%
Gross customer loans	104,763	132,081	26%
Gross customer loans (FX-adjusted)	108,490	132,081	22%
Retail loans	58,167	71,552	23%
Corporate loans	48,781	58,467	20%
Car financing loans	1,542	2,062	34%
Allowances for possible loan losses	-1,790	-4,578	156%
Allowances for possible loan losses (FX-adjusted)	-1,857	-4,578	147%
Deposits from customers	161,071	203,176	26%
Deposits from customers (FX-adjusted)	167,509	203,176	21%
Retail deposits	115,397	133,395	16%
Corporate deposits	52,111	69,781	34%
Liabilities to credit institutions	12,342	5,906	-52%
Total shareholders' equity	34,518	37,287	8%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	102,460	121,459	19%
Stage 1 loans under IFRS 9/gross customer loans (%)	97.8%	92.0%	-5.8%p
Own coverage of Stage 1 loans under IFRS 9 (%)	1.0%	1.1%	0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	880	6,670	658%
Stage 2 loans under IFRS 9/gross customer loans (%)	0.8%	5.1%	4.2%p
Own coverage of Stage 2 loans under IFRS 9 (%)	23.6%	19.5%	-4.0%p
Stage 3 loan volume under IFRS 9 (in HUF million)	1,424	3,952	178%
Stage 3 loans under IFRS 9/gross customer loans (%)	1.4%	3.0%	1.6%p
Own coverage of Stage 3 loans under IFRS 9 (%)	39.7%	48.0%	.3%p
Provision for impairment on loan and placement losses/average gross loans (%)	1.58%	2.23%	0.64%p
90+ days past due loan volume (in HUF million)	383	2.109	451%
90+ days past due loans/gross customer loans (%)	0.4%	1.6%	1.2%p
Performance Indicators (%)	**2019**	**2020**	**Y-o-Y**
ROA	2.1%	1.7%	-0.4%p
ROE	12.6%	10.7%	-1.9%p
Total income margin	6.31%	6.24%	-0.06%p
Net interest margin	4.23%	3.80%	-0.43%p
Cost/income ratio	50.4%	47.2%	-3.2%p
Net loans to deposits (FX-adjusted)	64%	63%	-1%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/BGN (closing)	17.2	17.3	0%
HUF/BGN (average)	16.6	17.8	7%

MAIN FINANCIAL INDICATORS OF OTP BANKA SLOVENSKO (SLOVAKIA)

Main components of P&L account in HUF mn	2019	2020	Y-o-Y
After tax profit without the effect of adjustments	1,575	-1,166	-174%
Income tax	-240	-304	27%
Profit before income tax	1,815	-862	-148%
Operating profit	1,625	1,677	3%
Total income	14,714	12,419	-16%
Net interest income	10,505	8,523	-19%
Net fees and commissions	3,884	3,208	-17%
Other net non-interest income	325	688	111%
Operating expenses	-13,089	-10,742	-18%
Total provisions	190	-2,539	
Provision for impairment on loan and placement losses	604	-2,731	-552%
Other provision	-414	192	-146%
Main components of balance sheet closing balances in HUF mn	**2019**	**2020**	**Y-o-Y**
Total assets	473,660	0	-100%
Gross customer loans	392,793	0	-100%
Gross customer loans (FX-adjusted)	433,900	0	-100%
Retail loans	371,538	0	-100%
Corporate loans	62,355	0	-100%
Car financing loans	7	0	-100%
Allowances for possible loan losses	-24,338	0	-100%
Allowances for possible loan losses (FX-adjusted)	-26,886	0	-100%
Deposits from customers	351,722	0	-100%
Deposits from customers (FX-adjusted)	387,890	0	-100%
Retail deposits	353,851	0	-100%
Corporate deposits	34,039	0	-100%
Liabilities to credit institutions	50,669	0	-100%
Total shareholders' equity	38,078	0	-100%
Loan Quality	**2019**	**2020**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	336,650	0	-100%
Stage 1 loans under IFRS 9/gross customer loans	85.7%	0.0%	-85.7%p
Own coverage of Stage 1 loans under IFRS 9	0.7%	0.0%	-0.7%p
Stage 2 loan volume under IFRS 9 (in HUF million)	29,307	0	-100%
Stage 2 loans under IFRS 9/gross customer loans	7.5%	0.0%	-7.5%p
Own coverage of Stage 2 loans under IFRS 9	11.7%	0.0%	-11.7%p
Stage 3 loan volume under IFRS 9 (in HUF million)	26,836	0	-100%
Stage 3 loans under IFRS 9/gross customer loans	6.8%	0.0%	-6.8%p
Own coverage of Stage 3 loans under IFRS 9	68,8%	0.0%	-68.8%p
Provision for impairment on loan and placement losses/average gross loans	-0.15%	0.76%	0.92%p
90+ days past due loan volume (in HUF million)	21,890	0	-100%
90+ days past due loans/gross customer loans	5.6%	0.0%	-5.6%p
Performance Indicators	**2019**	**2020**	**Y-o-Y**
ROA	0.3%	-0.3%	-0,6%p
ROE	5.2%	-3.4%	-8.7%p
Total income margin	3.20%	2.98%	-0.23%p
Net interest margin	2.29%	2.04%	-0.24%p
Cost/income ratio	89.0%	86.5%	-2.5%p
Net loans to deposits (FX-adjusted)	105%	0%	-105%p
FX rates (in HUF)	**2019**	**2020**	**Y-o-Y**
HUF/EUR (closing)	330.5	365.1	10%
HUF/EUR (average)	325.3	351.2	8%

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	Note	Year ended December 31, 2020	Year ended December 31, 2019
Interest Income		589,939	548,740
Interest Expense		(154,278)	(145,495)
Net interest income	**6**	**435,661**	**403,245**
Fee and commission income		146,642	131,867
Fee and commission expense		(39,760)	(40,408)
Net fee and commission income	**7**	**106,882**	**91,459**
Impairment losses	**8**	**(164,510)**	**(104,428)**
Net interest, fee, and commission income after impairment losses		**378,033**	**390,276**
Trading income, net	9	31,495	39,770
Gains or (losses) on financial instruments at fair value through profit or loss		6,613	(195)
Gains or (losses) on financial instruments at fair value through other comprehensive income		(2,557)	56
Other operating income	12	17,261	14,938
Total income from financial operations		**52,812**	**54,569**
Total operating revenues		**430,846**	**444,845**
Salaries and related expenses	10	(221,106)	(183,720)
Other administrative expenses	11	(138,661)	(132,380)
Depreciation of tangible and Intangible assets	19	(62,690)	(45,521)
Other operating expenses	12	(9,536)	(12,684)
Total non-interest expense		**(431,993)**	**(374,305)**
Profit before income taxes		**(1,147)**	**70,540**
Income tax expense	29	3,526	-
Net Profit for the period for owners of the parent		**2,379**	**70,540**
Items that will not be reclassified to profit or loss			
Revaluation of property, plant, and equipment		(1,814)	(1,817)
Related tax for above positions		290	190
Total items that will not be reclassified to profit or loss		**(1,524)**	**(997)**
Items that may be reclassified to profit or loss			
Net change in fair value of financial assets through other comprehensive income		(9,319)	14,254
Related tax for above positions		1,903	(2,286)
Total items that may be reclassified to profit or loss		**(7,416)**	**11,968**
Other comprehensive income, net of tax		**(8,940)**	**10,971**
Total comprehensive income for the reporting period for owners of the parent		**(6,561)**	**81,511**
Basic and diluted earnings per ordinary share	**31**	**0.31**	**9.25**

These separate financial statements have been authorized for issue by the management on March 17, 2021.

Mara Cristea,
Member of the Management
Board and Deputy CEO

Ana-Maria Enache
Director, Finance & Accounting
Directorate

	Note	December 31, 2020	December 31, 2019
ASSETS			
Cash and cash equivalents	13	532,794	635,212
Current accounts and deposits at banks	14	561,234	417,025
Accounts with the National Bank of Romania	15	1,698,185	1,002,064
Loans and advances to customers	16	10,186,672	9,138,500
Loans and advances to banks	18	76,652	296,436
Investment securities at fair value through profit and loss	17	19,436	12,538
Investment securities at fair value through other comprehensive income	20	725,804	760,537
Securities at amortized cost	20	570,948	544,455
Investment in Associates and Subsidiaries	21	46,558	46,553
Property and equipment	19	181,891	172,977
Intangible assets	19	56,790	48,393
Right-of-use assets	19	55,114	42,951
Investment property		1,254	1,500
Derivatives	26	13,945	14,469
Derivatives hedge accounting	26	-	175
Deffered taxes, net	29	21,937	23,413
Other assets	22	84,734	84,852
Total assets		**14,833,948**	**13,242,050**
LIABILITIES			
Due to Banks		162,393	515,154
-Demand deposits from banks	23	18,934	248,294
-Term deposits from banks	23	143,459	266,860
Due to customers		9,510,560	7,974,869
-Demand deposits from customers	24	3,856,203	3,630,553
-Term deposits from customers	24	5,654,357	4,344,316
Borrowings	25	3,098,347	2,751,593
Derivatives	26	13,343	14,354
Derivatives hedge accounting	27	48,875	42,858
Lease liabilities	19	56,347	44,189
Provisions	28	164,259	139,021
Other financial liabilities	30	166,153	142,079
Total liabilities		**13,220,277**	**11,624,117**
SHAREHOLDERS' EQUITY			
Share capital, nominal	31	1,829,253	1,829,253
Share capital inflation effect		42,751	42,751
Total share capital		1,872,004	1,872,004
Accumulated deficit and reserves		(258,333)	(254,071)
Total shareholders' equity		**1,613,671**	**1,617,933**
Total liabilities and shareholders' equity		**14,833,948**	**13,242,050**

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Mara Cristea,
Member of the Management
Board and Deputy CEO

Ana-Maria Enache
Director, Finance & Accounting
Directorate

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from operating activities:			
Profit before taxes		**2,379**	**70,540**
Adjustments for non-cash items:			
Depreciation expense		62,153	45,425
Impairment losses on loans and advances to customers		140,215	93,581
Impairment losses on sundry transactions		1,122	1,001
Other adjustments		23,631	17,430
Valuation of derivative transactions		5,705	18,493
Total adjustments for non-cash items		**232,825**	**175,930**
Net profit adjusted for non-cash items		**235,204**	**246,470**
Changes in operating assets and liabilities:			
Increase of cash at National Bank of Romania		28,319	(139,874)
Increase of loans and advances to customers		(1,189,185)	(1,528,176)
Increase of loans and advances to banks		219,784	(294,367)
Increase of other assets		7,082	(11,947)
Increase of demand deposits		(3,710)	1,238,356
Increase of term deposits		1,186,640	(219,946)
Increase of other liabilities		22,128	27,380
Total changes in operating assets and liabilities		**271,773**	**(928,574)**
Net cash provided by operating activities		**506,977**	**(682,104)**
Cash flows from investing activities:			
Purchase of investments at fair value through other comprehensive income		27,317	(50,368)
Purchase of sale of investments at amortized cost		(26,493)	(255,777)
Purchase of investments at fair value through profit and loss		(6,898)	(1,112)
Purchase of tangible and intangible assets, net		(56,141)	(54,698)
Payments for increase in share capital of subsidiaries	21	(5)	(34,630)
Net cash used in investing activities		**(62,220)**	**(396,585)**
Cash flows from financing activities:			
Increase of borrowings		346,754	661,422
Payment of lease liabilities		(25,280)	(22,222)
Proceeds from issue of shares		-	320,000
Net cash provided by financing activities		**321,474**	**959,200**
Net increase in cash and cash equivalents		**766,231**	**(119,489)**
Cash and cash equivalents at beginning of period	**13**	**1,364,536**	**1,484,025**
Cash and cash equivalents at end of period	**13**	**2,130,767**	**1,364,536**

Cash-flow from operating activities includes:	
Interest received	589,686
Interest paid	(153,737)

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Mara Cristea,
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Ana-Maria Enache
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Directorate

	Share Capital	Share capital reserves	Reevaluation reserves	Other comprehensive income	Retained earnings	Total
Balance as of December 31, 2019	**1,829,253**	**42,751**	**41,262**	**267**	**(295,600)**	**1,617,933**
Net income, recognized directly in equity	-	-	-	-	2,300	2,300
Net profit for the period ended December 31, 2020	-	-	-	-	2,379	2,379
Changes in Other comprehensive income	-	-	(1,524)	(550)	(6,866)	(8,940)
Increase in share capital	-	-	-	-	-	-
Balance as of December 31, 2020	**1,829,253**	**42,751**	**39,738**	**(283)**	**(297,788)**	**1,613,671**

	Share Capital	Share capital reserves	Reevaluation reserves	Other comprehensive income	Retained earnings	Total
Balance as of December 31, 2018	**1,509,253**	**42,751**	**42,259**	**121**	**(379,189)**	**1,215,195**
Net income, recognized directly in equity	-	-	-		1,227	1,227
Net profit for the period ended December 31, 2019	-	-	-		70,540	70,540
Changes in Other comprehensive income			(997)	146	11,822	10,971
Increase in share capital	320,000	-	-		-	320,000
Balance as of December 31, 2019	**1,829,253**	**42,751**	**41,262**	**267**	**(295,600)**	**1,617,933**

These separate financial statements have been authorized for issue by the management on March 17, 2021.

Mara Cristea,
Member of the Management
Board and Deputy CEO

Ana-Maria Enache
Director, Finance & Accounting
Directorate

1 GENERAL OVERVIEW ON THE BANK AND ITS OPERATIONS

OTP BANK ROMANIA SA (hereinafter the "Bank" or "OTP Romania") was established as a private bank in 1995, under the official name "Banca Comercială RoBank S.A.", and Trade Register number J40/10296/1995.

In July 2004, OTP Bank Plc. (Hungary) became the main shareholder of the Bank and in July 2005 the Bank was officially registered with the Romanian Trade Register under the name "OTP Bank România S.A.".
OTP Bank Plc. (Hungary) represents the ultimate parent of OTP Bank România S.A.

The Head Office of the Bank is seated in Romania, Bucharest, 66-68 Buzești Street, District 1.

The Bank's tax identification number is RO 7926069.

Notes to the Separate Financial Statements for the period ended December 31st, 2020

Members of Statutory and Supervisory Boards as of 31 December 2020:

Supervisory Board:

Antal György Kovács	Chairman of the Supervisory Board
Judit Hanusovszky	Vice-Chairman of the Supervisory Board
Enikő Zsakó	Member
Tibor László Csonka	Member
Ildikó Pál Antal	Independent Member
Attila Végh	Member
Gábor Sudár	Member
Ferenc Berszán	Independent Member

Management Board:

Gyula Fatér	Chairman of the Management Board and CEO
Zoltán Balázs	Member of the Management Board and Deputy CEO, coordinator of Lending and Risk Management Division
Roxana Maria Hidan	Member of the Management Board and Deputy CEO, coordinator of Retail Banking Division
Mara Cristea	Member of the Management Board and Deputy CEO, coordinator of Finance and Planning Division
Ioan Dragoș Mirică	Member of the Management Board and Deputy CEO, coordinator of Corporate Banking Division

Members of Statutory and Supervisory Boards as of 31 December 2019:

Supervisory Board:

Antal György Kovács	Chairman of the Supervisory Board
Judit Hanusovszky	Vice-Chairman of the Supervisory Board
Enikő Zsakó	Member
Tibor László Csonka	Member
Ildikó Pál Antal	Independent Member
Attila Végh	Member
Gábor Sudár	Member

Management Board:

Gyula Fatér	Chairman of the Management Board and CEO
György Gáldi	Vice-Chairman of the Management Board and Deputy CEO, coordinator of Lending and Risk Management Division
Roxana Maria Hidan	Member of the Management Board and Deputy CEO, coordinator of Retail Banking Division
Mara Cristea	Member of the Management Board and Deputy CEO, coordinator of Finance and Planning Division
Ioan Dragoș Mirică	Member of the Management Board and Deputy CEO, coordinator of Corporate Banking Division

The Bank is managed by the Chief Executive Officer (CEO), who also acts as Chairman of Management Board. In his absence, the CEO is fully represented by his representatives (other members of the Bank's Management Board).

Scope of the Business

OTP Bank Romania has been present on the Romanian banking market for more than 14 years as a universal bank offering complete financial solutions for individuals and companies.

OTP Bank Romania has grown organically since its entry into the domestic market, while at the same time strengthening its position in 2016, following the completion of Millennium Bank Romania's integration process in November 2015, proving a strong, stable, and trustworthy partner for customers, collaborators, and employees.

OTP Bank has continued to offer its clients a wide range of products tailored to their expectations, as well as superior experience. The Bank developed fast and easy financing solutions such as the SME Loan project or the Start-Up Hero package. For the corporate clients' segment, the personalized concept "Corporate Officer" is in place, with a dedicated office within the national branch network.

The Bank has also contributed to agribusiness projects, such as the Rural Development Plan, the EAFRD (European Agricultural Fund for Rural Development).

For individuals, the Bank focused on cash, mortgage, and car loans, and among the most important achievements is the launch of differenciated term deposits campaigns with competitive prices, both when the OTC transaction ends, but also within OTPdirekt.

Shareholders' Structure:

The majority shareholder of the Bank, OTP Bank Plc. (Hungary) is listed on the Budapest Stock Exchange and fully consolidates the Financial Statements of OTP Bank Romania S.A. The registered Head Office of the parent company is: 16 Nador Street, Budapest, 1051, Hungary.

As of December 31, 2020, the shareholders' structure of the Bank was not modified compared with the end of year 2019, as follows:

December 31, 2020

Shareholders	Percentage of ownership	Number of shares	Amount (RON)
1. OTP Bank Nyrt	99.9999475195647%	7,621,884	1,829,252,160
2. Merkantil Bank zrt	0.0000524804353%	4	960
Total	**100%**	**7,621,888**	**1,829,253,120**

December 31, 2019

Shareholders	Percentage of ownership	Number of shares	Amount (RON)
1. OTP Bank Nyrt	99.9999475195647%	7,621,884	1,829,252,160
2. Merkantil Bank zrt	0.0000524804353%	4	960
Total	**100%**	**7,621,888**	**1,829,253,120**

The organizational structure and number of employees

As of 31 December 2020, the Bank operates through its 96 territorial units (including 63 branches and 33 agencies), distributed in all counties of Romania, as well as the Bucharest headquarters.

The total number of employees of the Bank as of 31 December 2020 was 1,728 (31 December 2019: 1,520). The average number of employees during 2020 was 1,646 (1,308 in 2019).

2 CAPITAL ADEQUACY AND REGULATORY REQUIREMENTS

The Bank calculates capital adequacy based upon the regulations issued by the National Bank of Romania ("NBR").

In administration of its regulatory capital, the Bank aims to ensure an adequate level of business prudence and assets and liabilities monitoring, as well as to continuously maintain the Bank's regulatory capital above the minimum level required by the NBR. To accomplish this, when preparing the yearly business plan, the Bank also prepares a plan of adequacy of regulatory capital considering its business objectives and applying the knowledge gained from previous experience.

In 2020, the Bank monitored the development of requirements for regulatory capital and prepared reports on the required levels of the Bank's regulatory capital on a monthly basis. These reports have been submitted periodically to the National Bank of Romania and to the Management Board meetings for periodical analysis.

The Bank complied with the minimum capital adequacy ratio set by the common decision of the supervisory authorities (National Bank of Romania and the Hungarian National Bank) as of 31 December 2020, as well as of 31 December 2019.

The Council of the European Union has approved the regulation regards transitional arrangement for mitigating the impact of the introduction of IFRS 9 on own funds, (Regulation EU 2017/2395). The regulation contains the detailed description, how banks may take into account the IFRS 9 provision impact in their regulatory capital, and in RWA calculation, in that case when the application of IFRS 9 caused significant decrease in the Common Equity Tier 1 capital.

OTP Bank Romania, like all banks in OTP Group, decided to apply this transitional mitigation effect in their own funds' calculation after 1 January, 2018.

Tier 1	December 31, 2020	December 31, 2019
CET		
Share capital	1,872,004	1,872,004
Retained earnings	(266,438)	(265,245)
Other CET1 elements	(3,077)	(3,077)
Other intangible assets	(56,790)	(48,393)
Deductions	5,099	11,248
Other transitional adjustments (IFRS 9)	150,084	98,052
Tier 2		
Deductions	-	-
Own Funds	**1,700,882**	**1,664,590**
Own funds requirements for:		
Credit Risk	590,980	580,916
Market Risk	300	608
CVA	407	312
Operational Risk	81,132	71,593
OWN FUNDS REQUIREMENTS	**672,819**	**653,429**
CET1 Capital ratio	20.22%	20.38%
T1 Capital ratio	20.22%	20.38%
Total capital ratio	**20.22%**	**20.38%**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

3.1 Basis of preparation

The separate financial statements have been prepared using the historical cost model for measuring the elements presented in the statement of financial position except for the following significant items:

- Tangible assets measured using the revaluation model;
- Assets held for sale measured at the lower of carrying amount and fair value less cost to sell;
- Financial assets classified as measured at fair value through profit or loss, and through Other Comprehensive Income;
- Share capital measured using IAS 29.

The Bank keeps accounting records and prepares statutory financial statements in accordance with Romanian accounting regulations.

Statement of compliance

These separate financial statements include the separate statement of financial position, the separate income statement and other comprehensive income, the separate statement of changes in equity, the separate statement of cash flows and notes to the separate financial statements. The separate financial statements for the period ended as of December 31, 2020, and comparative data for the period ended as of December 31, 2019 have been prepared in accordance with Order 27/2010 approving the Accounting Regulations compliant with International Financial Reporting Standards applicable to credit institutions, issued by the National Bank of Romania and in accordance with International Financial Reporting standards ("IFRS"), as adopted by the European Union (EU). The principal accounting policies applied in preparing these financial statements are set out below and have been applied consistently throughout all periods presented financial.

The Separate Financial Statements for the period ended as of December 31, 2020, and the comparative data for the period ended as of December 31, 2019, are prepared in Romanian new leu ("RON") and are presented in thousand Romanian new lei ("RON") unless otherwise stated, rounded to the nearest thousand.

The Bank's management assessed the functional currency of the Bank to be RON, which is also the presentation currency of these financial statements.

In 2020 the Bank has applied all the new or revised Standards Interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been adopted by the EU, and that are relevant to the work done by the Bank.

The Bank decided not to adopt any of the standards or interpretations before the date of their effectiveness, which were prepared for issue as at the date of the authorization of these financial statements, but not yet effective.

a) Changes in accounting policies and adoption of new/ revised/ amended IFRS

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Material - issued by IASB on 31 October 2018, adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance.

- **Amendments to IFRS 3 "Business Combinations"** – Definition of a Business - adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period). Amendments were introduced to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Reforma Rate Benchmark Reform adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020). Interest Rate Benchmark Reform issued by IASB on 26 September 2019. The changes in Interest Rate Benchmark Reform:
  a) modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
  b) are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
  c) are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
  d) require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

- **Amendments to IFRS 16 "Leases"** - COVID-19-Related Rent Concessions issued by IASB on 28 May 2020, adopted by the EU on 9 October 2020, and effective at the latest as from 1 June 2020 for financial years starting on or after 1 January 2020. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by IASB on 29 March 2018, adopted

Notes to the Separate Financial Statements for the period ended December 31st, 2020

by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020). Due to the fact that Conceptual Framework was revised, the IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

b) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9". -** Extension of the Temporary Exemption from Applying IFRS 9 issued by IASB on 25 June 2020. Amendments change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform – Phase 2 issued by IASB on 27 August 2020, adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021). The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting:

a) Modification of financial assets, financial liabilities, and lease liabilities - the IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

b) Hedge accounting requirements - under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

c) Disclosures - in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about:
   - how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
   - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;
   - to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.

d) The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.

c) Standards and Interpretations issued by IASB and not yet adopted by the EU

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023). The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. Amendments to IFRS 17 "Insurance Contracts" issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.

- **Amendments to IAS 1 "Presentation of Financial Statements"** Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023). The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

- **Amendments to IAS 16 "Property, Plant and Equipment"** Proceeds before Intended Use issued by IASB on 14 May 2020, effective for annual periods beginning on or after 1 January 2022. The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts – Cost of Fulfilling a Contract issued by IASB on 14 May 2020, effective for annual periods beginning on or after 1 January 2022. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 issued by IASB on 14 May 2020 (effective for annual

Notes to the Separate Financial Statements for the period ended December 31st, 2020

periods beginning on or after 1 January 2022). The amendments: (a)_update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41, issued by IASB on 14 May 2020 are effective for annual periods beginning on or after 1 January 2022. The amendments:

a) clarify that subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs (IFRS 1);
b) clarify which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf (IFRS 9);
c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example (Illustrative Example 13 accompanying IFRS 16); and
d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).

The Bank anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of OTP Bank Romania in the period of initial application.

3.2 Offsetting

The Bank does not offset assets and liabilities or income and expenses unless there is a legal right to perform or if the offsetting better reflects the economic substance of the transaction. Net settlement of receivables and payables or presentation of assets after deducting the related impairment losses is not considered offsetting.

3.3 Consolidated and Separate Financial Statements

These financial statements present the separate financial position and results of operations of the Bank. Consolidated financial statements are currently being prepared by the ultimate parent, OTP Bank Plc.
The Bank is part of the consolidation perimeter of OTP Group. Consolidated financial statements for all Group entities are prepared by OTP Bank Plc., the parent company with its headquarters set at 16 Nador Street, 1051 Budapest, Hungary. OTP Bank Plc. is also the immediate consolidating entity of the Bank.

Investments in subsidiaries, associated companies and other investments:

Investments in subsidiaries comprise those investments where OTP Bank, through direct and indirect ownership interest, controls the investee. Control is achieved when the Bank has power over the investee, is exposed or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. Investments in subsidiaries are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate.
After initial measurement investments in subsidiaries are measured at cost, in the case of foreign currency denominated investments for the measurement the Bank uses the exchange rate at the date of transaction.

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence implies the power to participate in decisions regarding financial and operating policies of the associate but not control or joint control over those policies.

The associates are presented in the financial statements at cost less impairment. Further information on the Bank subsidiaries and affiliates are included in Note 21.
OTP Bank Romania analyzed the provisions of IFRS 10 – Consolidated financial statements (paragraph 4 – exception of consolidation) and concluded that all conditions are met and the ultimate parent company OTP Bank Plc. is in the process of finalizing the consolidated financial statements as of December 31, 2020, which is expected to be made available to the public on www.otpbank.hu., starting with April 2021.

3.4 Foreign currency translation

Transactions denominated in foreign currency are recognized at the exchange rate valid at the transaction date. Exchange differences arising from the settlement of foreign currency transactions are included in the income statement at the date of the settlement using the exchange rate valid on that date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official rate published by NBR in the last working day of the year. For reference purposes please find below the exchange rates at the end of the reporting periods, for the major currencies:

	RON/ CHF	RON/ USD	RON/ EUR	RON / 100 HUF
The exchange rate on December 31, 2020	4.4997	3.9660	4.8694	1.3356
The exchange rate on December 31, 2019	4.4033	4.2608	4.7793	1.4459

Unrealized foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the income statement (please refer to Note 9).

3.5 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that future economic benefits will be transferred to the Bank and this can be measured reliably.

3.6 Interest income and expenses

For all financial instruments measured at amortized cost, financial instruments classified as fair value through other comprehensive income, interest income and expenses are recorded using the effective interest rate. Interest income and expenses are recognized based on either on gross carrying amount or amortized cost, using the effective interest rate applicable until to maturity of the asset/liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the whole life cycle of the financial instrument to the net book value of the asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but does not account for future losses.

According to IFRS 9, the effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. The calculation includes all fees and points paid or received between parties from the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

CAIR (Credit adjusted effective interest rate) is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

The effective interest rate method is a method of calculating a financial asset or a financial liability and of allocating and recognizing interest income or interest expense in profit or loss over the relevant period. In calculating the effective interest rate, the Bank has to estimate the expected cash flows taking into account all contractual terms of the financial instrument (pre-pay, extension, call and similar options), but does not need to consider expected credit losses. The method is used to calculate the amortized cost of a financial asset or financial liability and to allocate and recognize interest income or interest expense in profit or loss during the relevant period.

3.7 Fees and commission income and expenses

Fees and commissions are generally recognized as income or expense in the profit or loss account on accrual basis, as they are earned.

Commissions received with regards to banking and similar services provided (except for those that are integral part of the effective interest rate), revenues from property development and revenues from services provided in connection with lease contracts fall within the scope of IFRS 15 'Revenue from Contracts with Customers.'

This standard defines a single model for recognising revenue based on five-step principles. These five steps enable to identify the distinct performance obligations included in the contracts and allocate the transaction price among them. The income related to those performance obligations is recognised as revenue when the latter are satisfied, namely when the control of the promised goods or services has been transferred.

Fees and commission income consist mainly of fees received for foreign currency transactions, issuance of guarantees and letters of credit and other banking services (eg.: SMS notifications, account statements, verifications with the Payment Incidents Bureau, issuing bills of exchange etc.).

Fees and commission expenses consist mainly of fees resulting from card transactions and interbank transactions, regulatory fees, or insurance premiums.

The Bank recognise revenue when (or as) the bank satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

For each performance obligation identified, the Bank determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If an entity does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Bank transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the bank's performance as the entity performs;
- the bank's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the bank's performance does not create an asset with an alternative use to the bank and the bank has an enforceable right to payment for performance completed to date.

The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument. The recognition is performed taking in consideration the contract and the performance obligation.

More details on revenues from contracts are presented in Note 7.

3.8 Financial assets

In accordance with IFRS 9 classification, the Bank classifies financial assets in the following measurement categories:

- financial assets measured at amortized cost ("AC");
- fair value through other comprehensive income ("FVOCI");
- fair value profit and loss ("FVPL").

Classification and subsequent measurement of financial assets is generally based on the Bank's business model to manage the assets and the cash flow characteristics of the assets.

A financial asset is any asset that is:

(a) cash;
(b) an equity instrument of another entity;
(c) a contractual right:
(i) to receive cash or another financial asset from another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Bank; or
(d) a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative for which the Bank is or may be obliged to receive a variable number of the Bank's own equity instruments; or
(e) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments.

Notes to the Separate Financial Statements for the period ended December 31st, 2020

3.8.1 Categories of financial instruments

a) Financial assets at fair value through other comprehensive income (FVOCI)

On initial recognition, financial assets are recognised at their fair value, including transaction costs directly attributable to the transaction. They are subsequently measured at fair value and changes in fair value are recognised, under a specific line of shareholders' equity. These financial assets are also subject to the measurement of a loss allowance for expected credit losses on the same approach as for debt instruments at amortised cost. The counterparty of the related impact in cost of risk is recognised in the same specific line of shareholders' equity. On disposal, changes in fair value previously recognised in shareholders' equity are reclassified to profit or loss.
In addition, interest is recognised in the income statement using the effective interest method determined at the inception of the contract.

Debt instruments

These financial assets are held within a business model whose objective is achieved by collecting contractual cash flows and sale of financial assets and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest due, they meet the "SPPI" test.

Under the business model "Held to collect contractual cash flows and selling financial assets", the Bank's key management personnel has made a decision that both collecting contractual cash flows and selling are fundamental to achieving the objective of the business model.

Compared to the business model with an objective to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective rather than only incidental to it.

Equity instruments

In accordance with IFRS 9.5.7.1 (b), 5.7.5 at initial recognition, the Bank may make an irrevocable choice, at instrument level, to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument which is not held for trading and is not contingent consideration recognized by a buyer in a business combination to which it applies IFRS 3 "Business combinations". In this case, gains and losses remain valued at fair value through other comprehensive income without recycling to profit or loss.

b) Financial assets at amortized cost (AC)

Debt instruments

A debt instrument is to be measured at amortized cost if the following conditions are met: the financial asset is held within a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows and the contractual terms of the financial asset give rise, at certain dates, to cash flows that are exclusively principal payments and interest, i.e., they meet the SPPI condition.

In order to determine whether cash flows will be obtained by collecting the contractual cash flows of financial assets, the Bank analyzes the frequency, values and timing of sales from previous periods, the reasons for those sales and expectations of future sales activity.
In accordance with IFRS 9, paragraph B4.1.3, a business model can be to hold financial assets to collect contractual cash flows even when some sales of financial assets occur or are expected to occur in the future.

The following scenarios are considered by the Bank, in accordance with IFRS 9, consistent with a hold to collect business model:

a) the Bank sells financial assets when there is an increase in the assets' credit risk. To determine whether there has been an increase in the assets' credit risk, the entity considers reasonable and supportable information, including forward looking information. Irrespective of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the entity's ability to collect contractual cash flows. [IFRS 9.B4.1.3A].
b) sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent). [IFRS 9.B4.1.3B].
c) sales made close to the maturity of the financial assets and the proceeds from the sales approximate the collection of the remaining contractual cash flows. [IFRS 9.B4.1.3B].

c) Financial assets at fair value through profit or loss (FVTPL)

Derivatives
In accordance with IFRS 9, derivative financial instruments are measured at fair value through profit or loss.

Equity instruments
In accordance with IFRS 9, the Bank will measure equity instruments in the category held for trading at fair value through profit or loss.

Debt instruments
A debt instrument must be measured at fair value through profit or loss if does not meet the conditions for amortised cost measurement or fair value through other comprehensive income measurement or they are irrevocably designated at fair value through profit or loss on initial recognition (based on "accounting mismatch" concept).

3.8.2 Initial Recognision

Financial assets are measured at initial recognition at fair value plus or minus directly attributable transaction costs in the case of financial assets other than fair value through profit or loss.

Transaction costs:

a) incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument;
b) an incremental cost is one that would not have been incurred if the Bank had not acquired, issued or disposed of the financial instrument;
c) trading costs include fees and commissions paid to agents (including agents acting as sales agents), advisers, brokers and dealers, regulatory agency fees and stock exchanges, as well as transfer and attribution fees;
d) do not include bonuses or discounts, internal financing or administrative costs, or costs of ownership.

For financial assets that are not measured at fair value through profit or loss, transaction costs are amortized in profit or loss using the effective interest method. The Bank initially recognizes the financial assets, except for derivative financial instruments, at the settlement date. The Bank's derivative instruments are recognized at the date of the transaction at which the Bank becomes a party to the instruments.

Notes to the Separate Financial Statements for the period ended December 31st, 2020

3.8.3 Subsequent recognition

Depending on the classification, financial assets will be measured at amortized cost or fair value.

Instruments classified as "AC" are recorded at amortized cost using the effective interest rate (EIR) or credit-adjusted effective interest rate (CAIR) for purchased or originated financial asset(s) that are credit-impaired on initial recognition.

3.8.4 Derecognition

The Bank shall derecognise a financial asset when, and only when:

(a) the contractual rights to the cash flows from the financial asset expire, or
(b) it transfers the financial asset and the transfer meets the following two conditions:

i. transfers the contractual rights to receive the cash flows of the financial asset, or
ii. retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions:

- The Bank has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
- The Bank is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- The Bank has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

iii. all the risks and rewards of ownership were transferred.

Also, according to IFRS 9, paragraph B5.5.25, in some circumstances renegotiation or modification of the contractual cash flows of a financial asset may lead to the derecognition of the existing financial asset.

Thus, when a change in a financial asset results in a derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a "new" financial asset in accordance with IFRS 9.
In order to determine derecognition, changes to the contractual clauses must be significant in terms of quantity and/or quality.

3.8.5 Reclasification

If the Bank changes its business model for the management of its financial assets, then it shall reclassify those financial assets according to the classification rules, except for those financial assets that were assessed and classified under an irrevocable choice.

According to IFRS 9, if the Bank reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The entity shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

If the Bank reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date.

Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

If the Bank reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income.

If the Bank reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment.
If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

If the Bank reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

The Bank uses settlement date accounting for the recognition and derecognition of financial assets. According to IFRS 9, the settlement date is the date on which an asset is delivered to or by the Bank. Settlement date accounting refers to:
(a) recognition of an asset on the day it is received by the Bank; and
(b) derecognition an asset and recognition of any gain or loss on disposal on the day it is delivered by the Bank.

When settlement date accounting is applied, the Bank accounts for any change in the fair value of the asset to be received during the period between the trade date and the settlement date in the same way as it accounts for the purchased asset. Thus, the change in value is not recognized for assets measured at amortized cost; is recognized in profit or loss for assets classified as financial assets at fair value through profit or loss; and is recognized in other comprehensive income for financial assets at fair value through other comprehensive income and for investments in equity instruments designated at fair value through other comprehensive income.

3.8.6 Impairment

IFRS 9 sets out an impairment model based on a forward-looking approach to the "expected loss" that applies to:

a. Financial assets measured at amortized cost;
b. Debt instruments measured at fair value recognized in other comprehensive income; and
c. Loan commitments and financial guarantee contracts.

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According to the expected loss pattern set by IFRS 9, expected credit losses are recognised from the initial recognition of the financial instrument, using 12 months expected credit losses. The expected loss over the entire period of the financial instrument will be recognized in the event of a significant increase in credit risk („SICR") compared to the time of initial recognition.

The significant increase in credit risk compared to the time of initial recognition of a financial asset is an indicator that can be based on items such as the currency of the loan, the collateral coverage, the borrower's creditworthiness, or other forward-looking items. However, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. A significant exchange-rate shock at the level of the denomination of credit that causes a significant group of borrowers to request conversion will be considered a relevant indication of the significant increase in credit risk.

The transition from recognizing 12-month expected credit losses (Stage 1) to lifetime expected credit losses (Stage 2) is based on the notion of a significant increase in credit risk over the remaining life of the instrument in comparison with the credit risk on initial recognition and includes the following triggers at reporting date:

a/ Days past Due ("DPD") 31-90
b/ Performing forborne
c/ Default on other loans of a private individual debtor (if not all exposures of the client are regarded as defaulted due to the 20% pulling effect when all on-balance sheet and off-balance sheet exposures to a single client are regarded as non-performing, if the gross value of the exposures past due over 90 days, stated in the balance sheet, exceeds 20% of the gross value of all on-balance sheet exposures from the respective client)

The default events are standings reached by the loan contracts as defined in the current document and Annex 3 of the Risk Assumption Regulation of OTP Bank Romania S.A., in line with EBA definition and OTPH Group approach. A default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realizing security;
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

d/ The transaction/client rating exceeds a predefined value or falls into a determined range, or compared to the historic value it deteriorates to a predefined degree. In case the rating-based staging is not possible (because the rating category is not available) the following rule must be used as stage 2 trigger: 10+ DPD in the last 6 months.

The evaluation of the transaction/client is based on the rating classes that are established according to the Master Scale, which contains 10 rating classes, used by the OTP Group. The Master Scale provides a standard rating scale for the entire loan portfolio of the OTP Group.

In the case of loans granted to legal entities, the evaluation of the transaction/client is done by following the following steps:

- Rating calculation that contains quantitative and qualitative elements is calculated at least once a year for particular client;
- The individual calculated score for each client is transferred to all client's loans which are mapped to the Master Scale based rating categories;
- Rating categories set as S2 staging trigger for Corporate loans are 8 and 9 and such score at report date is higher than the score at origination. When no updated score is available although it should be (e.g., latest financial data was not provided by the debtor), the referred item moves to Stage 2.

The valuation of the loan portfolio granted to privat individuals involves an adequate comparison of the probability of default calculated at the transaction level from the date of initiation and the date of reporting.

The migration criteria in stage 2 was established taking into account the probability of default after migration and the rate of increase of the probability of default for each rating category. The migration criteria were established taking into account the specific of eache type of loan (personal loans secured by real estate mortgages, loans for personal needs, credit cards and overdraft).

Separately, stricter limits have been applied for loans covered by the moratorium measure, given that the actual behavioral scores are not adequate estimates of the client's behavior.

e/ Loan to Value ("LTV") in case of private individuals secured loans exceeds a predefined rate of 125% or for such segment LTV cannot be derived due to zero value of collateral
f/ The transaction currency suffered a significant shock since loan origination and there is no hedge position in respect thereof
g/ Legal entities clients flagged Watchlist 2 in the loan monitoring process; clients with 'significantly increased risk shall be selected individually to stage 2 in the monitoring process, according to the decisions of the Loans Monitoring Committee, however provision calculation on this portfolio is done by using the collective approach (individually selected but collectively assessed)

Credit-impaired financial assets are those for which one or more events that have a detrimental effect on the estimated future cash flows have already occurred. These financial assets would be in Stage 3 and lifetime expected losses would be recognized. Indicators that an asset is credit-impaired include observable data about the following events at reporting date:

a/ DPD 90+ (with a materiality threshold in line with the default definition)
b/ DPD 31-90 & default status
c/ Non-performing forborne
d/ Legal procedures over debtor (Insolvency/Bankruptcy/Liquidation/ Winding up)
e/ Legal entities clients flagged Watchlist 3 during the loans monitoring process or clients managed by the Restructuring &Workout Directorate
f/ Clients selected by risk management (soft criteria)
g/ "Debt to asset law" active notification status marked at loan level
h/ Actively forborne loans with more than 3 restructuring operations implemented by the bank during loan lifetime
i/ Staged 2 exposures that following their individually monitoring assessment for legal entities are showing significant impairment indications, i.e., forbearance operations, payments delays, below cut-off risk class, significant decrease of turnover, dependence on a single customer, loss making etc.

Financial assets are analyzed to determine the expected loss adjustment at each reporting date. The adjustment for the expected loss on a financial instrument is equal to the amount of expected lifetime loss if the credit risk associated with that financial instrument has increased significantly since initial recognition.

If the credit risk for a financial instrument did not increase significantly after the initial recognition, the Bank shall measure the loss adjustment for that financial instrument at a value equal to the 12-month credit losses expected.

For purchased or originated credit-impaired financial assets (POCIs), the Bank recognizes as a loss adjustment only the cumulative changes in expected lifetime loss after initial recognition. At each reporting date, the Bank shall recognize in profit or loss the amount of change in expected lifetime loss as a gain or loss on impairment.

In case of purchased exposures (other than loans but including purchased financial assets from other OTP Group members, purchased financial assets from outside of the Group, financial assets acquired during an acquisition) impaired (stage 3) and non-impaired (stage 1, 2) receivables should be handled separately for provisioning purposes. As the origination date equals to the purchase date, the allocation of the financial assets to the stage 1/2 categories is different from the above described staging rules. The entity shall assess whether the credit risk on a financial asset has increased significantly since the purchase date, the rules of the categorization are the followings:

a/ In case transaction is classified into stage 1 at the date of purchase, then rules in subsection 3.1. should be applied.

b/ Transaction allocated to stage 2:

- In the first 12 months after the purchase date these transactions should be allocated to stage 1, unless Stage 3 trigger occurs as specified in subsection 3.1. In that case receivables should be allocated to Stage 3.
- After 12 months on book all receivables should be categorized according to subsection 3.1.

c/ Stage 3 (impaired) deals: the entity should consider these exposures as POCI (lifetime credit loss)

The treatment of Stage2 loans at purchase date should be back tested on a quarterly basis by analyzing the amount of loans that would potentially migrate to Stage2 after the 12 months period expires.

Financial assets at amortized cost: For this category, the loss amount is measured using the formula PL x LGL X Exposure. PLs (loss probability) and LGL (loss in case of loss) are calculated based on the residual maturity of the exposure. The cash flows from the collateral realization are taken into consideration when calculating the expected credit losses. The amount of the loss is recognized in profit or loss. Valuable recoveries are allowed.

Financial assets measured at fair value through other comprehensive income: For this category, the loss amount is measured as PL x LGL X Exposure. PLs (loss probability) and LGL (loss in case of loss) are calculated based on the residual maturity of the exposure. Recoveries are allowed: they must be recognized through profit or loss. Loss adjustment must be recognized in other comprehensive income and should not reduce the carrying amount of the financial asset in the statement of financial position.

When issuing a financial instrument, it is assumed that the Bank enters into market transactions and therefore the value of the instrument recorded in the accounting will be equal to the net cash flow paid or received by the bank.

The Bank records the adjustment for the expected loss of financial assets in a separate allowance account provision and does not directly reduce the carrying amount of the asset.

Expenditures with third parties such as legal fees resulting from the conclusion of the loan are treated as part of the cost of the transaction.

All loans and advances are recognized when cash is transferred to borrowers.

The provisioning policy used by OTP Bank Romania is based on the methodology for identifying and assessing expected losses and provisions in accordance with IFRS 9.

General Aspects on the Principles of Recognizing Expected Loss on Financial Assets at Amortized Cost (Loans)

IFRS 9 sets out a three-stage impairment assessment model according to which financial assets have (or have not) suffered a significant increase in credit risk compared to the time of initial recognition. The three stages determine the level of impairment to be recognized in the form of expected loss (ECL) (as well as the level of interest income to be recognized) at each reporting moment:

Stage 1: Credit risk has not increased significantly - Recognizing the expected losses for the next 12 months

Stage 2: Credit risk increased significantly from the time of initial recognition - Recognition of expected lifetime loss

Stage 3: Financial asset depreciated - recognizing expected lifetime loss.

Financial assets that are impaired on acquisition or approval date (POCI) will be classified for reporting purposes (e.g., FINREP) at the appropriate stages (Stage 2 or Stage 3).

The estimated expected loss for the next 12 months is the credit risk loss of the financial assets expected to occur according to the likelihood of the default event occurring within the 12 months following the initial recognition or from the reporting date for the instruments classified in Stage 1.

Estimated expected loss over the life of the financial instrument is the present value of the expected loss according to the likelihood of the default event occurring at any time until the final maturity of the financial asset.

According to IFRS 9, the loss on the expected credit can be determined on the basis of individual analysis or collective analysis. The general rule is to apply individual impairment for exposures above the threshold of the individual assessment only in Stage 3. However, particular rules for moving exposures below the threshold to individual assessment may be applied depending on local market threats. Exposures classified into Stage 1 and Stage 2 should be assessed based on the collective methodology in line with the IFRS 9 principle of 'without undue cost or effort'.

Recognition of the expected loss on loans on a collective basis

Recognition of the expected loss over the life of the collective financial assets takes into account comprehensive credit risk information. Comprehensive information on credit risk incorporates both historical and present-day relevant information, including macroeconomic forward-looking information to estimate a result close to recognizing expected loss over the life of individual financial assets. All credit exposures are subject to collective analysis without exception, even though some exposures are eventually analyzed and provisioned on an individual basis.

In order to determine the significant increase in credit risk and the recognition of an impairment adjustment on a collective basis, the Bank groups the financial instruments on the basis of the common credit risk characteristics in order to facilitate the early identification of the significant increase in credit risk. Analysis of portfolio granularity for segmentation purposes is the first step of the collective analysis and is based on the analysis of default rates at sub-segments compared to upper segments. A significant deviation of these values indicates the favorable relevance of including the subsegment in collective analysis.

The characteristic elements of the credit activity used for segmentation will be:

a/ For legal entities

- Business line: Corporate, SME, Municipalities

b/ For individuals

- Instrument type:
  - o Mortgage or Personal loan secured by mortgage
    - Currency
    - Conversion status
  - o Consumer cash loan
  - o Credit cards
    - Origin entity
  - o Overdrafts

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The Bank will calculate the provision for each exposure analyzed collectively based on the parameters below:

- Probability of default (PD) - is estimated for the entire life of financial instruments with the possibility of dividing at incremental values for each remaining life year. PD estimates are point-in-time (PIT), reflecting relevant present and future information.
Estimating the probability of default for the next 12 months or over the remaining lifetime is based on migration matrices. Matrices are matched to reflect the migration of the number of exposures over a 12-month range, the range most relevant to OTP Bank Romania's profile. In situations where the 12-month migration does not generate relevant results, long-term migration matrices will be used. In order to calculate the expected loss over a one-year horizon and the remaining life, default probabilities should be broken down to incremental levels for each remaining life year. Point-in-time values are obtained by successive iterations consisting in multiplying the annualized matrix by successive power ups according to the number of years left to maturity.

Estimation of anticipatory default probabilities is based on the Vasicek model for all incremental PD series obtained for each segment/category. The resulting PD (and PL) estimates are converted into modified PD estimates reflecting the expected state of the economy in line with 5 macroeconomic forecast scenarios. The input parameters required for the Vasicek model are determined from the OTP Group's macroeconomic model used in ICAAP to determine the correlations between GDP and other macro variables (eg exports, unemployment) and to determine the relationships between the maco variables and the default probabilities observed at the level of different segments.

During the modeling process, the Bank used the following macroeconomic variables (where appropriate data were available) based on the proposal of the OTP Research Center experts and the quarterly historical time series provided by them:

- annual GDP change (input parameters in scenario);
- annual consumption change (C);
- annual export variation (EX);
- annual change in investments (I);
- annual change in the number of unemployed (UEMP);
- annual change in the number of people employed (PMM);
- annual nominal property price change (REP);
- Annual wage variation (W).

Generally, two crisis scenarios and three non-crisis scenarios are created, and expectations about macroeconomic conditions are reflected in these scenarios.

The origin of macroeconomic scenarios is always the forecasting scenario (estimated in OTP Bank's Research Department and used in financial planning), which is one of the five scenarios considered, and the other four scenarios derive from it.
Using the long-term GDP distribution determined by the Bank's macroeconomic model, confidence levels for the GDP projection were estimated.
Based on the projected confidence level of the first year and the most recent value for it, the position of the forecasting scenario can be set in the hierarchy of the five possible scenarios.

The other four scenarios are technical scenarios, defined by expert rules:

- **Crisis scenarios:** Crisis scenarios show different levels of economic contraction (moderate and severe declines in GDP), so the impact of a crisis on portfolio quality can be estimated with greater accuracy.
- **Non-Crisis Scenarios:** Compared with the forecasting scenario, one of the non-crisis scenarios is more optimistic and the other more pessimistic (without crisis conditions), but there are possibilities for exceptions depending on the economic cycle. These scenarios are defined by OTP Bank experts and show different trajectories of GDP under normal circumstances.
  Risk parameters and depreciation value are defined in each scenario. According to IFRS9, the final asset depreciation is calculated as a weighted arithmetic mean of the values in each scenario, where the weights are the likelihood of each scenario occurring.

- Loss in case of default (LGD) - is estimated for each year of the expected lifetime of the exposures in order to calculate lifetime expected losses.
The Bank model uses a rather narrow 'bad' loan definition ('Loss' category of the transition matrix) and the cure/healing from default is fully handled in the PD estimation. Therefore, the LGD parameter should more likely be considered as 'loss given loss' rather than 'loss given default', thus no cure/healing should be taken into account in the course of the LGD estimation.

Consumer LGLs are estimated at portfolio level where the segmentation variables are vintage, currency (local/foreign) and exposure size (small/medium/large). The length of the workout process and thus the scope of considering cash incomes is set at 6 years. Where the vintage recovery history is less than 6 years, future recoveries are estimated based on the performance of previous vintages.
For Stage 3 exposures with high days past due, the vintage based LGL estimations are modified according to the time already passed in the collection process.
The LGL parameter for private individuals mortgage backed, SME and Wholesale portfolios (including Municipalities if the case) is estimated based on a calculation that is performed for each exposure individually derived from the mortgage LGL calculation of the Asset Quality Review.
Separate LGD estimation should take place for exposures already in the absorbing state using the same principles as defined in this chapter. When estimating LGD for loans in the absorbing state the following should also be considered:

- Definition of an appropriate workout period through which recoveries are likely to occur (write-off point).
- Time already spent in the absorbing status.
- The effect of time already spent in the absorbing state should be properly reflected in the estimated parameters (e.g., FSR).
- Any event occurring during the workout process should be incorporated in the parameters (e.g., unsuccessful auction of a real estate).

- Exposure in case of default (EAD) - Impairment will be calculated both at the balance sheet and off-balance sheet levels. Given that the expected loss is estimated on each residual maturity of the instrument, the exposure in case of default will be estimated in the same way.
All types of off-balance loan commitments like undrawn credit lines, guarantees and other off-balance items are included in the EAD calculations. Off-balance items are included in the exposure at default with the use of an exposure specific credit conversion factor (CCF) based on proposals from Revisions to the Standardised Approach for credit risk, Basel Committee on Banking Supervision - December 2015 aligned to expert values provided by OTPHQ.
EAD is integrated at contract level and includes the Gross Amortised Cost value of assets (GAC) and credit converted off balance sheet items.
In the calculation of impairment losses, future

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cash flows are updated to the effective interest rate on the original. As a result, only the effect of reducing cash flows is recognized as a loss - that amount is not affected by other factors (e.g., changes in market interest rates or credit ratings of the borrower) that could affect the fair value of the asset.

Recognition of expected loss on loans on an individual basis

Exposures will be analyzed on an individual basis according to certain conditions above a predefined materiality threshold, clients managed by the Restructuring and Recovery Department, clients with notifications according to the Debt Discharge Law no. 77/2016.
The Credit Monitoring Committee performs an analysis on a case-by-case basis regarding the opportunity of contamination of the members of the client groups in the scope of analysis on an individual basis.
The expected loss on loans is calculated on the basis of the amortized cost and the actual value based on the effective interest rate (EIR) of estimated future cash flows (voluntary and collateralised).

Future cash outflows will be estimated on the basis of the official financial statements of approved borrowers adjusted accordingly by the Bank. These estimates will be made in a forward-looking approach, based on macroeconomic trends, inflation, dividend payments, shareholders, and other business inputs, etc. The unique effects will be considered and adjusted according to the previous observed behavior.
Cash flows related to foreign currency loans will be estimated as follows:
a/ Cash flows will be estimated in the currency of the credit,
b/ Cash flows will be currently updated at the EIR rate, and
c/ Cash flows will be converted to RON at the official exchange rate at the reporting date.

Exchange rate fluctuations influence the ability of borrowers to repay the currency risk, thus influencing credit risk. The impact of potential exchange rate changes should be assessed in the individual review process.

The cash flow from collateral shall be calculated using the collateral amount allocated to the liquidation. The liquidation value is relevant if there is a risk that the client becomes non-cooperative and, consequently, the Bank will go to forced execution. Liquidation value is collateral value which, in the event of default, can be capitalized immediately or within a relatively short time span and which includes all liquidation costs. Both estimates of future cash flows (operational and derived from collateralisation) should include the negative component of expected cost estimates (eg valuation of real estate collateral, legal representation, security, etc.).

In order to meet the potential financial crisis generated by the COVID-19 pandemic, the Bank has adjusted the provisioning methodology for the end of 2020 according to the presentation in note 4.3.7.

Reversal

The amount of expected credit losses reversal that is required to adjust the loss allowance, at the reporting date to the amount computed, will be recognised in profit or loss as an impairment gain.

Renegotiated credits (forbearance)

If the terms of a credit agreement are renegotiated due to the borrower's financial difficulties and the renegotiation does not lead to derecognition of the exposure, any impairment is measured by reference to the effective interest rate before the terms change. Forbearance exposures are defined as exposures for which restructuring measures have been taken to minimize the default risk. The most used restructuring measures are to grant concessions in the form of refinancing/ rescheduling of a debtor in financial difficulties and/or to modify loan terms initially agreed upon by a contractual change (e.g., postponement, waiver, or moratorium).

Write-off policy

The Bank may decide at least once a year to review the portfolio, which may result in the decision to remove from the balance sheet by writing off certain items:
- The write-off can be performed individually (certain files), based on the individual analysis, whenever the elements that allow the write-off to intervene.
- All credits for which the write-off will be performed must be non-performing and must be fully provisioned in accordance with IFRS standards.
- Reaching the maximum level of provisioning of the elements for which the write-off will be carried out must be prior to the write-off operation itself.
- The write-off can affect a client, a group of clients, a list of clients, depending on the specific context in which the respective operation takes place.

The loans' write-off can be of two types:
- total - in case all the credits (the entire exposure) of a client are subject to the write-off procedure;
- partially - when only part of a non-performing loan of a client is the subject of the write-off, the rest of the credit remaining on the Bank's balance sheet; also, from the legal point of view and of the reports to the third entities, the Bank will consider as partial write-off the situation in which only some non-performing loans of a client are subject to this procedure, the other credits of the same client being recorded in the balance sheet of the Bank.

The Bank analyzes whether the write-off can be performed and whether for certain elements the conditions are cumulatively fulfilled:
- there is no reasonable expectation of recovery that would justify keeping the debt in the Bank's balance (or the estimate of collection, from the existing guarantees, is small, compared to the total level of exposure);
- legal recovery procedures to be initiated by the Bank;
- the extinctive prescription of the Bank's right to recover its debt has not occurred;
- the client must register more than 365 days late;
- the claim/part of the debt that the Bank wishes to remove from the balance sheet is to be fully provided, according to IFRS standards.

The write-off procedure can be carried out, in all cases, based on the decision of the competent entity, which will decide after analyzing the proposal of the Restructuring and Work-out Directorate and the documentation existing in the file indicating the fulfillment of the above mentioned conditions. The proposal of the Restructuring and Work-out Directorate will also contain the legal opinion from the Legal Department for Credit Recovery, by signing the respective proposal by a representative of this department.
The registration of the items in off-balance sheet accounts will be done immediately after obtaining the approval for the write-off (preferably in the month in which the approval of the respective proposal took place, or at the beginning of the following month).

Provisioning methodology for sovereign and counterparty exposures

For sovereign and counterparty exposure, impairment calculation is performed regardless of the stage category to which the exposure

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belongs. The stage classification of sovereign and counterparty exposures is performed by the Market & Operational Risk Department.

For sovereign exposures, impairment calculation is performed only for Banking Book exposures. The LGD parameter has the same value for all countries. The PD parameter is a point-in-time PD originated from the country's internal rating score. The PD and LGD parameters for sovereign exposures used in the calculation are similar to those used in the ICAAP process of OTP Bank Plc. Hungary.

For counterparty exposures, impairment calculation is performed only for counterparty exposures with maturity longer than 3 months and for overdue exposures. The LGD parameter has the same value for all counterparties. The PD parameter is a point-in-time PD and is calculated as the average of PDs originated from the counterparty's internal rating score and the external (only Fitch) rating. The PD and LGD parameters for counterparty exposures used in the calculation are similar to those used in the ICAAP process of OTP Bank Plc. Hungary.

Provisioning methodology for other financial assets

Provision calculation for purchased trade receivables is based on the recognition of expected credit losses on a collective basis and on recognition of expected credit losses on an individual basis.

Provisions related to litigations against the Bank are computed according to OTP Bank Romania's Internal procedure regarding Procedure regarding provisions for litigations.

The provision rate for the accrued fees and commissions is the same as the provision rate of the underlying exposure.

The loans resulted from transactions which generate negative balance of bank account are evaluated according to the collective loan provision calculation methodology. In the situation that this type of receivables are fulfilling the conditions for Stage 3 classification, will be integrally provisioned, which are classified into Stage 3 category and measured collectively.

After the partial write-off, during the valuation of the receivable, the impairment must be assessed in respect of the gross AC (gross book value) reduced by the write-off outstanding against the client. The volume of the recovery that is likely to be realised from the total receivable (due on the basis of the contract) must be determined and the amount of the expected credit loss may be calculated on the basis of this. The amount of the expected credit loss must be recognised as impairment, as applicable, up to its gross AC reduced by the partial write-off (to its gross book value). The net value of the receivable affected by partial write-off before the write-off must always correspond to the net value after the partial write-off.

3.9 Tangible and intangible assets

Tangible assets consisting of buildings and equipment are initially recognized at cost. Subsequent to initial recognition as assets, the land, the buildings and other tangible assets are revalued.

The Bank carries out revaluation of fixed assets with sufficient regularity to ensure that the carrying amount of these elements is not significantly different from that which would be determined using fair value at the end of the reporting period.

The last revaluation of land and buildings was carried out in the last quarter of 2018 by an independent valuator (ANEVAR member), the fair value being determined based on market values and where market values could not be determined, the independent valuator estimated fair value using an income or a depreciated replacement cost approach. The fair values of the buildings were booked as of end of December 2018. As of December 2020, the fair value was RON 98,922 thousand consider level 2 hierarchy.

The evaluation was recognized by modifying the gross value and the accumulated depreciation of each asset so that its carrying amount is also the revalued amount.

If the carrying amount of an asset is increased as a result of the revaluation, the Bank recognizes the increase in other comprehensive income and against equity, by way of revaluation reserves. The increase is recognized in profit and loss to the extent that it reverses a revaluation decrease of the same asset, previously recognized in profit or loss.

If the carrying amount of an asset is impaired as a result of the revaluation, the Bank recognizes the decrease in the Profit and Loss. The decrease is recognized first by reducing the balance of revaluation reserves recorded in other comprehensive income and if the decrease is higher than existing revaluation reserves, than it is recognized in the profit and loss.

The revaluation reserves included in equity, in respect of a fixed asset which is derecognized, is transferred directly to retained earnings.

Intangible assets are revalued and their value is the revaluation value as at the date of the revaluation, less accumulated depreciation, and impairment adjusments recognized over the estimated period of useful life of 1-5 years. They represent licenses and software applications acquired by the Bank.

The Bank includes in this category mainly development of computer software, which is depreciated with the straight-line method over a period of 3 years.

Impairment charges/depreciation of tangible and intangible assets are recognized in the Income statement under caption Amortization of tangible and intangible assets". Land and works of art are not depreciated. Assets under construction are not amortized until put into use. Maintenance and repairs are recognized in the profit and loss account at the time of their realization and improvements are capitalized to the asset's carrying amount.

All tangible and intangible assets, except land, are depreciated using the straight-line method to allocate their cost over estimated useful lives as follows:

Type of asset	Lifetime (years)	The rate of depreciation (in percentage %)
ATMs	8	12.5%
Telecommunications equipment	Max 5	20%
Furniture	Max 10	10%
Stationery and Office Equipment	Max 4-5	20% - 25%
Computers	4	25%
Safe deposit boxes	Max 20	5%
Means of conveyance	6	16.7%
Facilities air conditioning	6-8	12.5% - 16.7%
Buildings	Max 50	2% - 10%

The carrying values of property, equipment and software are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the greater of net selling price and value in use.

Gains and losses on the disposal/sale of fixed assets are calculated by comparing the sales price with their carrying amounts.

At the end of the financial year, the Bank reviews the carrying amounts of property, plant and the estimated useful lives and depreciation methods. The Bank asseses also the recoverable

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amount and the impairment loss (if any).

When the carrying amount of premises and equipment is higher than the estimated recoverable amount, the carrying amount is written down to its recoverable amount by recognizing an expense in the income statement. If the estimated recoverable amount exceeds the carrying amount of an asset for which there was previously recognized an impairment adjustment, the adjustment is reversed in the income account, partially or entirely, depending on the actual case.

An impairment loss of tangible assets other than land and buildings is recognized in profit or loss. An impairment loss of land and buildings is recognized in other comprehensive income until the revaluation surplus previously recognized in the Profit and Loss Account to the extent that the impairment loss exceeding revaluation surplus for that same asset.

At the end of the financial year, the Bank assesses whether there is any indication that an impairment loss recognized in prior periods for an asset no longer exists or has decreased. If any such indication exists, the entity estimates the recoverable amount of the asset. If the estimated recoverable amount exceeds the carrying amount of an asset, a reversal of an impairment loss is recognized.

3.10 Assets held for sale

The Bank clasifies as assets held for sale any assets obtained during the enforcement of collaterals from customers with overdue debts and for which the carrying amount will be recovered mainly through a sale transaction.

The Bank also may classify as assets held for sale fixed assets that it intends to sell and has used them previously for its own activity or that it has had in order to earn rent or for capital gain.

The conditions for an asset to be classified as held for sale are:

- Its' carrying amount will be recovered mainly through a sale transaction;
- The asset is available for immediate sale;
- There is a plan to sell the asset and a schedule to locate a buyer and the sale is probable;
  Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Upon initial recognition of an asset designated as held for sale, in case when the asset has been acquired during foreclosure, the fair value is the value of the collateral used for provisioning of loans while the carrying amount of the asset is the value of the collateral. If the carrying amount is greater than the fair value, the value of the asset is written-down to the fair value, by recognizing an adjustment for impairment.

On subsequent measuring, the fair value is determined by further reducing the revalued value (revaluation of tangible assets is made by an authorized evaluator) by the percentage used to determine the recoverable amount for the property pledged as collateral. If the fair value increase compared to previous assessments, the impairment adjustment is release up to the carrying amount of the asset.
After being classified as held for sale, the assets are not amortized.

3.11 Investment property

Investment properties are recognized as assets if, and only if, it is probable that future economic benefits associated with Bank be gained and the investment cost can be measured reliably. An asset can be classified as investment property if it is held to earn rentals or for capital gain.

Initial and subsequent measurements of current assets classified as investment property are carried at cost. Real estate investments are stated at acquisition cost, less accumulated depreciation, and impairment adjustments.

3.12 Leasing

An agreement is a lease or contains a lease if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation.

The accounting policies for leasing were modified starting with 01st of January 2019, based on the new IFRS 16- Leases.
Pursuant to IFRS 16, an agreement is a lease or contains a lease if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation.
Expenses related to the use of lease assets, the majority of which were previously recognised in external services costs, are currently classified as depreciation/amortisation and interest costs.
Right-of-use assets are depreciated using a straight-line method, while lease liabilities are settled using an effective discount rate.
In the cash flow statement, cash flows from the principal of the lease liability are classified as cash flows from financing activities, while lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The interest payments regarding the lease liability are classified according to IAS 7 Statement of Cash Flows.

The lessee applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired, and to recognise impairment, if it is necessary.

The Bank applied the following practical expedients available:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Apply a simplified method for contracts mature within 12 months for the date of initial application.
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Use hindsight such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Bank has the following types of right-of-use assets in the statement of financial position:

- Office building
- Branch office
- Company car
- ATM space
- IT equipment

The average life of the lease (useful life of the presented right-of-use assets):

- Office building ~6 years
- Branch office ~5 years
- Company car ~3 years
- ATM space ~3 years
- IT equipment ~7 years

Recognition of lease liabilities

Interest rate applied by the Bank: weighted average lessee's incremental borrowing rate: ~3.99% RON, ~0.86% EUR, ~5.5% USD.

At their date of initial recognition, lease payments contained in the measurement of lease liabilities comprise the following types of payments for the right to use the underlying asset for the life of the lease:

– fixed lease payments less any lease incentives,
– variable lease payments that depend on an index or a rate,
– amounts expected to be payable by the lessee under residual value guarantees,

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- the exercise price of a purchase option, if it is reasonably certain that the option will be exercised, and
- payment of contractual penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Bank makes use of expedients with respect to short-term leases (less than 12 months) as well as in the case of leases for which the underlying asset is of low value (less than USD 5,000) and for which agreements it will not recognise financial liabilities nor any respective right-of-use assets. These types of lease payments will be recognised as costs using the straight-line method during the life of the lease.

Recognition of right-of-use assets

ARight-of-use assets are initially measured at cost.

The cost of a right-of-use asset comprises:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- estimates of costs to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out renovation/restoration.

Application of estimates

The implementation of IFRS 16 requires the making of certain estimates and calculations, which affect the measurement of financial lease liabilities and of right-of-use assets. These include among others:
- determining which agreements are subject to IFRS 16;
- determining the lease term of such agreements (including for agreements with unspecified lives or which may be prolonged);
- determining the interest rates to be applied for the purpose of discounting future cash flows;
- determining depreciation rates.

The Bank holds only the lessee role in the leasing contracts that are active during 2020.

3.13 Interest-bearing loans and borrowing costs

Borrowings are initially measured at fair value. Subsequent to initial recognition, borrowings are stated at amortized cost, with any difference between cost and redemption value being recognized in profit or loss.

3.14 Derivatives

In the ordinary course of business, the Bank is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. Generally, derivative financial instruments include currency forward and swap agreements. The Bank mainly uses these financial instruments for business purposes and to hedge its currency exposures associated with transactions in financial markets.

Derivative financial instruments are initially recognised at fair value and are subsequently re-measured at fair value. Any transaction shall be recognized in profit or loss when incurred.

Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The Bank adopts multi curve valuation approach for calculating the net present value of future cash flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised.

There is no other credit value (CVA), debit value (DVA) or funding value (FVA) adjustment applied.

Credit valuation adjustment (CVA): the CVA adjustment applies to valuations and market quotations whereby the credit worthiness of the counterparty is not reflected. It aims to account for the possibility that the counterparty may default and that Bank may not receive the full fair value of the transactions.

In determining the cost of exiting or transferring counterparty risk exposures, the relevant market is deemed to be an inter-dealer market. However, the determination of CVA remains judgemental due to i) the possible absence or lack of price discovery in the inter-dealer market, ii) the influence of the regulatory landscape relating to counterparty risk on the market participants' pricing behaviour and iii) the absence of a dominant business model for managing counterparty risk.

The CVA model is grounded on the same exposures as those used for regulatory purposes. The model attempts to estimate the cost of an optimal risk management strategy based on i) implicit incentives and constraints inherent in the regulations in force and their evolutions, ii) market perception of the probability of default and iii) default parameters used for regulatory purposes.

Funding valuation adjustment (FVA): when valuation techniques are used for the purpose of deriving fair value, funding assumptions related to the future expected cash flows are an integral part of the mid-market valuation, notably through the use of appropriate discount rates. These assumptions reflect what the Bank anticipates as being the effective funding conditions of the instrument that a market participant would consider. This notably takes into account the existence and terms of any collateral agreement. In particular, for non- or imperfectly collateralized derivative instruments, they include an explicit adjustment to the interbank interest rate.

Own-credit valuation adjustment for debts (OCA) and for derivatives (debit valuation adjustment - DVA): OCA and DVA are adjustments reflecting the effect of credit worthiness of Bank, on respectively the value of debt securities designated as at fair value through profit or loss and derivatives. Both adjustments are based on the expected future liability profiles of such instruments. The own credit worthiness is inferred from the market-based observation of the relevant bond issuance levels. The DVA adjustment is determined after taking into account the Funding Valuation Adjustment (FVA). Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss of the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or unrecognized firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss. The Bank determines the fair value of both hedged item and hedging instrument at the reporting date, recognizes any change in fair value (gain or loss) on the hedging instrument in profit or loss and recognizes the hedging gain or loss on the hedged item in its' carrying amount. The Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in fair value of the respective hedged items during the period for which the hedge is designated.

The fair value hedge relationship is discontinued prospectively when the

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hedging instrument expires, is sold, terminated, or exercised. If the hedge no longer meets the criteria for hedge accounting the Bank revokes the designation. When the hedge relationship is terminated and the hedging instrument is not closed out, it is removed from the fair value hedge specific portfolio and recorded as a standalone derivative in another portfolio. Any adjustment arising to the carrying amount of a hedged financial instrument for which the effective interest method is used shall be amortized to profit or loss.

3.15 Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit, computed in accordance with Romanian tax rules and accrued for in the period to which it relates.

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The tax rate for both current and deferred tax is 16% (2019: 16%).

Deferred tax assets and liabilities are not recognised if the temporary difference arise from initial recognition, other than in a business combination, of assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arise from initial recognition of goodwill.

The temporary differences arise mainly from impairment of loans and advances to customers, tangible and intangible assets, revaluation of available for sale financial assets and tax losses carried forward (see Note 29).

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available within the next 5 years.

Tax on assets

Based on the Government Emergency Ordinance ("GEO") 19/29.03.2019 amending GEO 114/29.12.2018, the banks have been imposed to pay the Tax on Assets.

At the end of the year 2019, the tax on assets was booked. In case of OTP Bank Romania S.A., the rate of 0.4% per year was applicable. Considering the fact that the bank respected 2 of 3 reduction of the percentage (increase in loans volumes for households and non-financial companies, and reduction on net interest margin for the same categories), the final amount calculated was RON 5.35 million and it was paid in August 2020.
For the year 2020 the tax on assets was revoked through GEO 1/2020.

3.16 Contingent assets / liabilities

A contingent liability is:
(a)a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or not of one or more uncertain future events not wholly within the control of the Bank; or
(b) a present obligation that arises from past events but is not recognized because there is no safety exit cash flows to settle those debts or the amount of debt can not be assessed.

Contingent liabilities are not recognized in the financial statements, but are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. A contingent asset is not recognized in the accompanying financial statements but is disclosed when an inflow of economic benefits is probable.

3.17 Provisions

A provision is recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect in financial statements of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Restructuring

A restructuring provision is recognized when the Bank has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise balances readily convertible to a known amount of cash on hand, current accounts, deposits and placements with banks and the National Bank of Romania, treasury bills issued by the Government with an original maturity of less than 90 days (if any), including minimum reserves.

3.19 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity') [IAS 24.9].

- A person or a close member of that person's family is related to a reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others).
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan,

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the sponsoring employers are also related to the reporting entity.

- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3.20 Employee benefits

Short-term employee benefits:
Short-term employee benefits include wages, salaries, and social security contributions. Short-term employee benefits are recognized as expenses when the services are rendered.

Post-employment benefits:
The Bank pays the contribution to the Romanian State funds on behalf of its employees for health care, pension, and unemployment benefits.

3.21 Subsequent events

Events after the date of the preparation of the financial statements, that provide additional information about the Bank's position at balance sheet date and requiring significant corrections of financial data (events that require adjustments) are properly reflected in the financial statements. Events after the date of preparation of financial statements that do not require adjustments are disclosed in the notes.

3.22 Going Concern

These financial statements have been prepared on a going concern basis. The Bank's ability to continue as a going concern is dependent on its ability to improve its efficiency and improve profitability while meeting capital and liquidity requirements and complying with regulatory requirements.

The Bank regularly assesses the impact of the COVID-19 outbreak in its activity, the risk profile and the prudential and performance indicators. In this respect, the Bank assess both its past performance and its future performance, focusing on key performance ratio and prudential indicators, strictly monitors its liquidity position and indicators, the Bank also runs stress tests in order to be prepared for crisis scenarios; the results of the stress tests show comfortable capital and liquidity positions.

The Bank has analyzed the macro-economic outlook and its position on the local banking market and it considers that the assessment of the going concern principle is appropriate and there is not an increased risk during the next 12 months. Also, Management is confident that financial support will be provided by the shareholders, if required.

3.23 Accounting for the effects of hyperinflation

Romania has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date.

As the characteristics of the economic environment of Romania indicate that hyperinflation has ceased, effective from 1st of January 2004 the Bank no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current on 31 December 2003 are treated as the basis for the carrying amounts in these individual financial statements.

3.24 Reclassifications

The following reclassifications for the Statement of Profit or Loss have been done in order to better reflect the economic substance of the margin fees charged by the Bank to its customers on foreign exchange transactions:

Profit and Loss Line items affected	FY 2020	FY2019 Adjusted	Reclassification	FY2019 As per audited FS
Fees and commissions income	146,642	131,867	49,430	82,437
Trading income, net	31,495	39,770	(49,430)	89,200
Above result in changes Subtotal Net fees and commissions income	106,882	91,459	49,430	42,029
Above result in changes Subtotal Total income from financial operations	52,812	54,569	(49,430)	103,999

3.25 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described above in note 3, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) Critical judgements in applying the Bank's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- **Business model:** Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their

disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

- **Significant increase of credit risk:** As explained in note 3 above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to note 3.8.6 above and for more details.
- **Models and assumptions used:** The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 3 above and note 4 for more details on ECL and note 5 for more details on fair value measurement.

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b) Key sources of estimation uncertainty

The following are key estimations that the Management has used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- **Establishing the number and relative weightings of forward-looking scenarios and determining the forward looking information relevant to scenarios:** when measuring ECL the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to note 3 above and note 4 for more details.
- **Probability of default:** PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions. See note 3 above for more details.
- **Loss Given Default:** LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collaterals and from repayments made for defaulted loans.
- **Fair value measurement and valuation process:** In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments. Refer to note 5 for more details on fair value measurement.

The impact in loan losses allowance of the increase/decrease by +/-10 percent of the probability of default and loss given default for collective assessment as of 31 December 2020 is presented below:

LOAN PORTFOLIO / IMPACT	PD increase by 10%	PD decrease by 10%	LGD increase by 10%	LGD decrease by 10%
Individuals	**6,513**	**(6,513)**	**11,784**	**(11,784)**
Credit cards and overdraft	104	(104)	157	(157)
Consumer loans	3,314	(3,314)	4,220	(4,220)
Mortgage loans	3,095	(3,095)	7,407	(7,407)
Legal entities	**20,027**	**(20,027)**	**20,163**	**(20,163)**
SMEs	9,336	(9,336)	9,464	(9,464)
Large Corporate	10,691	(10,691)	10,699	(10,699)

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4. RISK MANAGEMENT

The primary risks associated with financial instruments that the Bank faces are:

- interest rate risk in the banking book
- market risk – which refers to exposures to market factors such as interest rates, foreign exchange rates, equity, and commodity prices
- credit risk
- liquidity risk
- operational risk

Other risks managed by Bank are reputational risk and risk due to outsourcing activities. The "Risk Management" Note presents information's related to Bank's exposure to each type of risk mentioned above, its' objectives, policies as well as assessment and management processes.
Bank's risk related policies and management approach are assessed periodically and updated to the changes that occurred on each analyzed area of activity.

4.1 Interest Rate Risk (Banking Book)

Interest rate risk is the risk of recording losses or not to achieve expected profits as a result of fluctuations in the level of market interest rates. The management of this risk concerns balance sheet items, as well as off balance sheet items sensitive to changes in interest rates.

OTP Bank Romania S.A. assumes a conservative approach towards risks and has implemented in this regard a risk management system that identifies, evaluates, manages, and controls the risks related to its activity in a prudent manner.

Regarding the interest rate risk on the Banking book, the Bank manages its exposure with the aim of limiting the potential losses due to unfavorable fluctuations of the interest rates, in such a way that these losses do not threat the profitability of the Bank, the own funds or the safety of operations.

The Bank grants loans with mainly variable interest rate indexed by reference (e.g., Euribor, Robor) and aims to harmonize the financing structure with the structure of assets and other liabilities so as to maintain a medium-low interest rate risk exposure.

In 2020, the Bank concentrated on local currency loans and the weight of fixed interest rate loans in total portfolio increased in case of consumer loans. The bank offers RON mortgage loans with fixed interest rate in the first 5 years, without their volume being significant. The average maturity of deposits of private customers increased during 2020.

The monitoring of the exposure to interest rate risk of banking book and the compliance with the internal limits is done at least monthly, within the Asset and Liability Management Committee.

For the assessment of the interest rate risk on the Banking book, the Bank uses re-pricing gap analysis, modified duration analysis and stress test scenarios estimating the possible effects of interest rate changes on bank profits and economic value. The methodology used for measuring the impact of an interest rate shock in the economic value of the Bank is the standardized one from the NBR Reg. No. 5/2013 with further amendments, adjusted for optionality risk. Amounts without a definite contractual maturity (e.g., current accounts) are allocated on maturity bands on the basis of historical data, subject to regulated limits.

On 31st December 2020, the Bank had a low exposure to the interest rate risk on banking book, 2.06% of own funds (3.58% as of December 2019). The decrease mainly resulted from the inclusion of non-maturity deposits (current accounts) in the computation.

During 2020, the exposure to the interest rate risk on banking book had a stable level not exceeding a maxim medium-low level.

Interest rates on loans granted to customers	December 31, 2020				December 31, 2019			
	CHF	EUR	RON	USD	CHF	EUR	RON	USD
Consumer	n/a	9.34	10.28	n/a	4.58	12.40	10.76	13.81
Personal loans with mortgage	5.22	4.80	6.38	5.45	5.19	4.95	6.75	7.26
Housing	4.71	4.67	5.25	5.32	4.70	4.12	5.82	6.39
Corporate loans	2.19	3.38	6.10	3.77	3.52	3.61	6.77	5.51

Thousand RON	December 31, 2020	December 31, 2019
Impact in the economic value of the Bank of a 200 bp interest rate shock (thousand RON)	34,953	57,089
Own funds (thousand RON)	1,700,882	1,594,183
Exposure (% of Own funds)	2.06%	3.58%
Impact in earnings for one year of a 200 bp interest rate shock (thousand RON)	314	2,471
Exposure (% of Own funds)	0.02%	0.15%

The following is a summary of the Bank's interest rate gap position as of December 31, 2020. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on either (i) the next repricing date or (ii) the maturity date if fixed rate.

December 31, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS						
Accounts with the National Bank of Romania	1,698,185	-	-	-	-	1,698,185
Current accounts and deposits at banks	561,234	-	-	-	-	561,234
Investment securities	-	30,832	61,402	1,037,627	166,891	1,296,752
Gross loans	1,862,583	3,334,126	4,937,369	498,678	48,604	10,681,360
Total assets	**4,122,002**	**3,364,958**	**4,998,771**	**1,536,305**	**215,495**	**14,237,531**
LIABILITIES						
Demand deposits from banks	18,934	-	-	-	-	18,934
Term deposits from banks	143,459	-	-	-	-	143,459
Demand deposits from customers	2,367,985	104,574	199,327	717,166	467,151	3,856,203
Term deposits from customers	2,182,182	1,737,696	1,658,787	62,298	13,394	5,654,357
Borrowings	5,699	3,092,648	-	-	-	3,098,347
Lease liabilities	155	101	1,761	46,283	8,047	56,347
Total liabilities	**4,718,414**	**4,935,019**	**1,859,875**	**825,747**	**488,592**	**12,827,647**
Derivatives and spot instruments - NET	630,079	21,250	58,311	(540,976)	(166,891)	1,773
Assets-Liabilities GAP interest rate sensitivity	33,667	(1,548,811)	3,197,207	169,582	(439,988)	1,411,657
Assets-Liabilities cumulative GAP interest rate sensitivity	33,667	(1,515,144)	1,682,063	1,851,645	1,411,657	

Notes to the Separate Financial Statements for the period ended December 31st, 2020

December 31, 2019	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS						
Accounts with the National Bank of Romania	1,002,064	-	-	-	-	1,002,064
Current accounts and deposits at banks	417,025	-	-	-	-	417,025
Investment securities	-	-	9,859.00	1,132,358.00	162,775.00	1,304,992
Gross loans	1,472,497	3,173,709	4,497,764	402,050	38,411	9,584,431
Total assets	**2,891,586**	**3,173,709**	**4,507,623**	**1,534,408**	**201,186**	**12,308,512**
LIABILITIES						
Demand deposits from banks	248,294	-	-	-	-	248,294
Term deposits from banks	266,860	-	-	-	-	266,860
Demand deposits from customers	2,826,035	804,518	-	-	-	3,630,553
Term deposits from customers	1,298,220	1,420,126	1,477,856	139,516	8,598	4,344,316
Borrowings	4,821	2,746,772	-	-	-	2,751,593
Lease liabilities	59	176	3,277	34,619	6,058	44,189
Total liabilities	**4,644,289**	**4,971,592**	**1,477,856**	**174,135**	**14,656**	**11,285,805**
Derivatives and spot instruments - NET	638,429	23,396	56,725	(55,892)	(162,775)	(117)
Assets-Liabilities GAP interest rate sensitivity	(1,110,075)	(1,774,487)	3,083,215	804,381	23,755	1,026,789
Assets-Liabilities cumulative GAP interest rate sensitivity	(1,110,075)	(2,884,562)	198,653	1,003,034	1,026,789	

4.2 Market Risk Management

Market risk is the risk of loss related to balance-sheet and off-balance sheet items due to adverse changes in market prices, such as, for example, stock prices, interest rates, foreign exchange rates.

The Bank's objective in market risk management is to ensure appropriate management of the risks generated by trading activities, through the implementation of procedures, models and adequate application of monitoring and risk control related with trading activities.

In view of limiting potential losses due to market risk exposure, the bank manages market risk exposure by means of a set of limits which shall be set annually and updated periodically according to market conditions, in compliance with a prudent policy, based on the experience of OTP Bank Plc Hungary.

The limits are established according to the potential loss and the value of the Bank's equity capital. Market risk limits are set up by OTP Bank Plc Hungary and are managed in the Market Risk Portal system.

With respect to market risk management the Bank takes into consideration:

- to monitor the compliance with the existing limits and to report any limit excess to the Bank's management;
- to revise and submit for approval any application / request for new limits establishment;
- to prepare and to transmit consolidated reports regarding market risks to the Operative Risk Committee and Supervisory Board.

4.2.1 Interest Rate Risk (Trading book)

The interest rate risk refers to the fluctuation in the value of financial instruments included in the trading book due to the changes in the level of market interest rates.
Limits are approved for trading on interest rate sensitive instruments such as bonds issued by the Romanian Government, interest rate swaps, FX swaps, Money Market deposits and placements. The adequate assessment and monitoring of the resulting interest rate risk is ensured by the set-up of a limits system and the use of appropriate risk management systems.
The bank established the following types of limits: bond position limit, Value at Risk (VaR) limit, Basis Point Value limits (per currency and for Total) and stop-loss limits. These limits are monitored using the Kondor+ and Market Risk Portal systems.
The VaR measure estimates the potential loss over a given holding period for a specified confidence level. The Bank uses a historical VaR approach (with an Exponentially Weighted Moving Average methodology used for setting weights to P&L observations) which allows to easily aggregate risk factors and trading desk VaR figures, therefore giving the opportunity to calculate Treasury level VaR.
The Bank uses a 1-day 99% VaR number which reflects that, with a probability of 99%, the daily loss will not exceed the reported VaR.

4.2.2 Currency risk

Currency risk is the risk of loss resulting from changes in the level of foreign exchange rates. The Bank manages its exposure to movements in exchange rates by permanently adjusting its assets and liabilities mix, based on the market movements in exchange rates.

The Bank may trade and take positions in the following currencies: EUR, USD, GBP, CHF, CAD, JPY, HUF, AUD, SEK, DKK, PLN, NOK, and CZK.

The open foreign exchange currency position is managed continuously on an automatic basis within the Kondor+ system according to the internal rules and considering the NBR regulations.

The bank sets net FX open position limits (per currency and for total), stop-loss limits and Value at Risk (VaR) limits which are monitored on a daily basis by the Operational and Market Risk Department using the Market Risk Portal system.

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The Bank uses a historical VaR approach (with an Exponentially Weighted Moving Average methodology used for setting weights to P&L observations) which allows to easily aggregate risk factors and trading desk VaR figures, therefore giving the opportunity to calculate Treasury level VaR.

The Bank uses a 1-day 99% VaR number which reflects, with a probability of 99%, that the daily loss will not exceed the reported VaR.

The following tables present for December 31, 2020 and December 31, 2019 the Trading Book VaR, as well as the sensitivity of the exposure to interest rate in the form of the Basis Point Value related to the Trading Book.

VaR (amounts in RON)	December 31, 2020	December 31, 2019
Foreign Exchange Position	5,333	4,367
Money Market and Fixed Income Instruments	16,611	58,042
Total Trading Book	13,254	53,973

Basis Point Value (amounts in RON)	December 31, 2020	December 31, 2019
Money Market and Fixed Income Instruments	210	250

The following is a summary of the Bank's exposure towards currency risk as of December 31, 2020 and December 31, 2019 (amounts in thousand RON equivalent):

December 31, 2020							
Currency	**Assets**	**Liabilities and equity**	**Net position of balance sheet**	**Net position of off-balance sheet**	**Total**	**Gains/(losses) incurred for a change of +1% in currency exchange rate**	**Gains/(losses) incurred for a change of -1% in currency exchange rate**
EUR	4,904,603	4,008,004	896,599	(915,327)	(18,728)	(187)	187
USD	298,001	451,071	(153,070)	160,163	7,093	71	(71)
CHF	290,797	52,400	238,397	(248,569)	(10,172)	(102)	102
HUF	78,845	465,735	(386,890)	389,235	2,345	23	(23)
OTHER	189,745	29,711	160,034	(167,593)	(7,559)	(76)	76
Total	**5,761,991**	**5,006,921**	**755,070**	**(782,091)**	**(27,021)**	**(271)**	**271**

December 31, 2019							
Currency	**Assets**	**Liabilities and equity**	**Net position of balance sheet**	**Net position of off-balance sheet**	**Total**	**Gains/(losses) incurred for a change of +1% in currency exchange rate**	**Gains/(losses) incurred for a change of -1% in currency exchange rate**
EUR	3,899,069	3,510,519	388,550	(376,132)	12,418	124	(124)
USD	347,747	351,769	(4,022)	5,767	1,745	17	(17)
CHF	349,959	172,816	177,143	(191,494)	(14,351)	(144)	144
HUF	394,003	538,637	(144,634)	148,074	3,440	34	(34)
OTHER	98,838	28,683	70,155	(70,568)	(413)	(4)	4
Total	**5,089,616**	**4,602,424**	**487,192**	**(484,353)**	**2,839**	**27**	**(27)**

Notes to the Separate Financial Statements for the period ended December 31st, 2020

The assets and liabilities split by currencies in RON equivalent amounts, as of December 31, 2020, is presented below:

	EUR	**USD**	**CHF**	**HUF**	**Alte valute**	**Total Alte valute**	**RON**	**Total**
ASSETS								
Cash	97,439	46,028	14,908	78,004	110,516	346,895	185,899	532,794
Current accounts and deposits at banks	426,540	4,163	7,272	813	6,894	445,682	115,552	561,234
Accounts with the National Bank of Romania	1,193,482	-	-	-	-	1,193,482	504,703	1,698,185
Securities at amortized cost	-	-	-	-	-	-	570,948	570,948
Loans and advances to customers, net	2,627,777	65,753	268,124	-	-	2,961,654	7,225,018	10,186,672
Loans and advances to banks	215	-	1	4	72,324	72,544	4,108	76,652
Investment securities at fair value through profit and loss	2,816	11,475	-	-	-	14,291	5,145	19,436
Investment securities at fair value through other comprehensive income	550,369	170,175	-	-	-	720,544	5,260	725,804
Investment in Associates and Subsidiaries	-	-	-	-	-	-	46,558	46,558
Right-of-use assets	-	-	-	-	-	-	55,114	55,114
Derivatives	2,636	-	-	-	-	2,636	11,309	13,945
Derivatives hedge accounting	-	-	-	-	-	-	-	-
Deffered tax asset	-	-	-	-	-	-	21,937	21,937
Other assets, net	3,329	407	492	24	11	4,263	80,471	84,734
Total assets	**4,904,603**	**298,001**	**290,797**	**78,845**	**189,745**	**5,761,991**	**8,832,022**	**14,594,013**
LIABILITIES								
Due to Banks	-	73,372	-	272	-	73,644	88,749	162,393
Demand deposits from banks	-	-	-	272	-	272	18,662	18,934
Term deposits from banks	-	73,372	-	-	-	73,372	70,087	143,459
Due to customers	2,479,653	366,095	23,379	465,391	29,642	3,364,160	6,146,400	9,510,560
Demand deposits from customers	962,314	198,647	20,847	315,973	14,965	1,512,746	2,343,457	3,856,203
Term deposits from customers	1,517,339	167,448	2,532	149,418	14,677	1,851,414	3,802,943	5,654,357
Borrowings	1,392,678	-	-	-	1	1,392,679	1,705,668	3,098,347
Derivatives	2,636	-	-	-	-	2,636	10,707	13,343
Derivatives hedge accounting	40,533	8,342	-	-	-	48,875	-	48,875
Lease liabilities	55,235	136	-	-	-	55,371	976	56,347
Provisions	18,338	318	28,240	8	-	46,904	117,355	164,259
Other financial liabilities	18,931	2,808	781	64	68	22,652	143,501	166,153
Total liabilities	**4,008,004**	**451,071**	**52,400**	**465,735**	**29,711**	**5,006,921**	**8,213,356**	**13,220,277**
Net Assets / Liabilities	**896,599**	**(153,070)**	**238,397**	**(386,890)**	**160,034**	**755,070**	**618,666**	**1,373,736**

Notes to the Separate Financial Statements for the period ended December 31st, 2020

The assets and liabilities split by currencies in RON equivalent amounts, as of December 31, 2019, is presented below:

	EUR	USD	CHF	HUF	Other CCY	Total other CCY	RON	Total
ASSETS								
Cash	155,593	14,161	21,842	84,349	87,145	363,090	272,122	635,212
Current accounts and deposits at banks	282,061	72,717	19,821	13,734	11,691	400,024	17,001	417,025
Accounts with the National Bank of Romania	260,768	-	-	-	-	260,768	741,296	1,002,064
Securities at amortized cost	-	-	-	-	-	-	544,455	544,455
Loans and advances to customers, net	2,614,555	84,031	307,894	-	-	3,006,480	6,132,020	9,138,500
Loans and advances to banks	459	-	13	295,874	-	296,346	90	296,436
Investment securities at fair value through profit and loss	2,614	4,949	-	-	-	7,563	4,975	12,538
Investment securities at fair value through other comprehensive income	571,362	171,626	-	-	-	742,988	17,549	760,537
Investment in Associates and Subsidiaries	-	-	-	-	-	-	46,553	46,553
Right-of-use assets	-	-	-	-	-	-	42,951	42,951
Derivatives	2,383	-	-	-	-	2,383	12,086	14,469
Derivatives hedge accounting	175	-	-	-	-	175	-	175
Deffered tax asset	-	-	-	-	-	-	23,413	23,413
Other assets, net	9,099	263	389	46	2	9,799	75,053	84,852
Total assets	**3,899,069**	**347,747**	**349,959**	**394,003**	**98,838**	**5,089,616**	**7,929,564**	**13,019,180**
LIABILITIES								
Due to Banks	143,379	43,464	-	277	-	187,120	328,034	515,154
Demand deposits from banks	-	-	-	277	-	277	248,017	248,294
Term deposits from banks	143,379	43,464	-	-	-	186,843	80,017	266,860
Due to customers	1,845,814	302,631	20,045	538,287	28,477	2,735,254	5,239,615	7,974,869
Demand deposits from customers	706,999	146,430	17,229	345,671	13,769	1,230,098	2,400,455	3,630,553
Term deposits from customers	1,138,815	156,201	2,816	192,616	14,708	1,505,156	2,839,160	4,344,316
Borrowings	1,414,720	-	132,123	-	-	1,546,843	1,204,750	2,751,593
Derivatives	2,383	-	-	-	-	2,383	11,971	14,354
Derivatives hedge accounting	39,069	3,789	-	-	-	42,858	-	42,858
Lease liabilities	43,195	138	-	-	-	43,333	856	44,189
Provisions	10,563	240	20,153	17	-	30,973	108,048	139,021
Other financial liabilities	11,396	1,507	495	56	206	13,660	128,419	142,079
Total liabilities	**3,510,519**	**351,769**	**172,816**	**538,637**	**28,683**	**4,602,424**	**7,021,693**	**11,624,117**
Net Assets / Liabilities	**388,550**	**(4,022)**	**177,143**	**(144,634)**	**70,155**	**487,192**	**907,871**	**1,395,063**

4.2.3 Equity Risk

Equity risk is the risk of loss resulting from changes in the level of prices of equity instruments and other financial instruments.

OTP Bank Romania's policy regarding equity risk management is not to have open positions on equity instruments.

During 2020, the Bank did not hold trading positions on equity instruments.

4.3 Credit Risk Management

The credit risk is associated with the loans granted by the Bank, being the risk that the customer will be unable to fulfil its obligations thus causing financial losses to the Bank.

The Bank's main objective regarding credit risk management was to maintain the portfolio quality by monitoring the evolution of a set of indicators which are detailed in the Risk Strategy for 2020.

The Bank's main objectives regarding credit risk management are:

- Developing a diversified portfolio, the performance of which does not excessively depend on the changes in the position of any particular sector, geographical region or debtor group, that ensures stable profitability on the long run;
- Increasing the profitability of the credit products;
- Credit approval and keeping assumable risks within limits;
- Increasing the capacity to collect overdue receivables;
- Maintaining the solvency indicator within normal limits so that the capital requirement for credit risk is not increasing excessively;
- Maintaining the portfolio quality by monitoring the evolution of a set of indicators which is detailed in Risk Strategy 2020.

The Bank's strategy regarding credit risk management includes:

- Putting a strong emphasis on preventing problems faced by borrowers;
- Improving debt collection;
- Customer loyalty program for individuals by offering new products facilities in accessing credit;
- Private individual lending to be performed exclusively in RON and also encouraging the financing of legal entities in the local currency;
- Developing and implementing a new scoring model for personal loan in order to improve the quality of the unsecured loans portfolio;
- Developing and implementing two new behavioral scoring models, for personal loan and mortgage loan, to be used for evaluating SICR and establishing the stage of the loans as required by the provisioning methodology under IFRS 9;
- Developing and implementing a new scoring model for corporate clients in order to improve the quality of the corporate loans portfolio and to be used for evaluating SICR and establishing the stage of the loans as required by the provisioning methodology under IFRS 9;
- Involving the territorial network and the Retail Banking and Corporate Banking Divisions in managing the problems customers are faced with;
- Monitoring new loan portfolio, especially for new consumer loans to individuals, through reports at least monthly and information presented for the Management Board and Supervisory Board of the Bank;
- Monitoring continouselly the legal entities portfolio, reporting and deciding upon their risk status at least monthly in the Loans Monitoring Comittees;
- Improve retail lending flow reactiveness and efficiency by creating the Retail Risk Advanced Modeling and Analyses Directorate.

The credit risk is managed in compliance with lending norms approved by the Management Board, based on the risk related type of products.

4.3.1 Individually impaired assets

As part of the overall credit risk management, the credit concentration risk is actively managed using standard tools (e.g., analysis, assessment, setting of internal limits, reporting and use of risk mitigation techniques as appropriate). The Bank aims not to take any excessive credit concentration risk. Credit concentration risk management procedures cover individual counterparties as well as economically connected groups, selected industry sectors and collateral providers. The system of internal limits is established such that the Bank complies with regulatory limits set in respect of concentration risk.

The Bank regularly re-assesses all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on watchlist and which are classified as individually significant.

The breakdown of these individual provisions recorded for exposures on legal entities, structured by industry, as well as individuals, is as follows:

Individual provisions	Exposure December 31, 2020	Provision December 31, 2020	Exposure December 31, 2019	Provision December 31, 2019
Manufacturing	141,621	(95,505)	144,771	(59,104)
Services	114,264	(42,838)	92,510	(45,979)
Trade and finance	59,702	(38,805)	99,329	(62,298)
Real estate and construction	31,470	(22,030)	49,719	(37,348)
Transportation and communication	10,713	(3,035)	9,544	(1,637)
Agriculture and forestry	7,385	(1,710)	8,390	(1,454)
Other sectors	272	(224)	480	(166)
Individuals*	68,954	(30,867)	80,749	(39,897)
Total	**434,381**	**(235,014)**	**485,627**	**(247,982)**

4.3.2 Collaterals received from customers

In order to calculate the collateral coverage ratio of the loans granted to non-retail clientele (entities with or without legal personality) the Bank has established coefficients (acceptance limits) applicable to the collateral value (which can be: market value, face value, assessed value, guaranteed value, etc.) depending on the type of collateral. Acceptance limits, depending on the type of the collateral, are described below:

Description of collateral	Acceptance limit value
Balance of account, deposit instrument	100%
Government securities issued in Romania, government-guaranteed securities	95%
Foreign-issued government securities rated in class I-II, government-guaranteed securities	95%
Foreign-issued and Romanian banking debt securities or deposit instruments similar to securities, issued by a bank	
In case of banks rated as I. to V.	75%
Romanian and foreign shares listed and traded on the exchange or OTC	50%
Investment units issued by OTP Asset Management	
Investment units with low or medium risk profile (e.g., OTP Obligatiuni, OTP ComodisRo, OTP Euro Bond, OTP Dollar Bond)	80%
Investment units with low or medium risk profile	70%
Investment units with medium to high or high risk profile (e.g., OTP AvantisRo)	60%
Residential property	
First-ranking mortgage	85%
Second-ranking or any subsequent mortgage	85%
Commercial property	
First-ranking mortgage on constructions	
Holiday homes, weekend houses	70%
Offices	70%
Catering establishments (hotel, restaurant, guest-house, etc.)	70%
Business sites (warehouses, etc.)	70%
Business outlets	70%
Commercial parts of buildings serving housing purposes (e.g., garages, storage room, business outlets) provided that they are separately marketable	70%
Factory buildings (production facilities, etc.)	60%
Business sites for agricultural purposes (farms, farmsteads, crop storage facilities, animal farming sites)	60%
Flats, houses, or other buildings under construction	60%

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Description of collateral	Acceptance limit value
First-ranking mortgage on land	
Urban land (intravilan)	75%
Agricultural land	80%
Other types of land	50%
Mortgage on inventories and other unspecified movable property	20%
Mortgage on vehicles (passenger car, motorcycle, commercial vehicle, aircraft, vessel)	50%
Mortgage on technological machines and equipment	40%
Claim against the state	100%
Claim against Agency for Payments and Intervention in Agriculture (APIA) in accordance with the conventions signed between APIA and the Bank	100%
Claims of class I-V against local governments and other budgetary agencies	80%
Claims against other persons or companies or claims arising from contracts relating to commercial services or from contracts relating to transactions with a term no longer than one year	50%
Guarantee or suretyship by the state	100%
The guarantee, suretyship, or bill of a bank; letter of credit issued by a company and advised by a bank	
Bank rated as class I. to V.	100%
Joint and several suretyships	
Guarantee funds, credit insurance companies	100%
Municipalities rated as class I-II	100%
Municipalities rated as class III-IV	80%

At the reference date, the Bank has accepted the types of collaterals specified below:

Types of collaterals received for the loan portfolio (Market value, capped to the covered exposure)	December 31, 2020	December 31, 2019
Cash collaterals	63,197	32,988
Bank guarantees and cash sureties	64,907	76,004
Guarantees from public administration	6,270	2,043
Revenue assignment	218,968	244,121
Assignment of other receivables	172,111	164,374
Registration of pledge for stock	906,838	881,358
Mortgages	8,038,162	7,412,464
Other	828,216	505,026
Securities - other securities	221,696	153,735
Total	**10,520,365**	**9,472,112**

Regarding the methodology of using collateral when establishing individual provisions, in order to calculate the cash flow from guarantees, the assigned value of liquidation of the guarantee will be used.

Liquidation value is the value of the guarantee at which, in the event of non-repayment, it can be used immediately or in a relatively short period of time and which includes all costs related to liquidation.

In order to estimate the recoveries for collateralized assets (future cash flows from collateral realization), the Collateral value, efficiency factor (EF), time to collection (t) and collateral collection costs (RC) should be estimated.

The collateral value could be estimated based on, but not limited to, the following factors:

- term for which collateral has been pledged,
- nominal / established collateral value (based on loan agreement),
- value from last collateral valuation (internal or external),

- actual collateral value pledged to the Bank based on the agreement and all available and relevant information regarding the collateral (e.g., first liens).

The efficiency factors (EF) are established based on a back-testing to be performed periodically (minimum half-yearly) by the Bank or, if there is no or insufficient historical data regarding some types of collateral, these are established based on expert opinion.

The back-testing for efficiency factors implies the evidence of all collateral sales, on a certain period of time. The estimated time to collection is established by the bank based on a back-testing to be performed periodically (minimum half-yearly) or, if there is no or insufficient historical data regarding some types of collateral, these are established based on expert opinion.

The back-test for the time to collection implies the evidence of all collateral sales, and their sale duration (calculated as the period between the date of initiations of the recovery procedures (legal procedures sale under the forced execution procedure/insolvency/bankruptcy as well as amicable procedures - amiable sale with the debtor's consent where it is possible) and effective date of selling the collateral.

The estimated collateral collection costs are established by the bank based on a back-testing to be performed periodically (minimum half-yearly) or, if there is no or insufficient historical data regarding some types of collateral, these are established based on expert opinion.

The back-testing for collateral collection costs implies the evidence of all collateral sales or collaterals pending sale.

In case of the cash flows estimated from invoices assigned in favor of the Bank, those ones uncollected within maximum 90 days from maturity or no later than 180 days from the date of issue of the documents certifying their existence (tax invoices, etc.), whichever is the earlier, will not be taken into consideration as future cash flows from the enforcement of collaterals or other alternative sources of reimbursement.

The Collateral value and efficiency factor should not account for the time-value of money or the time required to realize the collateral, as these will be taken into account through discounting all cash flows.

For the types of collaterals for which the preparation of an evaluation report is mandatory according to Collateral Evaluation Regulation, the liquidation (execution) value of collaterals is determined based on the evaluation report as follows:

- It is equal to the market value to which the efficiency factor is applied (EFi * Collateral_valuei), or
- It is equal to the liquidation value when it is specified in the evaluation report (Liquidation_valuei).

Without a valid collateral reappraisal, the accepted value of the collateral has been set to 0 in the collateral database, although the value can be used (with a reasonable adjustment) for the individual provision calculation (explanation is needed in the provision calculation).

Cash flows resulting from the recovery of inventories will be taken into account only to the extent that they present an appraisal report prepared by an authorized ANEVAR evaluator issued no earlier than six months before the date of analysis.

Provizion type	Client type	Stage	Exposure December 31, 2020	Provision December 31, 2020	Collateral market value, capped to the covered exposure	Collateral liquidation value, capped to the covered exposure	Exposure-Collateral liquidation value
Colective	Individual	1	4,826,560	(23,075)	3,983,296	3,297,697	1,528,863
		2	650,043	(41,580)	503,922	387,417	262,627
		3	73,319	(45,001)	48,071	36,948	31,620
	Legal entity	1	3,986,810	(66,918)	3,313,300	2,579,192	1,407,618
		2	714,455	(87,541)	669,331	567,162	147,294
		3	542	(310)	512	293	249
Individual	Individual	3	68,954	(30,867)	54,451	38,820	30,134
	Legal entity	3	365,428	(204,147)	292,211	192,033	173,395
Total			**10,686,111**	**(499,439)**	**8,865,092**	**7,099,561**	**3,581,799**

4.3.3 Foreclosed collaterals

Collaterals repossessed through foreclosure/legal proceedings are classified according to their intended use, either as assets held for sale or investment property.

The net value of assets held for sale increased during the period, reaching 2,999 thousand as of December 31, 2020 (2,380 thousand as of December 31, 2019). These assets are treated as assets of the nature of stocks and are presented in the Statement of Financial Position as Other Assets (Note 22).

The movement related to these assets, is presented below:
a) Net book value of assets held for sale (inventories)

Year	Opening balance	Additions	Depreciation	Impairment	Closing balance
2020	2,380	2,688	(2,324)	255	2,999
2019	4,206	2,172	(4,191)	193	2,380

b) The Bank recorded investment real estate property held to earn rentals. Investment properties are measured initially at cost. Transaction costs are included in the initial measurement. After initial recognition, the Bank measures investment property using the cost model.

Movements related to these assets during 2020 and 2019 respectively are presented below.
The carrying value of investment property:

Year	Initial	Additions	Depreciation	Adjust	Final
2020	1,500	-	(246)	-	1,254
2019	461	1,118	(79)	-	1,500

4.3.4 The quality of loans receivable (within maturity as well as overdue loans receivable)

The structure of loan portfolio by days of delay is shown below highlighting a clear picture of the quality of financial assets. If there are outstanding amounts (principal, interest, etc.) the entire loan is considered past due.

4.3.4.1. Quality of loan portolio (current and overdue)

December 31, 2020	Gross loans with identified provisions	Provision	TOTAL net loans
within maturity	9,902,241	(248,644)	9,653,597
0 - 15 days	353,451	(18,345)	335,106
16 - 30 days	60,632	(4,418)	56,214
31 - 60 days	53,607	(11,610)	41,997
61 - 90 days	26,973	(8,885)	18,088
91 - 180 days	32,485	(17,056)	15,429
more than 180 days	256,722	(190,481)	66,241
Total gross	**10,686,111**	**(499,439)**	**10,186,672**

December 31, 2019	Gross loans with identified provisions	Provision	TOTAL net loans
within maturity	8,690,218	(183,824)	8,506,394
0 - 15 days	378,704	(13,573)	365,130
16 - 30 days	51,965	(4,884)	47,082
31 - 60 days	89,118	(23,211)	65,907
61 - 90 days	49,741	(17,620)	32,121
91 - 180 days	60,746	(31,148)	29,598
more than 180 days	268,139	(175,870)	92,269
Total gross	**9,588,630**	**(450,130)**	**9,138,500**

For certain loans granted to customers, which were overdue for more than 90 days at the reporting dates, the Bank received collaterals of significant higher amounts than the related exposures. Therefore, the total provision recorded by the Bank for these loans is less than the total exposure as at each of the reporting dates.

4.3.4.2. Quality of loans overdue but not impaired

December 31, 2020	Overdue 1 to 30 Days	Overdue more than 30 Days	Gross loans	Provision	Carrying amount
Consumer	75,920	16,873	92,793	(10,007)	82,786
Mortgage	174,150	36,901	211,050	(6,194)	204,856
Corporate	142,405	5,178	147,584	(10,486)	137,098
Total	**392,475**	**58,951**	**451,426**	**(26,687)**	**424,740**

December 31, 2019	Overdue 1 to 30 Days	Overdue more than 30 Days	Gross loans	Provision	Carrying amount
Consumer	88,099	22,670	110,769	(16,029)	94,740
Mortgage	267,225	65,104	332,329	(9,568)	322,761
Corporate	50,067	10,660	60,727	(3,907)	56,820
Total	**405,392**	**98,433**	**503,825**	**(29,503)**	**474,322**

The table above shows the gross loans which are past due but not impaired acordingly to the Bank IFRS provision methodology and are presented based on the collective type of impairment.

4.3.4.3. Quality of loans individually impaired

December 31, 2020	Gross loans	Provision	Carrying amount
Corporate Work Out Handled clients	339,656	(199,589)	140,067
Corporate Normal Handled clients	25,772	(4,558)	21,214
Individuals	**68,954**	**(30,867)**	**38,087**
Total	**434,381**	**(235,014)**	**199,368**

December 31, 2019	Gross loans	Provision	Carrying amount
Corporate Work Out Handled clients	404,743	(207,986)	196,757
Individuals	80,884	(39,996)	40,888
Total	**485,627**	**(247,982)**	**237,645**

4.3.5 Analysis of restructured loans and receivables, gross

Restructured loans, in gross amount of 310,183 thousand as of December 2020 (338,127 thousand as of December 31, 2019), represent loans for which the repayment terms have been rescheduled based on an agreement between the Bank and its clients in order to avoid early overdue payments.

The following table shows the quantitative analysis of the receivable that were classified as restructured loans as at the year-end (on balance sheet amounts):

	December 31, 2020		December 31, 2019	
	Gross loans	Provision	Gross loans	Provision
Retail loans within maturity	41,204	(12,877)	25,869	(7,979)
Overdue up to 15 days	1,834	(813)	6,067	(939)
Overdue from 16 to 30 days	1,464	(393)	2,067	(1,032)
Overdue from 31 to 60 days	2,236	(1,437)	4,746	(2,732)
Overdue from 61 to 90 days	1,979	(1,208)	3,953	(2,563)
Overdue from 91 to 180 days	2,175	(1,332)	4,673	(3,018)
More than 180 days	13,349	(10,331)	13,832	(10,053)
Retail loans - TOTAL	**64,241**	**(28,391)**	**61,208**	**(28,317)**
SME loans within maturity	25,912	(5,774)	22,690	(4,829)
Overdue up to 15 days	1,083	(350)	693	(245)
Overdue from 16 to 30 days	69	(2)	648	(41)
Overdue from 31 to 60 days	2,578	(401)	6,571	(403)
Overdue from 61 to 90 days	525	(162)	1,174	(461)
Overdue from 91 to 180 days	615	(233)	3,696	(1,283)
More than 180 days	24,040	(14,717)	35,237	(19,748)
SME loans - TOTAL	**54,822**	**(21,639)**	**70,709**	**(27,010)**
Corporate loans within maturity	92,019	(13,462)	139,993	(37,113)
Overdue up to 15 days	8,235	(1,382)	772	(80)
Overdue from 16 to 30 days	2,156	(357)	-	-
Overdue from 31 to 60 days	-	-	-	-
Overdue from 61 to 90 days	-	-	789	(2)
Overdue from 91 to 180 days	643	(49)	11,119	(4,294)
More than 180 days	88,067	(78,403)	53,538	(45,036)
Corporate loans - TOTAL	**191,120**	**(93,653)**	**206,211**	**(86,525)**
TOTAL	**310,183**	**(143,683)**	**338,127**	**(141,852)**

The table below shows the evolution by stages of the restructured loans outstanding at the end of the reporting period compared to December 31, 2019.

Client category	Stage Dec 2019	Stage Dec 2020	Gross loans	Provision
Individuals	1	2	3,842	(564)
		3	384	(214)
	2	2	11,689	(1,073)
		3	2,048	(1,425)
	3	2	1,107	(154)
		3	43,953	(24,618)
	new loans 2020	2	1,086	(262)
		3	133	(80)
Individuals Total			**64,242**	**(28,390)**
Legal entities	1	2	6,358	(1,758)
		3	21,776	(3,078)
	2	2	59,773	(11,644)
		3	11,407	(1,652)
	3	3	144,532	(96,767)
		2	2,000	(384)
	new loans 2020	3	95	(10)
Legal entities Total			**245,941**	**(115,293)**
Total			**310,183**	**(143,683)**

4.3.6 Concentration of credit risk to counterparties – other banks

The following table presents the counterparty risk related to the exposures towards other credit institutions, based on ratings published by Moody's:

	December 31, 2020		December 31, 2019	
	Amounts in thousands RON equiv.	Moody's Rating for counterparty's country of origin	Amounts in thousands RON equiv.	Moody's Rating for counterparty's country of origin
Raiffeisen Bank International AG	155,821	Aa1	-	Aa1
CEC Bank S.A.	137,394	Baa3	-	Baa3
Intesa Sanpaolo SPA, HO	73,041	Baa3	-	Baa3
Unicredit Bank AG (Hypovereinsbank)	73,041	Aaa	-	Aaa
Citibank Europe PLC Dublin Suc. Romania	50,002	A2	-	Baa3
Credit Europe Bank (Romania) S.A.	15,501	Baa3	17,001	Baa3
Garanti Bank SA	14,608	Baa3	-	Baa3
Banca de Export-Import a Romaniei Eximbank SA	12,292	Baa3	5,006	Baa3
Banca Comerciala Romana S.A.	6,593	Baa3	4,787	Baa3
Commerzbank AG	5,384	Aaa	3,321	Aaa
Credit Suisse (Schweiz) AG	4,637	Aaa	-	
OTP Bank Plc.	4,412	Baa3	334,667	Baa3
Deutsche Bank AG	3,852	Aaa	4,007	Aaa
JP Morgan Chase Bank National Association	2,261	Aaa	4,805	Aaa
Danske Bank Aktieselskab	980	Aaa	649	Aaa
Lloyds Bank PLC	844	Aa3	1,984	Aa2
Skandinaviska Enskilda Banken AB (PUBL) Stockholm	432	Aaa	117	Aaa
Mizuho Bank LTD	101	A1	-	A1
PKO Bank Polski S.A.	38	A2	-	A2
Unicredit Bank SA	-	Baa3	23,897	Baa3
UBS AG (Head Office - Zurich)	-	Aaa	16,337	Aaa
Mizuho Corporate Bank LTD	-	A1	431	A1
Powszechna Kasa Oszczednosci Bank Polski Spolka Akcyjna	-	A2	16	A2
TOTAL	**561,234**		**417,025**	

4.3.7 COVID-19

Moratoriums:

In order to support customers whose financial situation was affected by the COVID-19 pandemic and to limit the adverse effects of the health crisis on loan portfolios, OTP Bank Romania offered the possibility to postpone the repayment of due rates both by applying the legislative moratorium, based on GEO 37/2020, as well as by implementing non-legislative moratoriums in compliance with the provisions of EBA Guide 02/2020 on legislative and non-legislative moratoriums applied to the payment of loans in the context of the COVID crisis:

- The non-legislative moratorium 1 for individual customers was applied by the bank in the first phase of the pandemic period, until the publication of GEO 37/2020 and EBA guide and had the following characteristics:
  - Application deadline: March 2020 - May 2020
  - Conditions:
    - automatic application to customers with due installments and without available amounts for payment of installments.
    - installments due from March to May did not accumulate penalties and did not change the debt service of customers in case of non-payment at due dates during this period.
- The legislative moratorium granted based on GEO 37/2020 had the following characteristics:
  - Application deadline: April 2020-15 June 2020

- Conditions:
  - o without days of delay on the date of application
  - o maximum period of suspension of payments 31.12.2020
  - o for legal entity clients, they could request suspension only for principal, interest, or commissions until the suspension of the entire due rate
  - o capitalization of suspended interest for unsecured mortgage loans
  - o interest accrued during the period of suspension for mortgage-backed loans was scheduled for payment over a period of up to 60 months, with no additional interest

• The non-legislative moratorium related to the EBA Guide 02/2020 for corporate clients had the following characteristics:
- Application deadline: 22 of April 2020 -30 of September 2020
- Conditions:
  - o maximum period of suspension of payments 31.12.2020
  - o without days of delay on the date of application
  - o prior to the COVID-19 pandemic, the client was not in financial difficulty
  - o the loan is not classified by the Bank in Stage 3 according to the IFRS9 principles
  - o only principal was suspended

• The non-legislative moratorium 2 related to the EBA Guide 02/2020 for individual customers had the following characteristics:
- Application deadline: 19 of June 2020 - 30 of September 2020
- Conditions:
  - o maximum 90 days late on the date of application
  - o maximum period of suspension of payments 31.12.2020

All moratoriums had a maximum cumulative application period of 9 months, both legislative and non-legislative moratorium.

The Bank has developed an action plan to identify customers with potential difficulties in meeting payment obligations after the end of the moratorium period. The measures taken, took into account the appropriate classification of the loan portfolio in question and the recognition of impairment adjustments to cover expected losses, amid a potential deterioration of the loan portfolio, taking into account the evolution of credit portfolio performance indicators.

With regard to individual customers, the actions established by the bank consisted in early contact with customers, but also in raising awareness among them about the end of the moratorium and the need to establish the necessary measures in the future, on a case-by-case basis. In the period between the end date of the moratorium and the due date of the first installment after moratoria period, customers were contacted by the bank in order to identify cases of deterioration of payment capacity and direct them on the restructuring flow.

More than 60% of customers who requested the suspension of payments opted for the maximum period, which led to the concentration of deadlines for the moratorium period in December, first installment due date being in January 2021 in most cases.
Analysing the payment behavior of the private individual clients for which payments deferral period ended between June and December 2020, there is a stabilization of the portfolio which registers delays in the payment of installments at the level of 18%.
In 2020, the level of depreciation adjustments related to private individuals' loans additionally established by the Bank by adjusting the methodology for estimating the expected losses in order to anticipate the negative effects generated by the COVID-19 pandemic was ~RON 25.4 million.
The action plan on corporate clients who benefited from the moratorium on loans was aimed at contacting customers early and identifying potential changes in terms of credit quality and were based on both the normal activity of portfolio monitoring and individual analysis of customers in the moratorium, before its completion. The main objective of this action plan was to obtain financial information and other qualitative data on the evolution of the business as recently as possible, in order to perform objective analyzes of the evolution of financial performance in the current economic context.

As of end of December 2020, a total exposure of ~ RON 390 milion was reclassified as Stage 2 based on potential negative economic effect of COVID-19 situation on clients' sector of activity, being considered the following industries: Accommodation and food service activities; Accommodation; Travel agency, tour operator reservation service and related activities; Arts, entertainment and recreation; Air transport; Manufacture of other equipment (airplane, ship, bus); Real estate having as loan reimbursement source income for rents.
Out of this, ~ 62% of the volume transferred is linked to clients that benefited a moratorium in 2020, which means that ~ 26% (in terms of exposure) of the corporate portfolio that benefited a moratorium in 2020 was reclassified as stage 2 as of end of December 2020. At the same time, the observed delinquency rate in terms of exposure for such portfolio is below 2%.

In 2020, the cumulated estimated effect of COVID-19 pandemic on the level of provisions for corporate portfolio, following parameters' reviews and stage reclassification, was ~ RON 70.6 million.

From the perspective of classifying the exposures that are subject to a moratorium in the performance stages provided by the IFRS 9 model, the Bank adopted the following special rules:

1. Exposures classified in Stage 3 at the time of accessing the moratorium must remain in Stage 3 for the entire period of the moratorium.
2. Exposures classified in Stage 2 at the time of accessing the moratorium cannot be improved during the moratorium.
3. The exposures will be classified during the moratorium period in the most unfavorable stage between the one from the evaluation date and the one from the date of accessing the moratorium.
4. The application of the moratorium does not lead by itself to the classification of the exposure as restructured (forborne).
5. The time horizon of the moratorium will not be considered in the cure periods: nor for forborne, nor for default
6. The number of days of delay must reflect the state from the moment of accessing the moratorium
7. Potential deterioration to Stage 2 or Stage 3 must be investigated continuously and with all subjective or objective triggers. If information is available that the client will have difficulty after the end of the moratorium (significant increase in credit risk throughout life), the related exposures should be transferred to Stage 2 or Stage 3. If such an assessment cannot be performed, it will be possible to use a collective assessment of the significant increase in credit risk based on economic sectors, rating categories, the reference portfolio, or any other classification relevant from the perspective of credit risk in the context of COVID-19.

During 2020, the methodology for recognizing impairment adjustments according to IFRS 9 was successively revised in order to anticipate the negative economic effects of the COVID-19 pandemic on the quality of the loan portfolio.

Notes to the Separate Financial Statements for the period ended December 31st, 2020

The main methodological changes as a result of the effects produced by the COVID-19 pandemic were the following:

- Review the possibility of default parameters, in a large extent within the forward-looking component, in order to capture the additional risk generated by COVID-19 pandemic;
- Reviewing the share of scenarios used so that the modeling of default probabilities is currently based on 2 macroeconomic scenarios (pessimistic scenario with a weight of 80% and crisis scenario with a weight of 20%), in the past being used 5 macroeconomic scenarios;
- introduction of special triggers for transfer to stage 2 based on rating rules for loans granted to private individuals having a benefiting a moratorium in the last 3 months;
- change of risk status and classification as stage of legal entities clients based on industry potential exposure to negative financial effects of COVID-19.

Following these, the Bank booked in 2020 an additional risk cost of RON 96 million (out of which RON 25.4 million for the loan portfolio granted to individuals and RON 70.6 million for the loan portfolio granted to legal entities) in order to cover the potential deterioration of the loan portfolio generated by the COVID-19 pandemic.

Overview of EBA-compliant moratoria (legislative and non-legislative) - provide information on the number of obligors and gross carrying amount of loans and advances subject to different statuses of EBA-compliant moratoria (requested/granted). In addition, the template contains a breakdown by the residual maturity of EBA-compliant moratoria and information on the gross carrying amount of legislative moratoria.

	Number of obligors	Gross carrying amount			Residual maturity of moratoria	
		Total	Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months
Loans and advances for which moratorium was offered	33,050	4,023,700				-
Loans and advances subject to moratorium (granted)	22,799	2,747,071	1,580,276	2,273,970	473,101	-
of which: Households		1,798,586	817,806	1,796,236	2,350	-
of which: Collateralised by residential immovable property		1,459,553	638,640	1,457,370	2,183	-
of which: Non-financial corporations		907,131	721,117	477,358	429,773	-
of which: Small and Medium-sized Enterprises		820,821	642,092	443,859	376,962	-
of which: Collateralised by commercial immovable property		775,462	635,711	361,855	413,607	-

Information on loans and advances subject to EBA-compliant moratoria (legislative and non-legislative) - the template provides a breakdown of the gross carrying amount and the related loss allowances by the status of the exposure (performing and non-performing).

	Gross carrying amount						
		Performing			Non performing		
			Of which: exposures with forebearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forebearance measures	Of which: Unlikely to pay that are not past-due or past-due <=90 days
Loans and advances subject to moratorium	473.101	450.849	12.625	183.916	22.612	143	22.612
of which: Households	2.350	2.207	0	702	143	0	143
of which: Collateralised by residential immovable property	2.183	2.040	0	702	143	0	143
of which: Non-financial corporations	429.773	407.304	0	0	22.469	0	22.469
of which: Small and Medium-sized Enterprises	376.962.	376.317	0	0	645	0	645
of which: Collateralised by commercial immovable property	413.607	391.960	0	0	21.647	0	21.647

	Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing			
			Of which: exposures with forebearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forebearance measures	Of which: Unlikely to pay that are not past-due or past-due <=90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	-36.224	-23.294	-23.294	-18.867	-12.930	0	-12.930	22,469
of which: Households	-204	-74	-74	-18	-130	0	-130	0
of which: Collateralised by residential immovable property	-197	-67	-67	-18	-130	0	-130	0
of which: Non-financial corporations	-34.947	-22.148	-22.148	0	-12.799	0	-12.799	22,469
of which: Small and Medium-sized Enterprises	-21.181	-20.536	-20.536	0	-645	0	-645	645
of which: Collateralised by commercial immovable property	-33.168	-21.120	-21.120	0	-12.048	0	-12.048	21.647

Government aid programs:

- Also, during 2020, the Bank participated in IMM Invest program for legal entities customers, which implies the payment of the interest by the government.

OTP Bank Romania S.A. has signed the Guarantee and Grant Payment Convention - The SME Invest Romania Program for supporting small and medium enterprises, with FNGCIMM no. 10/04.05.2020. On 06.07.2020 FNGCIMM will guarantee on behalf of Romanian state, in an express, irrevocable and unconditional manner, through a state guarantee, the obligations to reimburse the individual loan facilities granted by the Bank to SME clients, defined as such according to the Law no. 346/2004, for investment and working capital needs.
The interest rate (without due interest and penalties) is subsidized by the state until 31.12.2020. The risk fee and administration fee

(usually paid to FNGCIMM) are subsidized by the state as a grant (state aid), for the entire loan maturity.

The maximum interest rate allowed through the OUG to be kept for the entire loan period is:
- For investment loans: ROBOR 3M + 2% p.a., any other loan related fee must be included in the aforementioned percentage;
- For working capital loans: ROBOR 3M + 2.5% p.a., any other loan related fee must be included in the aforementioned percentage.

• OTP Bank Romania was accepted as a partner bank in the GEO 130 program for granting non-reimbursable grants for SMEs. The funds are intended for companies that have been affected by COVID-19 pandemic in the following industries: restaurants, hotels, cafes, food industry, transportation, travel agencies, publishing houses, creative businesses or companies that have been closed or have diminished activity due to military ordinances in during emergencies or alerts.
Types of grants are:
- Microgrant (M1) has a total value of EUR 100 M, and the estimated number of beneficiaries is a maximum of 50,000. The value of the subsidy is EUR 2,000/ beneficiary.
- Grant for working capital (M2) has a total value of EUR 350 M, and the estimated number of beneficiaries is a maximum of 100,500. Depending on the Turnover of 2019 which starts from EUR 5,000, and can exceed EUR 1 M, the subsidy starts from EUR 2,000/ beneficiary and reaches up to EUR 150,000/ beneficiary.
- Grant for productive investments (M3, bridge loan) is worth a total of EUR 550 M, and the estimated number of beneficiaries is a maximum of 15,000. The value of the subsidy is between EUR 50,000 and 200,000.

In order to mitigate the negative repercussions on the economy, the Government Emergency Order no. 42/2020 (modifying GEO 110/2017), the methodological norms were issued and were implemented by FNGCIMM under SME Invest Program.

Overview of newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis - the template provide information on the number of obligors and gross carrying amount of these loans.

		Gross carrying amount	Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	**Public guarantees received**	**Inflows to non-performing exposures**
Newly originated loans and advances subject to public guarantee schemes	349,981	-	145,737	-
of which: Households	-			-
of which: Collateralised by residential immovable property	-			-
of which: Non-financial corporations	340,024	-	141,510	-
of which: Small and Medium-sized Enterprises	335,148			-
of which: Collateralised by commercial immovable property	-			-

In January 2021, the Bank reactivated the moratorium programs, the share of exposures benefiting a moratorium in total exposure from loans granted to companies and individuals, being below 1% at mid-February.

4.4 Liquidity Risk Management

The liquidity risk is associated either to the difficulty of an entity to raise necessary funds in order to meet all the commitments when they fall due or to the possibility of incurring losses if the entity has to sell assets in unfavorable conditions or has to attract more expensive supplementary funding.

The Bank's objective regarding liquidity risk is to maintain an adequate level of liquidity by ensuring the optimal mix of funding and lending transactions in order to achieve the budget.

As stated on the "Liquidity Management Strategy" and on the "Liquidity Risk Management policy" of the Bank, permanently improved and updated in compliance with the local requirements for a prudent regulation but also, in compliance with group requirements, OTP Bank Romania S.A. has implemented an internal system of identification, measurement, monitoring and control of the liquidity risk, structured on two levels: the current liquidity management – the continuity of the activity in normal conditions (the assurance of cash flows for normal business operations) and the management of liquidity on crisis situations – the continuity of the activity in different crisis conditions.

OTP Bank Romania S.A. manages the liquidity risk considering: the estimation of the cash flows needs and of the operative liquidity, the daily banking book structure, the liquidity GAP – on each currency and overall, the level and the structure of the liquid assets portfolio, the liquidity indicators having early warning limits internally established, the simulation regarding the liquidity indicators levels, the risk assessment on crisis situations by using stress tests.

If the indicators monitored in the reports enumerated above, register an attention or crisis level the Assets and Liabilities Committee evaluates the situation and disposes necessary measures needed for the indicators to revert to normal levels. If the measures taken did not lead to an improvement of the monitored liquidity indicator, the alternative plan for liquidity management in crisis situations will be activated.

Strict monitoring and prudent management of liquidity is supervised by the Assets and Liabilities Management Committee.

Liabilities to clients due within one month principally include current accounts from which the clients are authorized to make withdrawals at call. The Bank's historical experience shows, however, that these accounts represent a stable source of funding.

During 2020 the Bank obtained financing from the OTP Group in total of RON 500 million and extended the maturity of another RON 250 million in advance to support the lending activity, as well as with the aim of improving the liquidity coverage indicator (LCR). Shorter term MM deposits were used to cover shorter term variations in loan-deposits gap.

On December 31, the cumulative value of the (stand-by) lending facilities contracted from the parent bank for liquidity-only use purposes (and not used at 31 December 2020) is EUR 75 million (unchanged as of 2019).

The following tables show an analysis of financial assets and liabilities according to their remaining maturities, reflecting the remaining period between the balance sheet date and the repayment schedule in case of assets and contractual maturity date in case of liabilities (as of December 31, 2020 and December 31, 2019).

The following tables show an analysis of financial assets and liabilities according to their remaining maturities, reflecting the remaining period between the balance sheet date and the repayment schedule in case of assets and contractual maturity date in case of liabilities (as of December 31, 2020 and December 31, 2019).

December 31, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	No fixed maturity	Total
ASSETS							
Cash	532,794	-	-	-	-	-	532,794
Current accounts and deposits at banks	561,234	-	-	-	-	-	561,234
Accounts with the National Bank of Romania	1,698,185	-	-	-	-	-	1,698,185
Securities amortised cost	-	30,382	51,864	488,252	-	-	570,948
Loans and advances to customers, net	211,889	631,427	1,793,586	1,772,978	5,776,792	-	10,186,672
Loans and advances to banks	76,652	-	-	-	-	-	76,652
Investment securities at fair value through other comprehensive income	-	-	-	546,156	166,891	12,757	725,804
Investment securities at fair value through profit and loss	-	-	-	-	-	19,436	19,436
Investment in Associates and Subsidiaries	-	-	-	-	-	46,558	46,558
Derivatives *	13,945	-	-	-	-	-	13,945
Derivatives hedge accounting *	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	84,734	84,734
Total assets	**3,094,699**	**662,259**	**1,845,450**	**2,807,386**	**5,943,683**	**163,485**	**14,516,962**
LIABILITIES							
Due to Banks	162,393	-	-	-	-	-	162,393
- Demand deposits from banks	18,934	-	-	-	-	-	18,934
- Term deposits from banks	143,459	-	-	-	-	-	143,459
Due to customers	5,958,419	1,732,853	1,722,880	66,985	29,423	-	9,510,560
- Demand deposits from customers	3,856,203	-	-	-	-	-	3,856,203
- Term deposits from customers	2,102,216	1,732,853	1,722,880	66,985	29,423	-	5,654,357
Borrowings	365,214	-	-	2,611,397	121,736	-	3,098,347
Derivatives *	13,343	-	-	-	-	-	13,343
Derivatives hedge accounting *	48,875	-	-	-	-	-	48,875
Lease liabilities	109	101	1,761	46,283	8,047	46	56,347
Provisions	-	-	-	-	-	164,259	164,259
Other financial liabilities	166,153	-	-	-	-	-	166,153
Total liabilities	**6,714,506**	**1,732,954**	**1,724,641**	**2,724,665**	**159,206**	**164,305**	**13,220,277**
Net liquidity GAP	**(3,619,807)**	**(1,070,695)**	**120,809**	**82,721**	**5,784,477**	**(820)**	

December 31, 2019	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	No fixed maturity	Total
ASSETS							
Cash	635,212	-	-	-	-	-	635,212
Current accounts and deposits at banks	417,025	-	-	-	-	-	417,025
Accounts with the National Bank of Romania	1,002,064	-	-	-	-	-	1,002,064
Securities amortised cost	-	-	20,970	523,485	-	-	544,455
Loans and advances to customers, net	279,345	553,724	1,703,066	1,434,003	5,168,362	-	9,138,500
Loans and advances to banks	267,209	29,227	-	-	-	-	296,436
Investment securities at fair value through other comprehensive income	-	-	-	560,971	162,775	36,791	760,537
Investment securities at fair value through profit and loss	-	-	-	-	-	12,538	12,538
Investment in Associates and Subsidiaries	-	-	-	-	-	46,553	46,553
Derivatives	14,469	-	-	-	-	-	14,469
Derivatives hedge accounting	175	-	-	-	-	-	175
Other assets	-	-	-	-	-	84,852	84,852
Total assets	**2,615,499**	**582,951**	**1,724,036**	**2,518,459**	**5,331,137**	**180,734**	**12,952,816**
LIABILITIES							
Due to Banks	515,154	-	-	-	-	-	515,154
- Demand deposits from banks	248,294	-	-	-	-	-	248,294
- Term deposits from banks	266,860	-	-	-	-	-	266,860
Due to customers	4,774,714	1,446,525	1,441,966	284,871	26,793	-	7,974,869
- Demand deposits from customers	3,630,553	-	-	-	-	-	3,630,553
- Term deposits from customers	1,144,161	1,446,525	1,441,966	284,871	26,793	-	4,344,316
Borrowings	52,614	-	132,099	2,447,397	119,483	-	2,751,593
Derivatives	14,354	-	-	-	-	-	14,354
Derivatives hedge accounting	42,858	-	-	-	-	-	42,858
Lease liabilities	-	176	3,277	34,619	6,058	59	44,189
Provisions	-	-	-	-	-	139,021	139,021
Other financial liabilities	142,079	-	-	-	-	-	142,079
Total liabilities	**5,541,773**	**1,446,701**	**1,577,342**	**2,766,887**	**152,334**	**139,080**	**11,624,117**
Net liquidity GAP	**(2,926,274)**	**(863,750)**	**146,694**	**(248,428)**	**5,178,803**	**41,654**	

Taking into consideration the specificity of the banking activity, deposits taken from non-banking clients mainly have maturities less than 12 months, still, these deposits are renewed in a significant proportion at each maturity date. Client deposits are supplemented by long term Group Funding. Placements made by the Bank other than client loans have a maturity of less than 3 months or are liquid assets than can be sold/ used as collateral to finance a potential liquidity shortfall.

Amounts due to Banks and Deposits from the National Bank of Romania and Other Banks and Amounts due to Customers

The fair value of term deposits payable on demand represents the carrying value of amounts payable on demand as at the statement of financial position date.

The fair value of term deposits will be determined using the interest rates in the standard offer of the bank. In this sense, deposits will be grouped into maturity bands depending on their residual maturity. For each maturity band it will be set the standard

Notes to the Separate Financial Statements for the period ended December 31st, 2020

interest rate applicable for the middle of the interval by linear interpolation. Using the determined interest rate, the fair value of term deposits will be calculated as the present value of cash flows.

4.5 Operational Risk

Operational risk represents the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events, and includes legal risk.

The operational risk management comprises consistent identification and evaluation of operational risks, followed by the identification and execution of the measures for managing and diminishing the risks thus defined.

Operational risk event represents an event or incident, as a result of which a process/activity produces or may produce an outcome other than expected, with a negative financial impact/positive impact on the profit or the Bank's capital and it is caused by human error or intentional damage, non-compliant or erroneous, incorrect operation of processes/activities, systems or caused by factors other than external credit risk or market risk.

The Bank has a governance framework for operational risk that includes policies and procedures for the identification, evaluation, analysis, monitoring and control/decrease of operational risk. Policies and procedures are based on the size, nature, and complexity of Bank's activities, being regularly adjusted according to the operational risk profile of the Bank, respectively according to the changes and external evolutions of the market. Policies and procedures include additional risks prevalent in certain operational activities and cover the periods when the operational risk might increase.

Operational risks are identified in two ways:

a) First, all loss events that actually occurred must be collected and registered (direct/real loss for the Bank and also collateral losses, derived from unrealized profit);
b) Second, there must be identified the potential risks that could lead to direct/real financial losses.

Each organizational unit is responsible with the periodical collection and management of data regarding the operational risk loss events.

The Bank has established a system of Key Risk Indicators (KRI) that are used for monitoring the operational risk exposure's level. The KRI's highlight the generating factors or the risk factor impact over the Bank. The key risk indicators aim is to forecast risks and to provide assistance in order to avoid certain losses arising from operational risk. Also, KRI have the role to identify warning signals of potential losses.
The Bank prepares annually the risks self-assessment, as an integral part in the process of operational risk management. The self-assessment allows the identification and assessment of of risks potentially affecting banking processes, organised by process owners.

The relevance and importance of the indicators are established considering the importance of the content of the particular indicator in supporting decisions, the importance of the risk assessment, the degree of risk correlation, objectivity, and ease of its calculation.

The Bank's regulations on operational risk enforces:

- Periodical revision of the framework regarding operational risk management within the Bank;
- Provisioning for operational risk in order to minimize the impact generated by recorded losses from operational risk events at the Bank's level;
- Permanent support for organizational units in order to prepare reports for operational risk;
- Information of organizational units about decisions of Operative Risk Committee and Management Board.
- Evaluation of the exposure to operational risk based on the history of recorded losses and permanent update of the database regarding events that generate losses from operational risks, reported by the organizational units;
- Evaluation of the activities and processes, products and systems by performing annual self-assessment of activities and processes that take place within all organizational units, for reporting the risks already identified during the activity or the potential risks and the control measures to reduce their occurrence or for risk elimination;
- Preparation of scenarios for the continuity of Bank's activity in unpredictable situations. The business continuity plan is one of the instruments used by the Bank for the operational risk management.

The Bank has a historical database, also aligned to the Group's requirements, where operational risk events monthly reported by all organizational units are centralized.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the Bank's Financial Assets and Liabilities

The fair value of the Bank's financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where available, fair value estimates are made based on quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Market inputs are used in valuation models to the maximum extent. Changes in underlying assumptions, including discount rates, and estimated future cash flows, significantly impact on the estimates. Therefore, the estimated market fair values may not be realised in the current sale of the financial instrument.

Management's assessment of fair values

Where the fair value of financial instruments cannot be derived from active market, the Bank establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis models. Deciding on the model inputs requires judgment.

Discount rates

The discount rates used are determined on the basis of market prices. For each currency

Notes to the Separate Financial Statements for the period ended December 31st, 2020

it is constructed with a zero coupon yield curve derived from the instruments considered to be the most representative of the currency and maturity.

Hold-to-Collect Financial Investments

The fair value of securities recorded in the portfolio is stated at the price determined by valuation techniques based on level 2 of the fair value estimate. For government and banking bonds, whose issuers have rating comparable with the country rating, fair value is calculated using the market yield curve without credit margin. For other types of bonds, the credit margin reflecting the issuer's credit risk is applied in addition to the market yield curve.

Cash, amounts due from banks and balances with the National Bank of Romania and placements with other banks

The carrying values of cash and balances with central banks are generally deemed to approximate their fair value.
The fair value of other amounts due from banks is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk).

Loans

Generally, the fair value of variable yield loans that are regularly re-valued approximates their carrying value with no significant changes in credit risks. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit risks.
The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available.

Methods and assumptions in consideration to the fair value of financial instruments:

- **Short term financial assets and liabilities,** defined as those with remaining maturities of 90 days or less - the fair value approximates their carrying amounts due to their short term maturity. The following instruments were considered predominantly short-term: on the asset side, cash, current account and deposits at banks, accounts with NBR and on the liability side demand deposits from banks and demand deposits from customers as well as certain term deposits from customers.
- **Investment securities at fair value through profit and loss** – this category includes unlisted securities and other investments. The fair value of these instruments is determined by a series of methods based on available data and their reliability, as well as by the factors specific to the actions to be assessed. Based on professional judgment, one of the methods will be selected: investment valuation using the Discounted Cash Flow ("DCF") method, benchmarking based on market multiples, other indicators that can be taken into account during the assessment, other indicators specific to sectoral features. The bank owns fund units registered as equity instruments. The revaluation operation is executed on a monthly basis based on the UNAV (Unitary net assets value) communicated by the fund manager. The fair value is the number of units owned by the fund * the corresponding UNAV.
- **Investment securities at fair value through other comprehensive income** - The fair value of each transaction will be calculated as Nominal value * the Bid Clean price expressed in percent (relative to the revaluation date) plus the coupon accumulated up to the revaluation date.
- **Loans and advances to customers, net** - the fair value of loans is established using the current market prices for the loan products. The fair value is determined as the present value of future cash flows.
- **Loans and advances to banks** - The fair value of non-performing amounts due from banks is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral level 1 of the fair value estimate. Provisions are not taken into consideration when calculating fair values.
- **Borrowings and deposits from customers granted attracted at variable interest rates** - the fair value of long-term loan contracts is determined as the present value of future cash flows using the zero coupon yield curves and the intragroup financing margins valid at the valuation date.

The fair value of the client's term deposits is determined using the interest rates of the Bank's standard offer; the fair value of term deposits will be calculated as the present value of future cash flows.

The following table summarizes the carrying amounts of financial assets and financial liabilities presented on the Bank's balance sheet, and their fair values:

Lines of the balance sheet	Carrying Amount		Fair Value	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
FINANCIAL ASSETS				
Cash	532,794	635,212	532,794	635,212
Current accounts and deposits at Banks	561,234	417,025	561,234	417,025
Accounts with the National Bank of Romania	1,698,185	1,002,064	1,698,185	1,002,064
Securities held-to-maturity/ amortised cost	570,948	544,455	570,948	544,455
Loans and advances to customers, net	10,186,672	9,138,500	10,295,176	9,266,792
Loans and advances to banks	76,652	296,436	76,652	296,436
Investment securities at fair value through profit and loss	19,436	12,538	19,436	12,538
Investment securities at fair value through other comprehensive income	725,804	760,537	725,804	760,537
Derivatives	13,945	14,469	13,945	14,469
Derivatives hedge accounting	-	175	-	175
FINANCIAL LIABILITIES				
Demand deposits from banks	18,934	248,294	18,934	248,294
Term deposits from banks	143,459	266,860	143,459	266,860
Demand deposits from customers	3,856,203	3,630,553	3,856,203	3,630,553
Term deposits from customers	5,654,357	4,344,316	5,691,005	4,380,556
Borrowings	3,098,347	2,751,593	3,067,445	2,753,501
Derivatives	13,343	14,354	13,343	14,354
Derivatives hedge accounting	48,875	42,858	48,875	42,858

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: quoted market price in an active market for an identical instrument;
- Level 2: valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: valuation techniques which are not based on observable inputs.

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				December 31, 2020
	Level 1	Level 2	Level 3	TOTAL
Investment securities at fair value through profit and loss	-	19,436	-	19,436
Investment securities at fair value through other comprehensive income	-	725,804	-	725,804
Derivative financial instruments	-	13,945	-	13,945
Forward transactions	-	-	-	-
Fx swap	-	11,310	-	11,310
Interest rate swaps	-	2,636	-	2,636
Currency options	-	-	-	-
Derivatives hedge accounting	-	-	-	-
Total Financial Assets measured at fair value	**-**	**759,185**	**-**	**759,185**

				December 31, 2019
	Level 1	Level 2	Level 3	TOTAL
Investment securities at fair value through profit and loss	-	12,538	-	12,538
Investment securities at fair value through other comprehensive income	-	760,537	-	760,537
Derivative financial instruments	-	14,469	-	14,469
Forward transactions	-	8	-	8
Fx swap	-	12,078	-	12,078
Interest rate swaps	-	2,383	-	2,383
Currency options	-	-	-	-
Derivatives hedge accounting	-	175	-	175
Total Financial Assets measured at fair value	**-**	**787,719**	**-**	**787,719**

Financial assets for which fair value is disclosed

				December 31, 2020
	Level 1	Level 2	Level 3	TOTAL
Cash	532,794	-	-	532,794
Current accounts and deposits at banks	561,234	-	-	561,234
Accounts with the National Bank of Romania	1,698,185	-	-	1,698,185
Securities amortised cost	-	570,948	-	570,948
Loans and advances to banks	-	76,652	-	76,652
Loans and advances to customers, net	-	8,795,964	1,499,212	10,295,176
Total financial assets for which fair value is disclosed	**2,792,213**	**9,443,564**	**1,499,212**	**13,734,989**

				December 31, 2019
	Level 1	Level 2	Level 3	TOTAL
Cash	635,212	-	-	635,212
Current accounts and deposits at banks	417,025	-	-	417,025
Accounts with the National Bank of Romania	1,002,064	-	-	1,002,064
Securities amortised cost	-	544,455	-	544,455
Loans and advances to banks	-	296,436	-	296,436
Loans and advances to customers, net	-	8,254,744	1,012,048	9,266,792
Total financial assets for which fair value is disclosed	**2,054,301**	**9,095,635**	**1,012,048**	**12,161,984**

Financial liabilities measured at fair value

				December 31, 2020
	Level 1	Level 2	Level 3	TOTAL
Derivative financial instruments	-	13,343	-	13,343
Forward transactions	-	55	-	55
Fx swap	-	10,652	-	10,652
Interest rate swaps	-	2,636	-	2,636
Currency options	-	-	-	-
Derivatives hedge accounting	-	48,875	-	48,875
Interest rate swaps	-	48,875	-	48,875
Total financial liabilities measured at fair value	**-**	**62,218**	**-**	**62,218**

				December 31, 2019
	Level 1	Level 2	Level 3	TOTAL
Derivative financial instruments	-	14,354	-	14,354
Forward transactions	-	66	-	66
Fx swap	-	11,905	-	11,905
Interest rate swaps	-	2,383	-	2,383
Currency options	-	-	-	-
Derivatives hedge accounting	-	42,858	-	42,858
Interest rate swaps	-	42,858	-	42,858
Total financial liabilities measured at fair value	**-**	**57,212**	**-**	**57,212**

Financial liabilities for which fair value is disclosed

				December 31, 2020
	Level 1	Level 2	Level 3	TOTAL
Due to Banks	162,393	-	-	162,393
Due to customers	-	9,547,208	-	9,547,208
Borrowings	-	3,067,445	-	3,067,445
Total financial liabilities for which fair value is disclosed	**-**	**12,777,046**	**-**	**12,777,046**

				December 31, 2019
	Level 1	Level 2	Level 3	TOTAL
Due to Banks	515,154	-	-	515,154
Due to customers	-	8,011,109	-	8,011,109
Borrowings	-	2,753,501	-	2,753,501
Total Financial Liabilities for which fair value is disclosed		**11,279,764**	**-**	**11,279,764**

6. NET INTEREST INCOME

	December 31, 2020	December 31, 2019
Interest on loans and advances to customers	549,047	516,646
Total interest on loans	**549,047**	**516,646**
Deposits and accounts with other banks	2,178	1,942
Demand deposits and accounts with the Central Bank	1,149	2,565
Total interest on deposits with banks	**3,327**	**4,507**
Reverse repo agreements	3,889	529
Interest on treasury securities, net	33,676	27,058
Total interest income	**589,939**	**548,740**
INTEREST EXPENSE		
Term deposits	(82,702)	(90,016)
Demand deposits	(3,422)	(3,263)
Total interest on customers' deposits	**(86,124)**	**(93,279)**
Interest expense on accounts and deposits with other banks	(7,453)	(8,836)
Interest on other borrowed funds	(60,070)	(42,938)
Interest expense on lease liabilities	(631)	(442)
Total interest expense	**(154,278)**	**(145,495)**
Net interest income	**435,661**	**403,245**

Interest on loans includes interest on non-performing loans, in amount of 16,605 thousand, for the year ended December 31, 2020 (21,925 thousand for the year ended December 31, 2019).

Interest on loans increased in 2020, in accordance with the increase of the loans' portfolio, the gross exposure from 2020 is larger by RON 1,097 milion.

The interest expense increase from 2020 has been generated by the growth of the interest rates on local financial market.

Notes to the Separate Financial Statements for the period ended December 31st, 2020

7. FEES AND COMMISSIONS INCOME AND EXPENSES

Fees and commissions income	December 31, 2020	December 31, 2019
Fees and commissions related to lending	19,317	18,103
Deposit and account maintenance fees and commissions	22,071	22,595
Fees and commissions related to the issued bank cards	13,322	12,775
Fees related to cash withdrawal	10,674	7,719
Fees and commissions related to fund management	2,982	2,915
Fees related to cards accepting activities	13,498	13,756
Commissions related to payments services	3,285	4,120
Exchange rate transactions (note 3.24)	60,294	49,431
Other	1,199	454
Fees and commissions from contracts with customers	**127,325**	**113,765**
Total	**146,642**	**131,868**

Fees and commissions expense	December 31, 2020	December 31, 2019
Fees and commissions related to issued bank cards	(16,264)	(15,291)
Interchange fees	(12,465)	(13,470)
Fees and commissions related to deposits	(3,108)	(2,835)
Cash withdrawal transaction fees	(91)	(109)
Other	(7,832)	(8,703)
Total fees and commissions expense	**(39,760)**	**(40,408)**
Net profit from fees and commissions	**106,882**	**91,459**

Fees and commissions income is in amount of RON 146.6 million (increased by 11.2% compared to 2019) and Fees and commissions expense is in amount of RON 39.7 million (decreased by 1.6% compared to 2019).

Revenues recognised from contracts with customers are coming from the following categories:

• **fees related to lending** which are not included in the effective interest rate calculation due to their nature
In this category, the Bank includes the following commissions: tax for credit analyse (for those analyses for which the loans are not granted), early reimbursement commission, commission for not witdrawing the loan (for off blance exposures) etc.
Also, commissions for financial guarantees and letters of credit are amortized linearly over the lifetime of the instruments.

• **fees related to standard banking services**- deposit and account maintenance fees and commissions
This applies to a wide range of standard banking services, related fees (SMS alert, OTPdirekt monthly fee, opening current accounts, escrow accounts, material guarantees account and closing accountsetc.). Such fees are treated as one-off fees related to specific service that is provided by the Bank and therefore accounted when the service is

Notes to the Separate Financial Statements for the period ended December 31st, 2020

provided, but also can be charged monthly for the services provided in the previous month.

- **fees and commission related to the issued bank cards**

The Bank provides a variety of bank cards to its customers, for which different fees are charged.

- Fees for ongoing services are charged on a monthly basis during the period when they are provided:

The fees are basically charged in connection with the issuance of cards and the related card transactions. The monthly administration fees of the cards are charged at the end of the month in a fixed amount for those cards which are in use by the clients. The amount of the monthly card fee depends on the type of card. Fees for ongoing services are charged on a monthly basis during the period when they are provided.

- Transaction-based fees are charged when the transaction takes place:

In case of transaction-based fees (e.g., cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount.

- **fees related to cash withdrawal**

These commissions are recognised every time when the cardholder performs withdrawels from ATM. Commissions for all transactions carried out in branches involving cash such as: withdrawal, deposit, and exchange.

- **fees and commissions related to fund management**

Fees from fund management services provided to investment funds. The fee incomes are calculated on the basis of market value of the portfolio and by the fee rates determined in the contracts.

- **fees and commission related to cards accepting activities**

These commissions are perceived for each transaction performed with the card at the merchant, but is perceived from the merchant, not from the cardholder.

- **fees and commission related to payments services**

These commissions are charged when the transaction takes place. We have included in this category all the commissions that refer to the direct debit conventions, money gram, payment orders and other means of payment.

- **other fees for financial services**

Fees that are not significant in the Bank total income are included in Other fees category. Such fees are safe lease, special procedure fee, fee of a copy of document, issuing comfort letters, etc.

Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., cash management fee). Fees for ad hoc services are charged immediately after the service obligation were met, usually in a fixed amount.

8. IMPAIRMENT LOSSES

	Note	December 31, 2020	December 31, 2019
Allowance for loans receivable	18	(379,590)	(306,505)
Release of provisions for loans receivable	18	239,375	212,939
Impairment losses on loans and advances to customers		**(140,215)**	**(93,566)**
Impairment losses on other assets			
(Impairment losses) / Release Provisions for litigation risk and CHF loan conversion		(2,210)	(10,577)
(Impairment losses) / Release on other Off BS commitments		(16,727)	(1,081)
(Impairment losses) / Release of provision for advances to customers	18	(1,117)	(994)
(Impairment losses) / Release Provisions for inventory		(3,066)	(225)
(Impairment losses) / Release Provisions for fixed assets	19	18	(18)
(Impairment losses) / Release Provision on Investment property		255	193
(Impairment losses) / Release Operational risk provisions		(3,903)	320
(Impairment losses) / Release from sold receivables		2,455	1,520
Total (Impairment losses) / Release on other assets provisions		**(24,295)**	**(10,862)**
Total Impairment losses on loans and other assets		**(164,510)**	**(104,428)**

Impairment losses increased from RON 104.4 million to RON 164.5 million due to the current situation with the COVID-19 pandemic and due to the annual review of the provisioning parameters.

Notes to the Separate Financial Statements for the period ended December 31st, 2020

9. TRADING INCOME

	December 31, 2020	December 31, 2019
Net foreign exchange income	6,767	47,638
Net foreign exchange income related to derivatives	24,728	(7,868)
Total trading income	**31,495**	**39,770**

10. PERSONNEL EXPENSES

The value representing "Salaries" at the end of 2020 and 2019 also contains management contracts. On December 31, 2020, the expense with the management contracts was RON 6,374 thousand (RON 6,681 thousand as at December 31, 2019).

	December 31, 2020	December 31, 2019
Salaries	(207,775)	(172,546)
Social insurance contributions	(5,778)	(4,129)
Other employee benefits	(7,553)	(7,045)
Salaries	**(221,106)**	**(183,720)**

11. OPERATIONAL EXPENSES

	December 31, 2020	December 31, 2019
Rent and utilities expenses*	(5,760)	(6,275)
Insurance premiums	(4,568)	(3,889)
Fees for experts and services**	(13,670)	(15,876)
Cards related expenses	(9,037)	(8,083)
Advertising	(22,837)	(22,487)
Taxes***	(16,387)	(21,725)
Other administrative expenses	(66,402)	(54,045)
Total	**(138,661)**	**(132,380)**

* The amount for 2020 and 2019 containes just the rent for low value assets.

** Fees for experts and services include the fees paid by the Bank to the statutory audit firm and other companies from their group: audit of statutory financial statements and group reporting package of the Bank: RON 1,534 thousand (December 31, 2019: RON 1,715 thousand).

*** The annual contribution to Guarantee Scheme and Resolution Fund for 2020 were RON 12,324 thousand compared with RON 12,631 thousand in 2019.

**** The main categories included in the category Other administrative expenses are presented bellow:

	December 31, 2020	December 31, 2019
Maintenance and Repair Expenses - Software	(15,227)	(11,748)
Maintenance and Repair Expenses - IT equipment	(6,452)	(6,336)
Maintenance and repair expenses - ATM/Epos	(2,990)	(1,859)
Maintenance and repair expenses - Security system	(2,456)	(2,453)
Maintenance and repair expenses - Buildings, other fixed assets	(2,027)	(1,127)
Telephony/Data Expenses	(3,935)	(3,087)
Consumable material expenses	(5,529)	(3,208)
Expenses for guarding and protecting the bank	(2,637)	(2,215)
Cash processing/transportation services(values)	(6,853)	(3,822)
Total	**(38,616)**	**(29,818)**

12. OTHER INCOME AND OTHER EXPENSES

	December 31, 2020	December 31, 2019
Other operating income	9,342	6,572
Other income from loans	4,578	4,780
Insurance intermediation fee	2,218	991
Other non-banking services	666	2,170
Rent and utilities income	457	425
Total other income	**17,261**	**14,938**
Other operating expenses	(9,536)	(12,684)
Total other expense	**(9,536)**	**(12,684)**
Total, net	**7,725**	**2,254**

13. CASH AND CASH EQUIVALENT

	December 31, 2020			December 31, 2019		
	RON	FCY	Total	RON	FCY	Total
Cash	107,280	346,895	454,175	220,664	363,090	583,754
Cash in ATM	78,619	-	78,619	51,458	-	51,458
Total	**185,899**	**346,895**	**532,794**	**272,122**	**363,090**	**635,212**

For purposes of the statement of cash flows, the Bank considers cash on hand and current accounts at banks as cash and cash equivalents as follows:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	532,794	635,212
Current accounts and deposits at banks	561,234	417,025
Cash at the National Bank of Romania	1,698,185	1,002,064
	2,792,213	**2,054,301**
Less Compulsory reserves at National Bank of Romania	(661,446)	(689,765)
Total cash and cash equivalents	**2,130,767**	**1,364,536**

14. CURRENT ACCOUNTS AND DEPOSITS AT BANKS

	December 31, 2020			December 31, 2019		
	RON	FCY	Total	RON	FCY	Total
Current accounts at banks	65,503	443,434	508,937	17,002	395,017	412,019
Deposits at banks	50,049	2,248	52,297	-	5,006	5,006
Total	**115,552**	**445,682**	**561,234**	**17,002**	**400,023**	**417,025**

The bank's placements as at December 31, 2020 (as well as at December 31, 2019) are free of any obligation or commitment (not pledged).

The interest rates received by OTP Bank Romania S.A. for current accounts and deposits at banks as at the reporting dates were the following:

	December 31, 2020		December 31, 2019	
	RON	FCY	RON	FCY
Current accounts with banks	0.00%	0.00%	0.00%	0.00%
Deposits at banks	0% - 2.1%	(0. 25%) - (0.95%)	0% - 3.05%	(0.5%) - 1.67%

Currents accounts with banks are not bearing interest.

Placement with other banks represent short term excess liquidity placed on the money market.

15. ACCOUNTS WITH THE NATIONAL BANK OF ROMANIA (NBR)

	December 31, 2020			December 31, 2019		
	RON	FCY	Total	RON	FCY	Total
Current accounts	504,703	1,193,482	1,698,185	741,296	260,768	1,002,064

The National Bank of Romania ("NBR") requires Romanian commercial banks to maintain certain reserves ("mandatory reserve") computed in accordance with specific regulations by applying a percentage to the average balance of other borrowed funds (deposits from clients and borrowings) on a definite period of time and whose withdrawal are restricted.

For the application period December 24, 2020 – January 23, 2021, the minimum mandatory reserve was determined at the level of 661,446 thousand RON (December 31, 2019: RON 689,765 thousand).

As of December 31, 2020, the reserve was set up at the following rates:

- **RON:** 8% of the borrowed funds in local currency (December 31, 2019: 8%);
- **Foreign currency:** 5% of the borrowed funds in other than local currency (December 31, 2019: 8%).

The interest rate paid by the National Bank of Romania for minimum mandatory reserve as of December 31, 2020 was as follows:

- **RON:** 0.10% (31 December 2019: 0.20%)
- **EUR:** 0.01% (31 December 2019: 0.01%)

Notes to the Separate Financial Statements for the period ended December 31st, 2020

16. SECURITIES AT AMORTIZED COST

Treasury securities represent financial instruments hold to collect (treasury certificates), issued by the Romanian Ministry of Finance.

Total treasury securities issued by the Romanian Ministry of Finance held by the Bank as of December 31, 2020 stand for RON 570,948 thousand (RON 544,455 thousand as of December 31, 2019).

On December 31, 2020, we have securities with residual maturity less than 1 year in amount of RON 80,817 thousand (securities for December 31, 2019 with residual maturity less than 1 year in amount of RON 20,125 thousand). The treasury bonds are unencumbered and at the immediate disposal of the Bank as of December 31, 2020 and December 31, 2019. In accordance with IFRS 9 expected credit loss model, treasury bonds are classified as Stage 1 on 31 December 2020 and 31 December 2019.

Moody's ratings available for Romania as of December 31, 2020 were as follows:

- Local currency: Baa3
- Foreign currency: Baa3

The structure of bonds and other fixed-yield securities as of December 31, 2020 and December 31, 2019 was the following:

	December 31, 2020	December 31, 2019
Fixed rate Bonds	562,231	533,146
Accrued interest	12,481	12,006
Loss allowance on securities at amortized cost	(3,764)	(697)
TOTAL Securities at amortizezd cost	**570,948**	**544,455**

17. LOANS AND ADVANCES TO BANKS

The loans and advances to banks presented below as of December 31, 2020 are cash in transit amounts to be received from banks.

	December 31, 2020	December 31, 2019
Loans and advances to banks	76,652	296,436
- from with Reverse Repo	-	295,869
Total loans and advances to banks	**76,652**	**296,436**

In the value of the current year is included the sale of GBP 13,200 thousand to Raiffeisen Bank Vienna settled on the first working day of 2021.

18. LOANS AND ADVANCES TO CUSTOMERS

a) Structure of loans (gross and net amounts)

The item "Loans and advances to customers, net" includes all financial assets which are not classified as "Financial assets at fair value through profit or loss", "Securities at amortised cost" and has the following structure:

	December 31, 2020	December 31, 2019
Loans, gross *	10,686,111	9,588,630
Impairment losses on loans	(499,439)	(450,130)
Loans, net	**10,186,672**	**9,138,500**

* includes POCI category. On December 31, 3020, the POCI financial assets had a net exposure of RON 57,766 thousand (RON 61,425 thousand as at December 31, 2019).

b) Structure of loans by currency (gross and net amounts)

	December 31, 2020			December 31, 2019		
Structure by currency	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Loans, gross	7,501,162	3,184,949	10,686,111	6,402,587	3,186,043	9,588,630
Impairment losses on loans and advances to customers	(276,144)	(223,295)	(499,439)	(270,567)	(179,563)	(450,130)
Total loans and advances to customers, net	**7,225,018**	**2,961,654**	**10,186,672**	**6,132,020**	**3,006,480**	**9,138,500**

c) Structure of loans by type of customer (net amounts)

				December 31, 2020
	Total loans	**RON**	**FCY**	**%**
Legal entities	4,708,319	2,982,330	1,725,989	46.22%
Individuals	5,478,353	4,242,688	1,235,665	53.78%
Total loans and advances to customers, net	**10,186,672**	**7,225,018**	**2,961,654**	**100%**

				December 31, 2019
Structure by currency	**Total loans**	**RON**	**FCY**	**%**
Legal entities	4,338,916	2,691,965	1,646,951	47.48%
Individuals	4,799,584	3,440,055	1,359,529	52.52%
Total loans and advances to customers, net	**9,138,500**	**6,132,020**	**3,006,480**	**100%**

Notes to the Separate Financial Statements for the period ended December 31st, 2020

d) Concentration by sector for legal entities and by product for individuals

	December 31, 2020		December 31, 2019	
RETAIL	**5,478,353**	**54%**	**4,799,584**	**53%**
Consumer loans	917,451	9%	849,451	9%
Housing	4,560,902	45%	3,950,133	43%
CORPORATE	**4,708,319**	**46%**	**4,338,916**	**47%**
Real estate and construction	1,287,383	13%	1,341,787	15%
Trade and finance	1,060,168	10%	946,160	10%
Manufacturing	655,702	6%	644,559	7%
Services	712,441	7%	630,324	7%
Agriculture and forestry	764,637	8%	585,253	6%
Transportation and communications	208,055	2%	181,599	2%
Other sectors	19,933	0%	9,234	0%
Total loans and advances to customers, net	**10,186,672**	**100%**	**9,138,500**	**100%**

e) Impairment allowance movement

				December 31, 2020	
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 st January 2020	**8,249,332**	**745,656**	**507,259**	**86,383**	**9,588,630**
Transfers to Stage 1	88,383	(83,551)	(4,832)	-	-
Transfers to Stage 2	(696,395)	711,632	(15,237)	-	-
Transfers to Stage 3	(49,599)	(60,897)	110,496	-	-
New financial assets originated or purchased	3,007,824	134,852	16,167	1,967	3,160,810
Assets derecognised or fully repaid (excluding receivables write offs)	-	-	(71,736)	(1,569)	(73,305)
Write-off	-	-	(51,214)	(29,212)	(80,426)
Other changes including repayments	(1,786,175)	(113,911)	(29,726)	20,214	(1,909,598)
Gross carrying amount as of December 31, 2020	**8,813,370**	**1,333,781**	**461,177**	**77,783**	**10,686,111**

	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Impairment allowance as at 1 st January 2020	**104,961**	**48,965**	**271,245**	**24,958**	**450,130**
Transfers to Stage 1	10,297	(7,741)	(2,556)	-	-
Transfers to Stage 2	(10,433)	20,048	(9,615)	-	-
Transfers to Stage 3	(893)	(5,036)	5,929	-	-
Increases due to change in credit risk	28,710	130,316	150,343	11,030	320,399
Decreases due to change in credit risk	(82,782)	(64,572)	(79,507)	(12,514)	(239,375)
New financial assets originated or purchased	38,220	14,171	5,685	-	58,076
Financial assets that have been derecognized	-	-	(43,526)	(1,231)	(44,757)
Write-offs	-	-	(51,214)	(4,174)	(55,388)
Other changes including FX impact	1,913	(7,814)	14,308	1,947	10,355
Impairment allowance as of December 31, 2020	**89,993**	**128,337**	**261,092**	**20,017**	**499,439**

	December 31, 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 st January 2019	**6,862,705**	**689,466**	**473,919**	**93,486**	**8,119,576**
Transfers to Stage 1	101,596	(97,184)	(4,412)	-	-
Transfers to Stage 2	(245,097)	265,745	(20,648)	-	-
Transfers to Stage 3	(140,106)	(33,625)	173,731	-	-
New financial assets originated or purchased	3,209,645	49,805	35,866	1,211	3,296,527
Assets derecognised or fully repaid (excluding receivables write offs)	-	-	(69,141)	(2,441)	(71,582)
Write-off	(5)	-	(26,370)	(2,574)	(28,949)
Other changes including repayments	(1,539,406)	(128,551)	(55,686)	(3,299)	(1,726,942)
Gross carrying amount as of December 31, 2019	**8,249,332**	**745,656**	**507,259**	**86,383**	**9,588,630**

	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as of January 1, 2019	**91,174**	**58,310**	**239,609**	**26,491**	**415,584**
Transfers to Stage 1	5,556	(3,862)	(1,694)	-	-
Transfers to Stage 2	(4,403)	14,866	(10,464)	-	-
Transfers to Stage 3	(1,896)	(4,333)	6,229	-	-
Increases due to change in credit risk	2,892	46,804	160,712	13,671	224,079
Decreases due to change in credit risk	(42,466)	(63,302)	(86,941)	(20,230)	(212,939)
New financial assets originated or purchased	53,069	7,171	20,288	1,897	82,426
Financial assets that have been derecognized	-	-	(37,911)	(1,733)	(39,644)
Write-offs	(2)	-	(24,354)	(2,523)	(26,879)
Other changes including FX impact	1,037	(6,690)	5,771	7,385	7,503
Impairment allowance as of December 31, 2019	**104,961**	**48,965**	**271,245**	**24,958**	**450,130**

19. PROPERTY, EQUIPMENT, INTANGIBLE, AND LEASES

19.1 PROPERTY, EQUIPMENT, AND INTANGIBLE ASSETS

During 2020 the values of disposals of tangible assets are the folowings (in thousand RON):

Land and Buildings	Furniture and Equipment	Vehicles	Computers
2,220	3,308	1,383	6,611

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construction in progress	Other intangibles	Total
Gross book value January 1st, 2020	**178,591**	**85,313**	**12,514**	**38,990**	**315,408**	**17,946**	**121,307**	**454,661**
Additions	8,217	14,069	5,610	20,382	48,278	129,717	115,132	293,127
Disposals	(4,012)	(5,261)	(2,796)	(9,578)	(21,647)	(134,702)	(91,433)	(247,782)
Gross book value December 31, 2020	**182,796**	**94,121**	**15,328**	**49,794**	**342,039**	**12,961**	**145,006**	**500,006**

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construction in progress	Other intangibles	Total
Accumulated depreciation January 1st, 2020	**(75,743)**	**(59,205)**	**(4,531)**	**(20,898)**	**(160,377)**	**-**	**(72,914)**	**(233,291)**
Depreciation charge for 1 year period ended December 31, 2020	(10,100)	(5,867)	(2,141)	(7,064)	(25,172)	-	(15,307)	(40,479)
Accumulated depreciation of disposals	1,969	3,096	1,365	6,010	12,440	-	5	12,445
Accumulated depreciation December 31, 2020	**(83,874)**	**(61,976)**	**(5,307)**	**(21,952)**	**(173,109)**	**-**	**(88,216)**	**(261,325)**
Net book value December 31, 2020	**98,922**	**32,145**	**10,021**	**27,842**	**168,930**	**12,961**	**56,790**	**238,681**
Net book value at cost December 31, 2020	**69,809**	**32,084**	**10,022**	**27,842**	**139,757**	**12,858**	**56,791**	**209,406**
Gross book value January 1st, 2019	**178,319**	**79,487**	**11,886**	**26,541**	**296,233**	**10,893**	**105,095**	**412,221**
Additions	4,449	10,205	5,712	14,794	35,160	130,254	76,101	241,515
Disposals	(4,177)	(4,379)	(5,084)	(2,345)	(15,985)	(123,201)	(59,889)	(199,075)
Gross book value December 31, 2019	**178,591**	**85,313**	**12,514**	**38,990**	**315,408**	**17,946**	**121,307**	**454,661**
Accumulated depreciation January 1st, 2019	**(70,423)**	**(58,520)**	**(8,175)**	**(17,692)**	**(154,810)**	**-**	**(66,624)**	**(221,434)**
Depreciation charge for 1 year period ended December 31, 2019	(8,632)	(4,393)	(1,393)	(4,167)	(18,585)	-	(6,635)	(25,220)
Accumulated depreciation of disposals	3,312	3,708	5,037	961	13,018	-	345	13,363
Accumulated depreciation December 31, 2019	**(75,743)**	**(59,205)**	**(4,531)**	**(20,898)**	**(160,377)**	**-**	**(72,914)**	**(233,291)**
Net book value December 31, 2019	**102,848**	**26,108**	**7,983**	**18,092**	**155,031**	**17,946**	**48,393**	**221,370**
Net book value at cost December 31, 2019	**68,131**	**26,060**	**7,984**	**18,092**	**120,267**	**17,843**	**48,393**	**186,503**

Notes to the Separate Financial Statements for the period ended December 31st, 2020

19.2 LEASES

The bank entered into 14 variable interest contracts, which are linked to the index of consumer prices for Romania or for EU.

19.2.1 Right-of-use assets

	Property	Equipment	Total
Net book value January 1st, 2020	**41,807**	**1,144**	**42,951**
Additions	35,739	191	35,930
Disposals	(2,555)	-	(2,555)
Depreciation charge	(20,982)	(230)	(21,212)
Net book value December 31, 2020	**54,009**	**1,105**	**55,114**

	Property	Equipment	Total
Net book value January 1st, 2019	**50,153**	**209**	**50,362**
Additions	14,973	1,104	16,077
Disposals	(3,204)	-	(3,204)
Depreciation charge	(20,115)	(169)	(20,284)
Net book value December 31, 2019	**41,807**	**1,144**	**42,951**

19.2.2 Lease liabilities

	December 31, 2020	December 31, 2019
Maturity analysis - discounted contractual cashflows		
Less than one year	2,018	3,512
One to five years	46,283	34,619
More than five years	8,046	6,058
Lease liabilities included in the statement of financial position	**56,347**	**44,189**

	December 31, 2020	December 31, 2019
Amounts recognised in profit or loss		
Interest on lease liabilities	632	442
Losses from changes of cash flows – lease liabilities	-	3
Expenses related to short term leases	(1,271)	(1,562)
Total	**(639)**	**(1,117)**

20. INVESTMENT SECURITIES

Investments in securities represent quoted and unquoted shares classified in the following categories as a result of applying IFRS 9:

a) Investment securities mandatorily measured at fair value through profit and loss

Amounts in RON	December 31, 2020	December 31, 2019
VISA INC. – C shares	6,709	-
FDI OTP Dinamic	2,816	-
OTP Premium Return	2,719	2,493
OTP Euro Premium Return	-	2,614
OTP Real Estate & Construction	2,426	2,481
OTP Dollar Bond	4,766	4,950
Total	**19,436**	**12,538**

Bank holds investments in fund units of OTP Premium Return, OTP Real Estate & Construction, OTP Bond Dollar, FDI OTP Dinamic and Visa INC sharea.

b) Investment securities measured at fair value through other comprehensive income

Debt instruments securities measured at FVOCI	December 31, 2020	December 31, 2019
Romania Ministry of Finance	380,996	400,512
Poland Ministry of Finance	110,481	116,146
Slovenia Ministry of Finance	48,015	51,689
Spanish Ministry of Finance	168,375	169,882
Bucharest City Hall	5,180	5,065
Total	**713,047**	**743,294**

Equity investments, securities designated at FVOCI	December 31, 2020	December 31, 2019
Equity shares	12,677	17,163
Other investments	80	80
Total	**12,757**	**17,243**

Total	**725,804**	**760,537**

The Bank calculated for the debt instruments measured at amortized cost and measured at FVOCI an impairment allowance in amount of ~ RON 3.3 milion classified as Stage 1 and presented in the Separate statement of financial position on "Accumulated deficit and reserves".
The Bank designated certain investments shown in the table above as equity securities at FVOCI. The FVOCI designation was made because the investment is expected to be held on long term.

Shares in MasterCard

The Bank owns a number of 2,980 shares, with a cost value amounting to USD 0.03. According with the provisions of IFRS9, this type of asset is held at fair value through other comprehensive income, therefore the fair value of these shares is in amount of RON 4.218 milion.

Share in VISA Europe LTD.

OTP Group received a number of 1.268 Visa C preferred shares during the year 2016. These securities were classified as available-for-sale instruments under IAS 39.

From January 1st, 2018 – under IFRS 9 – the Bank made the irrevocable decision to measure these securities on fair value through other comprehensive income. The Group reviewed its decision during 2020 and reconsidered the classification of Visa Series C preferred shares due to the reason that there are variabilities in conversion ratio, so these securities do not meet the equity classification requirements of IAS 32. These securities have been recognized as non trading securities mandatorily measured on fair value through profit or loss (mandatorily FVTPL) since June 30, 2020. The value of Visa C preferred shares is RON 7,709 thousand at December 31, 2020.

Visa Inc. is required to partially convert Visa C Preferred shares into tradable Visa shares. In this context a Conversion Adjustment of 6.861 took effect on September 24, 2020 and at the same time Visa Inc. issued to each holder of Series C Preferred stock whole shares of Series A Preferred shares, equal to the Conversion Adjustment divided by 100. The bank received a number of 86 VISA A preferred shares, in amount of RON 7,460 thousand at 31 December 2020.

Other companies within OTP Groups

Right to Education Foundation was registered and incorporated on December 23, 2013 by Decision General Meeting of Shareholders of October 2013. Bank Foundation was created with the support and experience gained in 20 years of activity of the Foundation Fay, on education pupils and students. The project aims to develop a new dimension and approach in Romania, Bank acting as support for education by creating an institutional and organizational framework.

21. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES

		Gross book value	Percentage owned
	December 31, 2020	December 31, 2019	December 31, 2020
OTP Advisor SRL	4,498	4,493	100%
OTP Consulting Romania SRL	210	210	75%
OTP Leasing IFN Romania SA	11,713	11,713	60%
OTP Factoring SRL	34,513	34,513	100%
Total Gross Value	**50,934**	**50,929**	
OTP Advisor SRL	(4,376)	(4,376)	
Total impairment	**(4,376)**	**(4,376)**	
Total net value	46,558	46,553	

OTP Leasing Romania IFN S.A. provides leasing for cars and equipment, operating on the market since August 2007. OTP Bank Romania acquired 60% of the share capital of OTP Leasing Romania, taking shares from the majority shareholder Merkantil Bank Hungary. Both companies are part of the same OTP Group Plc. Hungary. The registered office of OTP Leasing Romania IFN S.A. is located on Nicolae Caramfil Street no. 79. District 1, Bucharest.

The value of investment in **OTP Advisors SRL** on December 31, 2020 was RON 4,498 thousand, for which the Bank booked an impairment of 4,376 thousand.
OTP Advisors offers direct sales for Bank lending products. The registered office of OTP Advisors LLC is located at the following address: Matei Voievod Str. No. 40, Bucharest.

OTP Consulting Romania SRL provides support for foreign investments in Romania and advice for local authorities and small and medium sized companies in accessing EU funds and implementation of projects. The gross value of investment in OTP Consulting Romania SRL has not changed during 2019 compared to 2018. The registered office of OTP Consulting Romania SRL is located at: Dacia Blvd., no. 83, Bucharest.

During December 2019, the Bank increased the participation in the company OTP Factoring SRL and became the sole shareholder of it. The main reasons of this decision are the following:

- the entire collection flow, from the soft collection to the hard one, will be controlled and directed by a single entity in Romania, having the best know-how of the dynamic of local environment;
- the nature of the activity will be more straightforward, close to all operative decisions;
- the increase of the flexibility and speed in decision making;
- the feedback of the entire collection flow to the origination can be more direct and useful ones including also the Factoring's covered period;
- the local standards and legal expectations can be better met since the involvement of Bank's departments will be more adequate based on the governance principles (internal audit, compliance etc.).

The registered office of **OTP Factoring SRL** is located at: Bd. Nicolae Caramfil nr 71-73, Sector 1, București

22. OTHER ASSETS

	December 31, 2020	December 31, 2019
Settlement accounts *	43,730	47,596
Sundry debtors	21,913	11,702
Advances for tangible & intangible assets	513	6,828
Collaterals	2,457	5,397
Prepayments	7,254	5,206
Tax receivables	2,661	2,526
Tangible assets classified as held for sale	2,999	2,380
Deferred income	1,418	1,788
Inventory	1,784	1,416
Personnel receivables	5	13
Total	**84,734**	**84,852**

* The amount from "Settlement accounts" class mainly represent transit amounts from promissory notes acceptance and transactions from POS. The amounts are settled against clients' accounts in the next days following the reporting period. On January 31, 2020 the value of the Settlement accounts is RON 13,732 and represents promissory notes with settlement until April 2021.

23. LIABILITIES DUE TO BANKS

	December 31, 2020			December 31, 2019		
	RON	FCY	Total	RON	FCY	Total
Demand deposits from banks	18,662	272	18,934	248,017	277	248,294
Term deposits from banks	70,087	73,372	143,459	80,017	186,843	266,860
Total	**88,749**	**73,644**	**162,393**	**328,034**	**187,120**	**515,154**

24. LIABILITIES DUE TO CUSTOMERS

	December 31, 2020			December 31, 2019		
	RON	FCY	Total	RON	FCY	Total
Customers' current accounts	2,343,457	1,512,746	3,856,203	2,400,455	1,230,098	3,630,553
Deposits from customers	3,802,943	1,851,414	5,654,357	2,839,160	1,505,156	4,344,316
Total	**6,146,400**	**3,364,160**	**9,510,560**	**5,239,615**	**2,735,254**	**7,974,869**

Notes to the Separate Financial Statements for the period ended December 31st, 2020

From the current acounts amounts, a percentage of 52% are held by retail customers, and 48% by legal entities.
From the deposits from customers amounts, a percentage of 33% are held by retail customers, and 67% by legal entities.

According to the currency and amount deposited by the clients. The Bank pays interest rates in the following ranges:

Term deposits	December 31, 2020	December 31, 2019
RON	0.00% - 4.30%	0.00% - 7.00%
EUR	0.00% - 1.40%	0.00% - 1.40%
USD	0.00% - 1.75%	0.05% - 2.30%
CHF	0.00% - 0.00%	0.00% - 0.10%
HUF	0.00% - 0.25%	0.00% - 0.25%
GBP	0,00% - 0,40%	0,00% - 0,50%

Saving deposits	December 31, 2020	December 31, 2019
RON	0.00% - 5.00%	0.00% - 5.00%
EUR	0.00% - 0.96%	0.00% - 1.04%
USD	0.00% - 0.60%	0.00% - 1.45%
CHF	0.00% - 0.25%	0.00% - 0.67%
HUF	0.00% - 0.10%	0.00% - 0.10%
GBP	0.00% - 0.25%	0.00% - 0.25%

25. BORROWINGS

The parent company will continue to provide to the Bank any financial support that might be necessary to comply with the central bank's regulatory requirements.

	December 31, 2020	December 31, 2019
OTP FINANCING MALTA COMPANY LTD. *	3,098,347	2,751,593
Total	**3,098,347**	**2,751,593**

* The maturity structure of the deposits taken from OTP Financing Malta LTD is as follows:

Maturity Date	Amount in thousand RON	Amount in thousand CCY
January 8, 2021	365,205	EUR 75,000
January 7, 2022	194,776	EUR 40,000
May 31, 2023	150,000	RON 150,000
August 31, 2023	200,000	RON 200,000
October 31, 2023	258,078	EUR 53,000
November 20, 2023	250,000	RON 250,000
November 28, 2023	100,000	RON 100,000
December 27, 2023	209,384	EUR 43,000
August 30, 2024	146,082	EUR 30,000
September 30, 2024	97,388	EUR 20,000
November 20, 2024	250,000	RON 250,000
March 26, 2025	250,000	RON 250,000
June 30, 2025	250,000	RON 250,000
November 21, 2025	250,000	RON 250,000
December 31, 2026	121,735	EUR 25,000

26. DERIVATIVES

The fair value of the derivative financial instruments is included in "Derivatives". Changes in their fair value that do not qualify for hedge accounting are recognized in the income statement lines "Trading income, net".

The financial derivative instruments at nominal value and fair value as of December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020			December 31, 2019		
	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Cross currency interest rate derivatives	250,052	2,636	2,636	292,947	2,383	2,383
Short term currency instruments	5,030,296	11,309	10,707	3,871,745	12,086	11,971
Total	**5,280,348**	**13,945**	**13,343**	**4,164,692**	**14,469**	**14,354**

27. DERIVATIVES ASSETS/LIABILITIES DESIGNATED AS HEDGING INSTRUMENTS

	December 31, 2020			December 31, 2019		
	Less than 1 year	1 - 5 years	More than 5 years	Less than 1 year	1 - 5 years	More than 5 years
Hedge of Euro notes	-	483,634	150,951	-	487,940	148,158

The Bank uses interest rates swaps to hedge the foreign currency risks arising from treasury bills and bonds. The fair values of derivatives designated as fair value hedge are:

	December 31, 2020			December 31, 2019		
	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Interest Rate Swap Hedging	634,585	-	48,875	636,098	175	42,858
Total	**634,585**	**-**	**48,875**	**636,098**	**175**	**42,858**

Notes to the Separate Financial Statements for the period ended December 31st, 2020

In order to improve yield and maintain a low credit exposure, the bank purchased long duration EUR denominated Romanian Government Bonds (up to 8 years).
As the bonds are only available as fixed interest rate and the bank does not have fixed interest rates liabilities of similar maturities, in order to avoid EUR interest rate risk, the bank hedged the interest rate risk from the bonds purchase.
The bank employed assets swaps against EURIBOR 3M – a customized interest swap to match all the details of the bonds – allowing the bank to transform the yield of the bonds into a floating rate against EURIBOR 3M. In order to minimize counterparty credit risk and corresponding credit valuation adjustments the bank entered in the hedge with OTPH (Group member – no CVA). The bank will retain only the credit and liquidity risk of the bond, hedging funding and interest rate risk.

	Changes in fair value used for calculation of hedge inefectiveness for 2020	Inefectiveness recognized in profit or loss
Derivatives assets held for risk management	(5,210)	-

Acumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge inefectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
Assets			
7,020	Investment securities at fair value through other comprehensive income	(5,210)	0

28. PROVISIONS

	December 31, 2020	December 31, 2019
Payment in kind	5,385	-
Financial guarantees	14,621	10,578
Loan commitments	39,567	26,731
Other provisions, out of which	104,686	101,713
Litigations *	83,859	81,208
Personnel	19,665	16,982
Assigment of loans	596	748
Other risks	566	2,775
Total	**164,259**	**139,021**

* The provisions for litigations are compose of:
- 3 legal disputes with significant amounts RON 58,983 thousands;
- abusive provisions for loans agrements signed between Bank and Clients RON 19,254 thousands;
- potential litigation cases RON 4,408 thousand.

Monthly provisions are calculated and registered within the bank for the ongoing litigations in which the bank is involved as defendant. The applied calculation methodology depends on the object of the litigation, a distinction being made between the litigations on abusive clauses and other types of litigations, as follows:

- In case of litigations regarding abusive clauses within the loan contracts, the methodology is based on the use of parameters obtained according to the history of refunds made by OTP Bank Romania to customers following final unfavorable Court decisions in litigations regarding abusive clauses, respectively according to the risk associated to the ongoing litigations, assessed by Legal Directorate/Restructuring and Work-out Directorate according to internal regulations;

- In case of other types of litigations (with different object than abusive clauses), including work related litigations, OTP Bank Romania registers provisions for the litigations with medium and high risk associated, calculated according to the estimated value of the litigation and the associated risk (100% x litigation value for the high risk files, respectively 50% x litigation value for medium risk files);
- The litigations with significant value (> EUR 1 mil.) are considered exceptional situations, being assessed on a case by case basis regardless the associated risk. For these situations, provisions can be registered (established as weight of the litigations value based on the assessment performed by Legal Directorate/Restructuring and Work-out Directorate) with the approval of the Operative Risk Committee and the Management Board.

Also, monthly provisions for potential litigations on abusive clauses are calculated and registsred within the Bank, considering the CHF and EUR loan contracts with clauses potentially considered abusive. In this case, the applied methodolgy is based on the use of parameters obtained according to the history of the litigations on abusive clauses lost by the Bank, respectively according to the history of refunds made by OTP Bank Romania to customers following final unfavorable Court decisions in litigations regarding abusive clauses.

The movements in the provisions during 2020 and 2019 were the following:

	2020				
	Beginning of period	Increase	Reversals	FX differences	End of period
Discount for conversion loans	-	5,921	(518)	(18)	5,385
Financial guarantees	10,578	56,319	(43,898)	(8,378)	14,621
Loan commitments	26,731	12,421	(8,116)	8,531	39,567
Litigations	81,208	8,731	(6,535)	455	83,859
Personnel	16,982	35,172	(32,489)	-	19,665
Assigment of loans	748	-	(152)	-	596
Other risks	2,774	319	(2,532)	5	566
Total	**139,021**	**118,883**	**(94,240)**	**595**	**164,259**

	2019				
	Beginning of period	Increase	Reversals	FX differences	End of period
Discount for conversion loans	-	-	-	-	-
Financial guarantees	10,998	42,018	(40,630)	(1,808)	10,578
Loan commitments	25,012	8,434	(8,741)	2,026	26,731
Litigations	68,298	19,046	(7,107)	971	81,208
Personnel	14,792	32,910	(32,489)	1,769	16,982
Assigment of loans	2,162	-	(1,414)	-	748
Other risks	2,465	2,134	(1,929)	104	2,774
Total	**123,727**	**104,542**	**(92,310)**	**3,062**	**139,021**

29. INCOME TAX

As of December 31, 2020 the Bank computed the deferred tax using the legal tax rate of 16% (2019: 16%). The method for estimating the tax loss used is to offset future profits. Starting with this date, the Bank expects to be able to use the tax loss carried forward up to limit of the future profits expected for the next 5 years.

The Bank did not pay corporate income tax, using the tax losses carried forward from previous years.

Expenses with the income tax comprise:

	December 31, 2020	December 31, 2019
Deferred tax release/(charge) to profit and loss	3,526	-
Total income tax release/(charge) to profit and loss	**3,526**	**-**

The deferred tax liability as of December 31, 2020 is presented as follows:

	Temporary difference	Tax effect
Revaluation reserve for tangible and intangible assets	47,307	7,569
Deferred tax liability as of December 31, 2020 - Fair-value adjustment of assets at fair value through OCI	10,151	1,624
Deferred tax liability as of December 31, 2020		**9,193**

The deferred tax asset as of December 31, 2020 is presented as follows:

	Temporary difference	Tax effect
Difference in depreciation between tax and accounting base for tangible and intangible assets	833	133
Deferred tax asset on December 31, 2020, as a result of the carried forward tax loss, limited to the future estimated profits	19,225	3,076
Deferred tax due to provisions for other risks	132,714	21,234
Deferred tax due to provisions for the conversion project & DIP	5,385	862
Deferred tax asset as of December 31, 2020		**25,305**
Net of deffered tax as of December 31, 2020		**16,112**

The total carried forward tax loss is presented as follows:

Description		**December 31, 2020**	**December 31, 2019**
Statutory net profit for the current period (a)		**2,379**	**70,540**
Non-taxable income (b)		(101,536)	(96,886)
Non-deductible expenses (c)		137,040	117,206
Other elements similar to Income (d)		34,940	37,309
Other elements similar to expenses (e)		-	-
Legal reserve (f)		-	(3,527)
Fiscal profit / (loss) of current year (a+b+c+d+e+f)		**72,823**	**124,642**
Tax loss reported by OTP Bank România		(232,040)	(407,562)
Unused fiscal loss		17,093	50,880
Total carried forward fiscal loss (fiscal result + tax losses)		**(159,217)**	**(232,040)**
Fiscal loss carried forward - previous years	**Year of ulilization/ expiring**	**(142,125)**	**(232,040)**
Fiscal loss carried forward 2013	2020		(89,915)
Fiscal loss carried forward 2014	2021	(142,125)	(142,125)

30. OTHER LIABILITIES

	December 31, 2020	December 31, 2019
Other due amounts from transactions with non-banking clients	71,061	39,336
Accrued Expenses	26,942	41,378
Other due amounts from interbank transactions	19,041	16,053
Sundry creditors	15,521	10,911
Unearned income	11,889	9,269
Current taxes	11,115	14,014
Salaries paid in advance	7,975	6,327
Others	2,609	4,791
Total	**166,153**	**142,079**

In the category of "Other due amounts from interbank transactions" are included transit operations related to payment orders or other interbanking transactions and in "Other due amounts from transactions with non-banking clients", there are transit amounts due to clients. On January 31, 2020 the value of the Settlement accounts is RON 18,990 and represents promissory notes with settlement until April (RON 5,500), amounts received for SME financing from FNGCIMM (RON 3,694), factoring activity for clients (RON 4,068) and recoveries for loans in dispute (RON 4,652).

31. SHARE CAPITAL

	December 31, 2020	December 31, 2019
Share capital as of January 1	**1,829,253**	**1,509,253**
Increase of share capital during the period	-	320,000
Share capital at the end of the period	**1,829,253**	**1,829,253**
Effect of hyperinflation until December 31, 2003	42,751	42,751
Share capital under IFRS	**1,872,004**	**1,872,004**

In 2019, share capital increase of OTP Bank Romania S.A. with the amount of RON 320,000,000 by subscribed and paid cash contribution of shareholder OTP Bank Plc.

The reasons of capital increase were:
- EU regulation and IFRS 9 mitigation effect;
- Excess from the current capital increase will be used for the current activity.

As of December 31, 2020 the Bank's share capital amounted RON 1,829,253 thousand and consisted of 7,621,888 registered ordinary shares with face value of RON 240 per share. All of the shares are ordinary shares and no special rights are attached to them. Voting rights per share are equivalent to the face value per share.

As of December 31, 2020, the Bank's entire share capital was registered at the Commercial Register and fully paid in.

32. OFF BALANCE SHEET FINANCIAL COMMITMENTS

Issued guarantees and letters of credit

The Bank issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to that arising from granting of loans. In the event of a claim on the Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Bank.
All letters of credit issued by the Bank are collateralized. As of December 31, 2020 and December 31, 2019 the probability of material loss arising in connection with letters of credit is considered to be remote and accordingly no provision has been established.
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and stand by letters of credit which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralized and because of this carry a lower risk.

Credit commitments

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit the Bank is potentially exposed to loss an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest since it results from the possibility of unused portions of loan authorizations being drawn by the customer and, secondly from these drawings, subsequently not being repaid as due.
The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements since many of these commitments will expire or terminate without being funded.

The aggregate amounts of outstanding guarantees, commitments, and other off balance sheet items as of December 31, 2020 and December 31, 2019 are the following:

2020	Total out of which	Corporate	SME	Individuals
Loan commitments				
Stage 1	1,971,388	1,315,394	576,810	79,184
Stage 2	77,596	26,274	50,554	768
Stage 3	15,849	15,422	202	225
Gross amount	**2,064,833**	**1,357,090**	**627,566**	**80,177**
Stage 1	(29,575)	(21,295)	(7,876)	(404)
Stage 2	(6,539)	(922)	(5,538)	(79)
Stage 3	(3,453)	(3,251)	(108)	(94)
Allowance for impairment	**(39,567)**	**(25,468)**	**(13,522)**	**(577)**
Carrying amount	**2,025,266**	**1,331,622**	**614,044**	**79,600**
Guarantee issued				
Stage 1	517,099	336,904	180,195	-
Stage 2	19,874	11,836	8,038	-
Stage 3	9,286	9,244	42	-
Gross amount	**546,259**	**357,984**	**188,275**	**-**
Stage 1	(9,156)	(6,389)	(2,767)	-
Stage 2	(1,858)	(854)	(1,004)	-
Stage 3	(3,607)	(3,603)	(4)	-
Allowance for impairment	**(14,621)**	**(10,846)**	**(3,775)**	**-**
Carrying amount	**531,638**	**347,138**	**184,500**	**-**
Total Off balance	2,611,092	1,715,074	815,841	80,177
Total allowance Off balance	(54,188)	(36,314)	(17,297)	(577)

2019	Total out of which	Corporate	SME	Individuals
Loan commitments				
Stage 1	1,654,228	1,120,159	490,033	44,036
Stage 2	121,289	49,987	39,394	31,908
Stage 3	6,372	5,513	633	226
Gross amount	**1,781,889**	**1,175,659**	**530,060**	**76,170**
Stage 1	(21,422)	(13,523)	(7,430)	(469)
Stage 2	(4,264)	(2,747)	(900)	(617)
Stage 3	(1,045)	(933)	(112)	-
Allowance for impairment	**(26,731)**	**(17,203)**	**(8,442)**	**(1,086)**
Carrying amount	**1,755,158**	**1,158,456**	**521,618**	**75,084**
Guarantee issued				
Stage 1	649,439	465,103	184,336	-
Stage 2	13,857	6,018	7,839	-
Stage 3	6,078	6,078	-	-
Gross amount	**669,374**	**477,199**	**192,175**	**-**
Stage 1	(8,119)	(6,019)	(2,100)	-
Stage 2	(420)	(329)	(91)	-
Stage 3	(1,737)	(1,737)	-	-
Allowance for impairment	**(10,276)**	**(8,085)**	**(2,191)**	**-**
Carrying amount	**659,098**	**469,115**	**189,984**	**-**
Letters of credit				
Stage 1	19,788	19,716	72	-
Stage 3	1,372	1,372	-	-
Gross amount	**21,160**	**21,088**	**72**	**-**
Stage 1	(155)	(155)	-	-
Stage 3	(147)	(147)	-	-
Allowance for impairment	**(302)**	**(302)**	**-**	**-**
Carrying amount	**20,858**	**20,786**	**72**	**-**
Total Off balance	2,472,423	1,673,946	722,307	76,170
Total allowance Off balance	(37,309)	(25,590)	(10,633)	(1,086)

33. CONCENTRATION OF ASSETS DUE BY GOVERNMENT AND HELD WITH THE CENTRAL BANK

The assets due by Government and the Central Bank are as follows:

	December 31, 2020	December 31, 2019
Amounts with the National Bank of Romania (Note 15)	1,698,185	1,002,064
Treasury Bills (Note 16 and 20)	1,283,995	1,287,749
Total	**2,982,180**	**2,289,813**

34. RELATED PARTIES

The Bank enters into transactions with related parties which are members of OTP Group in the normal course of the business. All related party transactions were made under substantially similar terms including interest rates and collateral requirements as those prevailing for similar transactions with unrelated parties. The most significant transactions represent time deposits loans and the respective interest and fees received/paid.

The volume of related party transactions outstanding balances and related expense and income for the periods ended December 31, 2020 and December 31, 2019 are presented below:

	Management		Parent company		Subsidiary		Associates		Other Related parties	
	Dec 20	Dec 19	Dec 20	Dec 19	Dec 20	Dec 19	Dec 20	Dec 19	Dec 20	Dec 19
Assets										
Due from other banks	-	-	4,412	630,536	-	-	-	-	-	-
Loans and advances to customers, net	5,648	5,568	-	-	2,089	2,926	87	88	-	-
Other assets (receivable values for the sold loans)	-	-	-	71	634	9,875	198	218	-	-
Fair Value of Derivatives Financial Instruments	-	-	2,523	5,719	-	-	-	-	1,105	101
Investment in Associates and Subsidiaries	-	-	-	6	46,749	46,714	574	574	-	-
Total assets	**5,648**	**5,568**	**6,935**	**636,332**	**49,472**	**59,515**	**859**	**880**	**1,105**	**101**
Liabilities										
Due to other banks	-	-	20,556	143,809	-	-	-	-	4,790	9,198
Due to customers	5,700	4,333	-	-	24,617	56,175	1,075	1,168	3,107,394	2,768,583
Other liabilities	-	-	332	-	-	-	-	92	2	3
Fair Value of Derivatives Financial Instruments	-	-	51,301	49,532	-	-	-	-	-	-
Total liabilities	**5,700**	**4,333**	**72,189**	**193,341**	**24,617**	**56,175**	**1,075**	**1,260**	**3,112,186**	**2,777,784**
Income statement items										
Interest and Commission income	14	14	16,661	21,239	231	345	2,233	2,190	805	821
Interest and Commission expenses	(6)	(4)	(19,038)	(22,315)	(500)	(631)	(3)	(47)	(60,109)	(62,124)
Other income	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	(143)	-	-	-	-	-	-	-
Net income from the sale of loans	-	-	-	-	(4,863)	(7,717)	-	-	-	-
Net income from derivatives transactions	-	-	-	14,550	-	-	-	-	1,527	382
Total income statements items	**8**	**10**	**(2,520)**	**13,474**	**(5,132)**	**(8,003)**	**2,230**	**2,143**	**(57,777)**	**(60,921)**
Other commitments	64	-	-	-	11,910	10,845	-	-	552	542
Off-balance sheet commitments	**64**	**-**	**-**	**-**	**11,910**	**10,845**			**552**	**542**

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank. The cumulated short term, long term and termination benefits granted to directors and other members of key management during periods ended December 31, 2020 and December 31, 2019 were as follows:

	December 31, 2020	December 31, 2019
Salary for key management personnel	4,099	4,430
Short-term and long-term benefits	11,183	11,286
Total benefits for key management personnel	15,282	15,716
Total benefits for key management personnel	**15,716**	**12,059**

35. ENCUMBERED ASSETS

As of December 31, 2020 and December 31, 2019 the Bank did not hold any encumbered assets.

36. CONTINGENT LIABILITIES

On December 31, 2020 (and also at the time of issuance of this report) the Bank was involved in several litigations. Complaints against the Bank are received after normal business conducted by the Bank. Bank management believes that debt, if any, from such complaints do not have a material adverse effect on the financial position or results of future operations conducted by the Bank.

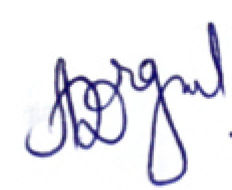
37. SUBSEQUENT EVENTS

No subsequent event was identified after the reporting date.

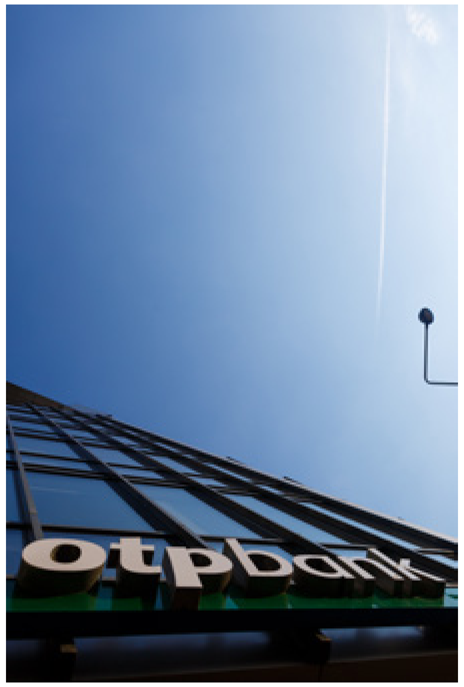
These separate financial statements have been authorized for issue by the management as of March 17, 2021.

Mara Cristea,
Member of the Management
Board and Deputy CEO

Ana-Maria Enache
Director, Finance & Accounting
Directorate



REPORT CONCERNING THE YEAR ENDED DECEMBER 31, 2020



OTP BANK ROMANIA (the Bank) is a subsidiary of OTP Bank, the largest independent banking group in Central and Eastern Europe, with operations in countries such as Hungary, Bulgaria, Croatia, Romania, Russia, Ukraine, Slovakia, Moldova, Montenegro and Serbia. Active on the Romanian banking market since 2005, OTP Bank aims to become a powerful, universal bank that offers complete services for both individuals and corporate customers.

Following the conclusion of the sale and purchase of shares of Commercial Bank ROBANK SA in July 2004, all shares of the Bank have been acquired by OTP Group in Hungary. Initially Commercial Bank ROBANK S.A. was registered with the Trade Register under number J40/10296/1995, based in Bucharest, Unirii Blvd. 59, district 3, and received authorization to operate from the National Bank of Romania under letter no. VII/G/185 in December 1995.

In July 2005 the Bank's name changed to OTP Bank Romania S.A. Starting from March 2005, the new head office of OTP BANK ROMANIA S.A. was established in 66-68 Buzesti St., District 1, Bucharest.

In order to strengthen its position on the romanian banking market, OTP Bank Romania SA completed the acquisition of Millennium Bank SA shares in 2015 from Banco Comercial Portugues S.A. and Millennium BCP Participacoes SGPS, Sociedade Unipessoal LDA.

The Bank operates through its registered Head Office and network of branches comprising of 96, amongst which are 63 branches and 33 agencies. During 2020, the Bank opened a new branch in Pipera building area.

The shareholders' structure on the 31st of December, 2020 was as follows:

Shareholder	Ownership (%)	No. of shares	Amount (LEI)
1. OTP Bank Nyrt	99.99994751956471%	7,621,884	1,829,252,160
2. Merkantil Bank zrt.	0.00005248043529%	4	960
Total	**100%**	**7,621,888**	**1,829,253,120**

Economic environment

By 2020, the dynamic growth of the previous seven years was stopped, as the COVID-19 pandemic put the country into a severe recession. **Romania's GDP could have fallen by around 5.5%**, as starting from spring different stringency lockdowns were implemented, the global economy also fell due to the pandemic, while Romania was hit by a severe drought as well.

Romania was one of the best performing countries in the EU in terms of GDP growth until 2019. Nevertheless, the broader picture suggests **increasing vulnerabilities**: the decreasing but still high growth performance was achieved at the expense of a **substantial deterioration of fiscal balance and the current account deficit**. While between 2017-2019, the budget deficit increased from 2.6% to 4.4%, driven by higher spending on wages and pensions and to a smaller extent investments, the current account deficit increased from 2.8% to 4.6% due to the consolidation of domestic demand, and weakness of exports amidst the deteriorating European economic environment. Furthermore, political uncertainty was weighing on the business environment, which contributed to recurrent weakenig pressures on the currency and increasing government bond yields.

Despite all these headwinds, the **financing situation of the country was stable amidst the COVID-19 crisis, and the government was able to support the economy**: in general, a 2-3% of GDP support package was adopted which, combined with the recession, would have most likely ended up with a (ESA based) budget deficit of around 9.5% of GDP. Despite political uncertainties, the government could have financed the deficit from domestic sources, as well as by issuing euro bonds. Furthermore, by the end of the year, after parlamentary election, a new government was formed, which committed to fiscal consolidation and economic reform.

Monetary policy was also able to pursue countercyclical stabilization. Particularly the base rate was cut in successive steps by 100 bps in 2020, while the central bank also implemented quantitative easing succesfully. A credit moratoria was implemented alongside a temporary relaxation of supervisory measures.

Despite all efforts, the country could not avoid the recession which could have been around the European average. On **the expenditure side**, exports (-10.5%) and household consumption (-5.1%) are likely to have decreased the most, as foreign demand collapsed during the spring amidst border closures, while household expenditure was held back by lockdowns, increased income uncertainty and an increase in unemployment. Still, the latter effect was relatively minor compared to previous recessions, an increase of 1 ppt. from 3.9% to 4.9% on average. Although real wage growth slowed substantially (by roughy 5 ppts.), it was still well above the zero line, even if the statistics are distorted by the increasing share of part time workers. Collective government consumption could have decreased by 0.5%, while schools moved online for a significant part of the year, other health services became more limited, as the need for health care services related to the COVID-19 pandemic increased. The only item, which supported GDP growth on the expenditure side was investments, which could have increased around 6.5%, mostly on the account of an increased government infrastructural spending. Despite a decrease in exports, the contribution of net exports to GDP remained positive, as imports dropped slightly more than exports in absolute terms.

From a **sectoral perspective**, only three sectors: construction (+13.2%), information and communication (+10.7%) and public services (+1.3%) could have seen an expansion, based on available data for Q1-Q3. Construction was supported by government infrastructural projects, with a significant use of EU funds, while the sharp increase in information and communication sector was a byproduct of the pandemic, e.g. more equipment and support for home office. All the other sectors have seen a decline, with the cultural sector suffering the largest decrease of 24.2%, the consequence of lockdowns and peoples' more limited demand for intensive contact services. The agricultural sector has seen the second largest decrease (-22.3%) due to Romania suffering a severe drought. Wholesales trade and hospitality dropped by 4.7%, as sales increased and food and accomodation services dropped much more significantly.

Starting at 4% in December 2019, **inflation** has seen an almost constant decrease – with the exception of a temporary halt during summer - throughout 2020. Consumer price growth ended the year with a 2.1% rate. Overall annual inflation turned out at 2.6%. The disinflation process was most prevelant at services and nonfood products, where weak demand and lower average oil prices compared to previous years also had an effect. At the same time, food inflation followed a hump shaped curve, rising until mid-summer on account of the spillover effect of swine-fever and drought, then falling in the second half of the year. Throughout the year, inflation remained inside the National Bank's tolerance band, with the exception of January.

The **EUR/RON** rate ended in 2020 at 4.87, a close to 2% depreciation compared to 2019, slightly less than in the previous year. The currency depreciated in two waves: first in the spring, related to the eruption of the pandemic and increasing concerns of investors about emerging markets, and in autumn, when the political battles inside the country intensified on the pension increase and investor's concern, it increased regarding the sustainability of budgetary financing.

In 2020, the **stock of non-government (household and corporate) loans** increased by 5.5%, compared with a 6.6% increase in 2019 and the 8% in 2018. Growth of household loans moderated to 4.8% from 7.6%, driven mainly by weaker consumer loan growth (-1.9% vs. 4% in 2019), while mortgage loan growth remained surprisingly stable (9.9% in 2020 vs. 10.5% in 2019). The **share of credits in lei** rose further, in household loans it reached nearly 80% from 76% a year ago, while in corporate loans it rose to 62% from 60.5%. At the same time, the decreasing trend of **non-performing loans** reversed, as while its ratio decreased from 4.1% at the end of 2019 to 3.9% by 2020Q1, it started to increase afterwards and reached 4.1% in Q3 of 2020.

NBR data showed that the profitability of the sector deteriorated further up to Q3 on an annual basis, with the **ROE** index declining to 10.5% compared to 12-13% in 2019. At the same time, the capital adequacy ratio remained high, reaching 22.8% by Q3 2020 compared to the 20-22% in 2019.

Key economic indicators*		2019	2020
Real GDP	%	4.1	-5.5
Final consumption of households	%	4.6	-5.1
Consumption expenditure of households*	%	4.0	-5.0
Consumption of public administrations*	%	6.8	-0.5
Gross fixed capital formation*	%	13.0	6.6
Export of goods and services*	%	4.6	-10.5
Import of goods and services*	%	6.8	-7.2
Consumer prices	% average	3.8	2.6
* Budget balance	% from GDP	-4.4	-9.5
* Public debt	% from GDP	35.3	45.7
* Current account	% from GDP	-4.6	-5.0
Monetary policy interest rate	% average	2.50	1.86
Monetary policy interest rate	% end of period	2.50	1.50
EUR / RON	average	4.75	4.84
EUR / RON	end of period	4.78	4.87
Nominal GDP*	billion RON	1058.2	1030.6
Unemployment	%	3.9	4.9
Nominal wage growth	%	13.0	6.5
Real wage growth	%	8.9	3.8
Nominal GDP	billion EUR	223.0	213.0

*estimations for 2020, 2019 data is from the semi-final 2019 estimation for GDP, however, the 2020 nowcast is based on the available quarterly data. Sources: INS, BNR, OTP Research

Summary of OTP BANK ROMANIA's result:

Highlights

- Despite the challenges brought by the COVID-19 pandemic in the economic environment, the Bank continued to finance the real economy, being among the banks that grew the financing of legal entities. The market share of loans to legal entities climbed from 3.72% (31 December 2019) to 3.85%, while the market share of deposits and current accounts from legal entities went up from 3.02% (31 December 2019) to 3.21% (31 December 2020);
- The Bank has been an active player on the market for mortgage loans, which remains the most dynamic segment within the retail portfolio, growing its market share from 3.73% (31 December 2019) to 4.19% (31 December 2020);
- Customer deposits remained in focus, with the aim of further strengthening the funding base;
- Solid capital position, with capital adequacy ratio of 20.2% (the Bank standalone).

STATEMENT OF FINANCIAL POSITION RON thousand	December 31, 2020	December 31, 2019	Variation %
ASSETS			
Cash	532,794	635,212	-16%
Current accounts and deposits at banks	561,234	417,025	35%
Accounts with the National Bank of Romania	1,698,185	1,002,064	69%
Loans and advances to customers, net	10,186,672	9,138,500	11%
Loans and advances to banks	76,652	296,436	-74%
Investment securities at fair value through profit and loss	19,436	12,538	55%
Investment securities at fair value through other comprehensive income	725,804	760,537	-5%
Securities at amortized cost	570,948	544,455	5%
Investment in Associates and Subsidiaries	46,558	46,553	0%
Property and Equipment	181,891	172,977	5%
Intangible assets	56,790	48,393	17%
Right-of-use assets	55,114	42,951	28%
Investment property	1,254	1,500	-16%
Derivatives	13,945	14,469	-4%
Derivatives hedge accounting	-	175	-100%
Deferred taxes, net	21,937	23,413	-6%
Other assets	84,734	84,852	0%
Total assets	**14,833,948**	**13,242,050**	**12%**
LIABILITIES			
Due to Banks	162,393	515,154	-68%
Demand deposits from banks	18,934	248,294	-92%
Term deposits from banks	143,459	266,860	-46%
Due to customers	9,510,560	7,974,869	19%
Demand deposits from customers	3,856,203	3,630,553	6%
Term deposits from customers	5,654,357	4,344,316	30%
Total deposits	9,672,953	8,490,023	14%
Borrowings	3,098,347	2,751,593	13%
Derivatives	13,343	14,354	-7%
Derivatives – Hedging Accounting	48,875	42,858	14%
Lease liabilities	56,347	44,189	28%
Provisions	164,259	139,021	18%
Other financial liabilities	166,153	142,079	17%
Total liabilities	**13,220,277**	**11,624,117**	**14%**
SHAREHOLDERS' EQUITY			
Share capital			
Share capital, nominal	1,829,253	1,829,253	0%
Share capital inflation effect	42,751	42,751	0%
Total share capital	1,872,004	1,872,004	0%
Accumulated deficit and reserves	(258,333)	(254,071)	2%
Total shareholders' equity	**1,613,671**	**1,617,933**	**0%**
Total liabilities and shareholders' equity	**14,833,948**	**13,242,050**	**12%**

Cash decreased by 16% compared to December 31, 2019, their weight in the total assets decreasing from 4.80% to 3.59%. As of December 31, 2020 they amounted to RON 532.7 million, out of which RON 185.8 million are in local currency. This includes **cash in hand and ATMs.**

Current accounts and deposits at banks amount to RON 561.2 million (increased by 35%). This item includes **Nostro accounts** (RON 29.5 million), **on demand deposits at other credit institutions** (RON 479.4 million) and **term deposits at other credit institutions** (RON 52.3 million).

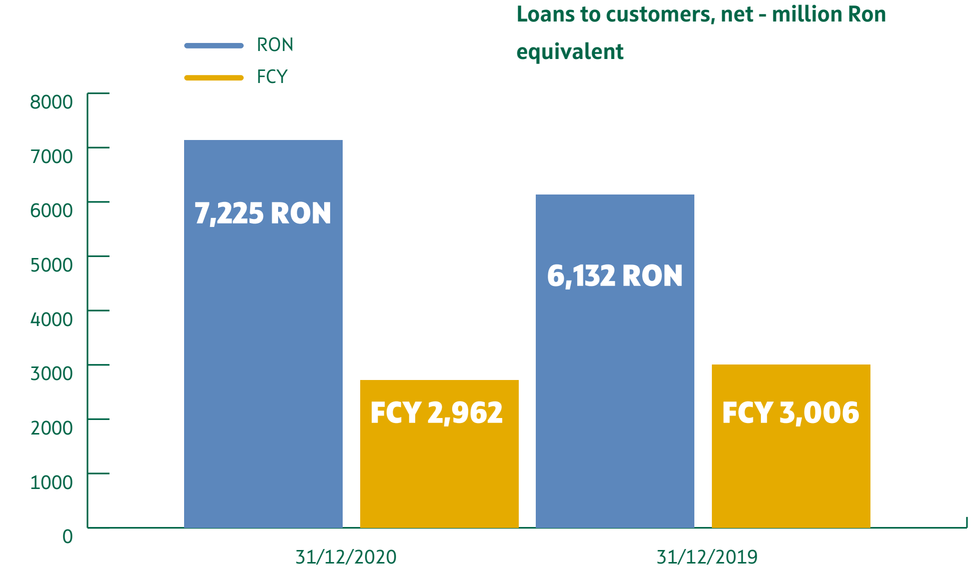
Accounts with the National Bank of Romania are in amount of RON 1,698 million and represents amounts in current accounts and minimum compulsory reserves. Minimum required reserves must be maintained at a level, calculated as a percentage to the daily average outstanding of deposits from banking and non-banking customers, for each period of one month. For the application period December 24, 2020 – January 23, 2021, the minimum mandatory reserve was determined at the level of RON 661,446 thousand (December 31, 2019: RON 689,765 thousand).

Securities held to maturity at amortised cost, in amount of RON 570.9 million as of December 31, 2020 includes securities issued by Ministry of Finance. The treasury bonds are unencumbered and at the immediate disposal of the Bank. The Bank has increased in portfolio of securities, as part of its liquidity management and diversification of assets.

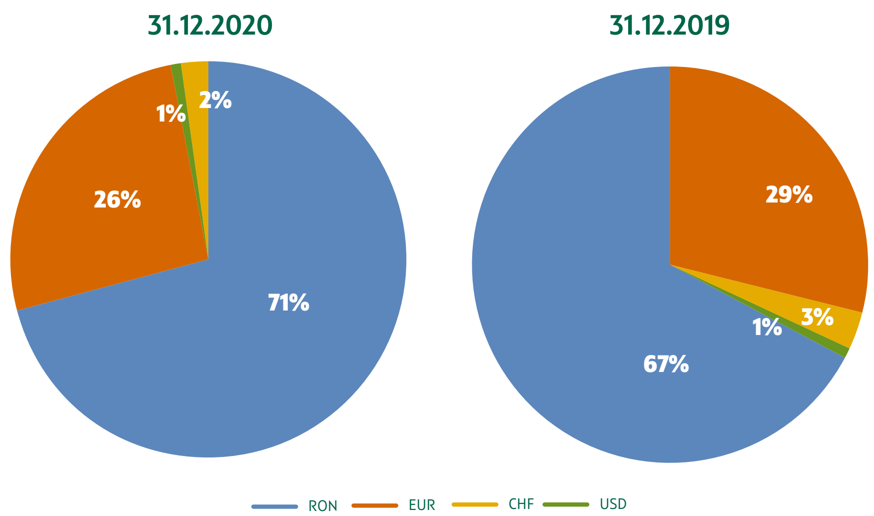
Loans and advances to customers, net are in amount of RON 10,186.6 million on December 31, 2020 and presents the following structure:

- Private individuals – RON 5,478 million (RON 4,800 million on December 31, 2019)
- SME – RON 3,688 million (RON 3,366 million on December 31, 2019)
- Corporate – RON 1,020 million (RON 972 million on December 31, 2019).

Loans to customers, net - million Ron equivalent



Net loans by currency



Investment securities at fair value through other comprehensive income decreased in 2020 by 5%, including bonds issued by: **Ministry Of Finance of Romania** (RON 381 million), **Ministry Of Finance of Poland** (RON 110.4 million), **Ministry Of Finance of Slovenia** (RON 48 million), **Ministry Of Finance of Spain** (RON 168.3 million) and **Municipal Bucharest City Hall** (RON 5.1 million). Similarly to its portfolio of securities held to maturity, the Bank invested in a diversified range of RON and foreign-denominated portofolios and strengthened its liquidity position through having a higher share of liquid assets in its balance sheet.

Based on availability of securities in the market and their return and maturity, the Bank also purchases securities issued by other EU countries.

Other investment securities at fair value through other comprehensive income in amount of RON 12.7 million on December 31, 2020 comprises: investment in **VISA** (RON 7.46 million), **MasterCard** (RON 4.2 million), **OTP Asset Management SAI SA** (RON 0.7 million), **SWIFT** (RON 222 thousand), "**Dreptul la Educatie" Foundation** (RON 80 thousand), **Aloha Buzz SRL** (RON 0.01 thousand), **Favo Consultanta SRL** (RON 0.01 thousand) and **Tezaur Cont SRL** (RON 0.01 thousand).

Other investments measured at fair value through profit and loss account include unit funds held by the Bank in: **OTP Premium Return** (RON 2.7 million), **OTP Dollar Bond** (RON 4.7 milion), **FDI OTP Dinamic** (RON 2.8 million), **OTP Real Estate & Construction** (RON 2.4 million) and **VISA** (RON 6.7 million).

Investment in Associates and Subsidiaries represent in high weight the Bank's equity investment in **OTP Factoring SRL** (RON 34.5 million), and **OTP Leasing Romania SA** in amount of RON 11.7 million.
During December 2019, the Bank increased the participation in the company OTP Factoring SRL, and became the sole shareholder of it. The main reasons of this decision are the following:
· the entire collecting flow, from the soft collection to the hard one, will be controlled and directed by a single entity in Romania, having the best know-how of the local environment dynamic;
· the nature of the activity will be more straightforward, close to all operative decisions;
· the increase of flexibility and speed in decision making;
· the feedback of the entire collecting flow to the initiation can be more direct and useful, including the Factoring's covered period;
· the local standards and legal expectations can be better met since the involvement of Bank's departments will be more adequate based on the governance principles (internal audit, compliance etc.).

The other equity investments are in **OTP Consulting Romania SRL** in amount of RON 210 thousand and **OTP Advisors SRL** of RON 4.5 million gross value for which an impairment in amount of 4.3 million was recognised.

Property and Equipment are in amount of RON 181.8 million as on December 31, 2020 (RON 173 million on 31 December 2019). Tangible assets are recognized using the revaluation method. The Bank performed in 2020 the test of depreciation of land and buildings internally.

Intangible assets increased by 17% compared to the previous year's balance, having a value of RON 56.8 million on December 31, 2020, the Bank invested in increasing efficiency of the activities through automation.
During 2020 the Bank increased its spending for capital expenditure and investments, supporting its growth strategy. The investments are related to business initiatives and digitalization, as well as compliance with regulatory measures.

Starting with 2019, the Bank adopted the new standard regarding "Leases" – IFRS16. IFRS16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer - "lessee" and the supplier - "lessor". This standard requires lessees to recognize most leases in the financial statements. The Bank recognises right-of-use asset and lease liabilities at the lease commencement date. In December 2020, the value of right-of-use assets was RON 55.1 million (December 2019, RON 42.9 million).

Investment property, net amounts to RON 1.25 million and contains foreclosed real-estate, formerly collateral for loans granted to customers.

Derivatives (assets) were in amount of RON 13.9 million on December 31, 2020. This caption includes the debit balances of the accounts where the fair value of forward contract is recognized (debit balances represent positive differences when derivatives contracts are evaluated).

Other assets, net were in amount of RON 84.73 million on December 31, 2020 and represented amounts in transit/settlement: RON 43.7 million (RON 47.6 million as of December 31, 2019), sundry debtors: RON 21.9 million (RON 11.7 million as of December 31, 2019), prepayments: RON 7.25 million (RON 5.2 million as of December 31, 2019), deferred income RON 1.4 million (RON 1.8 million as of December 31, 2019), advances to personnel, tax receivables, advances for tangible and intangible assets, inventory, collateral received RON 7.4 million (RON 16.1 million as at December 31, 2019). The Bank owns as of 31 December 2020 fixed assets and disposal groups, classified as held for sale amounting to RON 3 million (RON 2.3 million as of December 31, 2019), representing the stock of buildings from the foreclosures, which are put on sale.

Liabilities due to banks have seen a decrease over last year by 68% and amount to RON 162.3 million,comprising: Loro accounts (RON 18.9 million), demand deposits and term deposits (RON 143.5 million).
The Bank enjoys the full and substantial support of the Group, both for funding its balance sheet growth and its capital and liquidity position.
The Bank's aim remains to increase its share of financing from customer deposits and current account, but it also relies on group funding.

Liabilities due to customers presents the following structure:

- current accounts – RON 3,502 million (RON 2,958 million on December 31, 2019)
- demand deposits – RON 353.8 million (RON 672.9 million on December 31, 2019)

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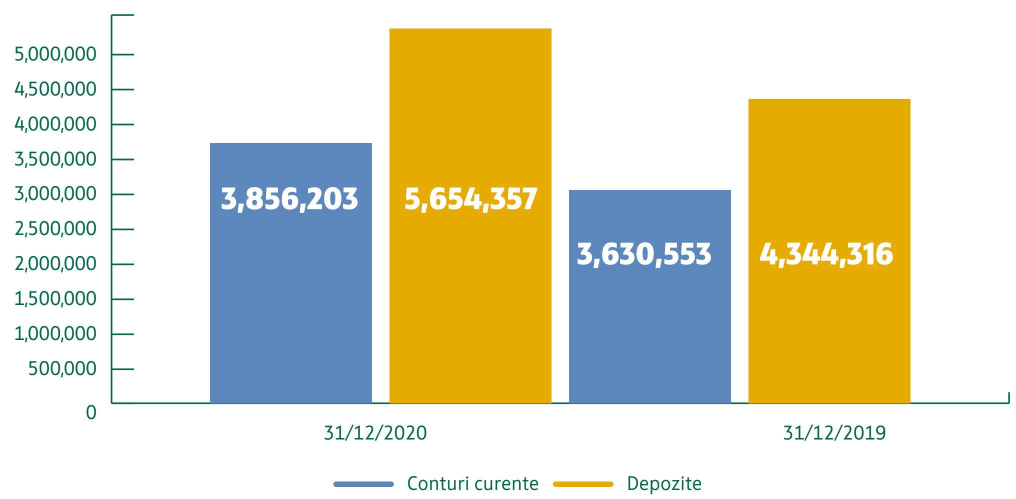
- term deposits – RON 5,508 million (RON 4,243 million on December 31, 2019)
- collateral deposits – RON 146 million (RON 101.1 million on December 31, 2019)

Within deposits are included accrued and amortized amounts.

During 2020, as part of its efforts to improve its liquidity and funding position, the Bank has stepped up its efforts to attract new customers and new funds. On one side, it ran a promotional campaign with attractive interest rate for RON Term Deposits of Private Individuals. On the other side, it ran marketing campaigns promoting its liability products.

Deposits from customers on currencies



Borrowings were in amount of RON 3.1 billions on December 31, 2020, the entire amount being withdrawn from OTP Financing Malta Company LTD.

Derivatives (liabilities) in amount of RON 13.3 million on December 31, 2020 (December 31, 2019 RON 14.4 million) represent negative fair value of derivatives. Value of hedging derivatives is of RON 48.9 million for 2020 (RON 42.9 million for 2019).

Provisions increased in 2020 by 18%. The provisions for loan commitments, financial guarantees and other commitments given are in amount of RON 54.2 million (RON 37 million on December 31, 2019), provisions for litigation are in amount of RON 83.9 million (RON 81.2 million on December 31, 2019), provisions for other employee benefits are in amount of RON 19.6 million, provisions for payment in kind RON 5.4 million and other provisions are in amount of RON 1.1 million. The provisions for litigations increased due to one significant case, that required additional coverage, based on the legal assessment of the risk, following the preliminary Court decisions.

Other liabilities are in amount of RON 166 million as at December 31, 2020 and include amounts from **transitory accounts** RON 90.1 million, **allowances and salaries** – RON 8 million, **various contributions to the state budget** of RON 11 million, **sundry creditors** of RON 15.5 million, **deferred income** – RON 11.8 million and **expenses to be paid** - RON 22.8 million.

Shareholders' equity is RON 1,613.6 million, from which:

- Share capital RON 1,829.2 million;
- Share capital inflation effect: RON 42.8 million;
- Revaluation reserves for fixed assets, net: RON 39.7 million;
- Revaluation reserves for securities at fair value through other comprehensive income: RON (0.28) million;
- Other reserves: RON 12.1 million;
- Retained earnings RON: (312.3) million;
- Current year's profit of RON 2,379 million.

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SEPARATE INCOME STATEMENT	Year ended December 31, 2020	Year ended December 31, 2019
Interest Income	589,939	548,740
Interest Expense	(154,278)	(145,495)
Net interest income	**435,661**	**403,245**
Fee and commission income	146,642	131,867
Fee and commission expense	(39,760)	(40,408)
Net fee and commission income	**106,882**	**91,459**
Impairment losses	**(164,510)**	**(104,428)**
Net interest, fee and commission income after impairment losses	**378,033**	**390,276**
Trading income, net	31,495	39,770
Gains or losses on financial assets and liabilities designated as at fair value through profit or loss - net	6,613	(195)
Gains or losses on financial assets and liabilities designated as at fair value through other comprehensive income	(2,557)	56
Other operating income	17,261	14,938
Total income from financial operations	**52,812**	**54,569**
Total operating revenues	**430,846**	**444,845**
Salaries and related expenses	(221,106)	(183,720)
Other administrative expenses	(138,661)	(132,380)
Depreciation of tangible and Intangible assets	(62,690)	(45,521)
Other operating expenses	(9,536)	(12,684)
Total non-interest expense	**(431,993)**	**(374,305)**
Profit / (Loss) before income taxes	**(1,147)**	**70,540**
Deferred tax income	3,526	-
Net profit for the period	**2,379**	**70,540**
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment	(1,814)	(1,817)
Related tax for above positions	290	190
Total items that will not be reclassified to profit or loss	(1,524)	(997)
Items that may be reclassified to profit or loss		
Net change in fair value of financial assets through other comprehensive income	(9,319)	14,254
Related tax for above positions	1,903	(2,286)
Total items that may be reclassified to profit or loss	**(7,416)**	**11,968**
Other comprehensive income, net of tax	**(8,940)**	**10,971**
Total comprehensive income for the reporting period	**(6,561)**	**81,511**
Basic earnings per ordinary share	**0.31**	**9.25**

The Income Statement of the Bank for the period ended as at December 31, 2020, is as follows:

Interest income increased by 8%, mainly linked to:
- loans of RON 549.1 million (RON 516.7 million in 2019),
- placements with other credit institutions and Central Bank RON 3.3 million (RON 4.5 million in 2019)
- securities and reverse repo agreements RON 37.6 million (RON 27.6 million in 2019).

Interest expenses increase by **6%.** The structure of Interest expenses is as follows:
- RON 86.1 million from customers' deposits (RON 93.3 million as of December 31, 2019)
- RON 60.1 million from borrowings (RON 42.9 million as of December 31, 2019)
- RON 7.5 million are related to deposits from banks (RON 8.8 million as of December 31, 2019).

Fee and commission income is in amount of RON 146.6 million (increased by 11% compared to 2019) and **fee and commission expenses** are in amount of RON 39.7 million (decreased by 1.6% compared to 2019).

Impairment losses increased from RON 104.4 million to RON 164.5 million (57.56% increase) as a result of the current situation with the COVID-19 pandemic and annual review of provisioning parameters.

Trading income, net decreased by 3%, from 39.7 million in 2019 to RON 31.5 million in 2020. This item contains **net result from derivatives, concluded mostly** with the parent-company and **the net result from the revaluation of the open currency position.**

Other operating income is in amount of RON 17.26 million. These incomes include **fees for non-banking services** – RON 0.6 million, **incomes from insurance intermediation activity** – RON 2.2 million, **other operating income** – RON 9.4 million, **other income and fees related to the loans** – RON 4.5 million and others.

Salaries and related expense are of RON 221.1 million on December 31, 2020, increased by 20.3% compared to the previous year (RON 183.7 million).
Salary costs were driven up by market conditions, more staff and sales results.
The growth of average salaries from the period 2016-2019, both in the private and especially the public sector, has put pressure on the Bank's cost. To retain and acquire staff, the Bank had to stay competitive and offer wages in line with the market. In 2020 the higher staff costs were result of the organic growth strategy, which led to an increase in the number of employees.
The additional staff was driven by business needs but as well by the need to cover operational gap in head-office staff, to sustain the organizational growth project.

Other administrative expenses are in amount of RON 138.6 million on December 31, 2020, increased by 5% compared to the previous year (RON 132.4 million in 2019).

Depreciation of tangible and intangible assets is of RON 62.7 million on December 31, 2020, comparing to RON 45.5 million in 2019.

Other operating expenses are in amount of RON 9.5 million (RON 12.7 million in 2019). These include: f**ines and penalties** of RON 0.09 million, **sponsorship expenses** of RON 2.3 million, **expenses representing prizes, sales competitions** of RON 1.6 million and **other expenses** of RON 5.4 million.

Net profit for the period is RON 2.3 million in 2020 (RON 70.6 million in 2019).
The net profit reduction is mainly due to the increased cost of risk and salaries costs generated by the pandemic crisis.

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Risk management within OTP BANK ROMANIA S.A.

The main risks that the Bank faces include:
- interest rate risk in the banking book;
- market risk – which refers to exposures to market factors such as interest rates, foreign exchange rates, equity and commodity prices;
- credit risk;
- liquidity risk;
- operational risk.

Other risks managed by the Bank are reputational risk, risk due to outsourced activities and compliance risk, conduct risk, model risk, ITC and security risks.

Credit Risk Management

The credit risk is associated with the loans granted by the Bank, being the current or prospective risk to negatively influence the earnings and capital arising from an obligor's failure to meet the terms of any contract with the credit institution or its failure to perform as agreed.

The Bank's main objective regarding credit risk management was to maintain the portfolio quality by monitoring the evolution of a set of indicators which are detailed in the Risk Strategy for 2020.

The Bank' s mid-term strategy in respect to credit risk management consists in channelling resources to achieve the following objectives:
- Designing an analytical and modelling framework capable of supporting the accurate definition of the Bank's risk profile, improving the predictive power of risk models and applying fast-response, sufficiently prudent risk management solutions capable of reacting to market movements;
- Streamlined data processes – leverage the usage of internal data for risk management analytics through extension of current DWH and implementation on advanced analytical tools (SAS, OLAP);
- Supporting the market growth plan of retail lending by fine-tuning the segment-specific risk management toolkit and testing, on a continuous basis, new segments and new appraisal rules;
- Adjusting to the dynamically changing market environment by providing sufficient space for building up an appropriately diversified portfolio with healthy dynamics and quality that ensures stable profitability on the long run;
- Ensuring that adequate reserves are available to cover potential losses while the capital provides sufficient reserves for unexpected losses;
- Creating an efficient monitoring and reaction framework regarding the risk related to the lending activity in order to ensure the maintenance of the credit risk profile within the level of the risk appetite assumed;
- Ensuring that the requirements of EBA NPE guidelines are met and the Bank's NPE strategy represents a solid basis for the identification, measurement, management, monitoring and mitigation of NPEs
- Ensuring there is consistency and coherence between the Bank's Risk Strategy, NPE Strategy and ICAAP.

On short term, the top key priorities for credit risk management are:

- Ensuring the soundness of the newly originated loan portfolio in a macro environment with a high level of uncertainty. As response to COVID-19 expected negative effect on the economy, the Bank has adjusted its credit policies by implementing temporary restrictions to mitigate arisen risks. The Bank will continue to adapt its policies accordingly.
- Maintaining an adequate quality level of the existing loan portfolio and ensuring a suitable provision coverage. The Bank will continue to assign priority to managing past due loans by making efforts to enable customers in arrears to return to the routine

of making regular repayments. During the recent implemented moratoriums (private and public), the Bank will continue to asses and monitor its loans exposures according to existing norms and procedures.

- Follow the NPE strategy and reach the NPL% targets. No doubt the emergency of COVID-19 and its systemic impact, has brought additional insecurity and pressure in respect to the achievement of the Bank's plan to reduce the NPL stock. Nevertheless, the Bank will undertake all possibly planned actions in order reach the NPE % target and the planned values for the non-performing loans rate at the level of each segment.
- Monitoring of credit risk. With a view to monitoring the credit risk appetite, the Bank operates a control system, which covers the regulatory instruments, the risk parameters of the products and the reporting system.
- Monthly & quarterly reports on Credit Policies risk indicators
- Quarterly monitoring of credit risk profile
- Quarterly monitoring of level of portfolio concentration against the limits established within the Internal Norm on Concentration Risk
- Monthly monitoring of vintage rates
- Monthly overview of the legal entities and private individuals portfolio developments
- Weekly monitoring of portfolio movements
- Weekly assessment on the level of moratoriums implemented
- Reviewing the transactional models. In 2020 we introduced new application scorecards for private individuals' products and a new application for rating models was implemented.

Risk IT developments

The credit risk is managed in compliance with lending norms approved by the Supervisory Board, based on the risk related type of products.

As part of the overall credit risk management, the credit concentration risk is actively managed using standard tools (e.g. analysis, assessment, setting of internal limits, reporting and use of risk mitigation techniques as appropriate). The Bank aims not to take any excessive credit concentration risk. Credit concentration risk management procedures cover individual counterparties as well as economically connected groups, selected industry sectors and collateral providers. The system of internal limits is established such that the Bank complies with regulatory limits set in respect of concentration risk.

The Bank regularly re-assesses all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on watchlist and which are classified as individually significant.

Bank portfolio sensitivity to interest rate risk

The Bank grants loans with mainly variable interest rate indexed by reference (ex.: Euribor, Robor) and aims to harmonize the financing structure with the structure of assets and other liabilities to maintain a low interest rate risk exposure.

In 2020 the Bank concentrated on local currency loans and the weight of fixed interest loans increased for consumer loans. On liabilities side, the Bank maintained the maturity structure for client deposits.

The monitoring of the exposure to interest rate risk of banking book and the compliance with the internal limits is done at least monthly, within the Asset and Liability Management Committee.

In assessing the interest rate risk for the banking portfolio, the Bank uses maturity analysis until the next financial assets and liabilities restoration, maturity analysis and stress test scenarios, to estimate the possible effects of interest rate changes on profits, and on the economic value of the Bank.

The methodology used for measuring the impact of an interest rate shock in the economic value of the Bank is the standardized one from the NBR Reg. No. 5/2013 with further amendments, adjusted for optionality risk. On 31st December 2020, with adjustments to consider the risk of option for loans and deposits, the Bank had a low exposure to the interest rate risk on banking book, 2.01% of own funds (3.43% as of December 2019). The decrease in the calculated value was mainly due to the inclusion of non-maturity contractual deposits (current accounts).

During 2020 the exposure to the interest rate risk on banking book had a stable level, medium-low.

Managing the market risk

Market risk is the risk of loss related to balance sheet and off-balance sheet items due to adverse changes in market prices, such as, for example, stock prices, interest rates, currency exchange rates.

The Bank's objective in market risk management is to ensure appropriate management of the risks generated by trading activities, through the implementation of procedures, models and adequate application of monitoring and risk controls related with trading activities.

In view of limiting potential losses due to market risk exposure, the Bank manages market risk exposure by means of a set of limits, which shall be set annually and updated periodically according to market conditions, in compliance with a prudent policy, based on the experience of OTP Bank Nyrt Hungary.
The limits are established according to the potential loss and the value of the Bank's equity capital. Market risk limits are set up by OTP Bank Nyrt Hungary and are managed in Market Risk Portal system.

Interest Rate Risk (Trading book)

The interest rate risk refers to the fluctuation in the value of financial instruments included in the trading book due to the changes in the level of market interest rates.

The purpose of the Bank in market risk management is to ensure adequate management in line with trading activities, implementation of procedures, models, and monitoring and control of trading activities.

Limits are approved for trading with financial instruments sensitive to interest rate risk such as bonds issued by the Romanian Government, interest rate swaps, foreign exchange swaps, deposits and money market placements have been approved. Appropriate assessment and monitoring of the resulting interest rate risk are ensured by implementing a system of limits and the use of appropriate risk management systems.

The Bank has set the following types of limits: the bond position limit, the VaR limit, the Base Value limits (in currencies and for Total), and limitation of loss limits. These limits are monitored using Kondor + and Market Risk Portal systems.

Managing the foreign currency risk

Currency risk is the risk of loss resulting from changes in the level of exchange rates on the market.
The currency fluctuations induce the risk of losses in value in respect of net monetary assets.

The Bank manages its exposure to movements in exchange rates by permanently adjusting its assets and liabilities mix, based on the market movements in exchange rates. The exposure is daily monitored by Operational and Market Risk Department.

The Bank may trade currencies and take positions in the following currencies: EUR, USD, GBP, CHF, CAD, JPY, HUF, AUD, SEK, DKK, NOK, CZK and PLN.

Management Board Report for the year ended December 31st, 2020

The open foreign exchange currency position is managed continuously on automatic basis within Kondor+ according to the internal rules and considering the NBR regulations.
The Bank sets net FX open position limits (per currency and for total), stop-loss limits and Value at Risk (VaR) limits which are monitored daily by the Operational and Market Risk Department using the Market Risk Portal system.

The Value at Risk indicator (VaR) estimates the potential loss over a certain period for a certain degree of confidence. The Bank uses a VaR based on historical data (using exponential average methodology to determine the observed weighted profit and loss weights) which allows for easy aggregation of risk factors and VaR values for trading departments, thus enabling VaR to be calculated at the Treasury level.

Liquidity Risk Management

The liquidity risk is associated either to the difficulty of an entity to raise necessary funds in order to meet all the commitments when they fall due or to the possibility of incurring losses if the entity has to sell assets in unfavourable conditions or has to attract more expensive supplementary funding.

The Bank's objective regarding liquidity risk was to maintain an adequate level of liquidity by ensuring the optimal mix of funding and lending transactions in order to achieve the budget.

As stated on the "Liquidity Strategy" and on the "Liquidity risk administration policy" of the Bank, permanently improved and updated in compliance with the local requirements for a prudent regulation but also, in compliance with group requirements, OTP Bank Roamnia S.A. has implemented an internal system of identification, measurement, monitoring and control of the liquidity risk, structured on two levels: the current liquidity management – the continuity of the activity in normal conditions (the assurance of cash flows for normal business operations) and the management of liquidity on crisis situations – the continuity of the activity in different crisis conditions.

OTP Bank Romania S.A. manages the liquidity risk considering: the estimation of the cash flows needs and of the operative liquidity, the daily banking book structure, the liquidity GAP – on each currency and overall, the level and the structure of the liquid assets portfolio, the liquidity indicators – calculated on a daily basis and having early warning limits internally established, the simulation regarding the liquidity indicators levels, the risk assessment on crisis situations by using stress tests.

If the indicators monitored in the reports enumerated above, register an attention or crisis level the Assets and Liabilities Committee evaluates the situation and disposes necessary measures needed for the indicators to revert to normal levels. If the measures taken in Assets and Liabilities Committee did not lead to an improvement of the monitored liquidity indicator, the alternative plan for liquidity management in crises will be activated.

Strict monitoring and prudent management of liquidity is supervised by the Assets and Liabilities Management Committee.

Following recommendations made by the National Bank of Romania in the previous year the Bank has maintained a level of quick liquidity above 30% for the entire year. Liquidity indicators (regulatory and internal) where complied with during the year. The Bank's liquidity risk profile objective of medium-low was maintained permanently.

On December 31, 2020, the aggregate value for stand-by credit facilities contracted with the parent bank with purposes of use in a liquidity crisis (and unused on December 31, 2020) represent 75 million EUR.

Operational risk management

Operational risk represents the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk.
Legal risk is the risk of loss caused by fines, penalties and sanctions to which the credit institution is exposed in case of failure to apply or defective application of legal or contractual provisions, i.e. the inappropriate establishment of contractual rights and obligations of the credit institution and/or of its counterpart.
The Bank seeks to minimize the risks arising from inappropriate systems and processes, human error as well as external factors by developing an appropriate control environment and risk awareness and also by transferring them through insurance or by setting up operating risk provisions.
The Bank has an operational risk management framework that includes policies and procedures for identifying, measuring/evaluating, analysing, monitoring and managing/controlling operational risk. Policies and procedures are appropriate to the size, nature and complexity of the Bank's activities and are adjusted periodically according to the operational risk profile of the Bank and in line with external market developments.

Bank's operational risk policy aims:
- Periodical revision of the operational risk management framework within the Bank;
- Registering operational risk provisions to minimize the impact of losses from operational risk events across the entire bank;
- Permanent support provided to the organizational units for the reporting of operational risk;
- Informing the organizational units on the decisions taken by the Operative Risk Committee and the Bank's Management Board;
- Assessing the exposure to operational risk based on the history of recorded losses and the permanent updating of the database of events generating operational risk losses reported by the organizational units;
- Key operational risk indicators (KRIs) are used to monitor the level of exposure to operational risk, to predict risks and to assist in avoiding certain losses arising from operational risk;
- Evaluating activities and processes, products and systems by performing annual self-assessment of activities and processes within all organizational units, in order to report risks already identified during the activity or potential risks and control measures to reduce the occurrence or elimination of risks;
- Preparation of scenarios for the continuity of Bank's activity in unpredictable situations. The business continuity plan is one of the operational risk management tools.

Capital management within OTP Bank Romania S.A.

The Bank manages its capital with the objective of maintaining a strong capital base to support its business activities and to meet capital regulatory requirements in the current period and going forward. The Bank's capital level planning process is based on a regular capital structure analysis and a forecast, which takes into account future capital requirements generated by increasing business volumes and future risks as expected by the Bank. This analysis principally leads to adjustments of the level of the Bank's dividend pay-out (if it is the case), identification of future capital needs and maintenance of a balanced capital composition.

Derivative Financial Instruments

In the ordinary course of business, the Bank trades derivative financial intruments, which represent a very low initial investment compared to the notional value of the contract. Generally, derivative financial instruments include currency forward, swap agreements, and interest rate swap. The Bank mainly uses these financial instruments for business purposes and to hedge its currency exposures associated with transactions in financial markets.

Derivative financial instruments are accounted for on a trade date basis and at subsequent reporting dates are revaluated at fair value. The fair value of derivatives is determined using valuation techniques consisting of updating future cash flow estimates with a rate derived from the market yield curve and the exchange rate conversions resulting from the use of the NBR rates valid on the day of the calculation. The fair values of derivative transactions are calculated individually.

Management's assessment of fair values

Where the fair value of financial instruments cannot be derived from active market, the Bank establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Deciding on the model inputs requires professional judgment.

Communities

OTP Bank Romania has a business philosophy, which influences the decisions in many aspects of company's life. The Bank has always in mind the social and environmental impacts when it comes to business operations or interactions with his stakeholders. The Bank is committed within core business and beyond: it is connected with the communities it is part of, thus it takes responsibility for them.

Sponsorship policy

OTP BANK ROMANIA strongly believes in the power of communities and invests in their well-being through sponsorships. The Bank expresses and strengthens its commitment to its values. It builds long-term cooperation and demonstrates empathy and solidarity in a difficult context, such as the one generated by the COVID-19 pandemic.

In 2020 as well, the Bank most significant community investment was the "Right to Education" Foundation, aiming to enhance financial literacy to a large category of people, from school pupil to adults.

Financial education is at the centre of the Bank social responsibility activities. The Foundation is supported by OTP BANK ROMANIA and OTP Fáy András Foundation, having experience of more than 20 years in the field of financial education. The main objective of the Foundation is to help toward a financially responsible behaviour both for school pupils and for adults. Considering the special context of 2020, the financial education programs were delivered mainly online.

Another key mission that the Bank undertook in 2020 was to support the medical system in the fight against the spread of the COVID-19 pandemic. Thus, 3 Romanian hospitals received sponsorships for the purchase of equipment and materials needed by medical staff at this time.

At the same time, we continued the sponsorship initiatives developed and implemented under the umbrella of the OTP Sport Program, through which we promote sports organizations, competitions and leisure activities that involve physical and mental endurance, concentration, tactical skills and teamwork.

In December 2020, OTP Bank Romana volunteers, together with colleagues from the Right to Education Foundation, got involved in the "Letters for Santa Claus" campaign, in which they prepared gifts for children in need, located in therapy centres from Suceava, Fălticeni and Popești-Leordeni. Volunteers collected over 200 gifts for the campaign organized by the FARA Foundation.

Environment

The Bank strives to operate its offices in an environmentally friendly way. Reducing our energy, water, paper consumption is also important for saving costs.

The Bank electricity supplier ensures that a significant ratio of our consumption derives from renewable resources.
Business travel is a significant portion of our environmental impact. At the same time, the Bank used the video conference infrastructure to the full and whenever possible.

Because of digitalization program, several paperless initiatives were maintained in 2020:

- post mail is replaced by e-mail as much as possible both in internal and external communication;
- the Bank introduced an IT solution for scanning and electronic archiving;
- the Bank has implemented solutions for streamlining the operational activity by using the extracts received from the inter-bank transfer system provider in electronic format
- the e-products eliminate the use of paper in the processes.

Besides the headquarters, Bucharest branches are involved in in collecting and recycling waste paper.

Employees

The Bank is aware of the importance that its staff has in its success and in achieving its mission. The Bank started the implementation of the organizational development program and the main objectives of the program are:

- drive performance
- shape a collaboration culture
- to communicate more efficiently
- to build a learning culture
- to improve employee wellbeing

Within the framework of the organizational development program, the Bank placed great emphasis on trainings, especially on the improvement of communication skills, collaboration, customer centricity, building emotional resilience, emotional management and wellbeing.

Sales Skills and Operating Rhythm, programs dedicated to all colleagues in front office to improve their sales skills and lead generation, including obtaining recommendations.

Interdepartmental communication and collaboration, a program that aimed to align roles and responsibilities at the team level and understand how they can collaborate with other departments, change attitudes and increase the level of collaboration, and obtaining customer satisfaction.

Leaders Offering Support, a program dedicated to managers and directors in front office. The program consisted of two workshops, Building Emotional Resilience and Leaders Offering Support as well as individual coaching sessions for those in need.

Leading Teams in Challenging Times, a program dedicated to managers and directors in head office. The program consisted of two workshops, Building Emotional Resilience and Leading Teams in Challenging Times as well as individual coaching sessions for those in need.

Wellbeing while working from home, a series of workshops dedicated to physical health. During the workshops, the trainers shared simple tips that our colleagues were able to put into practice during the pandemic. They also benefited from advice on healthy eating, as well as myths and realities about the current pandemic situation.

Individual psychotherapy sessions for all those who needed them, as well asa series of **workshops held by a psychotherapist.** The main topics addressed were: relationship management with and between children, in the work from home situation, couple relationship in the work from home situation, burnout and the need for control, fears associated with the current context and anxiety and depression - reactions of the current context.

Self-management while working from home - these interactive workshops helped our colleagues to develop and acquire skills to manage the current situation, to be as flexible and productive as possible even from home.

Decision Making, Stress and Recovery in Times of Crisis - this program is aimed at all those who wanted to better understand and manage how they think, feel and react in times of stress and crisis, but also how they can help others. The workshops shared the latest findings in neuroscience and psychology in a practical and up-to-date presentation, as well as tips on how to best manage our emotions and ourselves during this global pandemic.

Human Rights

The Bank is committed to maintain and improve the systems and processes that enable it to ensure respect for human rights in the operations and management of human resources, its supply chain and its products and services.

The commitments of OTP Bank Romania S.A. regarding human rights are guided by the following conventions, standards and initiatives:

- Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights;
- Fundamental Conventions of the International Labor Organization, aimed in particular at eliminating forced labour and child labour, discrimination in work, and freedom of association and effective recognition of the right to collective negotiation;
- United Nations Guidelines on Business and Human Rights;
- OECD guidelines for multinational enterprises;

The Bank is determined to act with integrity and in accordance with the applicable laws in all its activities.

One notable example is the Code of Conduct, where OTP Bank Romania is committed to respect human rights and the rules set by the International Labor Organization. The same applies to the policies and processes developed by OTP Bank Romania S.A. in relation to its obligations to combat money laundering, terrorism and corruption.

Corruption and bribery prevention

The desire to maintain an adequate and safe internal control environment and the need to protect the Bank's reputation has determined OTP Bank Romania S.A. to treat corruption and bribery prevention as a top priority.

No employee or any other empowered person shall ever offer, promise or pay, neither accept any valuable assets, with the purpose to influence public clerks or other persons or to obtain an unfair business advantage.

Offering gifts is often part of local culture and traditions, that is why offering gifts in business affairs and in relation to clients might preserve good reputation and enable business cooperation. Regular gifts for business purposes may be offered and accepted within strict internally regulated limits. Nevertheless, employees are forbidden to offer or accept gifts in circumstances that might be interpreted as influencing business decisions or as bribery.

Business decisions are always taken according to the Bank's interests and never to favour the personal relationship that can be developed based on the granted gifts or other facilities. The Bank's employees are also forbidden to offer – as part of their labour relationship – any financial or nonfinancial support to any political party, organization, member of representative thereof.

The Bank's objectives for 2021

The Bank pursues its medium-term strategy, focused on delivering value to customers through

professional excellence, focusing on digitalization and sustainable growth, in line with Apollo program, but it takes into consideration the 6 months delay because of the pandemic.

The goals of the strategy are to improve shareholders' value and increase profit, through efficiency and growth, by its own forces, organically.

The growth of the Bank is to be achieved by increasing the number of active customers, who are generating revenues, with special attention to home-bank customers.

Appealing to customers, the Bank targets a higher penetration of internet and mobile banking, a higher usage of online channels for sales, in an overall effort to augment digitalization. The Bank will also rely on direct sales agents, a flexible and mobile sales force.

Another strategic objective of the Bank is to continue product innovation, in a highly competitive market.
Focusing on deposits collection, the Bank will offer targeted products, balancing its need for liquidity and stable funding, with the customer needs for pricing and availability. Granting loans for private individuals only through digital interaction is already planned for the first quarter of 2021.

Lending to legal entities will continue to address their short- and long-term needs, developing new agro products and participating in the government programs aimed to help the legal entities facing difficulties due to COVID-19 pandemic.
The Bank will optimize its lending processes; will invest in software dedicated to customer relationship management and business & processes management.
In line with market conditions, the Bank will balance new funding from the customers versus the Group, so as to achieve both short-term pricing and long-term sustainability.

The Bank will also target its resources, with focus on its employees, and will continue to maintain an adequately motivated and trained staff, properly managed to deliver sales and quality targets.

Subsequent events

No subsequent event was identified after the reporting date.

Proposals

As a consequence of the above presented activity performed during the financial year 2020, OTP Bank Romania S.A.'s Management Board submits to the General Shareholders Meeting approval the following:

- Report of the Management Board regarding the development and performance of OTP Bank Romania S.A.'s activities and its financial position for the financial year ended December 31, 2020;

- Discharging of the members of the Management Board from their duties related to 2020 financial year.

Mara Cristea,
Member of the Management Board and Deputy CEO

Ana-Maria Enache
Director, Finance & Accounting Directorate

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
OTP Bank Romania S.A.

Report on the Audit of the Financial Statements

Opinion

1. We have audited the separate financial statements of OTP Bank Romania S.A. ("the Bank"), with registered office in 66-68 Buzesti street, District 1, Bucharest, Romania, identified by unique tax registration code RO 7926069, which comprise the separate statement of financial position as at December 31, 2020, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the separate financial statements.

2. The separate financial statements as at December 31, 2020 are identified as follows:

• Equity	RON 1,613,670,610
• Net profit for the financial year	RON 2,378,256

3. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at December 31, 2020, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and National Bank of Romania Order no. 27/2010 for the approval of Accounting regulation in accordance with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments, ("Order 27/2010").

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Collective impairment of loans and advances to customers	
Nature of the area of focus	**How our audit addressed the key audit matter**
Refer to note 18 and accounting policies 3.8.6 from the separate financial statements. Following the adoption of IFRS 9, the Bank accounts for credit losses based on expected credit losses (ECL): for a period up to 12 month for credit exposures for which the credit risk did not increase significantly since origination and for credit life time for those with significant increase in credit risk, as detailed in impairment policy from Note 3.8.6 to the individual financial statements. As at 31 December 2020, the Bank has booked Impairment allowances of 499.4 million RON for the Loans and advances to customers in gross amount of 10,686.1 mil RON. The Bank exercises significant judgement using complex models, extensive data and subjective assumptions over both when and how much to record as impairment for loans and receivables. Because loans and advances to customers form a major portion of the Bank's assets, and due to the significance of the Management judgments applied in classifying loans and receivables into various stages stipulated in IFRS 9 and determining related impairment requirements, this audit area is considered a key audit matter. Key areas of professional judgment exercised by the Management included: • The use of historic data in the process of determining risk parameters; • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the expected credit loss model.	Based on our risk assessment and industry knowledge, with the support of our Credit risk experts, we have examined the impairment charges for loans receivables and evaluated the methodology applied as well as the key assumptions and source data used by the Management according to the description of the key audit matter. Our procedures included the following elements: Testing of key internal controls We have challenged the appropriateness of key processes and related controls management has established to support their impairment calculations, including: • controls for quality assurance of the methodological aspects used in developing professional judgements and ECL related models; • controls related to timely identification of impairment triggers and significant increase in credit risk, including those arising from Covid-19 pandemic effects; • controls related to debtors financial performance assessment and estimation of future cash flow For the relevant controls identified in addressing the risks, we have tested the design and operating effectiveness of these controls. Verifying the accurate implementation of the ECL computation methodology into the IT computation systems, including: • Test the general IT controls related to the data sources and computations of ECL; • Assessment on a sample basis of the credit quality and stage allocation; and • Test on a sample basis the ECL computations.

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Collective impairment of loans and advances to customers	
Nature of the area of focus	**How our audit addressed the key audit matter**
• Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers. • Timely identification of exposures with a significant deterioration in credit quality, as well as industries impacted as a result of the restrictions imposed by the Covid-19 pandemic; • The increased level of uncertainty and level of subjectivity of management judgments relating to 2020 financial reporting due to the COVID-19 pandemic. • Potential impact on the assumptions used, increases in credit risk and impairments, and future cash flows as a result of the socio-economic consequences of the COVID-19 virus crisis, including the public moratorium and other events; • The assessment of the forward-looking information, including the impact of the COVID-19 pandemic.	Obtaining and analysing the evidence to support the assumptions used in: • Development of the models for computation of the key risk parameters (12 month probability of default, lifetime Probability of default and Loss given default), including procedures on the source data quality; • Development of the expected credit loss models • Development of the stage allocation; and • Development and appropriateness of the stage allocation and criteria used for determination of significant increase in credit risk, including the impact of COVID-19 and allocation of exposures with granted moratorium; • Development of models to reflect the potential impact of future economic conditions in the ECL computation, including the impact of COVID-19; • Assessment of adequacy of Management analysis and adjustments resulting from the impact made by the COVID-19 virus crisis on all aspects of the estimation of Expected Credit Losses. For all of the above procedures, we involved our credit risk specialists to review the ECL model development and forward-looking models, and to test whether these appropriately reflected the Bank's policies and methodologies. We have analysed the adequacy of significant ECL-related disclosures for compliance with the relevant IFRS requirements.

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Interest and Fee Income Recognition	
Nature of the area of focus	**How our audit addressed the key audit matter**
Refer to Note 6 and 7 of the separate financial statements For the year ended 31 December 2020 the interest income represents RON 589.9 million RON and fee and commission income represents 146.6 million RON, the main source being loans to customers. These are the main contributors to the operating income of the Bank affecting the Bank's profitability. While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows: • Fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income. • Fees for services provided are recognized when service is provided and are presented as fee and commission income. • Fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income. Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.	We have tested the design and operating effectiveness of the key internal controls and focused on: • Interest/fee inputs on customer loans and deposits from customers; • Recording/ changes of fees and interest rates; • Management oversight and control on interest and fee income, including budget monitoring; • IT controls relating to access rights and change management of relevant automated controls with the assistance of our IT specialists. We performed also the following procedures with regard to interest and fees revenue recognition: • We evaluated the accounting treatment performed by the Bank in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard (IFRS 9). We have focused our testing on challenging the correct classification of: • Fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate; • Fees that are not identified as directly attributable to the financial instrument. • We assessed the completeness and accuracy of data used for the calculation of interest and fee income. • We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan. • We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results of the Bank.

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Other information – Administrator's Report

6. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report which includes the non-financial information declaration, but does not include the separate financial statements and our auditor's report thereon.

   Our opinion on the separate financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the separate financial statements for the year ended December 31, 2020, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 12-14.

   On the sole basis of the procedures performed within the audit of the separate financial statements, in our opinion:

   a) the information included in the administrators' report for the financial year for which the separate financial statements have been prepared is consistent, in all material respects, with these separate financial statements;

   b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 12-14.

Moreover, based on our knowledge and understanding concerning the Bank and its environment gained during the audit on the separate financial statements prepared as at December 31, 2020, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS and Order 27/2010 and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on April 3, 2020 to audit the financial statements of OTP Bank Romania S.A. for the financial year ended December 31, 2020. The uninterrupted total duration of our commitment is 17 years, covering the financial years ended December 31, 2004 until the December 31, 2020.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Irina Dobre.

Irina Dobre, Audit Partner

For signature, please refer to the original Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3344

On behalf of:

DELOITTE AUDIT S.R.L.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania

March 30, 2021

OTP Bank Romania S.A.
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Corporate Governance

Supervisory Board

The Supervisory Board, one of the Bank's governing bodies, providing the supervision function within the Bank, by exercising permanent control over the Management Board's activity and in terms of compliance with existing strategies and policies.

The Supervisory Boards' componence includes the President, the Vice-President and the other members. The Members of the Supervisory Board are appointed by the General Shareholders Meeting and subject to approval of the National Bank of Romania, in accordance with the legal framework in force.

ANTAL GYÖRGY KOVÁCS

Chairman of the Supervisory Board

Antal György Kovács graduated from Budapest University of Economics as a certified economist.

He started his career in banking in 1990 at K&H Bank Ltd. (KBC Group) where between 1993 and 1995 he worked as Branch Manager. Antal György Kovács joined OTP Bank Plc. in 1995 as County Director for Somogy County and from 1997 he was responsible for Tolna County as well. Between 1998 and 2007 he served as Managing Director of the South-Transdanubian Region of OTP Bank Plc. Since July 2007, Antal György Kovács is Deputy CEO heading the Retail Division of OTP Bank Plc. and exercising professional supervision over the retail business lines of OTP Group's subsidiary banks.

He widened his professional knowledge at the training programs of the International Training Center for Bankers and the World Trade Institute. Between 2007 and 2012 he was Chairman of the Supervisory Board of OTP Banka Hrvatska and starting with December 12, 2012, Antal György Kovács serves as Chairman of the Supervisory Board of OTP Bank Romania S.A. He is also Chairman of the Boards of Directors of OTP Mortgage Bank Ltd. and OTP Building Society Ltd., and Chairman of the Supervisory Boards of OTP Fund Management Ltd. and OTP Mobil Kft. Between 2004 and 2016 he was a member of the Supervisory of Board of OTP Bank Plc. Antal György Kovács is a member of OTP Bank Plc.'s Board of Directors since April 2016.

JUDIT HANUSOVSZKY

Vice-Chairman of the Supervisory Board

Judit Hanusovszky graduated from Corvinus University of Budapest with specialization in Finance and Corporate Management. She also obtained a Certificate in Accountancy from Budapest Business School.
Judit Hanusovszky started her career at OTP Bank Hungary in 2003, as a Consultant at Strategic and Finance Division. Between June 2007 and July 2009, she worked first at Citibank, as Financial Head of card business, then became the CFO of Biggeorges Real Estate Financing Co. She returned to OTP in August 2009 and for 2 years she supported the work of the retail Deputy CEO as a professional assistant.

Since September 2012, as the Retail Controlling Director, she is responsible for the Retail Performance Management including Retail budgeting, KPI setting, the product's and sales channels' performance especially of the branch network, for the headcount capacity management, branch optimization and development based on profitability model. Judit Hanusovszky coordinates the implementation of Retail omnichannel strategy, and she is responsible for the renewal of the branch network infrastructure.

Judit Hanusovszky became member of the Supervisory Board of OTP Bank Romania S.A. at the end of 2015 and now she fulfills the Vice-Chairman position.

ENIKŐ ZSAKÓ

Member of the Supervisory Board

Enikő Zsakó has been Member of the Supervisory Board since December 2007. Between 2004 and 2007 she was Member of the Board of Directors of OTP Bank Romania S.A. Besides this position, Enikő Zsakó is also member of the Supervisory Board of PortfoLion Ltd. Hungary, chairwoman of the OTP Social Foundation, as well as member of the Audit Committee of OTP Bank Russia. She joined OTP Bank Plc. Internal Audit Directorate in 1993.

Between 2001 and 2007 she was the Leader of the IT audit area, while between 2007 and 2014 the Head of Bank Group Coordination, Analyzing and Methodology Department. In 2014 she was appointed Deputy Managing Director of the Internal Audit Directorate, being responsible especially for the coordination and supervision of the internal audit activities of the OTP Group members.

Enikő Zsakó graduated as Electrical Engineer at the Technical University of Cluj-Napoca in 1985 and as Banking Consultant at the International Banking School in Budapest in 1997. She obtained a postgraduate degree in Economics at the Budapest Business School, Finance and Accounting College in 2008.

She has earned the designation of Certified Internal Auditor conferred by the Institute of Internal Auditors, and of Certified Information System Auditor granted by the Information Systems Audit and Control Association.

At the Hungarian Economic Association, Enikő Zsakó is the chairperson of the Audit Section since 2011 and member of the Supervisory Board since 2014.

ILDIKÓ PÁL-ANTAL

Member of the Supervisory Board

Ildikó Pál-Antal has been Member of the Supervisory Board and President of the Audit Committee since 2014. She has relevant experience in management and also in the financial audit of several non-banking financial institutions of various sizes.

She graduated the Economic Sciences Faculty - Finance and Accounting Section - at Babeș-Bolyai University of Cluj-Napoca in 1988, had worked for a short period of time in the Romanian banking system, then as chief accountant and economic manager for commercial companies. In 2001 Ildikó Pál-Antal set up her own company, SC Consulta Carpatica SRL, followed by Transilvania Interconsult IPURL. The companies offer a wide range of services, performing book-keeping and accounting expertise activities, financial audit, tax consultancy, business and management consultancy.

Ildikó Pál-Antal has obtained several professional qualifications: chartered accountant (1996), financial auditor (2001), insolvency practitioner (2005), tax consultant (2007) and has been an active member of the respective Romanian national professional bodies since her certifications.

Furthermore, Ildikó Pál-Antal has been member of the Hungarian Economists' Association in Romania and one of the sponsors of the annual proffesional conferences held by this organization for over a decade.

ATTILA VÉGH

Member of the Supervisory Board

Attila Végh graduated in 1980 from Budapest, Karl Marx ("Corvinus") University of Economics – Finance Faculty as a certified economist. He started his career in banking in 1987 at Magyar Hitel Bank (ABN AMRO Bank Hungary) where until 1991 held several positions, respectively Head of Department of Economics, Head of Finance Department, Finance Director in the Liquidity Department and the position of Head of Institutional Development Directorate, Project Director.
Attila Végh consolidated his experience in the financial banking field occupying several positions, such as Corporate Lending Officer between 1980 and 1982, Banking Expert between 1982-1983, Deputy Head of Department between 1983 and 1986, respectively 1991-1992 the position of Project Manager, all of the above at the National Bank of Hungary.

Between 1992-1995, respectively 2001-2002, he developed knowledge in banking finance through the position of Banking Consultant and Project Team Leader at Digital Equipment Hungary Ltd., respectively Senior Manager at Deloitte & Touche Advisory & Management Consulting Ltd.

Also, he served as Executive Director at the National Bank of Hungary, where he was also a member of the Directorate from 1995 to 2001; between 2002 and 2005 he served as Executive Director and member of the Management Committee at Central European International Bank Ltd.

Attila Végh joined OTP Bank Plc. for the first time in 2002 as Advisor to the Deputy Chief Executive Officer, being responsible for managing several projects, including "Lending Systems Consolidation" and "URBIS- Integrated Banking Systems Implementation".

Between 2005 and 2009 he fulfilled within Central European International Bank Ltd. the positions of Head of Strategic Relationships Department and Head of Operation and Quality Management Department, while from 2009 to 2011 Attila Végh served as IT Compliance Officer, managing several development projects for IT services management.

The professional knowledge in the IT field have deepened by carrying out activities in the software industry and occupying between 2011 and 2013, respectively 2013-2015, the functions of Deputy Director and Program Manager within Loxon Solution Ltd., respectively the function of Software Development Manager and Project Manager at Statlogics Software Development Company Ltd.

Starting with September 2017, Attila Végh has been Project Manager at OTP Bank Plc., where he participated in preparations for the merger and acquisition of the Romanian Bank (BROM) by OTP Bank Romania S.A. as a delegate from the mother company, within the IT and IT Security team.Starting with November 2019, Attila Végh is a member of the Supervisory Board of OTP Bank Romania S.A. and also a member of the Risk Management Committee.

TIBOR LÁSZLÓ CSONKA

Member of the Supervisory Board

In 2002 Tibor László Csonka graduated at Szent István University, Faculty of Economics and Social Sciences, certified agricultural economist. He joined OTP Bank Hungary in 2002. Initially, he worked as a Regional Manager of the Central Hungarian Region in Budapest and after a few months, in 2003, he became a Corporate Customer Relationship Manager within Corporate Customer Relationship Department. In 2005, he became Corporate Customer Relationships Director of the North – Buda area.

Between April 2007 and September 2008, Tibor László Csonka was the Sales Director of Budapest Region. Between 2008 and 2011, he was the Deputy Managing Director of the South-Transdanubian Region. From April 2011 until 2014, Tibor László was the Senior Managing Director of the Micro and Small Enterprises Department. Since May 2014, Tibor László Csonka has been leading the reformulated Corporate Directorate as a Senior Managing Director.

Besides these positions, since 2011, Tibor László Csonka is member of the Management Board of Merkantil Bank Ltd. and untill end of 2018 vice president of the Budapest Chamber of Commerce and Industry.

Tibor László Csonka holds the position of member of the Supervisory Board of OTP Bank Romania S.A. since December 2012.

GÁBOR SUDÁR

Member of the Supervisory Board

Gábor Sudár graduated from the Budapest Business School, College of Commerce in 1994 as a certified economist. After graduating, he attended several educational institutions, respectively in 1995 the Securities and Exchange Commission from Hungary, obtaining a degree in securities examinaion; in 1996 he attended the Budapest Stock Exchange and the Central European Training Center for Brokers and becoming a certified broker and in 2001 he attended the International Training Center for Bankers and Association of Hungarian Investment Fund and Asset Management Companies, obtaining a portfolio and mutual fund manager's degree.

He began his career in banking in 1997 at CA IB Fund Management Ltd. (Member of the HVB Group) where, from 1997 to 2002, he held the position of Associate Director in the Fund and Portfolio Management Department, while between 2002 and 2005 he served as Director (Executive Director) and member of the Board of Directors.

Gábor Sudár consolidated his experience in banking finance by holding various functions, including Customer Advisor between 1995 and 1997 within MKB Bank Ltd.

From 2005 to 2006, he served as Regional Manager at Cross Border Activity Consulting & IT Solutions Gmbh.

Between 2006 and 2013, he served as Head of the Department for Supervision of Capital Markets Firms.

Gábor Sudár developed his knowledge in the banking financial field through the position

of Director, Credit Institutions Supervision Directorate at the National Bank of Hungary and through experience gained during 2014 where, within SG Advisory Budapest, he held the position of Owner and Managing Director.

Gábor Sudár joined for the first time OTP Bank Plc., where, between 2014 and 2018, he held the position of Compliance Director, governing compliance activity within the entire Banking Group (including national and foreign subsidiaries). From 2018 he worked as Regulatory Senior Manager for two years, with the main responsibilities of starting an effective corporate governance activity within the Banking Group and providing support for decision-making at the level of the Bank's Deputy Chief Executive Officer. Since October 2020 Gábor Sudár is acting as Head of Compliance and Regulation at Merkantil Bank, member of OTP Group.

From the end of 2019, Gábor Sudár is a member of the Supervisory Board of OTP Bank Romania S.A., being also a member of the Nomination Committee.

FERENC BERSZÁN

Member of the Supervisory Board

Ferenc Berszán started his career in banking in 1995 at ING Bank Hungary, where, between 1995 and 1997, he held the position of Risk Analyst, then Account Manager, being responsible for managing the accounts of clients of large corporations, especially in electronics, telecommunications and IT industries.

From 1997 to 2001, he held the position of Head of Central Operations at Budapest Bank (GE Capital Hungary) and was responsible for the centrally supported core servicing processes such as account opening, customer service and collections. Between 2001-2003, he worked for a Venture Capital Fund as Deputy Managing Director of the Hungarian Innovative Technologies Fund (HITF, part of the US enterprise funds investing in early stage technology firms in Hungary).

Ferenc Berszán consolidated his experience in the banking financial field, holding from February 2005 to March 2018 several positions within Raiffeisen Bank International AG, respectively: from 2005 to 2010 he was Head of Consumer Banking, then he held the position of Head of the Small Business, Premium and Private Banking (2010 - 2015) and from 2016 to 2018 he was Head of Consumer and Small Business Banking. During his time at Raiffeisen Bank International, he was also a member of the Group Credit Committee and the Group ALCO (Assets and Liabilities Committee).

Starting with July 2020, Ferenc Berszán joined OTP Bank Romania S.A. as an independent member of the Supervisory Board, being also the Chairman of the Nomination Committee and a member of the Risk Management Committee.

Ferenc Berszán holds an M.Sc. degree in electrical engineering (1992) and an M.B.A. degree - Technical University of Budapest, Heriot Watt Ubinersity in Edinburgh (1994).

Management Board

The Management Board, one of the governing bodies of the Bank, ensures the management function within the Bank, through the fulfillment of all the necessary and useful actions for the achievement of the Bank's business objectives.

The Management Board implements the Bank's strategies and policies and, also, delegates duties to middle management/permanent committees and overseas the performance of the delegated responsibilities, remaining in charge of the performance of the Bank in front of the Supervisory Board.

The Management Board consists of Chairman, Vice-Chairman and the other members. The Chairman of the Management Board is the Chief Executive Officer. The members of the Management Board are appointed by the Supervisory Board and start performing their responsabilities after obtaining the prior approval of the National Bank of Romania, in compliance with the legal framework in force.

Also, the Management Board is responsible for overseeing the investments of the Bank and its Subsidiaries in its position of local investment committee, together with the group-wide competent bodies, having the competencies established in the regulations in force both internally, as well as at group level.

GYULA FATÉR

Chairman of the Management Board and CEO

Gyula Fatér, has been Chairman of the Management Board and CEO of OTP Bank Romania since June 2019. Starting with November 2018, and until June 2019, he took over the position of Advisor of the CEO, after joining OTP Bank Romania.

Gyula Fatér has over 28 years of international banking experience, and he successfully led from start-ups to top Central and Eastern European banks. He had high performances in a wide spectrum of banking areas, as retail banking, asset management business strategy, capital markets.

Between 1992 and 2000, he was CEO of Europool Investment Fund Management, and in 2000 he joined the Budapest Bank Group as CEO of Budapest Fund Management, which he held until 2014.

Between 2006 and 2009 Gyula Fatér was also a regional wealth management leader at GE Money Bank, responsible for the regional oversight of eight countries, and since 2009 he worked in the retail banking management at Budapest Bank. He has been a member of the Board of Directors of Budapest Bank for more than 10 years. For 4 years, he was Head of Consumer at the same bank.

Gyula Fatér started his mandate with focus on accelerating the bank's growth, further strengthening the group's market position in the country.

Gyula Fatér has a master's degree in Economics, accomplished in 1990 at the Karl Marx University of Economy Sciences - currently, Budapest Corvinus University.

ZOLTÁN BALÁZS

Member of the Management Board and Deputy CEO, Head of Lending & Risk Management Division

Zoltán Balázs has been a Member of the Management Board and Deputy CEO, Head of the Lending & Risk Management Division within OTP Bank Romania since October 2020. His journey at OTP Bank Romania began in February 2020, when he held the position of Advisor to the CEO, implementing and coordinating strategic projects and ensuring internal communication by preparing for the CRO role.

Zoltán Balázs holds and MBA degree in Banking&Entreprenuership from Case Western Reserve University in Clevelenad, USA and also a Master Degree in Banking&Finance from Collegeof Finance and Accountancy in Budapest, Hungary. As professional experience, Zoltán Balázs worked, over time, in various multinational companies in the Central and Eastern European region, such as Hungary, Romania and Austria. He started his career in banking in 2000 at K&H Bank (KBC Group), in Real Estate and Structured Finance sales, then moved to Erste Bank Hungary as Director of the same RE and Structured Finance.

Between 2009-2012 he worked at the Hungarian subsidiary of of Bayerische Landesbank as Risk Underwriting Executive Director for Corporate.

From 2012 until joining OTP Group he worked again with Erste Group mainly in Hungary and Romania as the CEO or Erste Real Estate Ltd. from Hungary and also as a Director in RE and Corporate sales.

MARA CRISTEA

Member of the Management Board and Deputy CEO, Head of Finance and Planning Division

Mara Cristea has been a Member of the Management Board and Deputy CEO, Head of Finance and Planning Division of OTP Bank Romania S.A. since October 2016. Mara Cristea is a highly skilled professional with vast knowledge in the financial and banking area, especially in the strategic planning and controlling, regulatory reporting and accounting. Proactivity, asertivity, determination and empathy are some of the main features that describe her personality.

Regarding her professional life, Mara Cristea has an experienced banking career. She started as an accountant at Elisabeta Palace in 1990, followed by a long and full of achievements career in the banking domain. Her banking journey began in the first established private bank in Romania, namely Banca Comercială "Ion Țiriac". In April 2006 she took over the position as Director of Financial Accounting Division at Volksbank Romania S.A. and afterwards, starting July 2015, joined OTP Bank Romania S.A. as Director of Accounting, making a significant contribution to the success of the integration process of OTP Bank Romania with Millennium Bank.

In terms of academic background, Mara Cristea has graduated from the Romanian – American University from Bucharest, Romania, with a degree in Finance and Banking. She is also a member of the Chamber of Fiscal Consultants in Romania since 2007 and a member of the Chamber of Financial Auditors in Romania since 2010.

In her personal life, Mara Cristea's hobbies include mountain skiing and hiking and a great passion for the romanian folk costume and ancestor traditions.

ROXANA MARIA HIDAN

Member of the Management Board and Deputy CEO, Head of Retail Banking Division

Roxana Maria Hidan has been Member of the Management Board and Deputy CEO, Head of Retail Banking Division of OTP Bank Romania, since July 2019.

With over 19 years' experience in banking, out of which 15 years at OTP Bank Romania, Roxana Maria Hidan previously coordinated the SME business line. Between 2012 and 2015, as a director in SME Division, she oversaw the development and implementation of the bank's strategy for this segment.

In 2015, Roxana Maria Hidan had a major involvement in the process of integrating OTP Bank Romania with Millennium Bank, first as Executive Retail Director and Member of the Board of Directors, then as General Manager and Chairman of the Board of Directors. Her main mission, as head of the Retail Banking Division, is to further transform this business by providing, at all organizational levels, a culture based on the client's experience with the bank.

Holding an Executive MBA (2012-2014) in Advanced Global Management at IE Business School in Madrid, Roxana Maria Hidan is currently a member of the Global Alumni Advisory Board. In addition, in 2018 she added to her educational portfolio The Harvard Business School's Global Management Program (GMP24), as well as being a graduate at this prestigious institution.

IOAN-DRAGOȘ MIRICĂ

Member of the Management Board and Deputy CEO, Head of Corporate Banking Division

Ioan-Dragoș Mirică has been Member of the Management Board and Deputy CEO, Corporate Banking since February 2013. Starting with 2008, Ioan-Dragoș Mirică took the assignment to manage the activity of the corporate business line, after joining OTP Bank Romania as Director of Large Corporate Directorate, in May 2006.

Ioan-Dragoș Mirică is a highly skilled financial professional with extensive experience in banking and financial institutions, negotiations, business and people management, analytical budgeting activity and financial appraisal. He employs excellent planning skills to ensure consistent, continuous and efficient operations.

With respect to the educational background, Ioan-Dragoș Mirică graduated the University Pierre Mendes, Grenoble, France, in 1993 having his Bachelor degree in Business Administration. In 1996, he also graduated the Academy of Economic Studies, Bucharest, the Faculty of Economic Studies in Foreign Languages, French Department, obtaining his Bachelor`s Degree in Business Administration, Finance and Banking.

During his career, Ioan-Dragoș Mirică held senior administrative and professional positions in several banks acting in Romania, such as UniCredit Bank and BRD-Société Générale and he was involved in business advisory as well.

GYÖRGY GÁLDI

Vice-Chairman of the Management Board and Deputy CEO, Head of Lending and Risk Management Division

György Gáldi was Vice-Chairman of the Management Board, Deputy CEO, Head of Lending and Risk Management Division at OTP Bank Romania between January 2012 and February 29, 2020. He has an engineering and economist academic background and collected three diplomas of Budapest University of Technology and Budapest University of Economics. Beyond such, he completed several courses among others at several short-term courses at Oxford University, Institute for Management Development Lausanne (1992), Institute for Public-Private Partnerships Washington D.C.

Based on such learning and accumulated professional experience, he has been acting as lecturer of various universities and colleges, focusing mainly on risk management topics and structured and project finance related subjects. He has also participated as speaker, mainly on the same themes, at several Hungarian, European and North-American business forums/conferences since 1994, making studies, publications, also concerning these topics.

In terms of professional experience, György Gáldi started as a researcher at Budapest University of Technology, followed by a period when he worked as adviser within the Ministry of Transport Communication and Water Management. He started his banking career at K&H Bank Structured and Project Finance area, as Unit Head (1993) and becoming Executive Director (2001), being responsible for a large number of cash-flow based transactions in various sectors (e.g. energy/ power, telecommunications, transport, utilities, real estate etc.), industrial production. Between 2005 and 2007, the responsibility was extended also for the large corporate relationship management, as well acting as Senior Executive Director. Afterwards, he became Executive Director of MKB Bank Zrt., being responsible for Structured, Real Estate and Project Financing's risk management in 2007 and becoming Chief Risk Officer in October 2008. From April 2009 he was also Deputy CEO and Member of Board of Directors. He acted as Chairman of the bank's central credit committee during 39 months and as member of several other decision making and steering committees, for a longer period of time. He has also fulfilled membership in Board of Directors and in Supervisory Board in various companies since 1994, which are active mainly on various infrastructure/ service industry/financing sub-sectors.

György Gáldi was in charge among others of
(i) intensification of the group-wide collection activities of the OTP Bank in Romania;
(ii) the adoption of the risk handling practice best matching time to time developments of the business activity;
(iii) introduction of business standards assuring the largest efficiency of the applied risk handling technics and practices,
(iv) preparing and contributing in Apollo program.

Corporate Social Responsibility

Corporate Social Responsibility

For OTP Bank Romania, Corporate Social Responsibility is a business philosophy integrated into the business strategy and influences the decisions taken in many aspects of the company's life. The Bank is part of the society and understands the social and environmental impact it has on the communities to which it belongs.

All sustainable development actions and interactions with partners aim to generate positive effects in the economy and society, meeting the present needs without compromising the ability of future generations to satisfy their own needs. Sustainable development implies economic growth, together with the protection of society and environmental quality.

OTP Bank Romania supports consistent education because it is the most efficient method of development and provides the tools needed for change towards sustainability. Raising awareness of the importance of education is a fundamental pillar without which the company cannot guarantee the survival or success of a business.

The most important projects of 2020

Supporting the health system to fight against the pandemic

OTP Bank Romania has acted in solidarity and quickly in order to fight against the spread of the COVID-19 pandemic, since its beginning. Because the resources of the hospitals are quite limited and because the Bank understood the challenges and efforts of the doctors, OTP Bank Romania decided that it is essential to support the medical system. For this purpose, the Bank directed the total amount of RON 600,000 to three hospital institutions: the County Emergency Hospital "Dr. Fogolyan Kristof" Sf. Gheorghe, Miercurea Ciuc County Emergency Hospital and the Children's Emergency Hospital "Sf. Maria" from Iasi. The donation was directed to purchase equipment and materials vital to fighting the virus.

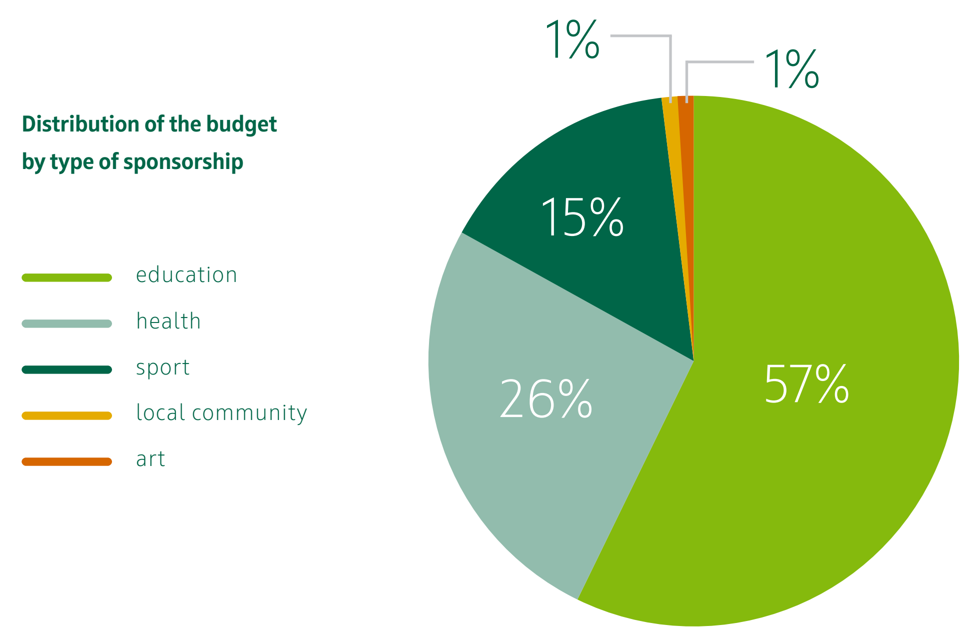
OTP Sport program

OTP Bank Romania continued the sponsorship initiatives developed and implemented under the umbrella of the OTP Sport Program, through which we promote sports organizations, competitions and leisure activities that involve physical and mental endurance, concentration, tactical skills and teamwork.

Sponsorship activity

In 2020, OTP Bank Romania sponsored the activities of 10 associations or institutions in various fields: education (57%), health (26%), sports (15%), local community (1%) and art (1%).

Distribution of the budget by type of sponsorship



The three most important areas of sponsorship were education, health and sports, where we strengthened long-term relationships. The main organizations and projects supported in 2020 were:

• The Right to Education Foundation: support for maintenance, the daily activity of the foundation and OK Center;

• supporting the medical activity carried out within the County Emergency Hospital "Dr. Fogolyan Kristof" Sfântu Gheorghe, the Miercurea Ciuc County Emergency Hospital, as well as the Emergency Clinical Hospital for Children "Sf. Maria" Iasi, for the purchase of protective equipment against COVID-19.;

• Sepsi O.S.K Sports Club Association: support for the Sepsi OSK football team, in order to participate in the 1st Football League of Romania.

The Right to Education Foundation OTP Bank Romania aims to contribute to the development of responsible and healthy financial behaviour both among the young generation and among adults, the Right to Education Foundation being the institution that coordinates and implements the financial education activities of the bank.

Financial education for pupils and students

The target group of the financial education program for pupils and students consists of children and youngsters from all over the country who are between 10 and 19 years old. In addition to financial education courses, our course agenda also includes career guidance courses for pupils and students between the ages of 13 and 19.

In 2020, our trainers arrived before the onset of the COVID-19 pandemic, in 5 cities in the country, to take financial education courses. 875 students benefited from face-to-face training until March 2020.

Starting with March 2020, with the onset of the COVID-19 pandemic, the Foundation has adopted the method of delivering online courses. A number of 374 pupils and students enrolled and participated in the Foundation's live online courses.

Financial Fitness

The financial education program Financial Fitness has consolidated its important position in the portfolio of educational programs of the Right to Education Foundation, not only because it is aimed at adults, but especially because it has the role of contributing, concretely, to the acquisition of a responsible financial attitude.

The financial fitness sessions were attended by 571 participants, 225 of them being colleagues from the OTP Group. The financial fitness trainings took place online for most of last year, and in this new context, the participants' interest was mainly centred around the ideas and principles of responsible management of financial resources, an attitude all the more necessary in a difficult period.

The Project "Iarna pe ulita urbana (Winter on urban streets)" 2020

During the pilot edition of the internal program "Iarna pe ulita urbana (Winter on urban streets)", held during the winter holidays (January 6-10, 2020), OTP Bank Romania employees were able to enrol their children, aged between 6 and 14, in interactive activities prepared with the support of the Right to Education Foundation in OK Center.

The initiative is a continuation of the success of the "Urban Summer" program and brought together 139 children (of which 33 are unique entries), with a daily average of 28 children, with an average age of 9 years. A number of 22 parents were the beneficiaries of this pilot program.

During the week spent in OK Center, the children participated in various activities, depending on the age range, from creative workshops to financial education courses.

OK Center

In 2020, until the beginning of the pandemic, OK Center hosted a total of 220 events, of which 72% were events dedicated to education, with a number of 3.080 participants. Also, 51 events organized by OTP Bank Romania were hosted, attended by a significant number of bank employees.

The Foundation's strategy starting with 2020

With the new strategic direction, from 2020, as the main CSR project of OTP Bank Romania, the Foundation focuses on the creation of educational content.

At the end of 2020, a rebranding program of the Foundation was launched, to highlight the connection with its founding member. In this context and in close connection with the new strategy, the new vision, mission and the new set of values of the Foundation were established.

The new vision of the Foundation is: "We are a reliable partner, promoter of modern learning, adapted to the needs of active generations. We consistently contribute to the transformation of education in Romania by creating valuable content and authentic learning experiences".

At the same time, in the spirit of the new strategy, the Foundation initiated the conclusion of strategic partnerships with one of the Trade Union Federations of teachers at the national level and started two projects for creating educational content and delivering training of trainers to teachers of the Federation, the themes being "Digital Education" and "Emotional Intelligence".

Volunteering activities

In 2020, the Foundation launched internal volunteer initiatives with other foundations and charities that support the education of disadvantaged children in poor communities or social care systems, through campaigns to donate school supplies, books and clothing.

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Compliance Function

Compliance Function

The compliance function is one of the three independent control functions within OTP Bank Romania and, during 2020, it was ensured by the Compliance Directorate.

The Compliance Directorate is subordinated to the OTP Bank Romania Chief Executive Officer and its independence is ensured by direct reporting to the OTP Bank Romania Management Board and Supervisory Board. The Compliance Directorate regularly reports to OTP Bank Nyrt and to the Audit and the Risk Management Committees as well, on the activity and associated risks identified.

The Compliance Directorate's objective is to ensure the Bank's compliance with legal and regulatory framework, standards of professional ethics and conduct, as well as develop a compliance culture within the institution.

Compliance Directorate organizational structure

In January 2020, the Compliance Directorate was reorganized in 5 departments: 3 (three) departments in KYC & AML/CFT area, 1 (one) in general compliance area and 1 (one) in data protection area), split in 13 compartments:

- **General Compliance Department**
  - o General Compliance Regulations and Advice Compartment
  - o General Compliance Monitoring and Control Compartment
  - o Conflicts of interests, Ethics and Anti-corruption
  - o Investment Services Compartment
- **Data Protection Department**
  - o Data Protection Regulations and Advice Compartment
  - o Control and Monitoring System Compartment
- **KYC & Authorities Department**
  - o Authorities Correspondence Compartment
  - o KYC Advise Compartment
- **Internal Regulations KYC/AML/CFT & International Sanctions and Control Department**
  - o Internal Regulations KYC/AML/CFT & International Sanctions Compartment
  - o On-site Control KYC/AML/CFT & International Sanctions Compartment
  - o Off-site Control KYC/AML/CFT & International Sanctions Compartment
- **AML & CFT Monitoring and International Sanctions Department**
  - o AML & CFT Monitoring Compartment
  - o International Sanctions Implementation Compartment

The reorganization's main purpose was **to better address the Bank's compliance needs with a clearer definition and more appropriate segregation of specific compliance activities,** in general compliance (including investment services), data protection and know-your-customer areas, in order to prevent money laundering and combat terrorist financing (KYC/AML/CFT).

Compliance function's main attributions within the Bank are:

- Manages compliance risk after identification and assessment in order to maintain an acceptable level, according to the Bank Risk Strategy;
- Reports to OTP Bank Romania S.A. Management and to OTP Bank Nyrt. all compliance risk information, calculated on the basis of compliance risk indicators related to all specific areas;
- Provides consultancy to the Bank's Management regarding provisions of legal and regulatory framework applicable to the Bank's activity and all the ethical standards the Bank must apply at when performing its activities;
- Verifies, through monitoring and control, the application of relevant policies and procedures to ensure permanent compliance of the Bank with the legal and regulatory framework on general compliance and KYC&AML/CFT aspects and recommends improvement measures/ corrective actions applicable both in a certain situation and within the Bank (processes/ workflows within the Bank) to increase the achievement of this goal and to manage/ mitigate compliance risk;
- Verifies Bank products/services/regulations compliance with the regulatory framework in force, including agreements, recommended practices, ethical standards related to the banking activity;
- Ensures the measures within the Action Plans issued on compliance issues, following the Supervisory Authority audits (from the National Bank of Romania), are fully implemented and within the established deadlines;
- Elaborates, provides assistance with elaboration, implements and monitors regulations, appropriate policies, procedures and other documents such as compliance policy, internal codes of conduct and practical guidelines for the Bank's staff to ensure permanent compliance of Bank activity with the specific legal and regulatory framework and internal regulations;
- Elaborates compliance training materials and tests based on them, in order to develop the organizational compliance culture;
- Actively participates, on behalf of OTP Bank Romania S.A., within specialized commissions of the Romanian Association of Banks (RAB) and other committees and entities that analyze the evolution of the regulatory framework with impact in the compliance area;
- Communicates with the Supervisory Authority and other authorities in order to perform specific tasks;
- Through the Data Protection Department, exercises guidance, coordination, control and monitoring of the unitary application of legislation with regards to protection of individuals when it comes to personal data processing and the free circulation of such data within the Bank. Data Protection Department is coordinated by the Data Protection Officer (DPO) - Department Manager, subordinated to the Executive Director of Compliance Directorate, with a direct line of reporting to the Bank's Management Board and Supervisory Board;
- Establishes an Annual Compliance Plan to ensure that the implemented procedures and control measures are adequate, including measures to verify the implementation of the developed internal regulations and to evaluate their effectiveness, including by means of Internal and External Audit;
- Develops and assesses the issued policies,

norms and procedures for the management of the Bank's KYC process and for the management of ML/FT risk;

- Administers the activity carried out for ML/FT risk management, ensuring an internal regulatory framework harmonized with the sector's legal requirements, by implementing effective monitoring and control processes and systems.

Compliance fundamental principles as well as the main direction of activity within compliance area are highlighted within **Compliance Policy of OTP Bank Romania S.A.** and the **Compliance Strategy.** These principles aim to establish, facilitate and support the Bank's proper, legal, safe and prudent operation, through strategic objectives based on industry best practices.

Based on the **Compliance Policy,** including personal data protection aspects, the Bank has developed regulations and established the necessary tools for policy implementation, considering the Bank's activity and size complexity, as well as the applicable national, european and international regulations, aligned with OTP Bank Nyrt's own policy. Regarding personal data protection, it is specifically stipulated that the non-observance of Personal Data Privacy Policy may affect the subjects' rights, as well as lead to significant financial and reputational losses for OTP Bank Romania S.A. and to possible disciplinary consequences for responsible Bank employees.

The Compliance Directorate also manages **the Bank's Code of Ethics,** which establishes fundamental values, principles and rules, based on which the Bank's Management and all employees act and fulfill their tasks, contributing to the achievement of business objectives.

- The general principles underlying the Code of Ethics reflect corporate governance standards, values of moral and professional integrity, good business relationships based on sharing common values and rules of conduct governing inter-human relations, compliance with specific banking financial legislation, avoidance and combating of conflicts of interests and corruption, preserving confidentiality, transparency and prudent approach related to performed activities.
- The Bank has implemented adequate communication channels (whistleblowing) to facilitate the report of inappropriate behavior that may arise in connection with customers, suppliers or Bank staff and to encourage the presentation in good faith of any situations of non-compliance with the Code of Ethics.

To prevent **conflicts of interests,** the Bank has implemented mechanisms for early identification, monitoring and management of situations that may trigger potential conflicts of interests, analyzing the areas with such risk potential - personal recruitment, family relationships, participation in companies, involvement in associations/federations/foundations, involvement as suppliers or intermediaries, additional legal employment relationships, political positions etc. - as well as through procedures that lead to information flow barriers and responsibility seggregation for the employees.
Considering the investment services provided by the Bank. The Policy regarding conflict of interests was developed in 2020. This includes special provisions regarding the identification and management of situations that may lead to conflicts of interest regarding the investment services provided by the Bank, particularly the role of ensuring that the clients' interests in providing these services are not affected by employees' interests, the Bank or third parties. The policy also considers conflicts of interest that may constitute market abuse, prohibitions on insider dealing, insider dealing, unauthorized disclosure of insider trading and market manipulation.
OTP Bank Romania S.A. developed and implemented mechanisms and systems to contribute to the compliance with legal provisions and internal regulations incidental to the field of **combating money laundering and terrorist financing** and to ensure a KYC process adapted to the business model, that allows the identification of customers associated risks and the appropriate KYC measures.

- To ensure an effective know-your-customer process, the Bank implemented the risk-based approach, applying customer due diligence correlated with the ML/FT risk associated to customers, both in terms of their characteristics and in terms of purchased products and services.
- In this respect, the Bank displays enhanced

due diligence towards the categories of customers with higher degree of risk from a ML/FT risk perspective, categories identified according to the risk factors defined within the internal regulatory framework.

In order to comply with specific legislation and applicable regulations in the AML/CFT field and that of international sanctions, OTP Bank Romania S.A. implemented procedures adapted to the business model adopted by the Bank, correlated with the risk strategy and the business strategy, approved by the Bank's management, and intended to be a real support for ML/FT risk management.

- Responsibilities of Compliance Directorate:
- identification of applicable regulatory requirements
- development of internal regulations on performing activity for the purpose of preventing and combating money laundering
- regularly checking the way regulatory requirements are effectively integrated into Bank systems and within the internal regulatory framework developed and implemented within the Bank.

- All Bank staff is involved in the process of preventing and combating money laundering, according to the approved authority limits and as per the attributions established within **the Bank's Internal Organizational Rules.** Thus, the responsibilities regarding customer due diligence and ML/FT risk assessment associated to customers, transactions and the entire activity reside with all Bank staff, as per the established limits, structured according to the three lines of defense principles.
- In this respect, Compliance Directorate provides advice to both territorial units and Head Office entities , in order to identify the ML/FT risk elements, and with respect to the observance of international sanctioning regimes imposed, all with the purpose of:
- unitary implementation of provisions applicable in the field;
- limiting reputational and/or financial impact generated by compliance/reputational/ operational risks to which the Bank may be exposed.
- With regard to personnel recruitment strategy, at OTP Bank Romania S.A., specific standards within the internal regulations are set for hiring staff with responsibilities in the KYC/AML/CFT area, standards that ensure an adequate selection process versus specific requirements related to compliance function.

The observance of sanctioning regimes imposed at international level is a permanent concern for the Bank, considering the global political and economic context, while compliance with trade embargoes and economic sanctions is also a priority.
Aspects regarding international sanctions are important as they may increase the level of risk associated with Bank activity in relationship to customers.
At OTP Bank Romania S.A. level, enforcing commercial embargoes and economic sanctions represents a priority.
For this purpose, policies, norms, procedures and workflows regulating the activity and specific attributions of the employees are issued and implemented, as the activity is supported by the implemented IT solutions. By using them, the Bank ensures continuous updating of information regarding the persons and entities upon which international sanctions have been imposed at international level - periodical adequate checks are performed to ensure compliance with such latest sanctions.

Furthermore, in order to support the KYC/AML/ CFT processes and to apply the requirements set out by the Group, projects to improve the implemented systems, so that the ML/FT risk management process is adequate and efficient are initiated on an ongoing basis.
The Compliance Directorate elaborates, according to the personnel training strategy, approved by the Bank's management, training programs for ensuring the training of persons with responsibilities in the application of the measures set out within the KYC norms, so as to ensure that they know the legal requirements, the mandatory responsibilities according to the KYC internal norms, the risks to which the institution is exposed according to its own risk assessment. Such programs aim to raise awareness of the consequences of employees' non-fulfillment of the responsibilities and their implications for the institution and the persons concerned, in the case of risk manifesting, and that they have the capacity to recognize suspicious indicators to operations, that may be related to money laundering or terrorist financing.