TRANSPARENCY AND DISCLOUSURE REPORT FOR YEAR 2022

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Identification no: RO 7926069
LEI Code: 5299003TM0P7W8DNUF61
Registered at trade regisrty under no. J40/10296/1995
EUID: ROONRC J40/10296/1995
Registeredat bank's registry under no. RB-PJR-40-028/1999
Equity: 2.279.253.360 RON

Contents

INTRODUCTION

This report has been prepared in order to respond to the transparency and publicity requirements covered by Regulation no. 5/2013, issued by National Bank of Romania, regarding prudential requirements for credit institutions, subsequently amended and supplemented, as well to the requirements covered by Regulation no. 575/2013 issued by the European Parliament and Council in 26 June 2013 regarding prudential requirements for credit institutions and investment firms, that amends Regulation (EU) No. 648/2012.

This report is prepared individually for the year ended 31 December 2022 and includes information contained in the financial statements audited at the individual level in accordance with International Financial Reporting Standards. Taking in consideration that the publication of it takes place until 30 June 2023, the bank has decided not to publish the simplified report for the first quarter.

1. GENERAL ADMINISTRATION FRAMEWORK OF OTP BANK ROMANIA S.A.

1.1 Shareholder structure

OTP BANK ROMANIA S.A. is a joint stock company managed in dual system, with registered office in Bucharest, 66-68 Buzesti Street, District 1, registered at the Trade Register under no. EUID ROONRC J40/10296/1995, sole identification no. 7926069, with subscribed and paid up share capital with a value of 2.279.253.360 RON, registered in the Bank Register under no. RB-PJR-40-028/ 1999 and is a member of OTP Bank Nyrt from Hungary.

On 31.12.2022, the structure of shareholders of OTPBANK ROMANIA S.A was the following:

1. OTP Bank Nyrt., Hungarian legal entity, registered with the Trade Register in Budapest under no. 01-10-041585, with registered office in Budapest 1051, 16 Nador Street, holds 9,496,885 nominative shares and a participation to the capital with a value of 2,279,252,400 RON, representing 99.9999578809439% of total share capital;
2. Merkantil Bank Zrt., Hungarian legal entity, registered with the Trade Register Budapest under no. 01-10-041465, with headquarters in Budapest 1051, 8 József A. Street, holds 4 nominative shares and a participation to the capital of 960 RON, representing 0.0000421190561% of the total share capital.

1.2 Grup structure of OTP Bank Romania S.A.

The Bank's Group refers to OTP Bank Romania SA and its Subsidiaries.
The Bank's Subsidiaries are legal entities over which OBR has control, or holds a majority stake (over 50% of the share capital).

The Management Board and Supervisory Board of the Bank exercises oversight over its Subsidiaries, while respecting the independent legal and governance responsibilities that apply to regulated Subsidiaries´ management bodies.

The Bank must ensure that each of its subsidiary has a sound management framework and shall take into account the interests of all its subsidiaries and the way in which the strategies and policies of OBR contribute to the interest of each subsidiary and to the interests of the whole Group in the long term.

The Management Board supervises the activity of the bank's subsidiaries in order to ensure the implementation of a unitary strategy at the level of the Group.

In order to ensure an adequate corporate governance framework throughout the Group, but also the appropriate policies and mechanisms of governance of the structure, activity and risks posed by the entities within the Group, each organizational unit from the Bank offers the necessary professional support for the Group's subsidiaries and will ensure that all strategic decisions, the standards and policies implemented within the OBR Group will be observed and implemented in a proportionate manner at the level of each subsidiary.

OBR Subsidiaries must send reports to OBR, as mentioned in their internal regulations and in the OBR internal regulations. For some specific situations, subsidiaries must obtain prior-approvals from OBR's Management Bodies and competent organizational units.

The **OBR subsidiaries** included as part of the Group are the following:

- **OTP Consulting Romania SRL** carries out activities through which it offers consulting services regarding the capital structure, business strategy and other aspects related to commercial business, services related to mergers and acquisitions and the provision of other consulting services;
- **OTP Leasing Romania IFN SA** carries out activities regarding financial leasing;
- **OTP Factoring SRL** carries out activities, which are consisting in the collection of bank receivables;
- **OTP Advisors SRL** carries out activities that consist in intermediating the acquisition of clients for commercial banks, supporting the activity of selling banking products belonging to them;
- **Foundation OTP BANK ROMANIA** promoting in society a complex knowledge on the economic and social realities with impact on the activities in the fields of interest for the Foundation, through information, education, organization of events, research programs and other activities.

The Groups' structure, principles, minimum requirements and operational frameworks, including the main reporting lines and responsibilities between the Bank and its subsidiaries, are described within the OTP Bank Romania Group Governance Policy.

1.2.1. Significant changes

Since the last publication of the Report on transparency and disclosure requirements and to this date, there has been one significant change in the structure of the OTP Bank Romania S.A. Group, respectively starting with 1st of August 2022, in the Bank's organizational structure, was created a new unit within Credit and Risk Management Division, named Sustainability Department, with the role of coordinating the implementation of the ESG strategy in the organization. In line with the ESG strategy, responsibilities from the ESG area were inserted in the Internal Organization Regulation for almost all organizational units.

1.3 The organizational structure

The Bank is divided into organizational units at the Head Office level, regional centers and territorial units in Romania. The Bank has no off-shore centers or branches.

The bank's activity comprises the whole territory of the country as the Bank carries out its activity through a network of territorial units.

The structure of the Bank's network is as follows:

- **Retail Regional Centers**, which act independently and directly in the relationship with retail clients (including Micro clients) and represent the intermediate link between the Central Administration of the Bank and the territorial units under their coordination.

- **Commercial Banking Regional Centers** are managing the business activity in relation to the commercial banking line.

In the case of the business line for Private Banking and Prestige customers, the coordination of the sales activity of the banking products and services addressed to the clients from the Private Banking and Prestige segments is ensured by the Private Banking and Financial Advisory Directorate through the branch specialized on Private Banking activity in Bucharest and the territorial units holding Private Banking portfolio.

At the Head Office level operate divisions, directorates and departments.

On 31.12.2022 the organizational structure at the level of the central administration of the Bank is organized in 5 functional lines, as follows:

- a functional line directly subordinated to the Chief Executive Officer;
- 4 main activity structured lines organizational units subordinated to the Deputy Chief Executive Officers, organized in the following areas of activity:
  - Business
  - Credit and Risk Management
  - Finance and Planning
  - Digital

An extract of the organizational structure of OTP Bank Romania S.A. on 31.12.2022 is presented in Annex 2.

1.4. The management body

Within OTP BANK ROMANIA S.A., the management body is represented, according to the stipulations of art.3 (1) points 1-3 of the National Bank of Romania Regulation no.5/2013, by the Supervisory Board as a management body in its supervisory function, and by the Management Board as superior management.

1.4.1 Key-responsibilities of the management body

The Management Bodies of OTP Bank Romania S.A. have the overall responsibility for an adequate internal governance across the OTP Bank Romania S.A. Group and for ensuring that there is a governance framework appropriate to the structure, business and risks of the group and its Subsidiaries. The Management Bodies of OTP Bank Romania S.A. ensure that the legal, organizational and operational structure is compliant with the approved business strategy, the risk management strategy and the risk appetite and that this structure is justified and efficient and does not imply an unjustified or improper complexity level.

OTP Bank Romania S.A. Management Bodies ensure and monitor that the structure is clear, efficient and transparent for the personnel and shareholders, or other stakeholders, as well as for the National Bank of Romania.

The OTP Bank Romania S.A. Management Bodies must know not only the organization of the group, but also the purpose of the different entities and the connections and relations between them: legal, organizational and operational structure of the group, but also the purpose and activities of its various entities and the links and relationships between them. In this regard, must be informed on the group-specific operational risks and intra-group exposures, as well as how financing, capital, liquidity and risk profiles at the group level could be affected in the baseline and adverse scenarios.

The OTP Bank Romania S.A. Management Bodies ensures that the Group is able to promptly obtain information about the group regarding the type, characteristics, organizational chart, shareholding structure and activities of each legal entity in the group and that the bank comply with all reporting requirements, at the individual, sub-consolidated and consolidated level.
Also, shall ensure that the various entities in the group receive sufficient information to have a clear perception of the overall objectives, strategies and risk profile at the group level, as well as on the way in which the targeted entity within the group is integrated in the structure and operational functioning of the group.

The competencies and responsibilities of the governing bodies are regulated by the the Constitutive Act, through the dedicated procedural rules, and also by the Organization and Functioning Regulation of OTP Bank Romania S.A.

1.4.2 The composition of the management body

During 2022, the **Supervisory Board** consisted of 9 (nine) members appointed by the General Meeting of Shareholders. Their term of office is 4 (four) years with the possibility of being re-elected for periods of 4 (four) years.

The members of the Supervisory Board in the period 01.01.2022 - 31.12.2022 were:

Name	Function
Antal György Kovács	President
Judit Hanusovszky	Vice-president
Enikő Zsakó	Member
Tibor László Csonka	Member
Ildikó Pál-Antal	Independent Member
Gábor Sudár	Member
Attila Végh	Member
Ferenc Berszán	Independent Member
Edina Berlinger	Independent Member

Additional information about the members of the Supervisory Board are presented in the OTP Bank Romania SA Annual Report, published on the bank's site, on the section About OTP Group-About us-OTP Bank Romania –Reports.

The **Management Board** is empowered with the current management of the bank by performing the necessary and useful actions for the accomplishment of its object of activity, except for those reserved by the law in charge of the Supervisory Board and the General Meeting of the Shareholders.

The Management Board consists of 5 (five) members, appointed by the Supervisory Board. The duration of their mandates is 4 (four) years with the possibility of re-election for 4 (four) years.

The members of the Management Board in the period 01.01.2022 - 17.08.2022 were:

Name	Function
Gyula Fatér	President of Management Board and General Manager(Chief Executive Officer)
Zoltán Balázs	Member of the Management Board and Deputy CEO, coordinator of the Lending& Risk Management Division, starting with 18.08.2022, the mandate has ended
Roxana Hidan	Member of the Management Board and Deputy CEO, coordinator of the Business Division
Mara Cristea	Member of the Management Board and Deputy CEO, coordinator of the Finance and Planning Division
Constantin Mareş	Member of the Management Board and Deputy CEO, coordinator of the Digital Division

The members of the Management Board in the period 18.08.2022 - 06.12.2022 were:

Name	Function
Gyula Fatér	President of Management Board and General Manager(Chief Executive Officer)
Roxana Hidan	Member of the Management Board and Deputy CEO, coordinator of the Business Division
Mara Cristea	Member of the Management Board and Deputy CEO, coordinator of the Finance and Planning Division
Constantin Mareş	Member of the Management Board and Deputy CEO, coordinator of the Digital Division

The members of the Management Board in the period 07.12.2022 - 31.12.2022 were:

Name	**Function**
Gyula Fatér	President of Management Board and General Manager(Chief Executive Officer)
Luca Rogojanu	Member of the Management Board and Deputy CEO, coordinator of the Lending& Risk Management Division
Roxana Hidan	Member of the Management Board and Deputy CEO, coordinator of the Business Division
Mara Cristea	Member of the Management Board and Deputy CEO, coordinator of the Finance and Planning Division
Constantin Mareş	Member of the Management Board and Deputy CEO, coordinator of the Digital Division

In 2022, the management bodies of OTP Bank Romania SA met in ordinary and extraordinary sessions, with the effective participation of the majority of their members, as it follows:

- the Supervisory Board: 4 ordinary meetings and 14 extraordinary meetings;
- the Management Board: 26 ordinary meetings and 54 extraordinary meetings.

From the point of view of ensuring the gender diversity, in the structure of the management body, we mention that during 2022, the structure was the following:

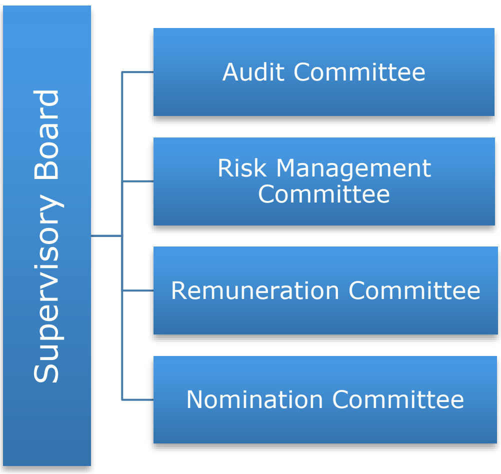
Management Board		
Men	Women	Member no.
60%	40%	5

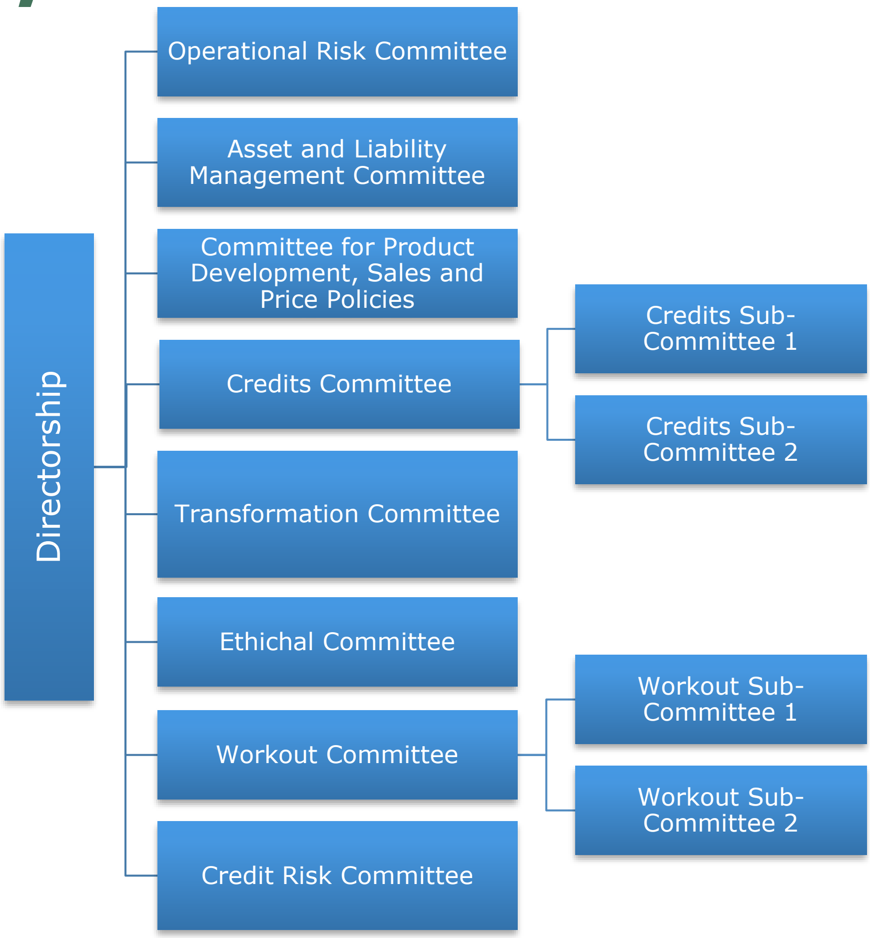
Supervisory Board		
Men	Women	Member no.
55.6%	44.4%	9

1.5 Committees

In order to carry out the activity in accordance with regulatory requirements, the Management Board may set up permanent committees and subcommittees subordinated to them in order to ensure a continuing activity.

The Standing Committees and their subcommittees are analysis and decision-making structures, as well as advisory boards, subordinated to the Management Board, with specific competences for each field of activity, operating based on activity plans.





The establishment of the Audit Committee, the Risk Management Committee, the Remuneration Committee and the Nomination Committee, the definition of their structure and competencies are within the competence of the Supervisory Board. The functioning and structure of these committees are governed by the procedural rules applicable to each of them, approved by the Supervisory Board under whose subordination they operate.
The competencies of the other committees are defined by the decision of the Executive Board from which the decision-making powers are delegated and to which they report on the work carried out.

Responsibilities of the Audit Committee

The Audit Committee is a standing committee, which operates independently from the Bank's management, directly subordinated to the Supervisory Board and having an advisory function. The Audit Committee assists the Supervisory Board to carry out its responsibilities in the area of internal control, including in relation to the internal and external audit functions. The Audit Committee monitors the effectiveness of the internal control system and risk management framework, as well as the internal audit function activity in the area of financial reporting, without prejudice to its independence.

According to the procedural rules, the Audit Committee must have quarterly ordinary meetings, according to the work plan, and can have extraordinary meetings, whenever necessary. The meetings, including the extraordinary meetings, can be organized in person, in Romania or abroad, or by distant means of communication, respectively by telephone conference, videoconference, voting by fax, voting by e-mail or by an IT application which shall ensure the identification of the participants to meetings, their participation in the meetings in real time and the continuous forwarding of the meetings' deliberations.

During the year 2022, 9 Audit Committee meetings were held, out of which 4 ordinary through videoconference and 5 extraordinary meetings by correspondence (e-mail).

The Audit Committee has the following main responsibilities:

- approves the Internal Audit Statute and the other methodologies specific to internal audit activity, as well as the Audit Plan and the necessary resources related to this activity;
- monitors the statutory audit of annual and consolidated financial statements, its progress in particular, in order to analyze its findings and recommendations, and the related implementation status, considering also the findings and conclusions of the of the competent authority for statutory audit;
- selects the financial auditor (by considering the provisions of art. 16 in EU Regulation 537/2014, unless art. 16, par. 8 applies) and recommends, for the approval of the General Shareholders Meeting and Supervisory Board of the Bank, its nomination/ appointment, remuneration and revocation;
- supervises the activity of the external financial auditors and internal auditors;
- assesses and monitors the independence of the statutory auditors and the appropriateness of the provision of non-audit services, preliminary approving the non-audit services provided by the statutory auditor, assessing whether they are permitted in accordance with applicable law (final approval body is the Audit Committee of OTP Bank Plc.);
- oversees the establishment of accounting principles by the Bank;
- receives and reviews internal audit reports;
- ensures timely adoption by the Bank's management of the necessary measures to remedy the deficiencies identified by the internal auditors in their control activities;
- issues effective and efficient methodological proposals regarding the Bank's activity based on the internal and external audit reports and on its own findings;
- keeps the evidence of the tasks and recommendations issued by the Supervisory Board regarding the internal audit activity and follow ups on their implementation;
- monitors on a regular basis the effectiveness of the internal control and risk management systems, and, if the case, of the internal audit function with regards to the financial reporting of the bank, without impairing the independence;
- approves requests for deadline prolongation of the internal audit recommendations' implementation (and of the related measures), having the possibility to delegate the approval competency to the Committee's Chairman;
- supervises the internal audit activity performed by the Internal Audit Directorate in connection with the subsidiaries of the Bank in Romania;
- reviews the scope and frequency of the statutory audit of annual or consolidated statements;
- monitors the financial reporting process and make recommendations to ensure the integrity of this reporting;
- informs the Supervisory Board with regards to statutory audit results and explains how it contributed to the integrity of the financial reporting process and the role of the Audit Committee in this process;
- issues recommendations or proposals to ensure the integrity of the statutory audit process.

During 2022, changes occurred in the Audit Committee's composition, this being established and approved according to the decision of the Supervisory Board no. 53/24.06.2021. Thus, the composition of the Audit Committee was as follows:

The members of the Audit Committee in the period 01.01.2022 - 31.12.2022 were:

Name	Position
Ildikó Pál-Antal	Independent Chairperson
Enikő Zsakó	Member
Edina Berlinger	Independent Member

Responsibilities of the Risk Management Committee

The Risk Management Committee is a permanent Committee that operates independently from the Bank's management and it is directly subordinated to the Supervisory Board, having an advisory function.

The Risk Management Committee assists the Supervisory Board in carrying out its responsibilities and has the following main attributions:

- advises and assists the Supervisory Board in the monitoring of the Bank's overall actual and future risk appetite and risk management strategy, taking into account all types of risks, including climate and environmental risks, ensuring that they are in line with the business strategy, and the objectives, corporate culture and values of the bank;
- assists the Supervisory Board in supervising the implementation by the Management Board of the Bank's risk management strategy and of the established corresponding limits;
- oversees the implementation of the strategies for capital and liquidity management, as well as all other relevant risks within the Bank, such as market risk, credit risk, operational risk (including legal and IT risks) ESG risks and reputational risk, in order to assess their adequacy compared to the approved risk appetite and risk management strategy;
- provides recommendations to the Supervisory Board regarding the necessary adjustments to the risk management strategy resulting from changes in the business model, market developments or recommendations made by the risk management function;

- analyzes, prior to the final approval of the Supervisory Board, the Risk Strategy of the Bank, including the risk appetite or risk tolerance at a level that ensures its healthy functioning and achievement of its strategic objectives;
- analyzes, prior to the approval of the Supervisory Board, the strategies and policies regarding the identification, assessment, monitoring and control of the significant risks, based on the applicable legal framework and group level requirements;
- requests and receives regular reports, ad-hoc information, communications and opinions from the coordinators of the internal control functions regarding the current risk profile, the risk culture, ESG risks and the risk limits of the bank, as well as on any significant breaches that may have occurred accompanied by detailed information and recommendations regarding the remedial measures taken, to be taken or recommended to be taken;
- informs the Supervisory Board on a quarterly basis and whenever necessary on the problems and significant evolutions that might influence the risk profile of the Bank;
- analyzes a series of possible scenarios, including crisis scenarios, in order to assess the impact on the risk profile in case of external and internal events where the case also with regards to ESG/ climate and environmental risks;

- analyzes, prior to the final approval of the Supervisory Board, the internal process for the assessment of capital adequacy to risks and reports quarterly to the Supervisory Board the results of the internal process for the assessment of capital adequacy to risks;
- analyzes, prior to the approval of the Supervisory Board, the results regarding the identification, measurement, management and monitoring of the concentration risk, respectively the measures to mitigate the concentration risk;
- analyzes, prior to the approval of the Supervisory Board, the general framework regarding crisis simulations and assesses the related results and mitigation measures;
- analyzes, prior to the final approval of the Supervisory Board, the policy regarding the outsourcing of the bank's activities;

The frequency of the ordinary meetings of the Risk Management Committee is quarterly. During 2022, 16 meetings of the Risk Management Committee were organized (4 ordinary meetings and 12 extraordinary meetings, organized by correspondence - e-mail).

The members of the Risk Management Committee in the period 01.01.2022-31.12.2022 were:

Name	Position
Edina Berlinger	Independent Chairman
Ferenc Berszán	Independent Member
Tibor László Csonka	Member

Responsibilities of Remuneration Committee

The Remuneration Committee was established on 07.05.2018 and is a Standing Committee of the Supervisory Board with an advisory role. The Committee assists the Supervisory Board in fulfilling its responsibilities, namely, advises the Supervisory Board and prepares the decisions to be taken by the Supervisory Board in the field of remuneration policies and practices.

The Remuneration Committee should include members of the Supervisory Board who are not Bank leaders and who should be able to issue competent and independent opinions on remuneration policies and practices and incentives created for risk, capital and liquidity management.

According to the Procedural Rules, the Committee meetings are held at least quarterly or whenever necessary at the initiative of the committee chair. Meetings can also be organized by videoconference. The meeting of the Committee is legally constituted if a simple majority of voting members is present at the meeting.

During 2022, eight meetings took place, three of which 2 were ordinary meetings (1 by email and 1 by video-conferencing session) and 6 extraordinary meetings by email.

The Remuneration Committee has the following main tasks:

- supports and advises the Supervisory Board on the drafting of the Bank's remuneration policy, including the principles (policy) for identifying staff members in the category of staff identified;
- reviews, at least annually, whether the existing Remuneration Policy is still up to date and, if necessary, makes proposals for changes
- ensures the adequacy of the information provided to shareholders on remuneration policies and practices, in particular with regard to the maximum level proposed for the ratio between fixed and variable remuneration, when applicable;
- prepares decisions on the remuneration to be made by the Supervisory Board, in particular as regards the remuneration of the members of the Board, the process and criteria for determining the size of the pensions for the staff identified and the granting of exceptional remuneration to the staff identified;
- makes recommendations to the Supervisory Board on the preparation of the remuneration package and the amount of remuneration paid to the coordinators of the control functions (compliance, risk management, internal audit);
- directly supervises the remuneration of coordinators of control functions (compliance, risk management, internal audit);
- assesses the achievement of performance targets and the need to adjust ex post risk, including the application of malus and claw back measures;
- evaluates the detailed information on the final outcome of the performance assessment and the award process if, after the application of judicial measures, the result is significantly different from the initial result using predefined measures;
- supervises remuneration policies, practices and processes, and observes remuneration policies and reports to the Supervisory Board; the monitoring process should also include remuneration policies and practices at the sub-consolidated level of the bank;
- assesses the criteria and process of identifying staff members whose activities have a significant impact on the bank's risk profile (the identified staff), including any exceptions made;
- assesses the mechanisms and systems adopted to ensure that the remuneration system takes due account of all types of risk, liquidity and capital levels and that the overall remuneration policy is consistent with and promotes sound and effective risk management and is consistent with ESG strategy, corporate goals, culture and values and long-term interest of the bank; ensuring the assessment includes the results of the Risk Management Committee's review if the incentives offered by remuneration policies and practices take into account ESG/ climate and environment risks, capital, liquidity and probability and timing of earnings;
- reviews a range of possible scenarios to test how remuneration policies and practices react to external and internal events and test back the criteria used to determine the allocation and adjust ex ante risk based on actual risk outcomes;
- ensures that the bank's remuneration policy and practices are subject to central and independent internal review at least once a year;

- ensures that a remedial action plan is proposed, approved and implemented in a timely manner, if periodic reviews indicate that remuneration policies are not working as intended or if recommendations are made.

The members of the Remuneration Committee in the period 01.01.2022-31.12.2022 were:

Name	Position
Ildikó Pál Antal	Independent Chairman
Enikő Zsakó	Member
Ferenc Berszán	Independent Member

Responsibilities of Nomination Committee

The Nomination Committee was set up on 07.05.2018 and is a Standing Committee of the Supervisory Board with an advisory role. The Committee assists the Supervisory Board in fulfilling its responsibilities, i.e. advises the Supervisory Board and prepares the decisions to be taken by the Supervisory Board in the field of nominating and assessing the suitability of the members of the management body and of the key function holders.

The Nomination Committee should include members of the Supervisory Board.

According to the Procedural Rules, the Committee meetings are held at least bi-annually or whenever necessary at the initiative of the committee chair. Meetings can also be organized by videoconference. The meeting of the Committee is legally constituted if a simple majority of voting members is present at the meeting.

During 2022, the Nomination Committee 8 meetings took place, 2 ordinary (of which 1 meeting by correspondence and 1 meeting by video-conference) and 6 extraordinary mailing-in meeting.

The Nomination Committee has the following main tasks:

- supports and advises the Supervisory Board on the design of the Bank's Recruitment and Selection Policy for management body members (Supervisory Board and Management Board) and the key function holders, ensuring also that ESG aspects are considered within suitability assessment;
- periodically reviews the Recruitment and Selection Policy, Suitability Assessment and Succession Planning for management body members andkey function holders and make recommendations to the Supervisory Board;
- supports and advises the Supervisory Board with regards to the target for the underrepresented gender in the Supervisory Board / Management Board, as well as with regards to the policy to reaching or maintaining the target;
- contributes actively to the assessment of suitability taking into account the aspects related to the balance of knowledge, skills, diversity, experience, role, time allocated and selection of candidates for vacant positions (for the Supervisory Board / Directorate and the coordinators of the internal control functions) in collaboration with the Human Resources Department;
- ensures that Collective Suittability Assessments of the members of the Supervisory Board or Management Board are carried out before an appointment;
- Evaluates the performance assessment results of the Management Board and Supervisory Board members for their last mandate, in case of mandate prolongation;
- reviews the process and criteria used to identify key function holders;
- monitors the effectiveness of the Bank's Recruitment and Selection Policy Policy, of the suitability assessment and succession planning of the bank and reviews its design and implementation;
- performs at least annually an individual re-assessment for the key function holders, including the internal control functions;
- periodically, but at least annually, assesses the structure, size, composition and performance of the Supervisory Board / Management Board and to make recommendations to the Supervisory Board with regard on any changes; The Committee should support the Supervisory Board in the performance of the individual re-assessmentaswell as in the performance of the collective

assessment (self-evaluation) and report the results to the Supervisory Board the results, even if no changes to its composition or other measures are recommended;

- periodically, but at least annauly, assesses the individual andcollective knowledge, skills and experience of the members of the Management Board and report acordingly to the Supervisory Board and to make any recommendation with regard to identified weaknesses;
- assesses the decisional process at the level of the Supervisory Board and of the Management Board to determine if it is dominated by one person or a small group of persons in a manner which is detrimental to the Bank.

During 2022, the Nomination Committee's composition was as follows:

Name	Position
Ferenc Berszán	Independent Chairman
Enikő Zsakó	Member
Edina Berlinger	Independent Member

Responsibilities of Operative Risk Committee

The Operative Risk Committee is a permanent committee, subordinated to the Management Board, authorized to decide in matters within its competence, and also to submit proposals to the Bank's Management Board regarding the development of adequate strategies, policies and procedures for the identification, assessment, monitoring and control of significant risks, according to the legislation in force and the Internal Organizational Rules of OTP Bank Romania S.A.

The main responsibilities of the Operative Risk Committee are:

- Submits for approval to the Management Board:
  - the strategies and policies regarding the identification, assessment, monitoring and control of the significant risks in compliance with the legislation in force and the OTP Group policies, respectively the internal regulations subsequent to significant risk management policies;
  - adequate policies and processes for identifying individual exposures to related parties;
  - the general framework regarding the internal capital adequacy assessment process (ICAAP);
  - the Risk Strategy of the Bank, the Bank's risk appetite or risk tolerance at a level that ensures its healthy functioning and the reaching of its strategic objectives;
  - the general framework regarding crisis simulations;
  - the bank's internal policy regarding the outsourcing of the Bank's activities and the procedures for the management of risks associated to outsourcing;
  - the documentation regarding the business continuity planning functioning and control.
- monitors on an on-going basis and informs the Management Board on a quarterly basis or whenever necessary on significant developments which may impact the Bank's risk profile;
- analyses and subsequently informs the Management Board regarding all relevant information related to the risks to which the Bank is exposed (for example by means of a technical analysis of the risk exposure) in order to allow it to establish the level of the credit institution's risk tolerance/ appetite;
- independently analyses any violation or non-observance, of the risk management strategy, risk tolerance /risk appetite or of the risk limits and take decisions to avoid such situations;
- reports to the Management Board on the results of the internal capital adequacy assessment process;
- reports to the Management Board on the results of the crisis simulations, respectively proposes measures or actions to mitigate the significant risks to which the Bank is or may be expose;
- analyses the risk monitoring reports and informs the Management Board on the status of the Bank's risk exposures periodically or immediately, in case of significant changes to the current or future risk exposure of the Bank, and proposes risk mitigation measures.
- establishes appropriate limits for risks exposure, including in crisis conditions, according to the size, complexity and financial situation of the bank, as well as the procedures necessary to approve exceptions to those limits.

The frequency of the ordinary meetings of the Operative Risk Committee is monthly. In 2022, 59 meetings of the Operative Risk Committee were organized (12 ordinary meetings and 47 extraordinary meetings, by correspondence - e-mail).

During 2022, the Operative Risk Committee's composition suffered the following changes:

The members of the Operative Risk Committee's between 01.01.2022 – 18.08.2022:

Name	Position
Gyula Fatér	Chairman of the Management Board, Chief Executive Officer
Zoltán Balázs	Vicechairman, Deputy CEO, Coordinator of the Lending & Risk Management, ending on 18.08.2022
Roxana Hidan	Member, Deputy CEO, Coordinator of the Business Division
Mara Cristea	Member, Deputy CEO, Coordinator of the Finance and Planning Division
Constantin Mareș	Member, Deputy CEO, Coordinator of the Digital Division
Teodor Banu	Member, Director –Corporate Loans Underwriting Directorate
Violeta Bruteanu	Member, Director- Risk Administration Directorate, starting on 18.05.2022
Cristiana Cazan	Member, Director-Legal Directorate

The members of the Operative Risk Committee's between 19.08.2022 - 31.12.2022:

Name	Position
Gyula Fatér	Chairman of the Management Board, Chief Executive Officer
Luca Rogojanu	Vicechairman, Deputy CEO, Coordinator of the Lending & Risk Management, starting on 07.12.2022
Roxana Hidan	Member, Deputy CEO, Coordinator of the Business Division
Mara Cristea	Member, Deputy CEO, Coordinator of the Finance and Planning Division
Constantin Mareș	Member, Deputy CEO, Coordinator of the Digital Division
Teodor Banu	Member, Director –Corporate Loans Underwriting Directorate
Violeta Bruteanu	Member, Director- Risk Administration Directorate
Cristiana Cazan	Member, Director-Legal Directorate

Responsibilities of the Asset and Liability Management Committee

The Assets and Liabilities Committee makes decisions related to the management of the assets and liabilities of the Bank. Duties include continuous monitoring of financial and capital market trends, as well as important changes in the structure of assets and liabilities and, based on this analysis, responding appropriately.

The main responsibilities of this Committee are:

- submits the Management Board pre-approval/approval and the Supervisory Board approval internal regulations concerning:
    - Stress testing in the OTP Bank Romania SA;
    - Liquidity and funding risk management;
    - Management of the interest rate risk outside the trading book;
    - Management of excessive use of leverage risk, strategic risk and macroeconomic risk.
- approve the system limits on the maximum exposure to liquidity and funding risk. It also analysis the liquidity gap report and liquidity and funding limits breaches, approves the measures and actions to be implemented; approves the limits system and the maximum level of exposure to interest rate risk;
- approves proposals for medium and long term investment and funding proposals;
- approves the maximum permissible exposure level and trading strategy for Global Markets Directorate trading book;

- approves the contracting of medium-term loans (between 1 and 3 years) and long-term loans (over 3 years) for bank funding (loans from the Group, from commercial banks, development banks or investment banks (e.g. EBRD, EIB, EIF) or other public bodies);
- establishes limits concerning securities and derivative transactions related to bank customers;
- approves alternative financing plans to establish formal strategy to address liquidity shortfalls recorded in crisis situations, for both bank specific scenarios and market scenarios;
- approves the methodology for calculating the potential changes in the economic value of the Bank as a result of applying a / some sudden and unexpected changes in interest rates;
- approves minimum margin for loan products;
- monitors, controls and manages the bank’s liquidity using the monthly liquidity report;
- monitors, controls and manages interest rate risk outside the trading book using the monthly interest rate risk report;
- monitors Treasury’s profitability based the monthly Treasury Profitability report;
- considers proposals of Assets and Liabilities Management Department, Global Markets Directorate and Risk Administration Directorate on hedging solutions (interest rates, liquidity, foreign exchange) and decides how to act;
- approves transfer pricing methodology;
- approves, if necessary preventive or remedial measures, according to results of macroeconomic stress testing;
- submits to the Management Board and to the Supervisory Board (by means of the Management Board) briefings on liquidity;
- decides the composition of the non-trading portfolio, hedging policy and tactics;
- approves Treasury instruments portfolio, product development strategy, as well as the plans for the securities by currency, maturity and product groups;
- analyzes and acknowledges the sales situation, balances of loans and deposits, cost of funds based on Business Evolution report prepared monthly / bimonthly;
- ongoing monitors financial and capital market trends and significant changes in the structure of assets and liabilities and then, based on this analysis, take appropriate measures;
- approves the size and currency of standby credit lines;
- decides on the opportunity of reviewing trading limits in situations when the annual stop-loss limit is breached;
- any other duties stipulated by law, as determined by the internal regulations of the Bank or, as the case may be, delegated by the Board.

In 2022, 21 Assets and Liabilities Committee meetings were held, out of which 12 ordinary (hybrid: physically and through videoconference) and 9 extraordinary meetings by correspondence/e-mail.

During 2022, the Asset and Liability Management Committee’s composition suffered the following changes:

The members of the Asset and Liability Management Committee’s between 01.01.2022 – 01.07.2022:

Name	Position
Cristea Mara	Chairman, Deputy CEO, Coordinator of the Finance and Planning Division
Fatér Gyula	Vice-chairman, Chief Executive Officer
Hidan Roxana	Member, Deputy CEO, Coordinator of the Business Division
Balazs Zoltan	Member, Deputy CEO, Coordinator of the Lending & Risk Management Division
Bodirca Cristian	Member, Director- Global Markets Directorate
Toma Emanuel	Member, Director- Strategy, Controlling and ALM Directorate, until 01.07.2022

The members of the Asset and Liability Management Committee's between 01.07.2022 – 18.08.2022:

Name	Position
Cristea Mara	Chairman, Deputy CEO, Coordinator of the Finance and Planning Division
Fatér Gyula	Vice-chairman, Chief Executive Officer
Hidan Roxana	Member, Deputy CEO, Coordinator of the Business Division
Balazs Zoltan	Member, Deputy CEO, Coordinator of the Lending & Risk Management Division, ending on 18.08.2022
Bodirca Cristian	Member, Director- Global Markets Directorate
Sorin Costinel Nicolae	Member, Director- Strategy, Controlling and MIS Directorate (name of directorate change from Strategy, Controlling and ALM Directorate starting 01.08.2022), starting 01.07.2022

The members of the Asset and Liability Management Committee's between 18.08.2022 – 31.12.2022:

Name	Position
Cristea Mara	Chairman, Deputy CEO, Coordinator of the Finance and Planning Division
Fatér Gyula	Vice-chairman, Chief Executive Officer
Hidan Roxana	Member, Deputy CEO, Coordinator of the Business Division
Luca Rogojanu	Member, Deputy CEO, Coordinator of the Lending & Risk Management Division, starting on 07.12.2022
Bodirca Cristian	Member, Director- Global Markets Directorate, ending on 16.11.2022
Sorin Costinel Nicolae	Member, Director- Strategy, Controlling and MIS Directorate (name of directorate change from Strategy, Controlling and ALM Directorate starting 01.08.2022), starting 01.07.2022
Cosmin Nistorescu	Member, Director Capital & Assets and Liabilities Management Directorate, starting 01.10.2022

Responsibilities of the Product Development, Sales and Pricing Committee

The main responsibilities of the Product Development, Sales and Pricing Committee:

- is responsible at the level of the Bank for the management of the customer experience area, having the role of the customer experience management committee; focuses on issues related to customer experience and satisfaction, as well as defining the Bank's strategy on customer experience, defining major objectives in business / activity areas;
- appraises and approves the banking products and services development;
- analyses and approves the proposals regarding the development of banking products and services, launching/ modifying/suspension/cancelling of all existing and new banking products and services, together with all the related internal regulations (e.g. Products descriptions, work flow);
- analyses and approves the internal regulations (product descriptions, working procedures, workflows) regarding lending (or lending related) existing or future products/services (including modification, cancelling, suspension, withdrawal, etc.) and also pricing related decisions;
- supervises the implementation process of the new banking products and services in accordance with the approved implementation plans and approves any amendments thereto;
- approves the commercial conditions of the banking products and services, including "Private Banking" products and services, such as fees, commissions, interest, margins, etc., under the minimum price conditions approved by the ALCO for credit products.
- approves the standard and negotiated competence levels for approval regarding the price of goods and services addressed to customers and partners;

- elaborates monthly reports to Management Board if necessary, as required in the Management Board decisions;
- establishes the distribution channels for banking products and services;
- analyzes the performance of the banking products and services, their profitability (also considering the risk cost elements) and life cycles, and sets out the measures to optimize the banking products and services;
- decides on the campaigns' prioritization for banking products and services and the calendar of the respective campaigns and performs follow-up of the campaigns;
- analyzing and being informed about the evolution of sales, loans and deposits outstanding, costs of fund based on the "Business evolution" report developed and presented at least monthly by the Strategy, Management and Asset and Liability Management Department;
- any other attributions clearly referred by the law, established by the Bank's internal regulations or, where necessary, delegated by the Management Board.

During 2022, the Product Development, Sales and Pricing Committee's composition suffered the following changes:

The members of the Product Development, Sales and Pricing Committee's:

Name	Position
Hidan Roxana	Chairman, Deputy CEO, Coordinator of the Business Division
Cristea Mara	Member, Deputy CEO, coordinator of the Finance and Planning Division
Violeta Bruteanu	Member, Director, Risk Management Directorate starting on 18.05.2022
Kelemen Attila	Member, Director, Marketing and Communication Directorate, until 31.12.2022
Mareș Constantin	Member, Deputy CEO, Coordinator of the Digital Division
Diana Mișa	Member, Executive Director Human Resources Directorate

Common Responsibilities of the Lending Committee (CC) and Sub-Lending Committees (SCC)

The main responsibilities are the following:

- to approve the credit reports and undertaking of commitments, according to competence limits as established by IOR and with the legislation in force;
- in approving loans, the CC, SCC2 and SCC1 shall take into consideration at least:
  - the current and forecasted financial performance of the counter-parties;
  - the concentration of exposures to counterparties, the markets in which they operate, the economic sectors and countries where they are set up;
  - the capacity to implement, from the legal point of view, the contractual commitments;
  - the capacity and possibility to enforce the collateral under market conditions;
  - contractual commitments towards persons which are in special relations with the Bank, the Bank's employees or their family;
  - large exposures;
  - operations under favorable conditions;
- seeks that large exposures, loans involving a high credit risk or those not included in the Bank's lending policy are approved at the level of the Management Board;
- when approving credits, the Credit Committee(CC) and Sub-credit committees (SCC1 and SCC2) must take into consideration the integrity and reputation of its clients as well as their legal capacity to assume obligations;
- sees that the Bank uses adequate work procedures;
- sees that the Bank uses procedures to assess real collaterals on a permanent basis;
- as regards the personal guarantees, the CC, SCC1 and SCC2 shall evaluate the capacity of the guarantors to assume obligations;

- CC, SCC1 and SCC2 see that responsibilities within the lending activity are adequately distributed, in order for the personnel not to be assigned with responsibilities that might generate interest conflicts;
- approves other requests of conditions change, afferent tot the approved facilities at least at the competency level of the CC, SCC1 and SCC2;

The Credit Committee has the competence to approve loans for which there are no approved products, including the deviations in its competence provided by the Internal Norm regarding Credit Risk Assumption and the Internal Norm regarding Collateral Evaluation.

The attributions of the CC can be completed by express provisions of the internal regulations regarding the lending activity, as well as based on the delegation decisions of the Management Board / Supervisory Board. The approval competencies of the CC are included in Chapter I of the ROF (matrix M2 and M4) and within the Internal Norm on Assuming the Credit Risk.
The attributions of SCC2 and SCC1 can be completed by express provisions of the internal regulations regarding the lending activity, as well as based on the delegation decisions of the Credit Committee / Management Board / Supervisory Board.
The approval competencies of SCC2 and SCC1 are included in Chapter I of the ROF (matrix M2) and within the Internal Norm regarding the Assumption of Credit Risk.

During the year 2022, 83 Credit Committee meetings were held through videoconference. Credit sub-committee meetings were held any time it was needed, and were held also through videoconference. The Composition of Credit Committee and Sub-Committee were presented in **Appendix 4**.

Responsibilities of the Transformation Committee

The main responsibilities of the committee are the following:

- develops and assumes the annual business strategy;
- approves in advance according to the Project Management Procedure, the Action Plan and strategic projects, as well as the related budgets, which will determine the priorities for projects and any other necessary developments; this will be granted on the basis of a Feasibility Study for strategic projects and actions applicable under the procedures in force prior to the approval of the Directorate;
- monitor the Action Plan and Strategic Projects monthly;
- approves in advance the Budget Redistribution Directorate to other strategic initiatives than those initially budgeted, based on a Feasibility Study for projects - carried out by the initiator, even after the approval of the annual budget;
- monthly reporting to the Directorate of the status of the Action Plan and Strategic Projects within the monthly activity report of the Committee.
- proposes for the six-monthly approval by the Directorate, prior to the start of the semester, the calendar of ordinary meetings of the Committee and the subjects to be discussed, including the strategic digitization projects and the organizational culture.
- proposes to the Directorate the prioritization and allocation of resources, OPEX and CAPEX, both for business and back office developments, taking into account: the strategic importance of the proposals, correlated with the IT development needs, the cost-benefit analysis realized, correlated with non-IT projects; focus and functionalities;
- reports the activity of the Transformation Committee on a monthly basis to the Management Board, including the report on Prioritization, planning and status of IT & C projects and software development.

  In making prioritization and allocation of resources, the Committee has the following responsibilities:
  - analyzes the opportunity for development requests in the software and IT & C domains and estimates of the resources needed to solve these requests;
  - analyze the opportunity and decide on applications or IT development projects and prioritize them;
  - decides to prioritize development requests in the software and IT & C areas respectively;
  - approve priority lists for software development and IT & C developments, based on proposals received from bank structures
  - approve the proposals that will be included in or excluded from the priority lists;
  - track the state of IT & C and approved software development;
  - reports top priority lists for software development and IT & C developments to the Directorate;
  - monitor the resources allocated to projects and development requests (Service Request);

- inform the Directorate in writing about the change in the order of priority for the development requests generated by the projects;
- approve the Bank Data Ownership Scheme based on the Bank Data Ownership Policy;
- approve criteria and methodology for prioritizing development requests;
- approve the cost-benefit methodology applicable to development requests;

- coordinates and updates the marketing plan related to the bank's strategy; tracks the effectiveness of different campaigns from the perspective of business strategy;
- monthly, analyzes and proposes measures to improve the processes of the bank coming from members of the Committee, as well as any other attributions stipulated in the bank's internal regulations or, where appropriate, delegated by the Directorate.
- the Committee may make recommendations to the other committees, the Directorate and the Supervisory Board, on the overall business strategy and sales policy.
- any other attributions provided by the law, internal regulations of the bank or, where applicable, delegated by the Directorate.

During 2022, the Transformation Committee's composition suffered the following changes:

The members of the Transformation Committee's:

Name	Position
Mareș Constantin	Chairman, Deputy CEO, Coordinator of the Digital Division
Toma Emanuel George	Vice-chairman, Director, Strategy, Controlling and ALM Directorate, until 01.07.2022
Sorin Costinel Nicolae	Member, Director- Strategy, Controlling and MIS Directorate (name of directorate change from Strategy, Controlling and ALM Directorate starting 01.08.2022), starting 01.07.2022
Mihaela Elena Voicu	Vice-chairman, Director, Project and Processes Management Directorate
Misa Diana	Member, Executive Director Human Resources Directorate
Dobre Robert Ionut	Member, Director, Retail and Network Directorate
Alexandru Duna	Member, Director, Commercial Directorate
Violeta Bruteanu	Member, Director Risk Administration Directorate starting on 18.05.2022
Izabela Ibrahim	Member, Director, Digital Banking Directorate
Doca Nicolae	Member, Director, IT Service Delivery Directorate
Şerban Dragoş	Member, Director, IT Solution Delivery Directorate

Responsibilities of the Ethics Committee

The main responsibilities of the Ethics Committee are:

- give opinions and recommendations in general and special cases which falls under his competences relating failure to comply with the Code of Ethics requirements;
- take decisions against of non-observance of the Code of Ethics;
- make recommendations on the basis of its practice for the development of the Code of Ethics;
- any other responsibilities stipulated by the law, by the Bank's internal regulations or, as the case may be, delegated by the Management Board.

It is the task of the Ethics Committee to analyse and issue decisions related to founded reports according to the provisions of internal provisions for reporting unethical conduct.

During 2022, the Ethics Committee's composition was as follows:

The members of the Ethics Committee's:

Name	Position
Fatér Gyula	Chairman, President of Management Board
Balazs Zoltan	Member, Deputy CEO, Coordinator of the Lending & Risk Management, starting from 18.08.2022 the mandate ended
Hidan Roxana	Member, Deputy CEO, Coordinator of the Business Division
Cazan Cristiana	Member, Director Legal Directorate
Mișa Diana	Member, Executive Director Human Resources Directorate

Toma Emanuel George	Member, Director, Strategy, Controlling and ALM Directorate, starting with 01.07.2022 he ended his activity within the Bank
Sorin Costinel Nicolae	Member, Strategy, Controlling and MIS Directorate, starting with 01.08.2022
Akbay Dana	Member, Director, Procurement & Logistics Directorate
Maria Luciana Dumitrescu	Representative of Employees
Aurelian Avram	Representative of Employees
Valentina Mărculescu	Representative of Employees

Responsibilities of the Workout Committee (LRC)

The main responsibilities of the Workout Committee:

- approves the proposals for starting the Workout procedures for the clients, according to the competence limitations established within IOR and observing the relevant laws;
- upon the approval of the non-performing reports, Workout Committee takes into account at least the following:
  - unfavorable changes both in the financial performance and the status of the guarantees established by the borrowers;
  - the continuous deterioration of the business sector of the client;
  - registration of credits, interests or past due commissions;
  - the start by other creditors of the procedures for the recovery of their receivables, including but not being limited to the insolvency procedure, the application of garnishments on the amounts in the accounts of the borrower opened with OTP BANK ROMANIA S.A. and/or other banks, personal and real property forced executions;
  - protest movements of the employees of the borrower, mass resignation;
  - the lack of a professional management;
  - the initiation by other creditors of certain forced execution procedure on personal and real assets, which represent guarantees for the credits granted by OTP BANK ROMANIA S.A.
- monitors the fulfilment by the Restructuring and Workout Directorate of the approved/disposed measures regarding the recovery of the amounts from the clients, according to the competence limitations established within IOR and observing the relevant laws;
- upon the approval of the reports, Workout Committee should take into account the history of the relation of the bank with the client as well as the monitoring reports;
- ensure that the Bank has adequate procedures for recovering claims;
- seeks the Bank to have procedures for the ongoing assessment of the situation of customers who are in debt repayment (loans, credits), or whose financial situation is clearly impaired when the credit / credit is given;
- in relation to the real and personal guarantees made by customers with arrears, the LRC pursues and orders specific measures (including granting new loans to the clients in charge of Loans Restructuring and Recovery Directorate, loan rescheduling / rescheduling as well as other measures presented in the regulations internal Banking) for the quickest and most beneficial use of the bank on the basis of the non-performing credit report, the legal opinion and the opinion of the Loans Restructuring and Recovery Directorate;
- approves other requests for changes to the initial decisions regarding the switch to forced execution / bankruptcy if the client's situation is significantly improved and there are real possibilities for full reimbursement of overdue receivables;
- approves the Reports of the Loans Restructuring and Recovery Directorate, on the need to pass on losses, due to the finding of the impossibility of selling receivables, guarantees and the completion of all legal recovery procedures without the recovery of all or part of the receivables;
- approves the client's return to normal administration, at the proposal of the Loans Restructuring and Recovery Directorate, with the approval of the Bank's Credit Committee;
- approves the off-balance sheet records of the Bank, exposures that meet these conditions, in accordance with the Applicable Procedure;
- any other statutory tasks specified by the Bank's internal regulations or, as the case may be, delegated by the Directorate.

The activity of Workout Committee is sustained by two permanent committees, which function as subcommittees of Workout Committee and are named Workout Subcommittee 1 and Workout Subcommittee 2. The attributions, responsibilities and competencies of these two subcommittees are detailed in Rules of Procedures of the Management Board's Committees and Matrix 4 (M4) of ROF's appendix.

During 2022, the Workout Committee has met 54 times in video conferences.

Members of the Loan Recovery Committee in 2022 were:

Name	Position
Fatér Gyula	President of Management Board – Member
Neagu Ionel	Director, Restructuring and Workout Directorate– Chairman of Workout Committee
Vasilescu Mihai Constantin	Manager, Legal Entities Restructuring & Workout Department - Vice-chairman
Enache Ana Maria	Director, Finance & Accounting Directorate -Member
Cazan Cristiana	Director Legal Directorate -Member

WorkOut Committee had in 2022 the following structure:

WorkOut Sub-Committee 1

During 01.01.2022 – 31.07.2022

- Chairman, Director, Restructuring and Workout Directorate;
- Member, Manager, Legal Entities Restructuring & Workout Department;
- Member, Manager, Private Individuals Collection& Workout Department;
- Member, Manager, Intensive Care for Problematic Loans Legal Entities Department;
- Member, Restructuring & Workout Officer;

During 01.08.2022-31.12.2022

- Chairman, Director, Restructuring and Workout Directorate;
- Member, Manager, Legal Entities Restructuring & Workout Department;
- Member, Manager, Private Individuals Collection& Workout Department;
- Member, Manager, Intensive Care for Problematic Loans Legal Entities Department;
- Legal Entities Legal Phase Recovery Coordinator Coordinator; Legal Entities Intensive Care for Problematic Loans Coordinator; Monitoring, Reporting and Individuals Work – out Coordinator;

Loan Recovery Sub-Committee 2

- Chairman, Director, Restructuring and Workout Directorate;
- Member, Manager, Legal Entities Restructuring & Workout Department;
- Member, Manager, Private Individuals Collection & Workout Department;

Responsibilities of the Credit Risk Committee

The responsibilities of the Committee are:

- Regarding monitoring and reporting activities (related to legal entities and individuals and assimilated entities from OTP Bank Romania S.A. and OTP Leasing Romania S.A.):
- presenting the portfolio quality and monitoring report;
- overview and regular monitoring of the portfolio (exposure trends, portfolio quality, comparison with the banking industry, monitoring of products, approved limits within the Credit Policy, RAS-Risk Appetite Statement, etc.);
- proposing the portfolio quality report for discussion to the committee members;
- provide resources for continuous development of the data quality within LRDB;
- overview and regular monitoring of the RAS (Risk Appetite Statement) limit utilization, starting escalation procedure according to RAF (Risk Appetite Framework) in case of RAS (Risk Appetite Statement) limit breaches, proposing action plans and monitoring of their delivery;
- overview, harmonization and possible amendments to the rules and policies prescribed by the group, as well as various ad-hoc analyses;

- Regarding monitoring and reporting activities specific for Corporate clients (related to the legal entities from OTP Bank Romania SA and OTP Leasing Romania S.A.):
- monitoring of the portfolio limits (sectorial and colour coded exposures);

- Specific approvals for corporate clients (related to the legal entities from OTP Bank Romania SA and OTP Leasing Romania S.A.):
- Revises and evaluates each month in detail the legal entities clients / groups of clients (irrespective of exposure) with problems (identified by the EWS and listed by the Credit Monitoring Department), or which are expected to record problems in the future, decides and revises the CRS (Client Risk Status) and the actions / strategy to be followed.
  In special cases other non-problematic legal entities clients could be also brought to the committee meetings, at its special request (for example all clients who operate in a problematic industrial sector).
  Thus, legal entities clients without EWS signals, with client/ client group exposures greater than 8 mn EUR should be reviewed in the Committee meetings where there are discussed corporate clients with semi-annual frequency. After the first appearance on the committee according to this rule, the committee has the competency to decide, depending on the client's situation, a higher or lower frequency than the semi-annual frequency.
- After this review, the committee shall discuss the further steps to do concerning problem management;
- Decides to keep the client in ordinary procedure in the portfolio of the given business unit;
- Decides to prescribe further, stricter monitoring tasks;
- Decides to assign responsibilities, deadlines, management strategies, like: restructuring proposal, strengthening collateral, requesting information, additional monitoring tasks, transferring the client in the management of the Restructuring and Work-Out Directorate and drawing a loan transfer report. If such a decision is made, the transfer report must be sent by email to the Restructuring and Work Out Directorate within 15 calendar days from the date of the decision;
- Decides to ask for review of the client/transaction in the following Committee meeting, or another Committee meeting.
- Decides upon the risk status of the clients CRS (normal/Watch List/work-out) and on the Watch List categories, based on the Early Warning Signals determined and presented, except for the automatic Normal risk status of clients at the beginning of the credit relationship. The exit from NPL of a client/group of clients is decided by Workout Decision maker;
- decides and reviews on handling strategies/action plans to mitigate the risks of watch-listed customers, controls the timely execution of the corrective actions and their outcome; Deadlines and responsible persons (e.g. Business/Risk) have to be assigned by the Committee; If necessary, the Committee is authorized to propose an extraordinary credit limit review to be submitted to the Underwriting Directorates;
- Decides on risk category contamination (default) at the level of group of connected clients. The default of the group member whose performance has a significant influence on the other members of the group entails the contamination of all members of the group. The client risk status will be examined and can be assigned individually to the members of the client group, based on the Committee's decision;
- Can decide the delisting of the Watch List clients;
- Decides on CRS in case of new S2 clients during the quarter, due to master scaled rating calculation;
- Makes proposals for IFRS provisions to be set for the normal managed legal entities clients that are individually provisioned;
- Reviews and decides, in accordance with the responsibilities of the Credit Risk Committee, on business factoring client deviations based on information provided by the Commercial Factoring Department regarding special situations in relation to Buyers (eg: late payment, breach of contract, level deductions and / or compensations, indirect payments, recoveries from the Buyer's accounts as a result of any recourse event, etc.), including the description / detailing or proposal of measures to resolve and / or reduce the risks.
- Other types of duties:
- Follow up previous decisions and strategies.
- Any other responsibilities required by national laws, set up by the internal rules in force, or delegated by the Management Board.

Problematic legal entities client's/client groups mean:
- the client was discussed in the previous Committee meeting, and further tasks were prescribed concerning it;
- there is delay in fulfillment of the payment obligation concerning the deals of the client of more than 15 days;

• there are legal actions in process concerning the client which can disturb the normal course of business of the client and the client/transaction is not in the management of the Legal Entities Work-out Department;
• clients classified as watch list/work-out according to the Early Warning System, for which is requested the Committee's decision regarding the final risk status;
• the restructured clients, depending on the decision of the first Committee after the restructuring.

During 2022, the Corporate Credit Risk Committee met 19 times (12 ordinary meetings and 7 extraordinary meetings) and the Retail Credit Risk Committee met 12 times.

Members of Credit Risk Committee in 2022 were:

Name	Position
Balazs Zoltan until 17.08.2022 Fater Gyula between 18.08.2022 and 07.12.2022 Rogojanu Luca Victor starting with 08.12.2022	Chairman, Deputy CEO, Coordinator of the Lending & Risk Management
Dinu Oltita Camelia	Vice-chairman for legal entities, Director of Credit Administration Directorate
Negrila Ovidiu	Vice-chairman for Individuals, Director of Retail Risk Advanced Modeling and Analyses Directorate
Hidan Roxana	Member, Deputy CEO coordinator of the Business Division
Girovanu Loredana	Director, Credit Retail Directorate, Member
Neagu Alexandru Gabriel	Member, Director of Large Corporate Directorate
Duna Florin Alexandru	Member, Director of Commercial Banking Directorate
Rambet Radu George	Member, Director of Micro Directorate
Jurcut Adrian Alexandru	Member, Director of Commercial Banking Underwriting Directorate
Banu Teodor Mihael	Member, Director of Corporate of Loans Underwriting Directorate
Neagu Ionel	Member, Director of Restructuring and Workout Directorate
Bruteanu Violeta Monica	Member until 17.05.2022 as Deputy Director of Credit Administration Directorate
Bruteanu Violeta Monica	Member from 18.05.2022 as Director of Risk Administration Directorate
Micu Ana-Maria	Member, Manager of Monitoring for Loans Department, Credit Administration Directorate

1.6. Organization of internal control system functions

The internal control framework aims the institution as a whole, including the activities of all operational units, support and control functions, and is constituted of appropriate internal regulations, mechanisms and plans that help identify the internal and external risks to which the bank is exposed.

For a prudent management of these risks, the head office unit responsible for an activity area of the bank, develops and implements internal regulations corresponding to the administrated activity with the formalization of all the processes and control activities to be carried out in that area of activity.

Organizational units and support functions have the primary responsibility for establishing and maintaining adequate internal control procedures.

A comprehensive framework for internal control also requires the verification by independent control functions of being compliant with these policies and procedures.

At OTP Bank Romania level, the internal control framework is organized on three levels: according to the pyramid of the internal control system, as follows:

- ***The first level*** or first line of defense has as main objective the prevention of errors occurrence during the processing of banking transactions/operations/activities. The responsibility belongs to all Bank's employees. The controls and the responsible for their performance are defined in specific regulations and the controls are based on the principle of the 4 eyes. Carrying out the activity accordingly is a first step in carrying out the control activity at this level.

- ***Second level*** or risk management controls are the responsibility of:
  - **Risk Management function** (provided through the following organizational units: Risk Administration Directorate, Capital & Assets and Liabilities Management Directorate, Strategy, Controlling and MIS Directorate);
  - **Compliance function** (provided through the Compliance Directorate).

- ***The third level*** of control is provided by the **Internal Audit Function**, exercised by the Internal Audit Directorate, which regularly verifies the completeness, functionality and adequacy of the internal control framework. Internal audit is independent of the other two levels of internal control already mentioned.

The three independent control functions mentioned above operate independently from the operational and support function they monitor, control, and are organizationally independent from each other.

An extract of the Organizational chart of OTP BANK ROMANIA S.A. on divisions at 31.12.2022 is presented in Annex 2, with the indication that the directions belonging to the independent functions of the internal control system are highlighted in red.

Independent control functions

The risk management function is centrally organized, including a group risk management function within the parent credit institution of the group: OTP Bank Nyrt. The Bank has a robust culture of risk management, extended to its structures as well as to its line of business.

Responsibility for risk management lies with the staff of all lines of activity not being limited to risk specialists or control functions.

The risk management function ensures that all significant risks are properly identified, measured and reported, and actively involved in the risk management strategy of the bank in all significant risk management decisions.

The overall risk management framework encompasses the entire process of policy, procedures and systems that enable the bank to manage prudently the potential risks that can be generated by the business carried out, thus ensuring that they fit into the risk appetite of the bank.

Each line of activity provides for the management of risks through various lever / tools, among which we mention: the supervision / control provided by the bank's management structure, the steering committees of the Bank, the separation of responsibilities, the principle of the four eyes, policies and procedures dedicated to each area of activity. Controls are preventive, detective and corrective being aligned with the risks and associated lines / processes.

The person who coordinates the Lending and Risk Management Division is the coordinator of the risk management function within the Bank.

The compliance function grant consultancy to the Management Board on measures that must be taken for ensuring compliance with provisions of legal and regulatory framework and applicable standards, to evaluate the possible impact of any changes in the legal and regulatory framework on the credit institution's activities and compliance framework.

The compliance function also has the role to verify - in close collaboration with the risk management functioned and legal function if the new products and regulations are compliant with the legal and regulatory framework in force and with any future amendments of applicable legal and regulatory framework and supervisory requirements.

The compliance fundamental principles as well as the main direction of activity within the compliance area are highlighted within the Compliance Policy of OTP Bank Romania S.A. and they aim to establish, facilitate and support Bank proper, legal, safe and prudent operation.

The Executive Director of Compliance Directorate assures the Compliance Directorate's management and holds the position of coordinator of the compliance function within the Bank, in accordance of NBR's Regulation No. 5/2013 on prudential requirements for credit institutions, with the subsequent amendments and supplementations, subordinated to the CEO, having direct reporting line to the Management Board and Supervisory Board.

The internal audit function evaluates the compliance and application of the Bank's policies and processes within all activities and its operative units. Also, internal audit evaluates the revision of policies, processes and control mechanisms so as to remain appropriate and comply with legal and regulatory requirements.

The Internal Audit Directorate fulfills the internal audit function in the Bank. Internal Audit Directorate's Director is the coordinator of the internal audit function within the Bank, and has direct reporting line to the Management Board, Audit Committee and Supervisory Board.

The Internal Audit function assesses the compliance of all the Bank's operations and operational units (including risk management function and compliance function) with the credit institution's policies and procedures. In this sense, the internal audit function must be independent of the audited activities and must not be combined with any other function.

The material deficiencies of the internal control framework and the suggestions on the significant improvement of internal controls are directly reported by the internal audit function to the Management Board and Supervisory Board.

Control functions are set to an appropriate hierarchical level and direct reporting lines to the management body are defined. The control functions at the group level supervise control functions at branch / subsidiary level.

Internal control functions periodically transmit to the governing body official reports on the major deficiencies identified. The type and frequency of these reports is defined in specific regulations. These reports include tracking measures for previous findings and, for any new major identified deficiency, the relevant risks involved, an impact assessment and recommendations. The management body must act on the findings of the control functions in a timely and effective manner and should seek appropriate remedial action.

2. RECRUITMENT AND REMUNERATION PRACTICES

During the reported period, OTP BANK ROMANIA S.A. has reached over 1873 employees, and 5 (five) persons the Bank concluded a management contract with, the approaching strategy being focused on stability and balance. The Bank applies flexible solutions for stability and safety, the maximum focus concentrating on the most important resource, namely the human resource.

The Bank sustains participation to various motivational programs, and also participation to seminars on various interest topics with the purpose of sediment the knowledge in certain specialized areas well known within the Banking system. Beside the training sessions and testing coming from the strategy of the current year, the Bank has in its integration program also the training and on-line testing annual plan on Banking security and compliance areas, both for the new and existing employees, with the scope of training them and to prevent the occurrence of specific risks.

Another objective for the Bank is to provide to the employees a more stable and enjoyable working environment. Therefore, within OTP BANK ROMANIA S.A. a Collective Labor Contract is in place. Furthermore, in order to create a transparent environment, within the Bank were approved clear and brief defined methodologies, responsibilities, fulfillment stages, information flow and documents required in the human resources processes. In addition, the human resources policies, norms and procedures are updated in line with the approached strategy, and we mention: Internal Regulation of employees of OTP Bank Romania S.A., Remuneration Policy of OTP Bank Romania S.A., Employee Training and Development Norm and Procedure of OTP Bank Romania S.A., Recruitment and selection Policy of OTP Bank Romania S.A., Performance Measurement and Appraisal Policy of OTP Bank Romania S.A..

The recruitment policy of OTP Bank Romania S.A. is based on the principle of ensuring equal employment opportunities to all applicants in order to select the most suitable candidate within the requirements of the vacancy, considering:

- technical knowledge,
- human specifics skills,
- previous professional experience,
- requirements related to banks, operational, reputational, professional risk and related partners / customers,
- allocated budget for the position

Regardless of race, nationality, ethnicity, religion, social category, beliefs, sex or sexual orientation, age or affiliation to a disadvantaged groups.

OTP Bank Romania S.A aims to recruit, select and retain professionals who represent the best choice from the point of view of the foregoing requirements.

The second principle within Recruitment and Selection Policy is to facilitate the selection and promotion of internal candidates whenever possible.

2.1 Selection and Appropriateness Assessment for Key Persons at OTP Bank Romania S.A.

In the revision of 20.12.2022 of the Recruitment and Selection Policy of OTP Bank Romania S.A., the chapter related to the criteria for evaluating the suitability of key functions at the OTP Bank Romania S.A., respectively were modified the requirements regarding the practical and professional experience that the persons who hold the key functions must have.

Key functions at OTP Bank Romania S.A. (OBR) level are owned by staff members with significant influence on the direction of the credit institution, without being members of the management body. This persons includes the coordinators of the internal control functions, in case they are not members of the senior management, the persons designated to ensure the management of the structures regarding the risk management activities, internal audit and compliance, in case the coordinators of the internal control functions internally, they are members of the senior management, as well as the persons designated to ensure the management of the structures regarding the legal, treasury, crediting activities and any other activities that may expose the credit institution to significant risks.
When identifying local key function holders, the following key criteria are considered:

- the person is not a member of the Supervisory Board or of the Management Board
  and
- the person is head of a Division/Directorate/Department directly subordinated to one of the Management Board members within the following areas:
  - Business line: treasury, lending;
  - Credit risk management functions: credit restructuring and recovery, loan approval, loan administration, risk analyses and modeling;
  - Internal control function: risk management, compliance, internal audit);
  - key support function: finance, legal, operations, banking security;

In addition to the general principles with regards to the selection of staff members, the following additional aspects are considered for Key positions:

- In the interest of the safe operation OTP Bank Romania S.A., it is essential that it be governed by professionally suitable and, in business terms, reliable persons of good business repute.
- The persons in Key position must at all times be suitable for the role undertaken, including solid knowledge, skills and experience for their positions held.
- Prior to the appointment of a person to a Key position, and subsequently on a yearly basis or whenever the necessity arises, the suitability of a person must be assessed.
- A person can be appointed as a Key position only if he/ she meets the specific requirements identified by the Bank.
- In order to ensure the standardization, harmonization and consistency of the corporate governance systems, the compliance requirements are consistent with applicable principles at OTP Group level, as long as these provisions do not contravene Romanian legislation.

Criteria for the assessment of the suitability of Key function holders
In the assessment of the suitability of Key function holders, the following minimum criteria must be considered:

- **Reputation and integrity**

When assessing the reputation, the following aspects are considered:

- The existence of convictions or ongoing prosecutions for criminal offences;
- The existence of other relevant current or past measures taken by any regulatory or professional body for non-compliance with any relevant provisions governing banking, financial, securities or insurance activities;
- Evidence of misconduct or dishonesty (e.g. background check, past employers, media).

The existence of conflicts of interest should be also considered before the person is appointed for the specific role.

- **Knowledge, skills and experience**

When assessing the knowledge, skills and experience, the following aspects are considered:

All Key function holders should have finalized higher education. Moreover, the Key function holder (or a candidate) should have:

- A sound knowledge about the regulatory framework applicable to credit institutions as well as the rules of prudent banking practices.
- Good understanding of the activities of the credit institution, including major risks, especially by reference to the area of his/her role.
- The technical skills and knowledge required for the specific role it will perform.

- **Competences**

During the selection process for Key function holders, the following competencies will be taken into consideration:

- **Integrity:** communicates and acts authentically, generating trust; promotes values based on integrity and personal responsibility.
- **Innovation:** acts for the development of personal skills and creates a stimulating environment for learning and knowledge upgrade; encourages the development of new ideas and actively gets involved in putting them into practice.
- **Results Orientation:** sets ambitious objectives by putting the client in the centre of his actions and then mobilizes himself in order to achieve them; takes documented decisions, taking into account their long-term impact.
- **Collaboration:** offers his support unconditionally; acts in order to obtain consensus within the team; openly communicates, actively listens and integrates feedback and other people's opinions in his actions.
- **Team Management:** acts in order to maximize the team members' results; organizes and motivates team members.
- **Leadership:** builds the company's vision and strategy and puts it into practice; mobilizes and inspires through personal example; contributes to the organization's talent development and to the alignment of personal aspirations with the company's mission;
- Vision, thinking and strategic planning.
- Knowledge and excellent negotiation and management capabilities.
- Excellent organizational and planning skills.
- Control and monitoring of the decision-making process.
- English - advanced level.

2.2 Recruitment, selection and assessment for management body members

Within OTP Bank Romania S.A. the management body members are:

- **Executive management of the bank - Members of the Management Board**

Represent the members of the Management Board of OTP Bank Romania S.A. who, according to the Constitutive Deed and / or decisions of decisional bodies of the Bank are empowered to lead and coordinate its daily activities and are invested with the power to bind the Bank. When performing the suitability assessments for Management Board members both the suitability of the composition of the management body and the suitability of each individual member are assessed.

When performing the suitability assessments for Management Board members both the suitability of the composition of the body and the suitability of each individual member are assessed.

At aggregate level, the following aspects must be considered:

- **Size:** the Management Board has the required number of members to effectively perform its duties;

- **Knowledge, skills and experience:** reflects overall an adequately broad of experiences; collectively have knowledge, skills and expertise to allow them to understand the business activity of the Bank, including their risks and to pronounce, in full awareness about all the aspects they have to decide upon, according to their competencies; and sufficient practical experience in credit institutions; and
- **Expertise and experience:** reflects overall an adequately broad of experiences; collectively have knowledge, skills and expertise to allow them to understand the business activity of the Bank, including their risks and to pronounce, in full awareness about all the aspects they have to decide upon, according to their competencies; and sufficient practical experience in credit institutions; and
- **Diversity:** an adequate diversity level considering criteria such as gender, age, cultural and educational background or professional experience; The Bank's target for the underrepresented gender is to maintain a minimum of 20% representation.

At individual level the Management Board members must fulfil the general conditions provided by OTP Bank Plc policies and by the laws in force, as well as the special conditions relating to such position, stipulated in the Company Law, Banking Law and in the regulations issued by NBR as well as in other European pieces of legislation, as applicable from time to time which include:

- **Reputation, honesty and integrity:** should be no evidence to suggest otherwise and no reason to have reasonable doubt about the member's good reputation, honesty or integrity;
- **Knowledge, skills and experience:** should have sufficient experience and expertise to perform his/her roles and responsibilities (both at the level of the Management Board and individually in the areas coordinated within the Bank), considering the theoretical experience attained through education, training and the practical experience gained in previous occupations;
- **Time commitment:** should be able to allocate the minimum expected time commitment required for the individual responsibilities, as well as for the specific responsibilities as part of the Management Board; and
- **Independence of mind (Objectivity):** should be able to engage actively in his/her duties and should be able to make his/ her own sound, objective and independent decisions and judgments when performing their functions and responsibilities.

Non-executive management of the bank - Members of the Supervisory Board

It represents the management structure in the supervisory function, respectively the management structure that acts as a supervisory function, supervises, and monitors the decision-making process of the executive function.
When performing the suitability assessments for Supervisory Board members both the suitability of the composition of the body and the suitability of each individual member are assessed.

At aggregate level, the following aspects must be considered:

- **Size:** the Supervisory Board has the required number of members to effectively perform its duties;
- **Knowledge, skills and experience:** collectively the required knowledge, skills and experience in order to be able to understand the activities of the Bank, including the main risks thereof, and decide in full knowledge of the aspects falling under the full body competence;
- **Diversity:** an adequate diversity level considering criteria such as gender, age, cultural and educational background or professional experience; The Bank's target for the underrepresented gender is to maintain a minimum of 33% representation.
- **Independence:** a sufficient number of independent members on the Supervisory Board where independence is assessed by reference to the applicable regulatory framework and entails that the specific member does not have any present or recent past relationships or links of any nature with the Bank or its management that could influence the member's objective and balanced judgement and reduce member's ability to take decisions independently.

At individual level the Supervisory Board members must fulfil the general conditions provided by OTP Bank Plc policies and the laws in force, as well as the special conditions relating to such position, stipulated in the Company Law, Banking Law and in the regulations issued by NBR as well as in other European pieces of legislation, as applicable from time to time which include:

- **Reputation, honesty and integrity:** should be no evidence to suggest otherwise and no reason to have reasonable doubt about the member's good reputation, honesty and integrity;
- **Knowledge, skills and experience:** should have sufficient knowledge, skills and experience to perform his/her roles and responsibilities (including specific requirements for membership in specific committees), and adequate management skills to be able to understand and challenge the practices of applied management and decisions made by the Management Board. The Bank

considers the theoretical experience attained through education, training and practical experience gained in previous occupations;
- **Time commitment:** should be able to allocate the minimum expected time commitment of effective participation and adequately exercise of prerogatives as a member of the Supervisory Board; and
- **Independence of mind (Objectivity):** should be able to engage actively in his/her duties and should be able to make his/ her own sound, objective and independent decisions and judgments when performing their functions and responsibilities.

When assessing the experience & expertise, either at individual or collective level, the following areas should be considered:
- banking and financial markets;
- legal requirements and regulatory framework;
- strategic planning, the understanding of a credit institution's business strategy or business plan and accomplishment thereof;
- risk management (identifying, assessing, monitoring, controlling and mitigating the main types of risk of a credit institution, including experience directly related to the responsibilities of the member of the management body);
- accounting and auditing;
- the assessment of the effectiveness of a credit institution's arrangements, ensuring effective governance, oversight and controls; and
- the interpretation of a credit institution's financial information, the identification of key issues based on this information and appropriate controls and measures.

The selection of the members of Supervisory Board takes into account the provisions of the Romanian legislation in force and the requirements and norms of the NBR.

2.3 Performance measurement

Performance Measurement Policy - OTP Bank Romania S.A. ("The Bank" or "OBR") forms an integral part of the Bank's Corporate Governance Framework and aims to establish, in relation to the OBR Remuneration Policy, the detailed requirements for the methods / set of instruments used to measure performance and evaluate the entire staff.

The recognition of the performance of incentive staff to achieve the Bank's and OTP Bank Group's objectives and incentives should be in line with the long-term strategy, objectives, values and long-term interests of OTP Bank and the Bank, and to facilitate their achievement.

The bank applies different performance measurement systems to its staff.

The staff members identified are assessed in the two-tier performance measurement system that targets both institutional and individual objectives. For the identified staff, the assessment of the institutional and individual objectives is done on a scale of 0 to 100% based on the weighting of both types of targets. Unidentified staff members are assessed within the single-level performance measurement system that focuses only on individual goals.

The Non-Identified Staff members are subject to the single-tier performance measurement system, which is completely tied to individual performance. For the employees subject to the one-tier performance measurement system the targets and appraisal criteria, as well as the conditions of payment shall be defined based on uniform principles; in this case there is no need to conclude separate target agreements. Non-Identified Staff members comprise head office personnel, including managers and staff.

The objectives set for both the identified staff and unidentified staff will have performance indicators (KPIs) on which to assess their performance. Performance indicators are a set of quantifiable measures that the Bank defines to determine the extent to which organizational goals are being achieved and business strategies are effective.

Evaluation of Identified Personnel

The performance serving as a benchmark for performance-based remuneration is determined as the weighted arithmetic average of the institutional and individual targets, with the weight of the indicators at the institutional level decreasing for each manager as the management levels decrease. In the case of managers performing the internal control function (internal audit, compliance, risk administration), this principle applies with the difference that the institutional level indicators are taken into account with a lower weight - one lower than the given organizational level.

Individual performance cannot be "pulled up" by the performance of the group (entity), i.e. if the performance of the group (entity) is greater than the result of the individual performance evaluation, then the individual evaluation shall prevail.

The financial indicators used to assess performance would be assessed by two thresholds: fulfilment threshold (minimum level) and tolerance threshold. Achieving a given target below the fulfilment threshold means 0% fulfillment, in which case the employee is not entitled to performance-based remuneration. Performance between the performance threshold and the tolerance threshold means the actual evaluation of the indicator, in which case the employee is entitled to performance-based remuneration based on the measured performance. In the case of performance above the tolerance threshold, in addition to the measured performance, subjective aspects may be taken into account when determining the performance value of the indicator between tolerance threshold and 100%, acknowledging the actual effort of the employee to achieve the given numerical target, or the lack thereof.

The Management Committee of OTP Bank Plc. may also set stricter thresholds than the thresholds set by the Supervisory Board of OTP Bank Plc., in which case these stricter thresholds shall prevail.

If institutional objectives are not met but the Supervisory Board of OTP Bank Plc. has established the existence of an objective circumstance negatively affecting performance, and the value of the indicator is above the tolerance threshold, then the Supervisory Board of OTP Bank Plc. is entitled to divert the evaluation of the institutional level indicators.

In case of performance above the tolerance threshold, the employer exercising the employer's rights/evaluation manager is entitled to decide on the fulfillment value of the indicator between the tolerance threshold and 100%.

The evaluation manager must always justify the proposed deviation between the tolerance threshold and 100%, which must also be approved by the Management Board of the Bank, after the OTP Bank Plc has made a decision regarding any proposed deviation in the case of managers identified at consolidated level.

In the case of employees identified at the consolidated level, the deviated evaluations are submitted to the President& CEO of OTP Bank Plc. by the head of Human Resources Management Directorate, based on a preliminary examination of the adequacy of the evaluations. In the case of employees identified at the sub-consolidated and local levels, they are checked by the head of the Human Resources Directorate of OBR, if he/she deems them inappropriate, initiates consultations with the evaluation manager.

With respect to identified staff members that have the most significant effect on risk profile at consolidated level (the chief executive of OBR), the key indicators for performance measurement, as well as the main principles of performance measurement relating to the assessed year, are approved by the Supervisory Board of OTP Bank Plc by the date of the General Meeting closing the previous business year the latest.

The following persons/bodies are authorised to determine the structure of the institutional and individual target tasks set out in the individual agreement, taking into account the KPI library:

a) with regard to identified staff members that have the most significant effect on risk profile at consolidated level (CEO-OBR) the key indicators for performance measurement, as well as the main principles of performance measurement relating to the assessed year, are approved by the Supervisory Board of OTP Bank Plc by the date of the General Meeting closing the previous business year the latest.

b) with regard to the other identified staff, the setting of performance indicators (targets) for the year concerned shall be the task and responsibility of the direct superior of the person concerned, with the provision that the targets must be in line with the targets applicable to the Management Board member to which he/ she is subordinated. In order to ensure consistency, the cascading down of financial, operational and risk indicators could be based on pre-defined minimum criteria/ steps.

Evaluation of non – identified personnel

The evaluation of individual objectives is carried out annually and is mainly the responsibility of the hierarchical superior who reviews the employee's self-evaluation. The evaluation process considers business indicators (quantitative, qualitative), professional development objectives and skills that capture desirable behaviors.

The final evaluation score is validated in a calibration process, consisting of two sequential stages: Directorate level calibrations and Division level calibrations. The purpose of the calibration process is to ensure an objective evaluation process, which uses a performance standard aligned within the organization and which relates to falling within a previously communicated budget limit.

Evaluation of sales personnel

The Relevant Persons - Sales personnel category refers to employees, staff and managers, who are involved directly or indirectly in the sale and provision of Bank products and services to customers

Targets are established in accordance with the strategy of the bank and they are cascaded from Bank targets to employees. These will be subject to OBR Management Board approval.

The performance of Sales personnel considers strictly the achievement of business specific performance indicators which are included in Performance Management Plans (hereinafter as PMP); the structure of the PMP is standardized at role level, within each business line and are approved by the Management Board on a quarterly, monthly or yearly basis (i.e. Branch Manager PMP, Client Advisor PMP etc.).

The performance measurement indicators should:
a) take into account the rights and interests of consumers (ensure fair treatment and transparency);
b) include both qualitative and quantitative criteria;
c) not solely link remuneration to a quantitative target for the offer or provision of products and services;
d) not promote the offer or provision of a specific product or category of products over other products, such as products which are more profitable for the Bank or for a Relevant person, to the potential detriment of the consumer; i.e.quantitative sales of products and services to be assessed together with the satisfaction of the quality and quantity of information provided to the clients with regards to the services purchased.

Performance compensation is set in accordance with the "Remuneration Policy OTP Bank Romania S.A.".

2.4 Remuneration in case of Bank's employees

The Remuneration Policy of OTP Bank Romania S.A. forms an integral part of the Bank's corporate governance framework and its purpose is to ensure alignment of the individual objectives of the Bank's staff with the long-term goals and the risk appetite of the Bank and the interests of its shareholders.

Moreover, it establishes the policy concerning:

a) the identification of the categories of staff whose professional activities have a material impact on the Bank's risk profile,
b) principles applicable in the case of staff members involved in the provision of banking products to consumers and investment services to relevant persons,
c) Gender neutrality, based on the principle of equal treatment and equal pay for male and female staff members, for the performance of the same work or work of equal value,
d) Integration of sustainability risks.

The Remuneration policy is applicable to all staff members, except the chapters specifically limited to certain categories of staff and is subject to the approval of the Supervisory Board.

The Bank applies differentiated income levels conforming to the value of the role undertaken by the person, the risk classification, organizational hierarchy and the nature of the function discharged, based on the principle of gender neutrality and are designed to exclude any discrimination, including the basis of gender. The remuneration policy is applicable to all staff members and is subject to approval by the Supervisory Board.

Remuneration comprises a fixed and a performance-based remuneration element.

The Bank can grant the following types of remuneration:
- Monetary remuneration:
  - Basic salary
  - Bonuses or premiums
- Benefits such as meal tickets, medical services etc.

The Bank classifies remuneration granted to its staff as fixed if its award and its amount meet the following conditions simultaneously:
- are based on predetermined criteria;
- are non-discretionary reflecting the level of professional experience and seniority of staff;

- are transparent with respect to the individual amount awarded to the individual staff member;
- are permanent, i.e. maintained over a period tied to the specific role and organizational responsibilities;
- are non-revocable;
- cannot be reduced, suspended or cancelled by the Bank;
- do not provide incentives for risk assumption; and
- do not depend on performance.

All other types of remuneration, which do not meet the criteria above, are to be considered variable remuneration and will be subject to the applicable limitations.

Without prejudice to the principle of equal treatment referred above, the bank may consider, in a gender-neutral manner, additional aspects when determining the remuneration of staff. Such aspects may include:

a) educational, professional and training requirements, skills, effort and responsibility, work undertaken and the nature of tasks involved;
b) the place of employment and its costs of living;
c) the hierarchical level of staff and if staff have managerial responsibilities;
d) the scarcity of staff available in the labour market for specialised positions;
e) the nature of the employment contract, including if it is temporary or a contract with an indefinite period;
f) the length of professional experience of staff;
g) professional certifications of staff.

- **Fixed remuneration**
  - **Basic Salary**

    When determining the salary level, the following aspects are considered:
    - **Internal equity** i.e. when setting the salary scale/ level the level of education, expertise and skills, complexity and organizational responsibility the position entails are considered;
    - **External equity** i.e. when setting the salary scale/ level the Bank considers information gathered from salary polls and market data on financial institutions to ensure adequate resources are attracted and maintained. As such, the Bank benchmarks itself to its relevant market.

    Basic salary is negotiated in gross and in RON.

  - **Other types of fixed remuneration**

    The Bank may grant the following additional types of fixed remuneration:
    - **Payment for relocation purposes**
    - **Monthly housing allowance**
    - **Payment for recommendations in internal recruitment campaigns**
    - **Payment for fraud prevention**
    - **Extraordinary allowance**

  - **Benefits**

    The Bank sets through its Collective Employment Agreement and by this policy benefits applicable to all its employees. Benefits applicable to employees are subject for approval of the Management Board or Supervisory Board (based on prior assessment by the Remuneration Committee), considering their approval limits from Internal Organizational Rules competencies matrix M1.

- **Variable remuneration**
  - **Bonuses**
    - The Bank may grant variable remuneration related to:
    - **Incentive schemes**
    - **Overall performance**
    - **Loyalty bonus**
    - **Other types of variable bonuses**

  - **Exceptional payments**

    The extraordinary benefits can include:
    - buyout from a previous contract;
    - retention bonus;
    - proportional compensation for a non-competition clause;
    - severance payments;

Application of exceptional payments according to points a) - d) is possible solely in cases justified for business reasons and for Identified staff belongs to the Supervisory Board approval, based on the recommendation of Remuneration Committee with the prior consent of the OTP Bank Group, and for the Non Identified staff, belongs to the General Manager of the bank.

- **Pension benefits**

The Bank does not award discretionary pension benefits.

- **Remuneration upon the termination of employment relationship**

Upon the termination of the employment relationship, the Bank may pay the following:

- basic salary until termination of the employment relationship or discharge from the obligation to work; (i.e. normal payments for remuneration relating to the length of a notice period, and not compensatory payments);
- benefits provided in accordance with the collective agreements and internal regulations; (i.e., related to regular remuneration);
- mandatory severance payments according to the Collective Labor Agreement;
- individual severance payments applicable in case of termination of employment relationship by agreement of the parties, in order to settle a legal dispute, to avoid a decision by the courts. These payments that meet the regulatory requirements for variable remuneration will not exceed 100% of the fixed annual remuneration and should not be taken into account when calculating the ratio between variable and fixed components of the total remuneration or for the application of deferral;
- Compensation for a non-competition agreement provided that there is a contract to this effect, based on which the non-competition obligation remains in effective for a certain period of time after termination of the employment relationship;

The compensation for the non-competition agreement shall not exceed the amount the employer would have paid as basic remuneration for the duration of the non-competition obligation. Any consideration for a non-compete commitment exceeding this amount shall be classified as variable remuneration, and thus the amounts exceeding the proportionate consideration shall be subject to the rules of instrument-based payment, deferral and risk adjustment.

- settlement of the performance-based remuneration upon termination of the employment relationship with the observance of the applicable requirements for variable remuneration.

Payments related to the early termination of a contract will reflect the performance achieved over time and will not reward the failure.
Settlement and payment of the performance- based remuneration upon termination of the employment relationship shall take place in accordance with the general rules, based on performance evaluation, according to the original schedule.

2.5 Rules applicable to all staff

- **The remuneration framework ensures alignment of the objectives of its staff with the long-term objectives of the Bank and avoids conflicts of interest.**

The Bank develops, maintains and implements a remuneration policy which:

- is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Bank.
- is in line with the business strategy, objectives, values and long-term interests of the Bank and its shareholders; and
- incorporates measures to avoid conflicts of interest (including about miss selling).

The payment of the performance-based remuneration, in accordance with the provisions stipulated herein, conforms to the business cycle of the Bank and of OTP Bank Group.

Conflicts of interests with regard to the remuneration policy and remuneration awarded must be identified and appropriately mitigated, including by:

- Identifying and assessing such circumstances;
- Establishing objective award criteria based on the internal reporting system/ data;
- Applying appropriate controls, including the four eyes principle within the performance measurement and award processes.

The Bank will not pay variable remuneration through vehicles or methods, which may aim at or effectively lead to regulatory non-compliance or decrease in the effectiveness of the remuneration framework in supporting a sound performance of the Bank.

- **Remuneration is aligned with performance**

  Remuneration is based on individual performance, business unit performance and the overall performance of the Bank.
  Individual performance is assessed considering both financial and non-financial criteria (such as skills, leadership abilities, compliance with Bank's internal rules etc.).

- **Fixed - variable ratio**

  The fixed and variable components of the total remuneration are appropriately balanced.
  The variable component may not exceed 100% of the fixed component of the remuneration.

- **Variable remuneration is flexible**
  The fixed component will represent a sufficiently high proportion of total remuneration ensuring the operation of a fully flexible variable remuneration policy, including the possibility to pay no variable remuneration.

  Variable remuneration budgeted during the business planning process will not represent a commitment on behalf of the Bank and can be reduced to zero in case of a negative or subdued performance of the OTP Bank Group, OBR, the business unit or the individual.
  Variable remuneration is subject to the preliminary and subsequent evaluation of risks being linked to the realization level of the targets at OTP Bank Group, OBR level and individual level.
  Up to 100% of any variable remuneration granted by the Bank shall be subject to malus and claw-back arrangements.
  Guaranteed variable remuneration can be granted only in exceptional cases upon hiring new staff for a period not exceeding 1 year provided the Bank has a sound capital base with subsequent notification of OTP Bank Plc's Supervisory Board.

- **Personal hedging is forbidden**

  In respect of those shares which make up the share-based part of the share-based performance-based remuneration, and which will be paid to the identified employee in the future (in particular the deferred and retained part), the employee does not have a right of disposal (so as an example for this part the employee is not entitled to conclude a preliminary or binding contract, and cannot offer it as a collateral), and moreover, concerning these shares the employee is not entitled for dividends until the time of acquiring such shares.

  Staff members are forbidden to transfer the downside risks of variable remuneration to another party through hedging, insurance or any other type of mitigation technique which compensates them in the event of a downward adjustment in remuneration.

  If a staff violates the prohibition stipulated in the previous paragraph, the Bank may:
  - claim indemnification and apply malus and claw back, or
  - demand instead of indemnification that the staff concerned cede the transaction concluded for his/her own benefit, or
  - demand him/her to release his/her gain originating from the transaction concluded on a third party's account or to assign his/her related receivable to the Bank.

2.6 Rules applicable to Identified staff

- **Identified Staff Policy**

  The Bank performs at least on an annual basis a self-assessment in order to identify (or assess if changes are required with regards to) the categories of staff having a material impact on the Bank's risk profile.

  The identified staff has been determined on three levels:
  - consolidated-level (group-level) personal scope includes those (staff members identified at consolidated level) whose professional activity has a material impact on the risk profile of the entire OTP Group;
  - sub-consolidated-level personal scope includes those (staff members identified at sub-consolidated level) whose professional activity has a material impact on the risk profile of OTP Bank Romania and its subsidiaries;
  - local (individual)-level personal scope includes those (staff members identified at local level) whose professional activity has a material impact only on the risk profile of OTP Bank Romania.

The process considers the following perspectives:

- Quantitative and qualitative criteria as prescribed in EU Reg. 604/2014;
  The total remuneration awarded to staff in the preceding financial year are taken into account in the identification at the beginning of the following financial year. Total remuneration includes all monetary and non-monetary fixed and variable remuneration components awarded for professional services in the preceding financial year. For the variable component these can be amounts that have been awarded in the preceding financial year for the complete previous accrual period, independent of the fact that only parts of the variable remuneration were paid out in the preceding financial year and other parts were deferred (for example for the identification in early 2016 the fixed remuneration awarded and paid in 2015 and the variable remuneration awarded in 2015 for the previous accrual period e.g. 2014 will be added to calculate the amount to be used for the identification under the quantitative criteria).
- Where needed to ensure a complete identification of all staff whose professional activities have a material impact on the Bank's risk profile, additional criteria set forth by the Bank that reflect the levels of risk of different activities within the Bank and the impact of staff members on the risk profile (e.g. KRIs used as part of the Bank's risk strategy) in addition to the qualitative criteria provided in Assessment methodology of staff members whose professional activities have a significant impact on the institution's risk profile.

If an employee qualifies as Identified Staff in accordance with perspective above, the Bank shall, based on an internal approval process and notification to NBR, treat the technical/ professional activities of that employee as activities without having major impact on the Bank's risk profile, provided the following conditions are met simultaneously:

- the employee's impacts on the risk profile does not qualify as material according to the results of the risk analysis carried out in accordance with the risk assessment methodology prescribed in the prevailing administrative instruction setting out the Assessment methodology of staff members whose professional activities have a significant impact on the institution's risk profile.
- the employee does not actually have a material impact on the Bank's risk profile in view of the absolute amount of the performance-based remuneration that may be allocated to him or her.

The decision on exemption passed in line with the provisions of the above mentioned paragraph – provided that the content of the position does not change – is valid in that year, when the decision was made, and in the next business year as well.

The following events will not lead to a person not being considered as pertaining to the Identified Staff category:

- the full-time employment of the person within the scope is transformed into part-time employment;
- the indefinite-term legal relationship changes into a defined-term legal relationship;
- the person performs his/her tasks based on other work-related legal relationship instead of employment relationship;
- the person falls or is likely to fall under the qualitative criteria for a limited period of time which is longer than three months in a financial year or performs on a temporary basis for a minimum of 3 months a role which pertains to the Identified Staff category.

Self-assessment process

Annual review

- The Human Resources Directorate performs a preliminary identification (annual re-assessment) based on the specific regulatory criteria and based on the results of the application of the Assessment methodology of staff members whose professional activities have a significant impact on the institution's risk profile performed by Operational and Market Risk Department (Risk Administration Directorate).
- The list of Identified Staff will be reviewed by the other control functions within the Bank, respectively by Risk Administration Directorate, Compliance Department and Legal Directorate.
- The list of Identified Staff and any exemptions thereof are reviewed by the Remuneration Committee before they are submitted for approval to the Supervisory Board.

The prior approval of the Supervisory Board of OTP Bank Plc is also required.

Extraordinary review

- The Human Resources Directorate ensures the list of Identified Staff is updated during a financial year if specific changes occur (e.g. changes in roles and responsibilities of staff members). The Risk Administration Directorate should communicate to the Human Resources Directorate any significant changes in the Bank's risk appetite/ risk profile which could lead to additional staff members meeting the Identified Staff criteria and hence to a revision of the list of Identified Staff members.

- Significant changes (e. g. introduction of a new product/ business line, changes in the regulatory requirements with impact on the activities/ authority of staff members, changes in the target risk profile of the Bank/ risk profile outside target level) performed during the year to the list of Identified Staff will be subject to the review of the Remuneration Committee who submits it to Supervisory Board.

The Human Resources Directorate maintains a clear and consistent record concerning the identification process and the staff members included in the Identified Staff category as well as any exemptions applied, which includes at least the following information:

- The results of the self-assessment process, including results of the application of the Assessment methodology of staff members whose professional activities have a significant impact on the institution's risk profile performed by Operational and Market Risk Department (Risk Administration Directorate);
- The approach used to assess the risks emerging from the Bank's business strategy and activities (e.g. risk strategy for the period under consideration and the current risk profile of the Bank);
- The role and responsibilities of the different units and internal functions involved in the design, oversight, review and application of the self-assessment process;
- The identification outcome which covers:
  - The list of identified staff based on the names (or another unique identifier) and their allocation to business areas as well as when the person entered/ exited the Identified Staff category;
  - Key information with regards to the criteria leading to inclusion in the list of Identified Staff (e.g. the job responsibilities and activities);
  - Changes since the last assessment.

- **Fixed to variable ratio**

OTP Bank Romania S.A. will not grant Identified Staff members variable remuneration exceeding 100% of the fixed remuneration.

When determining the ratio, the sum of all variable components of remuneration that could be awarded are considered divided by the sum of all fixed components of remuneration to be awarded in relation to the same performance year. Some of the fixed remuneration components may be omitted, where they are not material, e.g. where proportionate non-monetary benefits are awarded.

The Bank sets differentiated levels for the fixed and variable ratios while ensuring a sound proportion of the variable remuneration versus fixed remuneration by considering the following:

- the performance measurement system and method for determining the risk levels,
- ratio of deferral of performance-based remuneration,
- length of the deferral and retention period,
- structure of the organizational unit / Bank, the nature and complexity of its activity,
- position of the staff member in the organizational hierarchy,
- type of function discharged by the staff member (business, support, control), and
- risk assumption/ decision-making levels allocated to the various positions.

Considering the above as well as functional partitioning, the highest variable remuneration should be defined for business function, followed by "other staff" category functions, whilst the lowest ratio should be set for control functions.

The allocated ratios for Identified Staff are approved by Supervisory Board, based on the prior assessment by the Remuneration Committee and prior approval of Supervisory Board of OTP Bank Plc.

In case of material financial losses at OTP Bank Romania level, the Supervisory Board, at the proposal of the Remuneration Committee, can modify the original ratios by reducing the ratio of performance-based remuneration.

In the case of the Identified Staff individual agreements are concluded after decision is taken by the OTP Bank Romania's Supervisory Board concerning the definition of the structure of the performance measurement indicators, deferral schedule, payment in instruments, ex-ante/ ex-post adjustments, etc. based on the Remuneration Committee assessment and proposal. The individual agreements shall be concluded by the body exercising employer's rights above the person concerned. The Human Resources Directorate shall be responsible for the preparations of the conclusion of the agreements.

Supervisory Board members
Members of the Supervisory Board can be compensated only with fixed monthly remuneration. Incentive-based mechanisms based on the performance of the Bank are not permitted.

- **Performance measurement and risk alignment**

The rate of performance-based remuneration is established firstly on the basis of the collective evaluation of targets (i.e. bonus pool ex-ante adjustment).

In the case of Identified Staff members the risk alignment process is performed not only at performance measurement process but also as part of deferred remuneration vesting process and as part of the pay-out in instruments process. At each stage of the risk alignment process the variable remuneration is adjusted for all current and future risks taken.

For performance measurement necessary to award a specific variable remuneration the principles related to selection of KPIs and risk adjustments.

For Identified staff OTP Bank Plc. compiles a "KPI library" that contains the individual optional indicators by institution, their definition, unit of measure and data owner. The KPI library is approved every year by the Supervisory Board of OTP Bank Plc.

In the case of Management Board members, the performance measurement system will include a RORAC+ (ROE/COE) indicator in line with OTP Bank Group remuneration framework provisions. RORAC+ (ROE/COE) is calculated based on OTP Bank Group performance measurement and monitoring methodology taking account of the following:

- The value of adjusted profit after tax is to be established by applying the definition of "stock exchange profit or loss", i.e. the accounting profit or loss is adjusted by the special items not related to the business activity (e.g. goodwill impairment, potential one off sales profit or loss from disinvestment, tax imposed on bank, etc.).
- The cost of equity (Country COE) is determined based on the CAPM model, as the sum of the beta times the risk-free return and the market risk premium, where beta is the sensitivity to market movements. In the calculation, the risk-free return varies from country to country, while the beta (1.3) and market risk premium (6%) are the same for each country.

The determination of the target value of the return on risk-adjusted capital (RORAC+) indicator for the given business year is based on the latest annual financial plan approved by OTP Bank Group level.
Granting of performance based remuneration to staff members which qualify as Identified Staff members at OTP Group level is approved by the Supervisory Board based also on the prior approval of the OTP Group as part of the application of the remuneration policy at group level and Remuneration Committee assessment and recommendations.

- **Payment in instruments**

At least 50% of variable remuneration granted will be paid in instruments and subject to deferral as outlines in the following section.

During the deferral period, the employees will not have a right to receive compensation equivalent to any dividends/ interest, which were distributed for the specific instruments.

Variable remuneration paid in instruments will be subject to 1-year retention after vesting.

The specific type of instruments granted are described in the individual target agreement, in line with the provisions of the Group Remuneration Policy, and refers to: ordinary shares, remuneration converted into shares, preferentially priced share award.

Through derogation from the above rules, the rules of the payment in instruments will not be applied for a member of the identified staff whose variable remuneration does not exceed the amount of EUR 30.000 gross and does not represent more than 1/3 of the total annual remuneration of that member of the identified staff.

Deferral

Remuneration of the identified staff members – unless stipulated otherwise in this regulation – may only be paid out in accordance with the time schedule determined by the deferral and retention rules set out in this section.
The performance-based remuneration payable to identified persons under a deferred payment schedule is divided up into short-term (non-deferred) and deferred instalments.

The variable remuneration will be subject to deferral over a period of at least 4 years with a pro-rata vesting mechanism. For senior management, the postponement period will be at least 5 years.

For the positions identified at a consolidated level, 60% of performance-based remuneration shall be paid in a deferred manner.

For the staff identified at sub-consolidated and local levels, as a general rule, deferred payment shall be applied to 40% of performance-based remuneration, provided that the total remuneration of the person does not exceed EUR 210,000.

For staff identified at sub-consolidated and local level, 60% of the performance-based remuneration is deferred if the total remuneration awarded to the identified person in the year preceding the assessed year exceeded EUR 210.000.

The deferred portions will vest if and only if:

- The Bank meets its objectives during the vesting period (financial and risk targets); Individual performance criteria is achieved.

For bank level, vesting conditions the following minimum criterion shall be used:

- **Financial performance** – indicators reflecting the Bank's profitability;
- **Risk adjusted performance** – RORAC+ indicator;
- **Key risk indicators** reflecting measuring solvency, liquidity and/ or specific risk indicators (e.g. for credit risk) cost of risk, the cost of collection and return on overdue receivables;

Criteria must include fulfilment of the regulatory capital adequacy requirement, disregarding capital raises carried out to supplement capital in the years after the year serving as the basis for payment (T+1, T+2, T+3 or T+1, T+2, T+3, T+4, T+5 for senior management members), and the accumulated risk cost, relative to the target, in the years after the year serving as the basis for payment.

Based on the values of the criteria assessing prudent operation the Remuneration Committee shall propose and OTP's Supervisory Board shall decide whether the deferred instalments can be paid, with the proviso that based on the evaluation of the individual risks attached to the activity of those concerned, the entitlement to the individual level deferred instalments and the rate thereof shall be defined taking into consideration the following:

- performance of the obligations arising from the employment relationship;
- compliance with the regulatory provisions, internal regulations, management regulations relating to the performance of work, and the professional requirements applicable to the position;
- compliance with the employer's expectations towards the employee's managerial behavior;
- review of the operation of the persons and domains concerned (revelation of severe errors, misconducts or shortcomings).

Payment of deferred part is approved by the OTP Bank Romania SA's Supervisory Board, based on the recommendation of the Remuneration Committee and prior approval of the Chairman and Chief Executive Officer of OTP Bank Plc.

In accordance with the deferral schedule the Human Resources Directorate informs the persons concerned in writing about their entitlement to and the rate of the individual instalments as well as the corresponding vesting conditions, based on the Management Body decision.

The settlement of the due deferred instalment takes place as follows:

- the settlement of the cash part shall take place within 30 days from establishing the entitlement but no later than 30th June the performance-based remuneration is paid by the Employer,
- the settlement of remuneration converted into shares shall take place within 30 days from establishing the entitlement, but not later than 30th June.

In the context of the state of emergency caused by exceptional (unpredictable) situations such as, but not limited to, natural calamities, extreme weather events, riots, war, terrorist attacks or invasion, government or regulatory action, famine, global health emergency, epidemics / pandemics, may be considered the following measures:

- Deferment with a longer period of variable remuneration;
- Establishing a substantial part of variable remuneration that can be paid in equity instruments or non-cash equivalent instruments.

Through derogation from the above rules, the rules of deferral will not be applied for a member of the identified staff whose variable remuneration does not exceed the amount of EUR 30.000 gross and does not represent more than 1/3 of the total annual remuneration of that member of the identified staff.

- **Ex-post adjustment**

Criteria and application

Ex-post assessments consider performance indicators, which provide information concerning performance outcomes after the award of the variable remuneration. Such indicators can be qualitative or quantitative and relate to aspects such as:

- participation in or responsibility for conduct which resulted in significant losses to the Bank;
- failed to meet appropriate standards of fitness and propriety;
- criminal offence or failures, abuses or deficiencies (e.g. breach of code of conduct and other internal rules, especially concerning risks) that have significantly damaged the good standing and/ or profitability of the Bank or its Group;
- whether the Bank and/or the business unit in which the identified staff member works suffers a significant failure of risk management;
- significant increases in the Bank's or business unit's economic or regulatory capital base;
- any regulatory sanctions where the conduct of the identified staff member contributed to the sanction.

It would not be possible for the framework to be exhaustive given that the business and economic environment are complex and undergoing significant changes (the professional judgment of the Management Board, Supervisory Board or experts are considered in the assessment).

When ex-post adjustments are applied, the Supervisory Board will assess the need to apply ex-ante or ex-post adjustments to all the remaining portions of deferred variable remuneration and variable remuneration, which may be awarded in the current year.

Malus

Before the payment of any deferred portions of variable remuneration the Bank performs and assessment about the occurrence of any events, which could trigger the application of malus arrangements (i.e. circumstances described above), and the fulfilment of the vesting conditions. If vesting conditions are not met or if any circumstances/ events as the ones described above are identified which indicate that either the Bank should not pay or the individual should not be entitled to the deferred portion, the Bank shall perform the required assessments and decide not to pay the deferred portion either in part or in full.

Clawback

The performance-based remuneration paid to an individual earlier on must be refunded if the individual is found not up to the requirements pertaining to suitability or conformity by, considering he/she has committed a criminal act or in the case of such serious omission, abuse or defect that had significantly deteriorated the creditworthiness and/or profitability of the Bank. The Bank can claim any variable remuneration paid within a period of at least three but not shorter than the cumulative period of deferral and retention applicable to that specific variable remuneration.

Process steps

Malus

- Identified staff is informed when variable remuneration is awarded about the application of malus arrangements and about the ranges of cases, which may trigger them.
- Ex-post assessments are performed before vesting of each portion of the variable remuneration awarded (within 45 days of the regular general meeting closing the business year preceding the due year) by the Human Resources Directorate together with, Compliance and Risk Administration Directorate.
- Results are presented to the Supervisory Board who assesses them and takes decision about the application of malus on deferred variable remuneration for the remaining periods.

Clawback

- Identified staff is informed when variable remuneration is awarded about the application of claw back arrangements as well as about the ranges of cases, which may trigger them, and the relevant period of application.
- In accordance with the Bank's internal framework, all staff members are required to report inappropriate behavior of other staff members. Such cases are treated in accordance with the disciplinary procedure and will trigger the requirement to assess the application of claw back arrangements.
- Risk Administration Directorate will be responsible for reporting to the Management Board, in case of employees, and to Supervisory Board in case of Management Board members, risk events, which had as a source inappropriate behavior (e.g. excessive risk taking, fraud). The Compliance Directorate as well and Internal Audit Directorate are also responsible to report such events (e.g. misconduct in the application of risk management policies or processes identified during their control activities).
- Regardless, of the statute (employee or member of the Management Board) the Supervisory Board will assess based on specific reports the events triggering the application of claw back and decide upon the measures to be taken by the Bank.

We mention that there are no other variable components of remuneration.

2.7 The remuneration paid in the financial year 2022

For the year 2022, the following remunerations, in EUR at an FX rate of 4.9193 RON/EUR, were paid:

Nr. crt.		Members of the management body in its supervisory function	Members of the management body in its management function	Investment banking Services	Retail Banking Services	Assets administration	Corporate functions	Independent control functions	All other activity areas
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1)	No of members of personnel	9	10						
(2)	Total no of employees in equiv. of a full time			14	1,358	0	284	116	173
(3)	Net profit of N year (in euro)	21,498,725							
(4)	Total remuneration (in euro)	107,502	2,681,271	1,407,486	37,012,029	-	10,180,127	4,177,179	5,316,386
(4.1)	Out of which: Variable Remuneration (in euro)	-	745,552	518,111	7,268,226	-	709,736	383,124	285,761

For the members of identified personnel (including the members of the management body) the quantitative information on remuneration for the year 2022, in EUR at an FX rate of 4.9193 RON/EUR, is presented below:

Nr. crt.		Members of the management body in its supervisory function	Members of the management body in its management function	Investment banking Services	Retail Banking Services	Assets administration	Corporate functions	Independent control functions	All other activity areas
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1)	**No of members of personnel**	9	6						
(2)	**No of members of Identified staff, in equiv. of a full time**			-	15	-	4	6	4
(3)	**No of members of Identified Staff within Management Body**								
(4)	**Total fixed remuneration (euro), out of which:**	**107,502**	**1,554,294**	**219,875**	**1,210,975**	**-**	**415,809**	**416,994**	**242,587**
(4.1)	cash	107,502	1,554,294	219,875	1,210,975	-	415,809	416,994	242,587
(4.2)	shares and instruments related to shares	-	-	-	-	-	-	-	-
(4.3)	other types of instruments	-	-	-	-	-	-	-	-
(5)	**Total variable remuneration (euro), out of which:**	**-**	**671,219**	**63,046**	**553,769**	**-**	**56,113**	**84,813**	**18,566**
(5.1)	cash	-	335,610	32,836	345,047	-	56,113	67,171	18,566
(5.2)	shares and instruments related to shares	-	335,610	30,210	208,722	-	-	17,642	-
(5.3)	other types of instruments	-	-	-	-	-	-	-	-

In 2022, there were not registered cases for miscarriage of the conditions for entering in rights in case of deferred remuneration or reduced through performance adjustments.

2.8 Compensators related to cessation of employment

In the financial year 2022, no payments were made for new employment or compensation payments for the cessation of employment relationships for members of senior management or members of staff whose actions have a significant impact on the institution's risk profile.

2.9 The number of persons benefiting from a remuneration of EUR 1 million or more per financial year:

There are no persons who received a remuneration of 1 million EUR or more in the financial year 2022.

3. RISK MANAGEMENT

3.1 Objectives and policies related to risks management

Within OTP BANK ROMANIA S.A. were established strategies and processes for managing the following risks:

- credit risk;
- market risk;
- the risk of credit value adjustment;
- position risk and currency risk;
- residual risk;
- interest rate risk from activities outside the trading portfolio;
- concentration risk;
- liquidity risk;
- operational risk;
- conduct risk;
- model risk;
- information and communication technology (ICT) and security risk;
- reputational risk;
- the risk related to outsourced activities;
- compliance risk including GDPR (general compliance risk and the risk related to the activities related to knowing the clientele and preventing money laundering and terrorist financing (KYC & AML/CFT));
- the risk associated with the excessive use of leverage
- the risk associated with deficiencies in the activity management framework, including internal control
- the risk associated with the macroeconomic crisis simulation (including risks external to the credit institution)
- strategic risk;
- risks external to the credit institution;
- ESG risks

Within OTP BANK ROMANIA S.A., the risk management is performed by the following subunits:

Risk Administration Directorate

Operational and Market Risk Department – which has the role of:

- defining the adequate systems, processes and policies for identification and assessment of the operational and market risks, including pricing, FX and interest rate risks related to the trading portfolio.
- systematic monitoring of compliance with the Bank's risk strategy and operational and market risk management system;
- development and implementation of adequate systems, processes and policies for identifying and assessing operational and market risks.

Credit risk Department – has the role of:

- systematically monitoring of the compliance with the Bank's risk strategy and the risks management system for lending activity;
- maintaining an appropriate quality of the credit risk portfolio and to control the exposure to credit risk by developing and implementing adequate systems, processes and lending policies;
- developing and implementing appropriate systems, processes and policies for lending risk management;
- Establishing procedures for exposures identification and recording and for their potentially changes, as well as monitoring mechanisms of those exposures, in accordance with the exposure policy.

Capital & Assets and Liabilities Management Directorate

Assets and Liabilities Management Department – has the role to:

- ensure the management of liquidity risk and interest rate risk on the banking book (elaborates norms and procedures, strategies; sets limits; defines stress tests scenarios; monitors the liquid assets; defines the methodology of supplementary capital allocation process for liquidity risks and interest rate on the banking book; elaborates internal and external reporting; provides support for finding solutions for covering the risks)
- perform liquidity indicators simulation, in compliance with the NBR's regulation
- determine supplementary capital requirement for liquidity and interest rate risk on banking book.

Strategy, Controlling and MIS Division

Controlling and Planning Department - has the role to:

- ensures the achievement of the analyses, reporting on the bank's financial performance, profitability of products and various activities, monitoring of costs;
- coordinate the preparation and monitoring of the implementation of the strategy and the business plan, coordinates the preparation of the annual budget and the multi-annual budget respectively
- coordinates the making of the analyses regarding the cost of credit risk, specific credit risk provisions as well as the bank's credit portfolio;
- coordinates the macroeconomic stress simulation in order to ensure support to other units of the Bank.

3.2 Management Body Declaration

In accordance with **the requirements of Article 435, (1) (e) of Regulation No. 575/2013 of the Parliament and the European Council on the prudential requirements for credit institutions and investment companies**, the Management body of OTP Bank Romania S.A. declares that the applied risk management systems are adequate taking into account the profile and strategy of the institution. The Bank has adequate risk reporting and monitoring systems that involve risk analysis and portfolio analysis to identify, control and manage the risks, as well as to provide their reporting to the management body of the bank.
This statement is approved by the Management body of OTP Bank Romania S.A. by approving this report.

According to the information presented below, the Management body of OTP Bank Romania S.A. declares relating to **the Article 435, (1) (f) of Regulation No. 575/2013 of the Parliament and the European Council on the prudential requirements for credit institutions and investment companies** that the risk profile is built in accordance with the Bank's risk appetite assumed by OTP Bank Romania SA's Risk Strategy and aims at a sustainable development of the Bank's activity. This statement is approved by the Management body of OTP Bank Romania S.A. by approving this report.

The risk profile represents all the risks the Bank's exposures to actual and potential risks in a particular moment in time. Risk appetite is the absolute level of risk, expressed for each significant risk category as well as at general level, which OTP Bank Romania S.A. is willing to accept it, in accordance with the established risk strategy and policies. Risk appetite is defined in terms of five risk categories: low; medium-low; medium; medium-high; high. Thus, the risk appetite of the bank is to have a general risk profile at a medium level as defined within the Risk Appetite Statement (Annex 3 to the present report)

The following graphs represent the evolution of the main indicators in 2022:

Figure 1 : EBA - defined NPE ratio

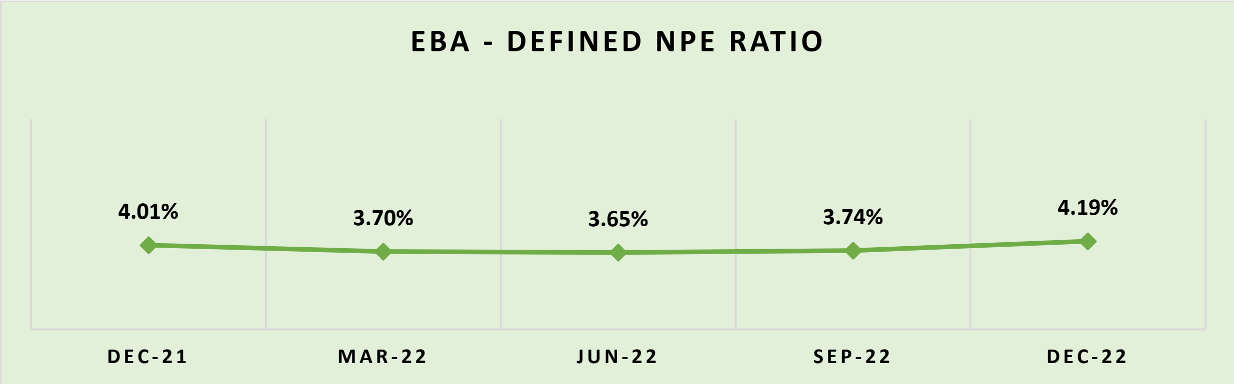


Figure 2: EBA - defined NPE coverage ratio

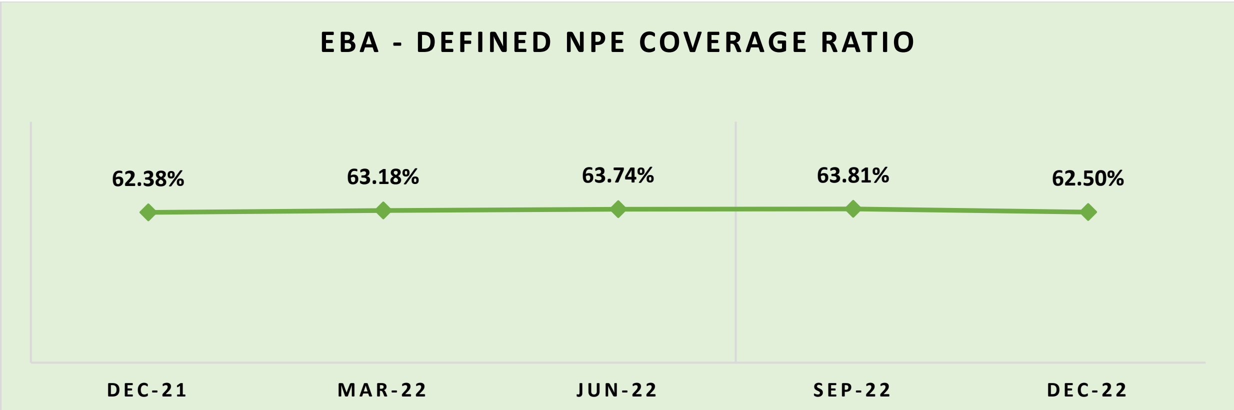


Figure 3 : Return on equity

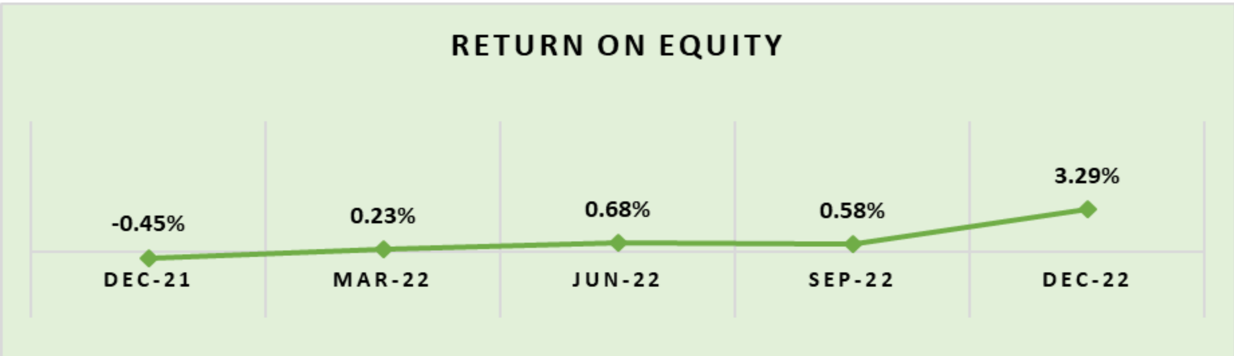
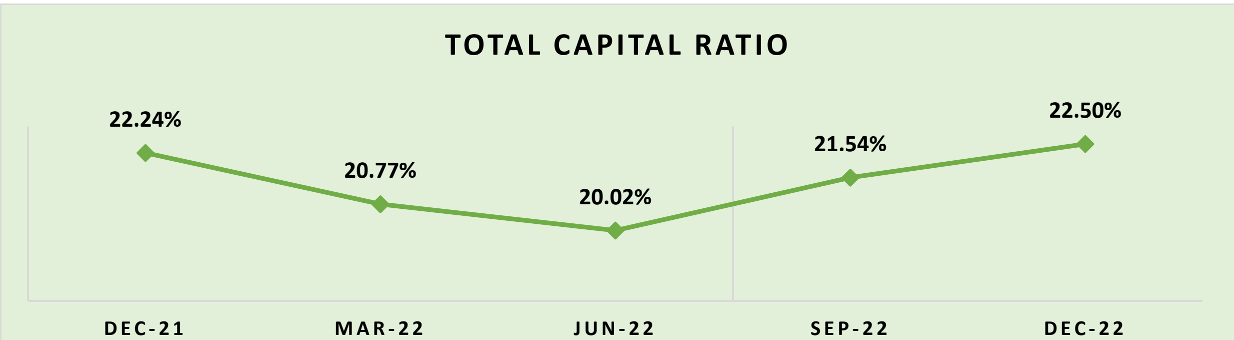


Figure 4: Total capital ratio



According to the above-mentioned indicators, the degree of solvency is at a comfortable level for the Bank, and there is a positive trend in the ROE indicator, despite the rise in the rate of non-performing loans and the slight decline in the degree of provision coverage.
Further detailed information referring to banks financial results for the financial year 2022 can be found in the Annual Report published on OTP website.

- ***Affiliates and related parties transactions***

According to NBR Regulation no.5/2013 referring to capital requirements for credit institutions, OTP Bank Romania has established adequate procedures and politics to identify individual exposures and transactions related to affiliated parties, to determine the total amount of this exposures, as well as to monitor and report this type of exposures thru un independent process of verification or of loan activity.

The activity is conduct with respect to the legal provision of art. 399-403 from EU Regulation no. 575/2013, the affiliated parties exposure registered after considering the effect of credit risk reduction during year 2018 is respecting the legal requirement of 25% from its eligible capital or, if the group of affiliated parties to the institution includes one or more institutions, the exposure value to that group may not exceed either 25% of the eligible credit institution's eligible capital or the equivalent of EUR 150 million depending on which of these the amounts are higher provided that, in the event of the application of the absolute limit, the sum of the exposure values for all related parties which are not institutions, does not exceed, after taking into account the credit risk mitigation effect in accordance with Art. 399-403 of Regulation (EU) No. 575/2013, 25% of the eligible capital of the Bank.
If the equivalent of EUR 150 million is greater than 25% of the eligible credit institution's exposure capital, the exposure value shall not exceed, after taking into account the effect of the credit risk mitigation in accordance with Art. 399-403 of Regulation (EU) No. 575/2013, 100% of the eligible capital of the Bank.

Therefore, on 31.12.2022 the situation of affiliated parties was:

- Individual level (OTP Bank Romania SA)

<table>
<tr><th rowspan="3">No. of clients</th><th rowspan="3">Gross exposure RON</th><th rowspan="3">Provisions RON</th><th colspan="3">Deduced amounts RON</th><th colspan="2">Net exposure</th></tr>
<tr><th rowspan="2">without protection</th><th colspan="2">with protection</th><th rowspan="2">Net exposure RON</th><th rowspan="2">% din FP</th></tr>
<tr><th>financed</th><th>not financed</th></tr>
<tr><td colspan="8">Non-institutions</td></tr>
<tr><td>43</td><td>94,634,774</td><td>4,774,475</td><td>15,278,853</td><td>1,970,988</td><td>0</td><td>72,610,458</td><td>3.24%</td></tr>
<tr><td colspan="8">Institutions</td></tr>
<tr><td>2</td><td>325,438,592</td><td>17,093</td><td>0</td><td>0</td><td>0</td><td>325,421,499</td><td>14.53%</td></tr>
<tr><td>45</td><td>420,073,366</td><td>4,791,568</td><td>15,278,853</td><td>1,970,988</td><td>0</td><td>398,031,957</td><td>17.77%</td></tr>
</table>

- On consolidated level (OTP Bank Romania S.A., OTP Leasing and OTP Factoring SRL):

<table>
<tr><th rowspan="3">No. of clients</th><th rowspan="3">Gross exposure RON</th><th rowspan="3">Provisions RON</th><th colspan="3">Deduced amounts RON</th><th colspan="2">Net exposure</th></tr>
<tr><th rowspan="2">without protection</th><th colspan="2">with protection</th><th rowspan="2">Net exposure RON</th><th rowspan="2">% din FP</th></tr>
<tr><th>financed</th><th>not financed</th></tr>
<tr><td colspan="8">Non-institutions</td></tr>
<tr><td>46</td><td>62,319,931</td><td>245,759</td><td>4,525,107</td><td>508</td><td>0</td><td>57,548,557</td><td>2.53%</td></tr>
<tr><td colspan="8">Institutions</td></tr>
<tr><td>2</td><td>326,586,045</td><td>17,295</td><td>0</td><td>0</td><td>0</td><td>326,568,750</td><td>14.38%</td></tr>
<tr><td>48</td><td>388,905,976</td><td>263,054</td><td>4,525,107</td><td>508</td><td>0</td><td>384,117,307</td><td>16.91%</td></tr>
</table>

3.3 Strategies and processes for each category of risk management

The general frame for the management of significant risks within OTP BANK ROMANIA S.A. is regulated by the Risk Strategy, in compliance with the stipulations of Government Emergency Ordinance no. 99/2006, with subsequent amendments and completions and Regulation no. 5/2013 on prudential requirements for the credit institutions with subsequent amendments and completions and EU Regulation no. 575/2013 of European Parliament and Board from June 26, 2013 regarding prudential requests for credit institution and investment firms and modification of Regulation EU no. 648/2012.

3.3.1 Credit Risk Management

A. Objectives and strategy

The Bank's objectives in respect of the credit risk management were related to:

- building a diversified portfolio whose performance does not depend excessively on the performance of an industry, geographical region or group of borrowers to ensure long-term stable profitability;
- Increasing the profitability of the credit products;
- Increasing the capacity to collect overdue receivables;
- maintaining the solvency indicator within normal limits sot that the capital requirement for credit risk does not excessively grow;
- Maintaining the portfolio quality through quarterly monitoring of a set of indicators calculated according to the methodology presented by National Bank of Romania:
  - Non-performing exposures ratio – according to European Banking Authority definition is no more than 7%[1];
  - The coverage ratio with non-performing loans - The European Banking Authority's definition does not fall below 60%[2];
  - Forborne non-performing exposures to total forborne exposures is no more than 75%[3];
  - Annual growth rate of total loans is no more than 20%[4];
  - Forbearance ratio for loans and advances is no more than 7%[5];
  - Total write off losses in total exposure written off is no more than 10%.

The Bank's strategy for 2022 related to the credit risk management include the following principles:

I. The basic requirements regarding lending principles include:
   - the primary repayment sources of lending should be the cash flows generated from the enterprise's activity or, in the case of private individuals, long-term, regular income;
   - when developing the conditions of new products and upon the review of existing schemes, risk parameters should comply with OTP Group standards, reflecting country-specific differences.

II. The Bank's desirable clientele are customers:
   - whose creditworthiness is appropriate and whose risk is deemed to be low or medium based on their debtor rating;
   - whose activity and business management are transparent, and they cooperate with the Bank;
   - whose income is regular, stable, verifiable and whose willingness to pay is also adequate;
   - in respect of their financial standing and reliability, solid data – preferably from independent sources – are available for the longest possible period;
   - whose payment ability and willingness to pay have been confirmed by positive experience or information / reference or, at least, any negative experience / information can be ruled out;
   - who operate in a sector where future prospects are expected to improve or at least to stabilize.

III. The Bank assumes credit risks where:

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[1] Non-performing exposures/Total exposures - FINREP, F18, [Raw 005, 070, 191, 221; Column 060] / [Raw 005, 070, 191, 221; Column 10];

[2] Provisions related to non-performing exposures/Total non-performing exposures – FINREP, F18, [Raw 005, 070, 191, 221; Column 150] / [Raw 005, 070, 191, 221; Column 060];

[3] Nonperforming forborne exposures/ Total forborne exposures-FINREP, F19, [Raw 330; Column 060] / [Raw 330; Column 010];

[4] Total loans and advances (A)t / Total loans and advances (A)t-12] -1] * 100- FINREP, F 01.01, [Raw 090, 095, 099, 130, 144, 174, 178, 183, 233, 237; Column 10];

[5] Forbearance ratio for loans and advances - FINREP, F19, [Raw 070, 191, 221, Column 010] / FINREP, F18, [Raw 070, 191, 221; Column 010]

- the loan purpose is known in sufficient details and, based on this, repayment is scheduled according to the purpose of the loan as well as the currency and the expected availability of the repayment sources (cash flows and non-collateral-based lending);
- no compliance sensitivity arises with respect to the financing of the loan purpose /customer (e.g. customers engaged in illegal trade in arms, manufacture of arms, gambling or other activities undesirable from the perspective of corporate social responsibility);
- the debtor has sufficient experience in and commitment to (own funds) the financed transaction;
- the risks are known and assessed also by the debtor to the sufficient degree, and those are proportionate with the debtor's debt service capacity (no excessive commitment);
- the tenor of the transaction falls in a period in respect of which the debtor's financial standing and the trends in its business environment can be assessed with satisfactory degree of certainty;
- the Bank earns profit, preferably at the level of the individual transactions, but at least at the level of the customer relationship as a whole;
- the environmental requirements are satisfied.

IV. The Bank's objective is to ensure that upon elaborating the products and processes, is to ensure that:
- the lending conditions are defined both at the level of the standard credit products and the individual transactions in a way where they provide the Bank with sufficient room for manoeuvre and substantive possibility to intervene in the event of stress situations (e.g. excessively long maturities should be avoided);
- the contractual conditions flexibly support potential crisis management;
- a modern, database-driven, centralized assessment process is available in all customer segments that can be served in large volume and where risks are reckoned with relying on a database rather on the personal knowledge of the customer, and the personal deliberation can be replaced by model-based risk filtering;
- the definition of the maximum loan amount ensures the granularity of the portfolio in segments served in large numbers;
- product conditions become attractive for customers desirable for the Bank, who performed well in the past and have a stable background. The goal is to prevent the attrition of customers and to facilitate the gradual removal of non-desirable customers from the portfolio;
- the acquisition of new customers, the expansion of the customer base is supported;
- the conditions available for the individual borrowers in the portfolio are established in a differentiated manner based on the risks, with special view to the maximum loan amount, the minimum collateral coverage and the price;
- adequate IT support, and thereby measurability, is ensured.

V. If upon risk assumption the requirements towards the desirable clientele are not satisfied, risks may be assumed subject to conditions under which the higher risk can be mitigated to a high probability (at least partially). These sub-portfolios of higher (but still assumable) risks may be financed up to the degree defined in the Credit The categories eligible for loan subject to conditions typically include the following transactions and portfolios: Policy and subject to individual limits.

VI. The categories eligible for loan subject to conditions typically include the following transactions and portfolios:
- Financing of corporate customers active in cyclical industries;
- Loans secured by real estate, granted to retail customers with no natural (foreign currency) hedge;
- Retail real estate financing transactions with high loan-to-value ratio;
- Financing granted to non-resident private individuals;
- Long-term consumer loans with high loan amount;
- Loans granted to high-risk (subprime) private individuals.

VII. Those segments that in the longer run may represent higher risk and upon the occurrence of a potential crisis are more likely to generate a loss, essentially should be avoided, but in exceptional cases – as regulated in the annual Credit Policy – they may be financed subject to stricter conditions and special deliberation/consideration. These include particularly:
- significant, larger, special exposures representing high concentration
- risk assumption vis-a-vis corporate clientele where the potential legal enforcement of the collateral carries reputation risk,
- consumer loans granted to retail customers with no natural (foreign currency) hedge;
- granting of high-amount, unsecured loan for long term to clientele in tight financial situation;
- financing the business needs of small entrepreneurs by loans granted to private individuals.

The Bank does not finance:

- **Customers:**
  - vis-a-vis whom risk assumption is excluded by international treaties, EU acts and international laws;
  - carrying high risk from a compliance perspective;
  - whose activity is likely to be against public morals or social ethics, or is connected to crime;
  - who can be connected, directly or indirectly, with criminal activities or the wilful violation or circumvention of legal regulations.

- **Operations:**
  - the purpose of which is to violate legal regulations. Prohibited business areas include illegal arms trade, prohibited gambling, drug trade and any other illegal activity (e.g. money laundering, black economy);
  - that do not comply with environmental requirements;
  - that do not comply with the principles of responsible lending (e.g. the debt service capacity of the customer does not ensure the repayment of the loan);
  - that involve the purchase of equity instrument issued by the credit institution Group member or by a closely related legal entity, or the purchase of cooperative share.

B. Bank's exposure to credit risk and the risk of diminishing the amount of the claim

Definition of Approaches and Applied Methods for Recognizing Amendments to Expected Loans Losses under IFRS 9

IFRS 9 establishes a new depreciation model based on a forward-looking approach to "losses expected" that apply:

- Financial assets measured at amortized cost;
- Assets valued at fair value recognized in other comprehensive income, and
- Financing commitments and financial guarantee contracts.

According to the expected loss pattern set by IFRS 9, a credit event (impairment indicator) should not take place before the recognition of the loss adjustments. Consequently, expected losses should always be recognized at the level of at least the next 12 months. The expected loss over the entire period of the financial instrument will be recognized in the event of a significant increase in credit risk compared to the time of initial recognition.

OTP Bank Romania considers a wide range of relevant, reasonable and justifiable information when applying ECL accounting models relating to historical data, current conditions and projections of the future economic environment, as detailed in the continuation of this document. The judgment based on credit experience is taken into account when establishing future scenarios and potential consequences arising from the occurrence of risk events.

IFRS 9 sets out a three-stage depreciation 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**: Performance exposures and credit risk did not significantly increase - Recognition of expected losses for the next 12 months;
- **Stage 2**: Performance exposures but credit risk increased significantly from the time of initial recognition - Recognizing the expected lifetime loss;
- **Stage 3**: Non-performing exposures so that the financial asset is depreciated - Recognizing the expected lifetime loss.

From the perspective of classifying the exposures that are subject to a moratorium in the 3 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 time horizon of the moratorium should not be considered in the cure periods: nor for forborne, nor for default
5. The time horizon of the moratorium should 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. Deterioration to stage 2 or stage 3 must be investigated continuously and with all subjective or objective triggers.
8. 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 2022, the methodology for recognizing impairment adjustments in accordance with IFRS 9 was revised in order to anticipate the negative economic effects of the Russia-Ukraine conflict and the COVID-19 pandemic on the quality of the loan portfolio.

The Bank uses two approaches to estimate the expected losses:

- Individual assessment
- Collective assessment

Recognition of expected loss on loans on an individual basis

Recognition of the expected loss over the life of the financial assets on a collective basis should take 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 adjustment for impairment on a collective basis, the Bank will group financial instruments based on common credit risk characteristics in order to facilitate the early identification of significant credit risk growth.

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 in these values indicates the favorable relevance of including the collective analysis sub-segment.

Recognition of expected loss on loans on an individual basis

Exposures will be analyzed on an individual basis if they meet the following depreciation and exposure conditions:

- Exposures related to legal entities or other economic entities with group values of more than EUR 300 thousand in equivalent, classified in Stage 3
- Exposures to legal entities or other economic entities managed by the Restructuring and Recovery Department Loans (regardless of value)
- Exposures related to real estate mortgaged individuals with RON 500 thousand equivalent equivalents, classified in Stage 3
- Exposures subject to notification under the "Law on the payment of real estate in order to settle the liabilities assumed by credits no.77 /2016"

If the exposure improves its status and is reclassified in more favorable Stages than Stage 3, the exposure will be moved to the collective area.

The individual rating can be performed for exposures below the threshold above. Transfer from collective evaluation to individual assessment (and vice versa) is subject to the approval of the responsible person / s in accordance with the Bank regulations.

The individual assessment could be considered in the case of an independent / external valuation of a portfolio before the sale. In this case, independent / external evaluations must meet all the individual assessment requirements defined in the Bank regulations.

If the situation in which exposure to a legal entity does not improve your status and remains classified in Stage 3 but its value falls below the established materiality thresholds, the customer will remain in the individual-based scope of analysis for the entire period during which the Stage 3 classification maintained.

If a legal entity customer or other economic entities are individually analysed, all of the Bank's exposures to that client will be individually analysed.

Given the current macroeconomic context, displayed by the increased global insecurities generated by geopolitical tensions and the energy crisis caused by the armed conflict in Ukraine, the classical models fail to accurately capture the conditions in the financial markets from both the perspective of the behavior of economic agents and the insecurities generated by the political-economic situations. In order to prevent the propagation of effects induced by risks specific to certain sectors of activity and to account for a broader range of expected macroeconomic scenarios, the Bank implemented additional "overlays" provisions.
The term "overlay" refers, by definition, to adjustments made outside the primary model with the intention of improving it by taking into consideration multiple possible events.

3.3.2 The management of the concentration risk

The concentration risk is that kind of risk arising from exposures towards counterparties, groups of related counterparties and counterparties from the same economic sector, geographic region or the same activity or goods or credit risk mitigation techniques and includes particularly the risks with large indirect exposures to credit risk (e.g. towards a single collateral issuer).

Concentration risk is measured and mitigated with internal limits. Setting the internal limits shall be done after analyzing the structure of the loan portfolio, including its estimate trends.
In order to manage the concentration risk, the Bank assumes a MEDIUM level of concentration risk, because it has a solid limits system and procedures that are periodically amended in accordance to the market and portfolio evolution.

3.3.3 Quantitative and qualitative information on credit and concentration risks

Table 1: Form 4: EU OV1 - Overview of RWA

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31.12.2022	31.12.2021	31.12.2022
1	**Credit risk (excluding CCR)**	**8,599,475,439**	**8,750,235,405**	**687,958,035**
2	**Of which the standardised approach**	**8,599,475,439**	**8,750,235,405**	**687,958,035**
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU 4a	Of which: equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**73,153,020**	**40,276,070**	**5,852,242**
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	**Of which exposures to a CCP**	**63,478,970**	**33,355,470**	**5,078,318**
EU 8b	**Of which credit valuation adjustment - CVA**	**9,674,050**	**6,920,600**	**773,924**
9	Of which other CCR	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250%	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**10,160,575**	**5,096,363**	**812,846**
21	**Of which the standardised approach**	**10,160,575**	**5,096,363**	**812,846**
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	**Operational risk**	**1,271,434,893**	**1,110,081,495**	**101,714,791**
EU 23a	**Of which basic indicator approach**	**1,271,434,893**	**1,110,081,495**	**101,714,791**
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	-	-	-
29	**Total**	**9,954,223,927**	**9,905,689,333**	**796,337,914**

The following table presents the total and average values, in ths. m.u, in the period representing the net average exposure per exposures classes:

Table 2: Form 7: UE CRB-B – Net total and average exposure for the period

(ths RON)	**Net Exposure at the end of period**	**Net average exposure for the period**
Central governments or central banks	4,735,689	4,320,716
Regional governments or local authorities	159,485	112,633
Public sector entities	0	0
Multilateral Development Banks	0	0
International organizations	0	0
Institutions	777,374	882,661
Companies	7,527,325	7,018,323
Retail	4,058,906	4,313,812
Secured by mortgages on immovable property	5,285,586	5,020,188
Overdue elements	328,845	334,080
Items associated with particularly high risk	0	0
Guaranteed bonds	0	0
Short claims on institutions and corporate	0	0
Collective Investments Undertakings (CIU)	13,089	13,201
Equity exposures	70,908	68,522
Other elements	1,231,159	1,059,979
Total	**24,188,365**	**23,144,116**

Tabel 5: Formularul 10- UE CRB-E: Exposure maturity

(ths.RON)	**On demand**	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No maturity declared**	**Total**
Central governments or central banks	0	2,327,863	1,018,778	668,537	1,047,243	5,062,421
Regional governments or local authorities	0	21,367	2,386	131,517	0	155,270
Public sector entities	0	79,253	173	0	248,549	327,975
Companies	0	2,831,114	1,993,128	2,105,958	2,815	6,933,015
Retail	2	1,025,654	1,996,759	785,017	6,115	3,813,546
Exposures secured by mortgages on immovable property	0	125,312	167,367	4,927,757	4	5,220,439
Exposures in default	0	75,658	123,122	132,220	29,872	360,872
Collective investment (OPC)	0	0	0	0	12,434	12,434
Equity exposures	0	0	0	0	75,308	75,308
Other items	0	35,996	12	0	1,097,357	1,133,365
Total	**2**	**6,522,215**	**5,301,725**	**8,751,006**	**2,519,698**	**23,094,645**

Table 7: EU CQ1:: Credit quality of forborne exposures

	Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
Loans and advances	107,805,806	223,352,686	223,352,686	223,352,686	(9,012,324)	(145,485,429)	166,960,802	75,608,757
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	50,708,894	167,979,337	167,979,337	167,979,337	(3,538,372)	(117,617,905)	96,906,805	50,090,944
Households	57,096,912	55,373,349	55,373,349	55,373,349	(5,473,952)	(27,867,524)	70,053,997	25,517,813
Debt Securities	-	-	-	-	-	-	-	-
Loan commitments given	335,644	174,461	174,461	174,461	-	-	-	-
Total	**108,141,450**	**223,527,147**	**223,527,147**	**223,527,147**	**-9,012,324**	**-145,485,429**	**166,960,802**	**75,608,757**

Table 8: EU CQ2: Quality of forbearance

	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	92,665,594
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	132,116,573

Table 9: CQ3: Credit quality of performing and non-performing exposures by past due days

	Gross carrying amount / Nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**1,101,218,887**	**1,101,218,887**	-	-	-	-	-	-	-	-	-	-
Loans and advances	**13,712,517,379**	**13,622,533,909**	**89,983,470**	**648,091,136**	**305,448,343**	**83,785,175**	**71,024,629**	**79,087,646**	**29,094,950**	**12,178,616**	**67,471,777**	**648,091,136**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	126,064,820	126,064,293	527	-	-	-	-	-	-	-	-	-
Credit institutions	41,785,299	41,785,299	-	-	-	-	-	-	-	-	-	-
Other financial corporations	496,386,389	496,382,625	3,764	119,829	119,829	-	-	-	-	-	-	119,829
Non-financial corporations	6,333,408,011	6,323,456,783	9,951,228	352,064,268	171,507,467	40,858,495	34,435,681	23,247,874	16,460,293	5,527,372	60,027,086	352,064,268
Of which SMEs	5,013,756,401	5,003,807,510	9,948,891	252,470,683	135,007,557	29,939,667	16,711,222	23,247,874	16,460,293	5,527,372	25,576,698	252,470,683
Households	6,714,872,860	6,634,844,909	80,027,951	295,907,039	133,821,047	42,926,680	36,588,948	55,839,772	12,634,657	6,651,244	7,444,691	295,907,039
Debt Securities	**4,036,841,853**	**4,036,841,853**	-	-	-	-	-	-	-	-	-	-
Central banks	2,196,820,929	2,196,820,929	-	-	-	-	-	-	-	-	-	-
General governments	1,824,303,614	1,824,303,614	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	15,717,310	15,717,310	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**2,918,489,203**			**37,097,855**								**37,097,855**
Central banks	-			-								-
General governments	32,550,941			-								-
Credit institutions	67,035,071			-								-
Other financial corporations	82,019,172			5,356								5,356
Non-financial corporations	2,670,363,700			36,382,466								36,382,466
Households	66,520,319			710,033								710,033
Total	**21,769,067,322**	**18,760,594,649**	**89,983,470**	**685,188,991**	**305,448,343**	**83,785,175**	**71,024,629**	**79,087,646**	**29,094,950**	**12,178,616**	**67,471,777**	**685,188,991**

Table 10: Template EU CR1: Performing and non-performing exposures and related provisions

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
005	**Cash balances at central banks and other demand deposits**	**1,101,218,887**	**1,101,218,887**	**0**	**0**	**0**	**0**	**-597,189**	**-597,189**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
010	**Loans and advances**	**13,712,517,379**	**11,745,138,825**	**1,945,137,023**	**648,091,136**	**0**	**604,743,181**	**-320,671,880**	**-128,805,806**	**-190,941,493**	**-393,364,194**	**0**	**-377,952,298**	**-62,322,464**	**10,570,263,587**	**212,363,902**
020	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	126,064,820	126,064,820	0	0	0	0	-361,408	-361,408	0	0	0	0	0	93,777,780	0
040	Credit institutions	41,785,299	41,785,299	0	0	0	0	-127,680	-127,680	0	0	0	0	0	0	0
050	*Other financial corporations*	496,386,389	495,711,179	675,210	119,829	0	119,829	-10,963,035	-10,882,453	-80,582	-88,438	0	-88,438	0	131,343,748	0
060	*Non-financial corporations*	6,333,408,011	5,458,465,274	873,802,883	352,064,268	0	340,816,106	-156,019,734	-90,616,774	-65,324,178	-224,264,250	0	-219,419,890	-62,322,464	4,904,080,869	123,901,658
070	*Of which: SMEs*	5,013,756,401	4,413,292,890	599,323,658	252,470,683	0	241,847,504	-116,526,684	-68,994,879	-47,453,023	-157,482,650	0	-152,638,290	-15,416,845	3,956,212,753	91,089,671
080	*Households*	6,714,872,860	5,623,112,253	1,070,658,930	295,907,039	0	263,807,246	-153,200,023	-26,817,491	-125,536,733	-169,011,506	0	-158,443,970	0	5,441,061,190	88,462,244
090	**Debt Securities**	**4,036,841,853**	**486,016,405**	**0**	**0**	**0**	**0**	**-10,471,688**	**-2,582,512**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
100	Central banks	2,196,820,929	0	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	1,824,303,614.00	486,016,405	0	0	0	0	-10,471,688	-2,582,512	0	0	0	0	0	0	0
120	Credit institutions	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	15,717,310	0	0	0	0	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
150	**Off-balance sheet exposures**	**2,918,489,203**	**2,705,311,813**	**213,177,390**	**37,097,855**	**0**	**37,097,855**	**48,814,527**	**38,843,516**	**9,971,011**	**9,970,744**	**0**	**9,970,744**	**0**	**1,542,426,593**	**20,842,430**
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
170	General governments	32,550,941	32,550,941	0	0	0	0	46,390	46,390	0	0	0	0		24,725,402	0
180	Credit institutions	67,035,071	67,035,071	0	0	0	0	0	0	0	0	0	0		58,644,063	0
190	Other financial corporations	82,019,172	82,017,466	1,706	5,356	0	5,356	1,270,373	1,270,140	233	3,953	0	3,953		39,335,037	0
200	Non-financial corporations	2,670,363,700	2,457,940,018	212,423,682	36,382,466	0	36,382,466	47,026,351	37,137,391	9,888,960	9,566,807	0	9,566,807		1,411,193,310	20,837,588
210	Households	66,520,319	65,768,317	752,002	710,033	0	710,033	471,413	389,595	81,818	399,984	0	399,984		8,528,781	4,842
220	***Total***	**21,769,067,322**	**16,037,685,930**	**2,158,314,413**	**685,188,991**	**0**	**641,841,036**	**-380,555,284**	**-170,829,023**	**-200,912,504**	**-403,334,938**	**0**	**-387,923,042**	**-62,322,464**	**12,112,690,180**	**233,206,332**

Table 11: CQ4: Quality of non-performing exposures by geography

	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance-sheet exposures	**14,360,609**	**648,090**	**648,091**	**14,360,609**	**-714,036**	**-**	**-**
Romania	14,258,416	646,079	646,079	14,258,416	-711,788		
Germany	56,928	6	6	56,928	-1,439		
Ireland	15,739	50	50	15,739	-85		
Switzerland	9,019	1,623	1,623	9,019	-47		
United States	6,896	1	1	6,896	-154		
France	5,470	0	0	5,470	-43		
United Kingdom	2,016	0	0	2,016	-47		
Slovakia	1,825	0	0	1,825	-124		
Slovenia	1,597	1	1	1,597	-48		
Spain	761	1	1	761	-23		
Canada	327	0	0	327	-8		
Poland	262	27	27	262	-24		
Austria	241	0	0	241	-19		
Denmark	236	78	78	236	-67		
Hungary	230	1	1	230	-1		
Belgium	195	195	195	195	-65		
Norway	162	0	0	162	-9		
Italy	92	0	0	92	-10		
Netherlands	76	0	0	76	-5		
Macedonia	72	7	7	72	-8		
Portugal	11	0	0	11	-1		
Moldavia	9	4	4	9	-4		
Sri Lanka	5	3	3	5	-3		
Ukraine	1	1	1	1	-1		
Lithuania	1	1	1	1	-1		
Sweden	1	0	0	1	0		
Croatia	1	0	0	1	0		
Greece	1	1	1	1	-1		
Bulgaria	1	0	0	1	0		
Czech Republic	1	0	0	1	0		
Off-balance-sheet exposures	**2,955,588**	**37,098**	**37,098**	**2,955,588**	**-58,785**	**-**	**-**
Romania	2,892,709	37,097	37,097	2,892,709	-58,721		
Hungary	58,766	1	1	58,766	-1		
Netherlands	3,135	0	0	3,135	-62		
Poland	849	0	0	849	0		
United Kingdom	39	0	0	39	0		
Ireland	25	0	0	25	0		
Italy	16	0	0	16	-1		
Portugal	15	0	0	15	0		
Bulgaria	10	0	0	10	0		
Switzerland	2	0	0	2	0		
Total	**17,316,196**	**685,188**	**685,189**	**17,316,196**	**-772,821**	**-**	**-**

Table 12: EU CQ5: Credit quality of loans and advances by industry

	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing		of which: loans and advances subject to impairment		
			of which: defaulted			
Agriculture, forestry and fishing	1,258,119,287	38,258,322	38,258,322	1,258,119,287	-47,377,063	-
Mining and quarrying	35,245,331	-	-	35,245,331	-607,204	-
Manufacturing	956,833,956	86,690,891	86,690,891	956,833,956	-103,122,487	-
Electricity, gas, steam and air conditioning supply	142,158,712	18,050,529.00	18,050,529	142,158,712	-12,801,967	-
Water supply	43,692,383	331,337	331,337	43,692,383	-1,150,482	-
Construction	899,523,668	77,491,971.00	77,491,971	899,523,668	-59,263,271	-
Wholesale and retail trade	1,250,934,165	69,743,103	69,743,103	1,250,934,165	-74,287,636	-
Transport and storage	313,191,173	9,694,882.00	9,694,882	313,191,173	-19,965,362	-
Accommodation and food service activities	254,034,495	6,757,580	6,757,580	254,034,495	-7,232,323	-
Information and communication	29,805,344	6,845,148.00	6,845,148	29,805,344	-3,135,976	-
Real estate activities	1,217,835,407	9,107,969	9,107,969	1,217,835,407	(25,069,387)	-
Financial and insurance actvities	0	-	-	0	0	-
Professional, scientific and technical activities	104,377,757	23,806,733	23,806,733	104,377,757	-16,816,749	-
Administrative and support service activities	97,311,923	3,896,150.00	3,896,150	97,311,923	-6,426,199	-
Public administration and defense, compulsory social security	10	-	-	10.00	-	-
Education	9,626,502	-	-	9,626,502	-627,721	-
Human health services and social work activities	58,850,884	-	-	58,850,884	-1,386,474	-
Arts, entertainment and recreation	6,263,316	1,073,817	1,073,817	6,263,316	-579,274	-
Other services	7,667,966	315,836	315,836	7,667,966	-434,409	-
Total	**6,685,472,279**	**352,064,268**	**352,064,268**	**6,685,472,279**	**-380,283,984**	**-**

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Table 13: EU CQ6: Collateral valuation – loans and advances

	Loans and advances										
		Performing		Non Performing							
					Unlikely to pay that are not past due or past due <= 90 days	Past due > 90 days					
			of which past due > 30 days <= 90 days				of which Past due > 90 days <= 180 days	of which Past due > 180 days <= 1 year	of which Past due > 1 years <=2 years	of which Past due > 2 years <=5 years	of which Past due > 5 years <=7 years
Gross carrying amount	**14,360,608,515**	**13,712,517,379**	**89,983,470**	**648,091,136**	**305,448,343**	**342,642,793**	**83,785,175**	**71,024,629**	**79,087,646**	**29,094,950**	**12,178,616**
Of which: secured	13,875,421,209		88,417,309	615,735,802	290,667,966	325,067,836	82,426,496	67,640,682	74,314,664	27,910,022	12,095,906
Of which: secured with Immovable property	9,618,828,438		65,474,677	366,382,743	211,172,583	155,210,158	48,474,221	16,833,598	16,327,418	18,316,866	11,344,503
Of which: instruments with LTV higher than 60% and lower or equal to 80%	2,555,396,025	2,455,810,221		99,585,804	76,309,193	23,276,611					
Of which: instruments with LTV higher than 80% and lower or equal to 100%	2,076,799,745	2,039,797,136		37,002,609	23,265,416	13,737,193					
Of which: instruments with LTV higher than 100%	1,492,533,002	1,403,674,026		88,858,976	36,167,804	52,691,172					
Accumulated impairment for secured assets	**-675,589,069**	**-312,937,565**	**-12,558,957**	**-362,651,504**	**-126,261,671**	**-236,389,832**	**-52,724,055**	**-38,434,753**	**-56,466,531**	**-23,491,568**	**-9,030,400**
Collateral											
Of which value capped at the value of exposure	**10,666,772,843**	**10,454,893,210**	**61,454,964**	**211,879,633**	**152,633,278**	**59,246,356**	**23,252,580**	**20,697,734**	**5,093,984**	**2,700,207**	**3,064,341**
Of which: Immovable property	8,194,510,278	8,028,940,082	55,003,427	165,570,196	127,853,539	37,716,659	18,109,377	5,964,569	4,603,909	2,478,960	3,029,358
Of which value above the cap	**9,213,887,821**	**8,615,778,830**	**52,439,936**	**598,108,991**	**370,351,779**	**227,757,211**					
Of which: Immovable property	7,831,454,590	7,320,315,082	50,947,285	511,139,508	317,903,615	193,235,891					
Financial guarantees received	**115,854,646**	**115,370,377**	**1,105,250**	**484,269**	**358,638**	**125,631**	**124,070**	**0**	**0**	**1,561**	**0**
Accumulated partial write-off	**(62,322,464)**	**0**	**0**	**(62,322,464)**	**0**	**(62,322,464)**	**0**	**0**	**0**	**0**	**0**

Table 14: EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown

	Reducerea soldului datoriei		Totalul garanțiilor reale obținute prin intrare în posesie									
					Executate silit ≤ 2 ani		Executate silit > 2 ani ≤ 5 ani		Executate silit > 5 ani		Din care active imobilizate deținute în vederea vânzării	
	Valoarea contabilă brută	Modificări negative cumulate	Valoarea la recunoașterea inițială	Modificări negative cumulate	Valoarea la recunoașterea inițială	Modificări negative cumulate	Valoarea la recunoașterea inițială	Modificări negative cumulate	Valoarea la recunoașterea inițială	Modificări negative cumulate	Valoarea la recunoașterea inițială	Modificări negative cumulate
Garanții reale obținute prin intrare în posesie clasificate drept imobilizări corporale	-	-	-	-								
Garanții reale obținute prin intrare în posesie, altele decât cele clasificate drept imobilizări corporale	8,084,680	-3,528,879	3,733,486	-	2,455,950	-	1,277,536	-	-	-	3,733,486	3,733,486
Bunuri imobile locative	8,084,680	-3,528,879	3,733,486	-	2,455,950	0	1,277,536	-	-	-	3,733,486	3,733,486
Bunuri imobile comerciale	-	-	-	-	-	-	-	-	-	-	-	-
Bunuri mobile (auto, transport naval etc.)	-	-	-	-	-	-	-	-	-	-	-	-
Instrumente de capitaluri proprii și de datorie	-	-	-	-	-	-	-	-	-	-	-	-
Alte garanții reale	-	-	-	-	-	-	-	-	-	-	-	-
Total	**8,084,680**	**-3,528,879**	**3,733,486**	**-**	**2,455,950**	**-**	**1,277,536**	**-**	**-**	**-**	**3,733,486**	**3,733,486**

Table 15: EU CQ7: Collateral obtained by taking possession and execution processes

	Garanții reale obținute prin intrare în posesie	
	Valoarea la recunoașterea inițială	Modificări negative cumulate
Imobilizări corporale	-	-
Altele decât imobilizările corporale	3,733,486	-
Bunuri imobile locative	3,733,486	-
Bunuri imobile comerciale	0	-
Bunuri mobile (auto, transport naval etc.)	0	-
Instrumente de capitaluri proprii și de datorie	0	-
Alte garanții reale	0	-
Total	**3,733,486**	**-**

Table 16: Template EU CR2: Changes in the stock of non-performing loans and advances

	Gross carrying amount
Initial stock of non-performing loans and advances	**583,086,880**
Inflows to non-performing portfolios	272,523,391
Outflows from non-performing portfolios	-207,519,135
Outflows due to write-offs	-83,077,258
Outflow due to other situations	-13,503,889
Final stock of non-performing loans and advances	**648,091,136**

Table 17: Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

	Gross carrying amount	Related net cumulated recoveries
Initial stock of non-performing loans and advances	**583,086,880**	
Inflows to non performing portfolios	272,523,391	
Outflows from non-performing portfolios	-207,519,135	
Outflow to performing portfolio	-13,503,889	
Outflow due to loan repayment, partial or total	-95,070,274	
Outflow due to collateral liquidations	-10,041,675	10,041,675
Outflow due to taking possession of collateral	-2,658,348	1,043,456
Outflow due to sale of instruments	-1,307,974	1,307,974
Outflow due to risk transfers	-	-
Outflows due to write-offs	-83,077,258	
Outflow due to Other Situations	-	
Outflow due to reclassification as held for sale	-	
Final stock of non-performing loans and advances	**648,091,136**	

3.3.4 Using credit risk mitigation techniques

The bank has developed internal regulations, which state the types of accepted collaterals regarding contracts, which imply any level of exposure, as well as the conditions for accepting these collaterals. At the same time, the Bank makes efforts to include, as part of loan transactions, collaterals that do not have a guarantee value, in order to improve the safety of the lending process and to consolidate the solvability of its debtors.

The policies and processes used for the assessment and management of real collaterals contain the following:

- the legal provisions and types of collateral most frequently used as guarantee in loans contracts
- the criteria and factors which serve as basis for collateral valuation, depending on collateral type
- the requirements for the legal options for enforcement of collaterals and the acceptability of their values
- methods applied for collateral valuation
- procedures to be applied in case changes appear with respect to collateral availability, valuation and the legal options for enforcement of collaterals
- the frequency of periodical reevaluation of collaterals.

Table 19: Form 18: EU CR3 - Credit risk mitigation techniques - Overview

	Unsecured carrying amount	**Secured carrying amount**			
			Of which **secured by collateral**	Of which **secured by financial guarantees**	
					Of which **secured by credit derivatives**
Loans and advances	3,964,566,650	10,782,627,489	10,666,772,843	115,854,646	-
Debt securities	4,026,370,165	-	-	-	
Total	**7,990,936,815**	**10,782,627,489**	**10,666,772,843**	**115,854,646**	**-**
Of which non-performing exposures	42,363,040	212,363,902	211,879,633	484,269	-
Of which defaulted					

The Bank calculates risk-weighted amounts based on the standardized approach described in EU Regulation 575/2013 of the European Parliament and of the Council from June, 26th 2013 on prudential requirements for credit institutions and investment firms and amending EU Regulation no.648/2012. In this respect, the Bank uses ratings information provided by three external credit assessment institutions: Standard and Poor's. Moody's and Fitch.

This information is used for the following asset classes:

- central governments or central banks,
- regional government or local authorities,
- public sector entities,
- multilateral development banks, international organizations,
- institutions, corporates, retail,
- secured by mortgages on immovable property,
- exposures in default,
- exposures associated with particularly high risk,
- covered bonds,
- institutions and corporates with a short-term credit assessment,
- collective investment undertakings, equity,
- other items.

Table 20: Form 19: EU CR4 - Standardized Approach - Exposure to Credit Risk and CRM Effects

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
Central governments or central banks	5,062,420,781	-	6,340,271,539	909,718	18,575,508	0.09%
Regional government or local authorities	122,756,029	32,513,803	122,756,029	1,552,784	24,861,763	0.12%
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	48,478,827	61,524,973	135,770,802	69,051,304	78,953,779	0.38%
Corporates	5,087,115,778	1,845,062,834	4,534,272,525	436,739,822	4,308,850,739	20.99%
Retail	3,006,390,396	807,155,300	2,137,524,356	69,498,258	1,495,883,748	7.29%
Secured by mortgages on immovable property	5,093,670,936	126,767,681	5,093,670,936	23,666,193	1,778,591,510	8.67%
Exposures in default	329,096,827	31,775,172	329,096,827	9,289,022	363,815,999	1.77%
Exposures associated with particularly high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	12,434,014	-	12,434,014	-	16,817,487	0.08%
Equity	75,308,251	-	75,308,251	-	75,308,251	0.37%
Other items	1,133,365,258	-	1,133,365,258	-	437,816,655	2.13%
TOTAL	**19,971,037,097**	**2,904,799,763**	**19,914,470,537**	**610,707,101**	**8,599,475,439**	**41.90%**

Table 21: Form 20: EU CR5 - Standardized Approach

Exposure classes	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Central governments or central banks	6,248,303,715	-	-	-	92,877,542	-	-	-	-	-	-	-	-	-	-	6,341,181,257	6,341,181,257
Regional government or local authorities	-	-	-	-	124,308,813	-	-	-	-	-	-	-	-	-	-	124,308,813	124,308,813
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	78,274,249	-	126,497,857	-	-	50,000	-	-	-	-	-	204,822,106	170,538,379
Corporates	-	-	-	-	-	-	-	-	-	4,971,012,347	-	-	-	-	-	4,971,012,347	4,971,012,347
Retail	-	-	-	-	-	-	-	-	2,207,022,614	-	-	-	-	-	-	2,207,022,614	2,207,022,614
Secured by mortgages on immovable property	-	-	-	-	-	5,117,337,129	-	-	-	-	-	-	-	-	-	5,117,337,129	5,117,337,129
Exposures in default	-	-	-	-	-	-	-	-	-	287,525,546	50,860,302	-	-	-	-	338,385,849	338,385,849
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unit or shares in collective investment undertakings	2,972,442	-	-	-	2,864,309	-	1,234,868	-	-	4,104,186	382,237	-	-	875,972	-	12,434,014	8,910,278
Equity	-	-	-	-	-	-	-	-	-	75,308,251	-	-	-	-	-	75,308,251	55,090,073
Other items	630,273,723	-	-	-	81,593,600	-	-	-	-	421,497,935	-	-	-	-	-	1,133,365,258	1,098,599,207
TOTAL	**6,881,549,880**	**-**	**-**	**-**	**379,918,513**	**5,117,337,129**	**127,732,725**	**-**	**2,207,022,614**	**5,759,498,266**	**51,242,539**	**-**	**-**	**875,972**	**-**	**20,525,177,638**	**20,432,385,946**

The main categories of collateral accepted by the Bank in the lending process are:

Table 22: Type of collaterals

No.	COLLATERAL TYPE
1	Mortgages
2	Claims on central and local public administrations, insurance companies, Central Bank and Banking activity sector
3	Pledges
4	Securities
5	Items in collection - Order of payment, checks, promissory notes
6	Cession of incomes, invoices and other
7	Collateral to another Bank
8	Collateral cash, cash
9	Guarantee fund facility
10	Life insurance and financial risk

Evaluation and management of these types of collateral is defined in the Bank's internal regulations approved by the National Bank of Romania. Depending on the type of guarantee, their evaluation is either outsourced or done internally.

3.3.5 Management of the large exposures towards clients or group of connected clients

According to the stipulations of the EU Regulation no. 575/2013 of the European Parliament and of the Council from June, 26th 2013 on prudential requirements for credit institutions and investment firms and amending EU Regulation no.648/2012, the Bank monitors and quarterly calculates the exposures towards third parties, identifies the large exposures and reports them to the NBR and inform about them the Risk Management Committee and Management Board.

3.3.6 Country Risk Management

The country risk is associated to the credit risk, determined by the economic, social and politic conditions of the borrower's country of origin.
The country risk is managed through permanent monitoring of the evolutions in those countries where the Bank registers exposures and by taking decisions related to the available limits, when appropriate. In addition, country risk will be considered by the Global Markets Directorate in all risk assumptions towards counterparties, particularly towards the Banks with which deals are performed.

The Operative Risk Committee oversees the use and compliance of the country limits.

3.3.7 Counterparty Risk Management

The purpose of counterparty risk management is to minimize the potential loss as a consequence of the non-fulfillment of contractual obligations by the counterparty.

The Bank maintains a detailed list of approved counterparty limits, both at individual and at group level. The Operational and Market Risk Department maintains and updates a list containing the limits approved for each counterparty, specific products which can be traded and maximum tenors for which transactions can be performed.

The limit for a counterparty is determined based on:

- counterparty's rating
- the counterparty's regulatory capital
- aspects related to the business strategy, along with the compliance with legal provisions regarding risk-taking activity.

During the process of limit setting for a counterparty, the Bank also respects the provisions of EU Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

In order to minimize counterparty risk the banks aims to perform transactions on a collateralized basis, whenever possible. Thus, in order to comply with regulations in force, the Bank has signed a number of ISDA and GMRA agreements with various eligible counterparties for performing transactions with derivative financial instruments or Repo transactions. The agreements are provide for the exchange of collateral between the parties in the agreement in order to mitigate counterparty credit risk. Additionally, in order to provide its non-bank clients with the ability to hedge their financial risks, the Bank signs a Derivatives Master Agreement with them based on which transactions with derivative financial instruments can be performed based on collateral.

The Bank does not currently hold a rating provided by a credit assessment agency. The signed ISDA and GMRA agreements do not provide for an increase in collateral the Bank has to provide in case of a lower credit assessment.

The counterparty limits are approved by the Bank's Operative Risk Committee and OTP Bank Nyrt. Hungary following proposals from the Operational and Market Risk Department. This department has the responsibility to perform the financial analysis in order to calculate the maximum risk exposure, to manage the counterparty limits, to monitor the exposures and to present them to the Operative Risk Committee. Regarding the limits with credit institutions used daily by Treasury Directorate, the Operational and Market Risk Department within Risk Administration Directorate, updates the limits in the Fusion Risk system (implemented at OTP Group level), in order to determine at any time the available limits. The Operational and Market Risk Department presents a quarterly report to the Operative Risk Committee containing the Bank's counterparty exposure.

The own funds requirement for credit risk adjustment (CVA) for derivatives is calculated in accordance with EU Regulation 575/2013, article 382, point 1.
Intragroup transactions are excluded from the application of own funds requirements for CVA risk in accordance with Article 382 (4), Lit.B.

In the calculation algorithm of CVA, OTP Bank Romania SA applies the standardized method described in article 384 of the same Regulation. Thus, the own funds requirement is determined at portfolio level for each counterparty.

Table 23: Form 25: EU CCR1 - Analysis of CCR exposure by approach in ths. M.U.

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)				1.4				
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-	-	1.4		-	-	-
1	SA-CCR (for derivatives)	65,811	90,480		1.4	218,807	218,807	218,807	63,479
2	IMM (for derivatives and SFTs)								
2a	*Of which securities financing transactions netting sets*								
2b	*Of which derivatives and long settlement transactions netting sets*								
2c	*Of which from contractual cross-product netting sets*								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)								
5	VaR for SFTs								
6	**Total**					**218,807**	**218,807**	**218,807**	**63,479**

Table 24: Form 26: EU CCR2 - Capital Requirement for CVA in ths. M.U.

31/12/2022	**Exposure value**	**RWEA**
Total portfolios subject to the advanced method		
(i) VaR component (including the 3×multiplier)		
(ii) SVaR component (including the 3×multiplier)		
All portfolios subject to the standardised method	49,522	9,674
Based on the original exposure method		
Total subject to the CVA capital charge	**49,522**	**9,674**

Table 25: Form EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights in ths. M.U.

	Exposure classes	**Risk weight**											
		0 %	2 %	4 %	10 %	20%	50%	70 %	75%	100%	150 %	Others	Total exposure value
1	Central governments or central banks												
2	Regional government or local authorities												
3	Public sector entities												
4	Multilateral development banks												
5	International organisations												
6	Institutions					169,669	39,187			9,116			217,971
7	Corporates									836			836
8	Retail												
9	Institutions and corporates with a short-term credit assessment												
10	Other items												
11	**Total exposure value**					**169,669**	**39,187**			**9,952**			**218,807**

Table 26: Form EU CCR5 – Composition of collateral for exposures to CCR

		Collateral used in derivative transactions				**Collateral used in SFTs**			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency								
2	Cash – other currencies								
3	Domestic sovereign debt								
4	Other sovereign debt								
5	Government agency debt								
6	Corporate bonds								
7	Equity securities								
8	Other collateral								
9	**Total**								

3.3.8 Residual Risk Management

The residual risk is the risk that the credit risk mitigation techniques used by the Bank are less effective than projected and derive from the application of credit risk mitigation techniques used under the minimum capital requirements.

The Bank's objective of managing the residual risk is to monitor and maintain the value of certain indicators within the limits set by the Bank. OTP Bank Romania S.A. aims a medium-low low level of exposure to residual risk.

3.3.9 Market Risk Management

The market risk is the risk that the movement of the prices on the financial markets (exchange rates, interest rates, value of the shares and other securities, the prices commodities, etc.) modify the value of the trading portfolio (Trading Book) of the Bank. This definition can be extended so that it also includes the interest risk given by the products outside of the trading portfolio (Banking Book).

The bank targets a medium-low level of market risk. For this purpose, the market risk level will be permanently measured and monitored in view of its mitigation.

In order to achieve its strategic business objectives, the Bank engages in trading activities with the scope of increasing its revenues and in order to offer its clients a broad range of products and services related to managing financial risks.

The purpose of market risk management is to minimize the potential losses that may be caused by the unfavorable evolution of exchange rates, interest rates and shares prices. At the same time, OTP Bank Romania SA aims to maintain market risk at a level correlated with the Group’s business strategy.

In order to appropriately manage the risks generated by Trading Book activities, the Bank manages the market risk exposure of the Trading Book portfolio separately from that of the Banking Book activities.

Market risk exposure is managed through a set of limits, which shall be set annually and updated periodically according to market conditions, in compliance with a prudent policy. Market risk limits are set up and managed within the Market Risk Portal system.

The organizational units of the Bank involved management and monitoring are the following:

- Operational & Market Risk Department within the Risk Management Directorate – applies the regulations in force regarding market risk measurement and monitoring
- Global Markets Directorate – undertakes and manages market risk in compliance with the principles and limits approved
- Middle Office Department within the Capital & Assets and Liabilities Management Directorate is responsible for the daily calculation of the profitability of the trading activity.

Communication between the above-mentioned units is performed periodically (within the regular meetings of the Bank’s committees or when reviewing internal regulations, limits and business strategies) or an ad-hoc basis in order to discuss and address market evolutions, business requirements or market risk management issues.
In order to comply with regulatory requirements, the Bank has developed specific regulations and systems.

The internal regulations related to market risk management, measurement and monitoring are:

- internal norm regarding Market Risk Management, which describes:
    - the basic principles, as well as the methods used by OTP Bank Romania SA for the measurement and management of market risk and its components
    - the responsibilities of each unit involved in market risk management, monitoring and profitability calculation

- internal norm regarding Rules for establishing and evaluating the Trading Book, which describes:
  - the definition of the trading book
  - the criteria used to separate the trading book from the banking book
  - trading book management
  - trading book positions' valuation: these are marked-to-market daily with the help of the Kondor+ system trough an automatic process
  - provisions regarding the reclassification of positions between Trading Book and Banking Book: reclassification is not allowed.
- the Trading Strategy establishes the general framework in which the positions/portfolios owned for trading are managed
- procedure regarding the Treasury Middle Office Department Activity, which describes the process of calculating the profitability of the trading activity.

The systems used for market risk management, measurement and monitoring are:

- Kondor+: the electronic system used for the registration, monitoring and reporting of the deals performed by the Global Markets Directorate
- Market Risk Portal: is the market risk management software implemented at OTP Group level
- Fusion Risk: risk management software used for calculating certain risk indicators and performing stress tests for Trading Book positions
- Ab-solut: the Bank's core banking system.

Table 27: Form 34: EU MR1 - Market risk according to the standardized approach in ths. M.U.

	RWEAs
Outright products	
Interest rate risk (general and specific)	10,161
Equity risk (general and specific	-
Foreign exchange risk	-
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitization (specific risk)	-
Total	**10,161**

3.3.10 Foreign currency risk

The Bank is engaged in proprietary trading on the foreign currency market. The Bank may perform transactions and open only for the following foreign currency position: EUR, USD, GBP, CHF, CAD, JPY, HUF, AUD, SEK, DKK, NOK, PLN and CZK. New foreign currencies can be included with the approval of the Product Development, Sales and Pricing Committee.

The foreign currency risk monitoring is insured through compliance with the defined internal limits.

The bank established the following limits: FX Position limits (per currency and for Total), Value at Risk (VaR) limit, Expected Shortfall (ES) limit and stop-loss limits (daily, quarterly, and annual). The limits are monitored at OTP Bank Romania level and throughout OTP Bank Group 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, which allows to easily aggregate risk factors and trading desk VaR figures.

3.3.11 Interest Rate Risk

Interest rate risk is the risk of registering losses or not accomplishing the estimated profits due to interest rates fluctuations on the market. The management of this risk concerns the balance and extra balance sheet items that are sensitive to changes of the interest rates. The Bank manages the interest rate risk in the Banking Book separately from the interest rate risk in the Trading Book.

- **Interest Rate Risk in the trading portfolio**

In order to manage the interest rate risk in the Trading Book, the following limits are established: bond position limit, Value at Risk (VaR) limit, Expected Shortfall (ES) limit, Basis Point Value limits, stop-loss limits (monthly, quarterly, annual) and liquidity limits. The limits are monitored at OTP Bank Romania level and throughout OTP Bank Group using the Kondor+ and Market Risk Portal systems.

- **Interest Rate Risk outside the trading portfolio**

The main sources of interest rate risk in the Banking Book are given by the imperfect correlation between the maturity date of cash-flows (for assets and liabilities bearing fixed interest rates) or modification date (re-pricing) interest (in case of assets and liabilities bearing variable interest rates), the adverse evolution of rate yield curve (the unparalleled evolution of interest rates return on assets and interest bearing liabilities) and/ or imperfect correlation between changes of the interest rates for funds raised and placed on instruments with similar characteristics of interest rate re-pricing.

OTP BANK ROMANIA S.A. manages exposure to interest rate risk on Banking Book with the view of limiting the potential losses due to adverse movements of the interest rates, so these potential losses cannot jeopardize the Bank's profitability, own capital and safe operation.

For the purpose of measuring and managing this risk, the Bank uses the re-pricing gap analysis, the modified duration indicator analysis, the sensitivity, extreme market scenarios, observing the possible effects of the changes in interest rates on Bank profits and economic value.

For reporting purposes, the Bank uses the contractual maturity and cash flows for assets and liabilities that are sensitive to interest rate – adjusted for optionality risk (early prepayment/ withdrawal of loans/ deposits), as well as working hypotheses for items that do not have clearly specified contractual maturity. The Bank grants loans mainly with variable interest rate indexed by a reference public rate (benchmark ex.: Euribor, Robor) and aims to harmonize as possible the financing structure with the structure of assets so that to maintain a low interest rate risk exposure of the Bank. Most of fixed rate loans are RON consumer loans and a lower amount of RON mortgage loans with fixed interest rate for the first 5 years.

The average maturity of customer resources remained at a level where the Bank considers that is appropriate with the current structure of the balance sheet.

Interest rate risk exposure has increased in the last year due to bonds purchases and balance sheet growth. The bank has stayed the entire year within the mediu-low assumed risk profile level.

RONEQ mio	EVE	NII
Year	Q4 2022	
Parallel up	(162.8)	-12.7
Parallel down	78.2	12.7
Steepener	(130.0)	
Flattener	57.0	
Short rate up	(44.9)	
Short rate down	21.1	
Maximum	162.8	12.7
Year	Q4 2022	
Tier 1 Capital	2,239	

To assess the interest rate risk the Bank uses sensitivity indicators that measure the potential impact in economic value of the balance due to the parallel variation to 100 bps and to 200 bps of interests.

To evaluate the vulnerability of the Bank to losses in case of adverse fluctuation of the interest rates, the Bank makes stress tests that show the impact of interest rates shocks in the economic value of the Bank.

At December 31, 2022, Bank performed stress tests applying different shocks for the modification of the market interest rates by 250 bps, 300 bps and according to the 6 EBA mandated scenarios. The decline of the economic value in all scenarios mentioned above registered comfortable levels within the monitored limits established through internal and NBR regulations.

Part of the foreign currency bonds portfolio is interest rate hedged using interest rate swaps.

The interest rate risk for those activities outside the trading portfolio is determined on a monthly basis by the Asset & Liability Management Department within Capital & Assets and Liabilities Management Directorate. The risk exposure (risk profile included), compliance with the internal and NBR limits is presented monthly to the Asset & Liability Committee and periodically to the Management and Supervisory Board.

OTP Leasing has a simple interest rate risk structure. Most loans, as well as funding received, are of floating rate type with 3 months repricing period. Fixed rate loans are hedged for interest rate risk using fixed rate funding.
Interest rate risk is measured by OTP Leasing using the same method as the bank. The exposure is also monitored at consolidated level. Given the size and profile of OTP Leasing's interest risk profile the effect at consolidated level is not significant.

Loans on OTP Factoring book are only non-performing loans.

3.3.12 Management of the Liquidity Risk and disclosure requirements for Liquidity Risk in accordance with article 435 of Regulation (EU) No 575/2013

- **Strategies and processes in the management of the liquidity and funding risk**

OTP BANK ROMANIA S.A. aims to maintain a constant comfortable liquidity in both normal and crisis conditions, taking also into account the issue of the cost of obtaining this liquidity.

- **Structure and organization of the liquidity and funding risk management function**

The management of the liquidity and funding risk function is provided by the Asset & Liability Management Department within Capital & Assets and Liabilities Management Directorate. Monitoring the tools for the management of the liquidity risk to which the Bank is exposed, the values of the indicators and setting them into limits are monthly reported to the ALCO and periodically to the Risk Management Committee, the Management Board and Supervisory Board of the Bank.

Close monitoring and prudent management of liquidity are permanently supervised by the Asset & Liabilities Committee and at the Group level.

- **Scope and nature of liquidity and funding risk reporting and measurement systems**

Based on the Liquidity and Funding Strategy and the Policy on liquidity and funding risk management, constantly improved and updated in accordance with prudential regulatory requirements of the domestic market and also of the group, OTP BANK ROMANIA S.A. has developed and uses an internal system for identification, measurement, monitoring and control of the liquidity risk, based on several levels:

- ***Current management of liquidity*** – developing the current activity in normal condition. Ensure the fulfillment of financial obligation anticipated and unexpected by maintaining the balance between incoming and outgoing cash. Determining the daily cash flow and operative liquidity to cover liquidity needs on 3-months horizon are the basic used tools. In the case of operative liquidity, prudential, is included a possible shock applied to attracted resources, determined by statistical methods.
- ***Structural liquidity management*** - aims to ensure proper liquidity on medium and long term in order to avoid any pressure on current and future sources of liquidity.
- ***Liquidity management in crisis situations*** - the pursuit of activity on individual crisis conditions (idiosyncratic scenario), in conditions of a general crisis, when the entire liquidity of the Banking system is affected, and also for another more complicated situation including both an individual and generally system crisis. The Bank follows to ensure enough liquidity reserve so

it allows fulfilling its financial obligations in stress situations on an acceptable time horizon, without being forced to modify significantly its strategy or business model.

OTP BANK ROMANIA S.A. manages the liquidity and funding risk having in view:

- the dimensioning of the short-term cash-flow and operative liquidity,
- the daily established structure of the Bank's balance sheet,
- the daily evolution of customer resources,
- the efficiency with which liquid assets are managed in the short term horizon,
- the liquidity GAP – on main currencies and also for the total,
- the level and structure of the liquid assets portfolio (including those unencumbered by tasks),
- liquidity indicators (having early warning limits internally established),
- the assessment of the risk in crisis conditions based on the stress testing,

the policies for hedging and mitigating the liquidity and funding risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigation.

The bank's funding structure is comprised of a significant part of Group funding (around 27% of Total Liabilities w/o Own Funds as of 31st of December 2022). In the management of liquidity and funding OBR assumes that maturing Group funding can be rolled over and that new Group funding can be accessed according to approved budgets or to meet any liquidity need during the normal course of business, but taking into account on one hand profitability considerations and on the other hand the maximum limit established for Net Group Funding (1 billion EUR).

For liquidity contingency planning, supplementary to the bank's own on balance sheet liquidity, stand-by lines from the OTP Group are considered as available liquidity.

OBR internal framework regarding liquidity and funding risk was updated during the year in order to take into account the existence of a risk of concentration against top 5 / top 10 customers. The Bank formalized a plan in order to reduce customer deposits concentration, boost liquidity coverage of large customers and focus on more granular customers. In this respect, the Bank established, at the level of the governing body, a plan – with a concrete responsibilities and time frame for each of them.
The limits for Weight of the Top 5 Depositors funds in Total customer deposits funds indicator were updated (decreased) and Weight of the Top 10 Depositors funds in Total customer deposits indicator was included in the list of Early Warning Indicators specific to liquidity and funding risk and adequate warning levels were put in place for it.

The bank monitors the level of available liquidity and Group Stand-by facilities compared to various crisis scenarios and takes appropriate actions (increasing funding including thru use of new Group funding, increasing liquid assets) based on the results, on the bank's budget and the bank's strategy.

Declaration on the adequacy of liquidity and funding risk management arrangements of the institution
The bank considers that the liquidity and funding risk management process to be adequate about the bank's liquidity and funding risk profile and strategy and in the context of the Group's liquidity policy. Group liquidity can be used to support the bank's strategy.

Liquidity and funding risk statement describing the overall liquidity risk profile associated with the business strategy.
The liquidity and funding risk profile of the bank is comprised of a set of indicators considered relevant to the bank's liquidity position and funding structure: standard regulatory indicators (LCR, NSFR, Quick Liquidity); balance sheet ratios (loans/deposits, liquid assets/potential liabilities out-flows in the next 12 months), measures of Group Funding dependency and customer funds concentration, internal liquidity indicators and liquidity crisis simulation results.

Liquidity and funding risk profile of the Bank has remained constant over the course of 2022, registering a medium-low level (assumed risk appetite of the Bank for 2022) and fits within the limits set by national regulatory framework as well within the bank's risk tolerance of medium-high.

As part of the Basel 3 rules, the Basel Committee on Banking Supervision has proposed minimum two standard bank liquidity ratios:

- **The Liquidity Coverage Ratio (LCR):**

  The LCR is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 days stress scenario. The ratio is defined as the amount of High Quality Liquid Assets ("HQLA") that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario.

  This requirement has been implemented into European law, via the Commission Delegated Regulation (EU) 2015/61, adopted in October 2014. Compliance with the LCR was required from October 1, 2015.

  The final EBA guidelines on LCR disclosure released on the March 8, 2017 (EBA/GL/2017/01) requires us to disclose the average of month-end observations over twelve months preceding the end of each quarter.

  Average LCR (twelve months average) has been calculated in accordance with the Commission Delegated Regulation (EU) 2015/61 and the EBA Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 CRR.

  Concentration of funding and liquidity sources:
  The only concentration of funding is related to Group Funding obtained from various Group entities (27% of total liabilities). The bank considers that maturing Group funding can be rolled over at any time.

  Derivative exposures and potential collateral calls
  Most liquidity outflows on derivatives are counterbalanced by similar liquidity-related inflows of derivatives.

  Coin mismatch at LCR level
  The LCR is calculated in all major currencies representing at least 5% of the bank's debt (RON, EUR, occasionally HUF and total cumulative in RON equivalent). During the year 2022, bank pursued a minimum of 100% for all significant currencies.

  Approach to centralized group liquidity management and individual legal entity liquidity management:
  The OTP Group manages liquidity in a centralized manner, using a liquidity pooling concept, and preparing at Group level for liquidity contingency situations at subsidiary level. OTP Leasing Romania Funding is also covered by other entities in the OTP Group.

Template EU LIQ1 - Quantitative information of LCR

Scope of consolidation : solo

		a	b	c	d	e	f	g	h
	Currency and units (RON million)	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					3,107	3,128	2,997	2,917
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	3,786	3,703	3,632	3,500	311	298	289	277
3	*Stable deposits*	2,360	2,340	2,312	2,242	118	117	116	112
4	*Less stable deposits*	1,426	1,362	1,320	1,258	193	181	173	165
5	Unsecured wholesale funding	5,474	5,570	5,434	5,314	2,853	2,935	2,858	2,701
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	5,474	5,570	5,434	5,314	2,853	2,935	2,858	2,701
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	506	535	586	594	82	74	74	75
11	*Outflows related to derivative exposures and other collateral requirements*	32	17	13	11	32	17	13	11
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	474	518	573	583	50	57	61	64
14	Other contractual funding obligations	149	147	131	81	118	119	105	57
15	Other contingent funding obligations	2,113	2,011	1,848	1,735	106	101	92	87
16	**TOTAL CASH OUTFLOWS**					3,470	3,527	3,418	3,197
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	902	760	688	678	902	760	688	678
18	Inflows from fully performing exposures	829	792	775	709	750	710	689	619
19	Other cash inflows	24	24	20	18	14	14	9	7
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	1,756	1,576	1,483	1,405	1,666	1,483	1,386	1,304
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	1,756	1,576	1,483	1,405	1,666	1,483	1,386	1,304
TOTAL ADJUSTED VALUE									
21	**LIQUIDITY BUFFER**					**3,107**	**3,128**	**2,997**	**2,917**
22	**TOTAL NET CASH OUTFLOWS**					**1,943**	**2,075**	**2,009**	**1,871**
23	**LIQUIDITY COVERAGE RATIO (%)**					**164.91%**	**153.15%**	**150.66%**	**158.94%**

OTP Leasing has a low level of liquidity and funding risk. The entire funding need is covered by Group entities. Short-term needs are covered from available funds or existing revolving facilities. Once the utilization level of the facilities increases, it is converted into medium/long term funding. OTP Leasing monitors liquidity risk at standalone level using a liquidity gap analysis including a 6 month projection of business needs in order to allow timely undertaking of new funding.

OTP Factoring currently does not have any funding received. In case of new funding needs for new non-performing loans acquisitions, those are provided by new medium/long term funding.

With no client funding the impact of OTP Leasing and OTP Factoring on the consolidated liquidity and funding risk is not significant.

Template EU LIQ1 - Quantitative information of LCR

Scope of consolidation : consolidated

		a	b	c	d	e	f	g	h
	Currency and units (RON million)	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					3,107	3,128	2,997	2,917
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	3,786	3,703	3,632	3,500	311	298	289	277
3	*Stable deposits*	2,360	2,340	2,312	2,242	118	117	116	112
4	*Less stable deposits*	1,426	1,362	1,320	1,258	193	181	173	165
5	Unsecured wholesale funding	5,404	5,503	5,375	5,267	2,809	2,893	2,820	2,671
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	5,404	5,503	5,375	5,267	2,809	2,893	2,820	2,671
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	537	566	611	615	85	77	76	77
11	*Outflows related to derivative exposures and other collateral requirements*	32	17	13	11	32	17	13	11
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	504	549	598	604	53	60	63	67
14	Other contractual funding obligations	163	162	145	95	118	119	105	57
15	Other contingent funding obligations	2,102	2,000	1,838	1,725	105	100	92	86
16	**TOTAL CASH OUTFLOWS**					3,429	3,487	3,382	3,169
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	902	760	688	678	902	760	688	678
18	Inflows from fully performing exposures	882	834	803	726	779	733	704	629
19	Other cash inflows	24	24	20	18	14	14	9	7
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	1,808	1,618	1,510	1,422	1,695	1,506	1,401	1,314
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	1,808	1,618	1,510	1,422	1,695	1,506	1,401	1,314
TOTAL ADJUSTED VALUE									
21	**LIQUIDITY BUFFER**					**3,107**	**3,128**	**2,997**	**2,917**
22	**TOTAL NET CASH OUTFLOWS**					**1,875**	**2,018**	**1,962**	**1,832**
23	**LIQUIDITY COVERAGE RATIO (%)**					**172.07%**	**157.85%**	**154.55%**	**162.37%**

- **The Net Stable Funding Ratio (NSFR):**

Regulation (EU) 2019/876 has introduced a minimum Net Stable Funding Ratio (NSFR) of 100 % that requires banks to maintain a stable funding profile in relation to their on and off balance sheet exposures. The NSFR is calculated as the ratio of available stable funding (ASF) divided by required stable funding (RSF) and became applicable for the September 30, 2021 reporting.
All liabilities and capital instruments are assigned an ASF weight, while assets and certain off balance sheet positions receive an RSF weight. For example, liabilities with residual maturity above one year and retail deposits receive a high ASF weight. In contrast, short-term liabilities, in particular from financial customers, receive a low ASF weight. On establishing the RSF weights, aside from residual maturity, the quality of the assets as well as their encumbrance plays a key role. High quality liquid assets and short-term securities financing transactions receive low RSF weights, while long-term loans and assets encumbered for more than one year receive a high RSF weight.

For 31.12.2022 the bank's NSFR ratio was comfortable above the regulated minimum, on both individual and consolidated level:

Template EU LIQ2: Net Stable Funding Ratio
In accordance with Article 451a(3) CRR

Scope of consolidation: solo

	(RON million)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**2,239**	-	-	-	**2,239**
2	*Own funds*	2,239	-	-	-	2,239
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**6,682**	**997**	**20**	**7,162**
5	*Stable deposits*		3,976	651	13	4,409
6	*Less stable deposits*		2,706	347	6	2,754
7	Wholesale funding:		**5,073**	**475**	**3,675**	**6,031**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		5,073	475	3,675	6,031
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	**15**	**362**	**32**	**160**	**176**
12	*NSFR derivative liabilities*	15				
13	*All other liabilities and capital instruments not included in the above categories*		362	32	160	176
14	**Total available stable funding (ASF)**					**15,609**

	(RON million)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		**1,961**	**1,547**	**9,786**	**8,845**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		111	78	48	98
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,678	1,330	4,707	4,373
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		127	218	1,128	906
22	*Performing residential mortgages, of which:*		172	140	5,031	4,373
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		151	110	4,825	3,267
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		0	0	0	0
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**250**	**266**	**1156**	**915**
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				0	0
29	*NSFR derivative assets*				27	27
30	*NSFR derivative liabilities before deduction of variation margin posted*				33	2
31	*All other assets not included in the above categories*		190	36	711	887
32	Off-balance sheet items		**353**	**230**	**445**	**63**
33	**Total RSF**					**9,823**

34	**Net Stable Funding Ratio (%)**					158.89%

Public

Template EU LIQ2: Net Stable Funding Ratio

In accordance with Article 451a(3) CRR

Scope of consolidation: consolidated

		a	b	c	d	e
(RON million)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**2,318**	**-**	**-**	**-**	**2,318**
2	*Own funds*	2,318	-	-	-	2,318
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**6,682**	**997**	**20**	**7,162**
5	*Stable deposits*		3,976	651	13	4,409
6	*Less stable deposits*		2,706	347	6	2,754
7	Wholesale funding:		**5,095**	**524**	**4,348**	**6,718**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		5,095	524	4,348	6,718
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	**15**	**392**	**30**	**160**	**175**
12	*NSFR derivative liabilities*	15				
13	*All other liabilities and capital instruments not included in the above categories*		392	30	160	175
14	**Total available stable funding (ASF)**					**16,374**

		a	b	c	d	e
(RON million)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		**2,105**	**1,699**	**10,314**	**9,440**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		112	78	48	98
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,820	1,481	5,235	4,969
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		127	218	1,128	906
22	*Performing residential mortgages, of which:*		172	140	5,031	4,373
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		151	110	4,825	3,267
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		0	0	0	0
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**286**	**266**	**1130**	**908**
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				0	0
29	*NSFR derivative assets*				27	27
30	*NSFR derivative liabilities before deduction of variation margin posted*				33	2
31	*All other assets not included in the above categories*		226	36	685	879
32	Off-balance sheet items		**369**	**230**	**445**	**64**
33	**Total RSF**					**10,412**
34	**Net Stable Funding Ratio (%)**					157.26%

3.3.13 Leverage Risk

The risk associated with the excessive use of leverage means the risk arising from the Bank's vulnerability to leverage or contingent leverage that may require unplanned corrective measures of the business plan, including the emergency sale of assets, which could result in losses, or reevaluation of the assets left.

Through its activity, OTP Bank Romania SA assumes exposure to leverage risk at a level that does not endanger the bank's profitability and capital.

In order to achieve these maximum and warning limits were established, the leverage risk indicator is including in the planning process, a methodology was established to calculate potential extra capital need for leverage risk, the indicator is monitored at ALCO and Directorate level.

During 2022, the leverage risk level has stayed within the approved limit (both maxim and warning limit).

The risk associated with the excessive use of leverage is monitored at a consolidated level. Due to the size of OTP Leasing and OTP Factoring, there is no significant effect on the consolidated leverage risk indicator.

Description of the factors that influenced the leverage indicator over the period covered by the Leverage Leverage Indicator

At 31.12.2022, the leverage transition indicator was 10.64% compared to 31.12.2021 when its value was 11.20%. The decrease in the leverage ratio is the result of a faster increase in total exposure increase compared with own funds.

Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable amount
1	Total assets as per published financial statements	19,887,596,843
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	152,996,214
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	865,341,594
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	149,251,840
13	**Total exposure measure**	**21,055,186,491**

Template EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		2022	2021
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	**On-balance sheet items (excluding derivatives, SFTs, but including collateral)**	**19,971,037,569**	**18,608,380,209**
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**19,971,037,569**	**18,608,380,209**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	92,135,560	25,496,032
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	126,671,768	113,448,968
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**218,807,328.00**	**138,945,000.00**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	-	-

	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	2,923,763,260	2,859,466,460
20	(Adjustments for conversion to credit equivalent amounts)	(2,058,421,666)	(1,940,060,790)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**865,341,594**	**919,405,670**
	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	**(Total exempted exposures)**	**-**	**-**
Capital and total exposure measure			
23	**Tier 1 capital**	2,239,415,609	2,203,358,699
24	**Total exposure measure**	**21,055,186,491**	**19,666,730,879**
	Leverage ratio		
25	Leverage ratio	10.64%	11.20%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	10.64%	11.20%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.64%	11.20%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital (percentage points)	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
	Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	429,927,752	452,859,007
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	21,485,114,243	20,119,589,886
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	21,485,114,243	20,119,589,886
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10.42%	10.95%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10.42%	10.95%

Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**19,971,037,569**
EU-2	Trading book exposures	-
EU-3	**Banking book exposures, of which:**	**19,971,037,569**
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	6,340,271,539
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	122,756,029
EU-7	Institutions	135,770,801
EU-8	Secured by mortgages of immovable properties	5,093,670,935
EU-9	Retail exposures	2,166,861,571
EU-10	Corporates	4,561,501,870
EU-11	Exposures in default	329,097,302
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,221,107,522

3.3.14 Operational Risk Management

The operational risk is the risk of loss resulting either from the use of processes, people and systems or inadequate internal not function properly fulfilled, or from external events, and includes legal risk.

Objectives and Strategy

The operational risk management within the Bank is based on the responsibility of all HQ Organizational Units, Territorial Units, as well as the companies in the consolidation perimeter (OTP Leasing Romania IFN S.A. and OTP Factoring SRL) to identify, monitor and report any occurrence of operational risk event.

The main objective of the operational risk strategy is to develop an appropriate operational risk control environment and to create operational risk awareness in order to minimize the risks occurred due to systems and processes malfunction, human errors, as well as due to external factors.

The mid-term strategy regarding operational risk management includes:

- increased focus on defining risk mitigating measures and execution monitoring of such, on the improvement of the control environment by way of closer cooperation with partner areas engaged in risk management and control but also by assessing the exposure to operational risk based on losses history record and permanently updating the database on operational risk loss generating events, reported by all Organizational Units;
- assessing activities and processes, products and systems by preparing the annual self-assessment for the activities and processes carried out within all Organizational Units, in order to report the risks already identified during the performance of the activity or the potential risks and to identify the control measures/action plans to mitigate or eliminate risk occurrence;
- enhancing the key risk indicators set for specific banking processes or for the organization as a whole, inclusively by using group-level indicators and monitoring their values and evolution, in

order to have an insight into operational risk developments and allow for intervention into the processes if necessary;
- establishing an improved business continuity methodology and running periodical testing for such;
- developing/enhancing the conduct risk / model risk / ITC risk management framework
- development of the operational risk management culture at the bank level, as an integral part of the risk culture and their management, by holding regular training sessions on operational risk topics.

On short term, the Bank has set the following objectives regarding operational risk management:
- maintaining a high-quality (complete, correct and accurate) operational risk losses database by permanently monitoring the operational risk events and updating accordingly within the dedicated IT system;
- reducing the potential impact of future operational risk exposures by calculating and recording provisions for operational risk, taking into consideration the losses history;
- monitoring the evolution of abusive clauses litigations and calculating and recording litigations provisions based on the losses history and the probability of loss associated to the ongoing litigations;
- Operational risk monitoring through monthly and quarterly reports regarding the operational risk events identified within the bank and their evolution, monthly and quarterly reports regarding the evolution of key risk indicators; quarterly reports on the measures taken by the bank to return key critical risk indicators to a normal level, quarterly monitoring of the operational risk profile and associated risks, yearly report regarding the risks identified following the risk self-assessment exercise, quarterly reports regarding the implementation status of the action plans established following the risk self-assessment, yearly report regarding the results of the crisis scenarios analysis.

In order to cover the wide range of exposures to operational risk, OTP BANK ROMANIA S.A. has the following approaches:
- continuous collection of operational risk loss events and their recording and periodic update within a dedicated IT system in order to have an accurate and complete operational risk loss database;
- monitoring key operational risk indicators in order to assess the level of exposure to operational risk, to forecast the risks and to provide assistance in order to avoid certain losses generated by operational risk;
- risks self-assessment in order to identify and evaluate the potential risks that may affect the Bank’s activities and processes and to establish control measures to mitigate or eliminate risks occurrence;
- analysis of crisis scenarios for operational risk, in order to examine the impact and frequency of serious events, to identify vulnerable areas and to estimate the maximum expected risk, respectively to develop appropriate and efficient action plans.

The Bank determines the regulatory capital requirement for operational risk using the Basic Indicator Approach (BIA) according to Regulation no. 575/2013 of the European Parliament and of the Council of the European Union on prudential requirements for credit institutions and investment firms.

The Bank calculates the additional internal capital requirements for the operational risk to the regulated one having in mind the broader range of operational risk and their particularities.

The framework regarding operational risk appetite is defined within the Risk Strategy of the Bank. OTP Bank Romania established limits for the operational risk appetite both at aggregate level and at the level of the operational risk categories (ORC) defined within the Risk Strategy based on the types of events and business lines

Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

Banking activities	Relevant indicator 2020	Relevant indicator 2021	Relevant indicator 2022	Own funds requirements	Risk exposure amount
Banking activities subject to basic indicator approach (BIA)	597,325,696	628,656,729	808,313,403	101,714,791	1,271,434,893
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
Subject to TSA:	-	-	-		
Subject to ASA:	-	-	-		
Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

OTP Bank Romania S.A. targets a medium level for the operational risk profile.

Business continuity framework

The activity regarding business continuity management and crisis management within OTP Bank Romania is defined at the level of Risk Administration Directorate – Operational and Market Risk Department. This activity consists of a solid process of business continuity management, by developing internal regulations, their implementation and conducting periodic tests on the implementation of the Business Continuity Plan.

BIA (Business Impact Analysis) exercise is performed at least annually within OTP Bank Romania S.A., by analyzing all the Bank’s processes in order to identify both the impact in case of the interruption of one or several processes and the alternative working procedures in order to maintain the operational process at a minimum accepted level. Also, within the BIA exercise, there are identified the maximum time allowed for a process not to be operational, the interdependencies between processes and the dependence on certain critical services providers for the Bank and the time for performing the back-up for the databases of the applications used in the activity of Bank’s critical processes.

Following BIA exercise, the Business Continuity Plan is updated, by including the new business requirements and the IT solutions that are transposed in the Disaster Recovery Plan (DRP), document which is managed by IT Service Delivery Directorate and which is part of the Business Continuity Plan of OTP Bank Romania.

The scenarios included within the Policy regarding business continuity management and crisis management that takes into consideration different potential situations that may generate the interruption of one or several operational processes of the Bank are tested annually. By performing BCP tests, the Bank aims to consolidate the way of reacting and managing exceptional events at the level of the emergency teams’ members, activity which leads to a maturity in terms of managing such situations. Also, the implementation of activities/systems to reduce the probability of occurrence of these extraordinary events is taken into consideration.

In the special context generated by the Covid-19 pandemic, the Bank paid special attention to the framework regarding business continuity management and crisis communication. Thus, from the beginning of the epidemic, daily/bi-weekly/weekly meetings of the Crisis Management Group were organized, during which measures for carrying out the activity and managing the risks in the existing epidemic context were discussed, proposed and approved. The most important objectives of the proposed measures were the business continuity management and the protection of the Bank's employees.

3.3.15 Conduct Risk Management

The Bank manages conduct risk by building an effective culture that supports behaviours and practices centred on fair treatment of consumers and by adopting a comprehensive system of norms, policies and procedures with the aim to avoid/handle improper providing of financial services to customers.

An important role in conduct risk management is played by the Organizational Units responsible for the elaboration and the sale of the Bank's products as well as for handling the clients' complaints.

The conduct risk monitoring is performed within the Risk Administration Directorate.

Compliance function of the Bank has a support role within the conduct risk management, by providing consultancy for internal regulations issuance in this area.

Within operational risk management, conduct risk is addressed by:
- continuous collection of the losses generated by conduct risk in the Bank's Operational Losses Database;
- assessment of the losses with high impact and low frequency generated by conduct risk within the analysis of crisis scenarios for operational risk;
- identification of operational risks related to conduct risk within the annual risk self-assessment exercise.
- establishing conduct risk related metrics within the operational KRI system;
- development of a product inventory containing relevant retail banking products and the associated risks, according to the requirements of OTP Group.

OTP Bank Romania S.A. targets a medium-low level for the conduct risk profile.

3.3.16 Model Risk Management

Model risk derives from the wide range of model types that Bank uses for regulatory and managerial purposes. Model risk is managed by establishing an adequate control framework and it is coordinated and reported within the operational risk management, according to the Policy regarding model risk management within OTP Bank Romania S.A.

The Policy regarding model risk management within OTP Bank Romania S.A. establishes roles and responsibilities, principles and requirements within the control framework for model risk.

Transactional credit risk models (application and behaviour scorecards) are developed, documented and validated according to the OTPH guidelines.

The Bank caries out a model inventory that contains a comprehensive set of information related to the implemented models. The review of the inventory is performed annually. Identified models are classified based on their complexity, business impact and materiality into three categories, for each category being established a different set of control requirements.

The Bank uses the following tools for model risk management, in line with OTP Group requirements:
- GAP analysis - in order to assess the model's level of compliance with the control requirements, each model is evaluated using a 3-points scale: appropriate, slightly inappropriate and inappropriate. Identified gaps result in assumed actions and deadlines for compliance by model owners.
- Risks analysis - is similarly to the risk and control self-assessment process (RCSA), in order to evaluate the frequency and severity of losses potentially arising from model risks.

OTP Bank Romania S.A. targets a medium-low level for the model risk profile.

3.3.17 Information and communication technology (ICT) and security risk management

The process of ICT and security risks identification is performed based on the following activities:
- assessment of the functions related to the support activities and processes, as well as their mapping to the situation of information assets in order to identify the importance of each and their interdependencies related to ICT and security risks;
- the self-assessment of risk controls performed according to operational risk identification techniques;
- the scenario-based risk analysis exercise;
- the process of estimation the reputational losses resulted form ICT incidents based on the loss estimation method;
- IT security risk analysis performed according to internal regulations.

The application of risk identification techniques focuses on the assessment of the specific controls in force for ICT and security risks: ICT availability and continuity risk, ICT security risk, ICT change risk, ICT data integrity risk and ICT outsourcing risk.

The ICT availability and continuity risk management framework developed within the Bank covers:

- providing and managing IT services in order to ensure the business objectives of the Bank;
- monitoring the quality of IT services in accordance with the SLAs defined in certain business areas;
- management of the changes applied to the ITC systems during their lifetime, starting from the beginning of operation and until their removal;
- planning the capacity of ITC systems regarding their ability to cope with the present conditions and future business demands;
- management and prevention of operational risk in IT processes;
- IT Services Continuity Management.

As part of the Business Continuity Plan, a disaster recovery plan for IT systems was developed (DR Plan), focusing on reducing the disruptions caused by various major incidents (technical failures, disasters, operating and/or security errors) and recovering data for those systems considered critical for the Bank's activity. The DR Plan is tested yearly and updated based on the test results.

ICT security risk refers to the risk of unauthorized access to ICT systems and data from within or outside the institution. Banking Security Directorate ensures at the Bank level, physical security, data and information security, product and banking security, human security and the application of IT security standards in order to identify and mitigate the risks that may arise in the Bank's activity.

ICT project and change risks may arise from the inability of the Bank to manage ICT system changes in a timely and controlled manner, in particular for large and complex changes. Changes within the Bank's IT environment are classified in three categories (normal, standard and emergency), and the workflow for each type of change as well as the measurement of the quality of the change management process and reporting is described in the Internal Norm regarding Management of IT changes within OTP Bank Romania S.A.

ICT data integrity risk is the risk that data stored and processed by ICT systems is incomplete, inaccurate or inconsistent across different ICT systems, impairing the ability of the Bank to provide services and produce (risk) management and financial information in a correct and timely manner. Data governance within the Bank is handled by Data Governance team, which is functionally coordinated by the Data Governance Manager and represents a set of principles and aspects through which data management is carried out.

ICT outsourcing risk is the risk the Bank's performance and risk management to be adversely impacted following engaging a third party, or another Group entity (intra-group outsourcing), to provide ICT systems or related services. ICT outsourced services are subject to the provisions of the Policy regarding the outsourcing of the Bank's activities and the procedures for management of the risks related to outsourcing, which besides stating the general principles to be applied encompasses a clear methodology for establishing the level of significance/ criticality or importance of each outsourced activity and a monitoring framework of the risks arisen.

OTP Bank Romania S.A. targets a medium-low level for the ICT and security risk profile.

3.3.18 Reputational Risk Management

In order to avoid losses or the failure to achieve the estimated profits, due to the lack of trust of the clients or the potential clients in the Bank, we grant a special attention to the perception they have in the image of OTP BANK ROMANIA S.A.

Objectives and Strategy

The objectives of reputational risk management are:

- to avoid the direct or indirect impact on the Bank's reputation or potential financial losses generated by reputational risks events (including the failure to achieve the estimated income objectives);
- To improve the Bank's image by providing high-quality products and services;
- To avoid the reveal of secret/confidential information or the use of such information by the Bank's employees in order to obtain personal benefits or for any other purpose with potential consequences to the detriment of the Bank or its clients.
-

The Bank's strategy regarding reputational risk management includes:

- continuous improvement of the Bank's reputation by focusing on consistently supplying high-quality products and customer services and on a positive image and communication (at both internal and external level);
- ensuring the implementation of appropriate internal regulations and processes in order to allow the identification, management and monitoring of the reputational risk, taking into consideration the dimension and complexity of the Bank's activities;
- effective management of customers' requests and complaints and establishing appropriate and effective corrective actions in order to improve the quality of the products and services provided by the Bank;
- focus on improving the customers' loyalty process by providing correct and complete information in a timely manner regarding new products and services, the changes of the existing products and services, or any other aspects that may influence the customers' banking activity;
- focus on recruitment and retention of the best specialists and continuous training of sales personnel in all aspects regarding the Bank's products and services, in order to be able to provide to the customers all the information needed for taking informed and correct decisions, according to their needs;
- applying appropriate "Know Your Customer" measures according to internal regulations in order to ensure the quality of the Bank's customers portfolio and to avoid opening business relationships with customers having a fraudulent history or who were involved in any other activities with high ML/FT risk associated;
- ensuring a prudent approach regarding reputational risk management by preparing and implementing appropriate business continuity plans and communication plans in case of crisis or emergency situations;
- implementing the appropriate measures in order to ensure data protection and IT systems security against any threats of unauthorized access;
- using scenarios for monitoring the reputational risk in crisis conditions also in association with other related types of risk (eg. liquidity risk, operational risk), in order to identify the potential impact on the Bank's reputation and the applicable measures in such situations;
- calculating capital reserves for reputational risk in order to protect the Bank in case of future crisis.

Reputational risk management is performed by the Operational and Market Risk Department with the cooperation of the responsible Organizational Units within the Bank, according to the Policy and procedures regarding reputational risk management within OTP Bank Romania S.A., as follows:

- using a quarterly monitoring system based on specific indicators and limits established taking into consideration the main sources of reputational risk;
- in relation with fraud risk and suspicious transactions by monitoring on a quarterly basis their level of significance;
- in relation with operational risk by marking on a continuous basis the operational risk events that have also reputational risk associated within the dedicated application regarding operational risk losses, respectively by applying a methodology for the estimation of reputational losses resulting from operational risk events regarding information and communication technology;
- in crisis circumstances by using a scenario analysis performed on a yearly basis, taking into consideration the financial and economic impact on the bank, inclduing the results of the operational risk scenario analysis or the crisis simulation for liquidity risk.

OTP Bank Romania S.A. targets a medium-low level of the reputational risk exposure.

3.3.19 Outsourced activities related Risk

The outsourcing of activities is performed according to the bank's internal regulations and following an analysis with the objective to identify and asses the related risk level, the main risks monitored being the reputational risk, operational risk, including legal risk, compliance risk, the risk related to information technology, strategic risk, exit risk, respectively the concentration risk and subcontracting risk.

Objectives and Strategy

The Bank's objectives related to the management of outsourced activities related risk include:

- preventing the direct or indirect harm of Bank's reputation as a result of transferring certain activities to external suppliers of goods and services which lack the necessary qualification to perform the outsourced activities;

- following the outsourcing, it should be ensured at least the same quality level for the performed activity as previously, when the activity was performed by the Bank;
- ensuring the protection of confidential information, processing this information and keeping banking secrecy by the external provider;
- eliminating / transferring certain outsourced activity related risks to the supplier.

The Bank's strategy regarding the management of outsourced activities related risk involves issuing specific internal regulations for the monitoring of these risks, keeping track of the following aspects:

- making decisions regarding the outsourcing of new activities or modifying the existing ones;
- selecting and assessing the external supplier of goods and services related to aspects such as: solvency, reputation, working experience with credit institutions' sector, the quality of the services performed, the organization of the activity and internal control, the existence of competent personnel, the existence of an alternative plan for activity recovery, ensuring the confidentiality of the information, especially in case of the information related to electronic payment instruments;
- monitoring how the external supplier of goods and services develop the outsourced activities;
- issuing alternative plans and estimating the necessary costs and resources for changing the external supplier of goods and services;
- drafting exit strategies for all significant outsourced activities/critical or important functions.

OTP Bank Romania targets a medium-low level of the outsourcing risk exposure.

3.3.20 Compliance Risk Management, GDPR included

The compliance risk represents the current or future risk of affecting the Bank's profits, capital or liquidity, which may lead to substantial financial losses or which may affect the reputation of a credit institution because of breaches or noncompliance with the legal and regulation framework, with the agreements, recommended practices or ethical standards applicable to its activities.

The compliance risk includes risks related to the general compliance aspects and associated activities (including investment services and data protection areas), as well as risks related to know-your-customer process, money laundering prevention and terrorism financing prevention activities.

The objective of the general compliance risk strategy is to maintain this type of risk at the level established and agreed by the Bank and it refers to the following general/main activities / processes that may generate such risk:

- Periodical revision of internal regulations in order to align them to legal and regulatory framework and monitoring the implementation status for the new legal provisions applicable to the financial-banking sector;
- Monitoring the national and European legal regulation framework in order to identify the trends and those banking sector regulations having an impact on the compliance risk;
- Identification and assessment of the non-compliance risks associated to the Bank's business processes, including those related to the development of new products, services and practices;
- Establishing corrective measures following the deficiencies identified during the control missions of the supervisory authority and/or the internal/external auditors or from the Group related to general compliance aspects - including investment services - and GDPR, respectively the monitoring of their timely implementation;
- Monitoring of the timely transmission of reports to authorities by all the organizational units within the Bank, according to the legal and regulation requirements;
- Monitoring of the complaints submitted directly by the customers or through authorities in order to manage the general compliance risk generated by the non-compliance with the consumer protection regulation/data protection regulation;
- Monitoring Authority controls and sanctions imposed by them – controls representing premises for materialization of general compliance risk, sanctions representing general compliance risk materialized;
- Developing the compliance culture within the Bank as an integrated part of risk culture and their management, by providing training sessions on general compliance issues and effectively implementing the compliance agents (compliance messengers) system by alignment to Group requirements.

For 2022, OTP Bank Romania targeted a medium-low level of the general compliance risk exposure.

To prevent conflicts of interests, the Bank has issued a ***Policy on Conflict of Interest Management***, in application of which implemented mechanisms for early identification, monitoring and management of situations that may trigger potential conflicts of interests. The Bank analyse the areas with such risk potential - personal recruitment, family relationships, other private relationship, participation in associations/federations/foundations, involvement as suppliers or intermediaries, additional legal employment relationships, political positions etc. - including procedures providing information flow barriers and responsibility segregation.

The Policy on Conflict of Interest Management is published on the Bank's website.

In addition, considering the investment services provided by the Bank, in 2022 the provisions regarding the conflict of interest in the activity of investment services were integrated in the N.467 Internal norm regarding compliance in the area of investment services within OTP Bank Romania S.A.. 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, having in particular the role of ensuring that the client's interests in providing these services are not affected by employee's interests, or of the Bank as well as of third parties. The internal norm also considers conflicts of interest that may constitute market abuse, prohibitions on insider dealing, insider dealing, unauthorized disclosure of insider trading and market manipulation.

3.3.21 KYC & AML/CFT Risk

The objective of the KYC & AML/CFT compliance risk strategy is to maintain this type of risk at the level established and agreed by the Bank and it includes the following general/main actions:

- Periodic revision of the provisions regarding know-your-customer activity and of other policies and procedures in order to avoid business relationships with clients with fraudulent history or who were involved in terrorism acts, money laundering, major payment incidents, bad debtors and/or customers involved in producing or selling of prohibited substances and/or illegal activities (illegal production/marketing of drugs, weapons and ammunition);
- Monitoring the KYC/AML/CFT & International Sanctions legal and regulatory framework and implementing its provisions within the bank's internal regulatory framework;
- Periodical revision of the procedures and methodology for assessing the ML/FT risk associated to customers, services and products offered, as well as at the level of the entire activity carried out;
- Complete and correct transmission of the KYC & AML/CFT related reports to ONPCSB (AML National Authority) and other authorities, according to the legal provisions in force;
- Submission of the information requested by AML/CFT competent authorities;
- Monitoring the update of the internal databases according to the lists issued by international organizations and the resolutions regarding international interdictions and sanctions in order to comply with the legal requirements and to prevent potential risks (sanctions);
- Monitoring the implementation of the KYC & AML/CFT related corrective measures included within the action plans issued by KYC/AML/CFT Department;
- Verification of the Bank's customers transactions for which information were requested by authorities, in order to prepare the suspicious transactions reports;
- Developing the compliance culture within the Bank as an integrated part of risk culture and their management, by providing training sessions on KYC & AML/CFT issues.

For 2022, OTP Bank Romania targeted a medium level of the KYC & AML/CFT risk exposure.

3.3.22 Management of the Strategic Risk

Strategic risks are risks that affect or are created by the Bank's business strategy and strategic objectives. They arise from the Bank's inability to implement appropriate business plans, strategies, decisions, resource allocation and its inability to adapt to changes in its business environment. This risk is therefore a function of:

- the Bank's strategic goals;
- the business strategies developed to achieve the goals;
- the resources deployed in pursuit of these goals and the quality of implementation;
- the resources needed to carry out business strategies.

- **Strategic planning process**

OTP Bank România S.A. aims to put in place strategic plan(s) supported by realistic budget(s). Any strategic plan clarifies the Bank's overall purpose, defines goals and priorities and determines practical approaches for achieving them.
If the strategic planning process is not appropriate or if the assumptions are not realistic, the strategic plan will be flawed thereby exposing the Bank to the strategic risk.
In this regard, OTP Bank România S.A. aims to have an appropriate strategic planning process, encompassing the following:

- support or participation of the board, delegated committees, and senior management;
- participation of staff from various departments;
- adequacy of information in developing assumptions in relation to economic factors, position of the Bank compared to competitors, current competitive position, future market trends and customer needs;
- consistency of the operational plans with the overall objective of the Bank;
- assessment of actual performance against strategic plans.

- **Assessment of the occurrence of the strategic risk**

In order to assess the occurrence of the strategic risk, the Bank carried backward looking analysis on its strategic objectives from past years (3 years) and compares them with actual figures / ratios or other soft facts, non-quantifiable, for example:

- market penetration;
- product development;
- enhancement of certain qualities / attributes of the Bank's product portfolio;
- segmentation of customers or of products;
- deployment of Group of local initiatives etc.

- **Capital requirements for strategic risk for OTP Bank România S.A. (individual and consolidated level)**

One of the most important outcomes of a successful strategy, that reaches its goals, is to generate profit. The lack of profit or losses requires additional funds, usually from shareholders, in order to ensure the capital adequacy of the Bank, Therefore, the occurrence of strategic risk could lead to capital requirements.
In order to determine the capital requirement for strategic risk the Bank uses the underachievement of budgeted profits, on a country consolidated base according to Group definition. Although capital adequacy is monitored on a separate basis, for the stand-alone Bank, from an economic perspective, the Group consolidated approach is more sensible, as it is the view of the whole Group and thus that of the Bank itself (OBR Group, including the leasing and the factoring subsidiaries).

In the actual vs. plan analysis special events that occurred due to market opportunities and that could not have been foreseen will not be taken into consideration (CHF conversion, gain from Millennium acquisition).
The Bank examines the fulfillment of the plan on a quarterly basis for the last 3 years.
For each quarter between Q1 2020 and Q4 2022 a comparison actual vs. plan is made for profit before tax. A weight is distributed for each period (the more recent periods receive a higher rate as it is more relevant and the older periods receive lower weights). The gap between actual and plan (in mil RON) are weighted for each quarter.
On individual level, the gaps for the analyzed period, (2020-2022) are added up to **-11,7 million RON (including the factoring subsidiary)**.
For the calculation of the capital requirement for strategic risk for OTP Leasing (the subsidiary included in local consolidation), the actual differences versus budget for the last 3 years were analyzed. The calculation method is used to calculate the Bank's capital requirement. The gap calculated for the analyzed period (2020-2022) is +**5.7 million** RON.

The capital required for strategic risk is calculated as the negative amount of the current difference versus the plan, so it only occurs if the realization was below the plan.
The gap for the analyzed period, (2020-2022) are added up to **-6,0 million RON**, on a country consolidated level (OBR Group, including the leasing and the factoring subsidiaries), **means that for the period under review the realization was below the plan, therefore, the difference was covered by additional capital, both at the individual level and at the consolidated level.**

3.3.23 Management of the ESG Risk

Currently, the Bank manages ESG risks by considering it enhancement factors of the traditional categories of financial risks (credit risk, market risk, operational and reputational risks, liquidity and financing risks).

In line with the expectations of the main stakeholders and the requirements of the supervisory authorities, the Bank launched the non-retail ESG (environmental, social and governance) credit risk framework in 2021 aligned with the OTP Group's risk management framework and in 2022 defined the local ESG (environmental, social and governance) strategy through which the Bank is committed to providing financial services for a fair and gradual transition to a low-carbon economy, while encouraging responsible behaviours and increasing the positive impact on society.

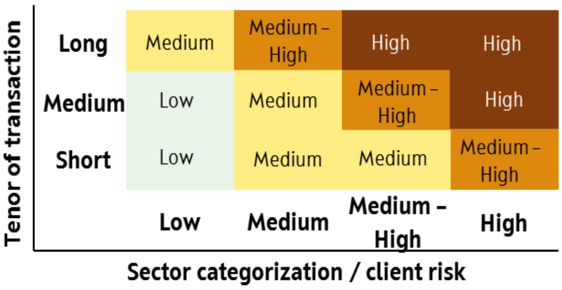
Based on the materiality assessments carried out by the OTP Group among interested stakeholders, which is also applicable to the subsidiary in Romania, all ESG factors are considered to be relevant and have been grouped into 3 strategic materiality pillars Responsible Supplier, Responsible Employer and Responsible Social Actor.

In the credit risk management area, ESG risk is assessed at the initiation of exposures to corporate clients and over the life of the exposure as provided in accordance with the provisions of L.428 - Procedure for determining the ESG risk category and leverage transactions within OTP Bank Romania S.A.

Economic activities whose nature and impact are incompatible with the values set at the level of the OTP Group in terms of providing responsible financial services and promoting sustainable development will be excluded from financing on the basis of a defined list.

The sectoral concentration limits set in the bank's lending policy are another tool for managing ESG risks that can materialize through credit risk.

The methodology implemented enhanced the non-retail lending processes by introducing:
- ESG Exclusion list – activities and behaviours whose controversial nature and impact make them incompatible with OTP values thus being excluded from financing by the OTP Group
- The industry/ sectoral ESG Risk Heat Map – lists the ESG risk classification of each economic activity by NACE classification, established taking into account the environmental and social factors, sector specific physical and transition risks
- ESG Risk Assessment – the process to assign ESG risk category on client and transaction level including ESG Due Diligence Questionnaire for defined situations. Four risk categories (Low / Medium / Medium-High / High) are assign based on the clients' main activity and the tenor of the underlying transaction. In case of leasing deals different methods have been implemented (for engine-driven assets) using the same risk categories. Above a pre-defined threshold ESG Due Diligence is applied based on additional information gathered about ESG awareness of the clients through an ESG questionnaire and relevant additional documentation. Four risk categories are applied when determining the ESG risk category of a transaction according to the following matrix:



In the area of operational risk management, the ESG risks are addressed by:

- Marking of the losses related to ESG risks in the Bank's Operational Losses Database;
- Evaluation of losses with high impact and reduced frequency driven by ESG risks within the scenarios analysis;
- Identification of the operational risks related to ESG risks during the yearly risk self-assessment exercise.

Also, the impact of physical risks on the bank's operations in general, including the ability to quickly recover its capacity to continue to provide services, is assessed in the business impact analysis (BIA) and managed through the business continuity plan (BCP).

The Bank's ESG risk management framework is being developed with the aim of aligning with the definitions and requirements of EBA and ECB, locally integrating the parent bank's strategy for green financing and ESG risk management, and increasing understanding and ability to quantify ESG risks in order to set limits (at the level of business line, economic sector or product) that adequately reflect the appetite for ESG risks.

3.3.24 Management of the external risks of the credit institution

Macroeconomic crisis simulations are a forward-looking exercise whose purpose is to estimate incomes, potential losses and capital requirements under two crisis scenarios (two macroeconomic - one being more severe than the other, one internal and one combined).

Thus, in 2022, macroeconomic crisis simulations were conducted over a three-year horizon (2022-2024), **and available capital is sufficient to cover the capital requirement**, taking into account the minimum solvency ratio (SREP) at individual level.
It should be emphasized that these capital requirements are determined before applying any measures to supplement the own funds or reduce the risks to which the Bank is exposed.
In the event of any unfavorable scenario, the Bank will take preventive risk mitigation measures (risk-weighted assets and other risk mitigation techniques) as well as additional capital measures.

However, in addition to raising capital, the Bank will look into if a more drastic scenario can become real, all possible ways of raising own funds and reducing additional provisions (one way would be to shut down unused facilities to reduce additional capital including, if possible, analyzing the possibility to sell the collateral covering the related exposures, the sale of fixed assets of the Bank that have no direct impact on the Bank's business development).
Macroeconomic crisis scenarios include values of the macroeconomic indicators that have the most impact on the profitability of OTP BANK ROMANIA S.A., such as EUR / RON exchange rate, LIBOR CHF, ROBOR 3M, IRCC, EURIBOR 3M, unemployment rate, real GDP, real estate prices and others.

The steps taken to estimate the implications for OTP BANK ROMANIA S.A. in the crisis simulations are the following:

- identification of risk factors;
- generation of macroeconomic scenarios;
- estimating the evolution of non-performing loans;
- estimating the cost of risk, provisions and risk weighting factors;
- assessing the impact on profitability and on the adequacy of capital.

The results of the crisis simulations are reported to the Risk Management Committee that analyzes and approves these results. Follow-up to the discussions in this Committee:

- submit for analysis and approval toward the Bank's Board of Directors, the Risk Administration Committee and Supervisory Board the report regarding the results of the macroeconomic crisis simulation;
- it may decide to inform the Assets and Liabilities Committee, which, according to its attributions, may propose remedies to be approved by the Bank's Directorate.

3.3.25 Encumbered and unencumbered assets

The situation of the assets and unencumbered by the tasks is presented as follows:

Template EU AE1 - Encumbered and unencumbered assets

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
	010	030	040	050	060	080	090	100
Assets of the reporting institution	-	-			19,887,596,843	5,638,526,469		
Equity instruments	-	-	-	-	18,091,416	18,091,416	18,091,416	-
Debt securities	-	-	-	-	4,026,370,165	4,018,542,031	4,010,652,855	4,010,652,855
of which: covered bonds	-	-	-	-	-	-	-	-
of which: securitisations	-	-	-	-	-	-	-	-
of which: issued by general governments	-	-	-	-	4,010,652,855	4,018,542,031	4,010,652,855	4,010,652,855
of which: issued by financial corporations	-	-	-	-	15,717,310	-	-	-
of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
Other assets	-	-			15,843,135,262	1,601,893,022		

At 31.12.2022 the Bank did not have any encumbered assets.

4. OWN FUNDS AND CAPITAL REQUIREMENTS

- **Own Funds**

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	2,322,004,132	**(h)**
2	Retained earnings	-344,044,982	
3	Accumulated other comprehensive income (and other reserves)	70,570,423	
EU-3a	Funds for general banking risk	4,763,367	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	65,300,075	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	2,118,593,015	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-664,000	
8	Intangible assets (net of related tax liability) (negative amount)	-31,320,295	**(a) minus (d)**
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	

21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjusments	152,806,889	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	120,822,594	
29	**Common Equity Tier 1 (CET1) capital**	2,239,415,609	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	**(i)**
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	
44	**Additional Tier 1 (AT1) capital**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	2,239,415,609.00	

	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	-	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
56b	Other regulatory adjusments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	
58	**Tier 2 (T2) capital**	-	
59	**Total capital (TC = T1 + T2)**	2,239,415,609	
60	**Total risk exposure amount**	9,954,223,927	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1	22.50%	
62	Tier 1	22.50%	
63	Total capital	22.50%	
64	Institution CET1 overall capital requirements	10.07%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.50%	
67	of which: systemic risk buffer requirement	-	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	-	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2.57%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	-	

Amounts below the thresholds for deduction (before risk weighting)			
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
		-	
		-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

At 31.12.2022 the level 1 own funds value was 2.239.416 thousand RON.

The bank included in the prudential perimeter OTP Leasing, in which it owns a shareholding of 59.99% for the social capital, as well as well as OTP Factoring, in which it holds a share of 100% and for which the prudential consolidation conditions provided by Regulation no 575/2013 art 19 were fulfilled. Prudential consolidation has been done through the global consolidation method.

For the consolidation for accounting purposes, the Bank applied the exception provided in the Financial Reporting Standard 10 Consolidated - Financial Statements para a (point IV), OTP Leasing and OTP Factoring being included in the consolidated financial statements of the parent company OTP BANK Nyrt.

OTP BANK ROMANIA S.A. does not have hybrid equity instruments, instruments whose provisions provide for a redemption incentive or instruments that are subject to the transitional regime.

On December 31, 2022, OTP BANK ROMANIA S.A. has calculated its own funds in accordance with Regulation 5/2013 of the National Bank of Romania on prudential requirements for credit institutions and Regulation (EU) 575/2013 on the own funds of credit institutions and investment firms with subsequent amendments and completions.

- **Internal capital adequacy**

The process of capital adequacy to risks within OTP Bank Romania SA covers both risks for which the Romanian National Bank requires capital allocation and risk which are internally assessed in order to have an adequate internal capital in relation to the risk profile of the bank. The ratio between total capital requirement and regulated capital requirement at 31 December 2022 is 156 % at consolidated level. The main risk categories monitored are: credit risk, operational risk, market risk, credit value adjustment risk, position and currency risk, residual risk, concentration risk, conduct risk, model risk, ICT related risk and security risk, compliance risk, risk associated with excessive use of leverage, risk associated with deficiencies in the activity management framework, strategic risk, liquidity risk, reputational risk, stress test component (including risks external to the credit institution) and rate risk of interest.

- **Information of minimum capital requirements**

For calculating the capital adequacy to risks, the treatment of the credit risk is made in accordance with the standard approach provided by the EU Regulation 575/2013 of European Parliament and Board from June 26, 2013 regarding prudential requests for credit institution and investment firms and modification of EU Regulation no. 648/2012. For the calculation of the minimum capital requirements related to the position, operational and foreign currency risks, the Bank uses the standard approach.

For the purpose of calculating the additional capital requirement, OTP BANK ROMANIA S.A. evaluates quarterly the capital requirements for the non-regulated risks. In the internal process for assessing the capital adequacy to risks, OTP BANK ROMANIA S.A. uses both quantitative and qualitative approaches.

In the process of evaluating the capital adequacy to risks, OTP BANK ROMANIA S.A. shall prepare annually a plan regarding the capital, approved by the management body. This plan will include estimated capital requirements according to business objectives proposed by the Bank for that year. This plan will be updated whenever will be anticipated situations where, due to changes of the business environment and/ or strategic objectives of the Bank, the capital required for carrying out the Banking activity no longer meets the minimum requirements.

Annex 1

EU KM1 - Key metrics template

		31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,239,415,609	2,182,209,997	2,162,136,292	2,161,393,838	2,203,358,699
2	Tier 1 capital	2,239,415,609	2,182,209,997	2,162,136,292	2,161,393,838	2,203,358,699
3	Total capital	2,239,415,609	2,182,209,997	2,162,136,292	2,161,393,838	2,203,358,699
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	9,954,223,927	10,132,047,336	10,797,623,638	10,405,633,874	9,905,689,333
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	**Common Equity Tier 1 ratio (%)**	**22.50%**	**21.54%**	**20.02%**	**20.77%**	**22.24%**
6	**Tier 1 ratio (%)**	**22.50%**	**21.54%**	**20.02%**	**20.77%**	**22.24%**
7	**Total capital ratio (%)**	**22.50%**	**21.54%**	**20.02%**	**20.77%**	**22.24%**
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	4.56%	4.56%	4.56%	4.56%	3.72%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2.57%	2.57%	2.57%	2.57%	2.09%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	3.42%	3.42%	3.42%	3.42%	2.79%
EU 7d	**Total SREP own funds requirements (%)**	**12.56%**	**12.56%**	**12.56%**	**12.56%**	**11.72%**
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.48%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.50%	0.50%	0.50%	0.50%	0.00%
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-	-	-
11	Combined buffer requirement (%)	3.00%	2.50%	2.50%	2.50%	2.48%
EU 11a	Overall capital requirements (%)	15.56%	15.06%	15.06%	15.06%	14.22%
12	CET1 available after meeting the total SREP own funds requirements (%)	-	-	-	-	-

	Leverage ratio					
13	Total exposure measure	21,055,186,491	21,807,392,669	21,022,823,472	19,715,580,217	19,666,730,879
14	**Leverage ratio (%)**	**9.90%**	**9.20%**	**9.54%**	**10.20%**	**10.24%**
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	-	-	-	-	-
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	**Leverage ratio buffer requirement (%)**	**10.64%**	**10.01%**	**10.28%**	**10.96%**	**11.20%**
EU 14e	**Overall leverage ratio requirements (%)**	**10.64%**	**10.01%**	**10.28%**	**10.96%**	**11.20%**
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	3,237,571,104	3,393,401,847	2,993,752,709	2,804,233,210	3,319,008,251
EU 16a	Cash outflows - Total weighted value	2,988,190,519	3,720,554,820	3,776,954,040	3,394,002,399	3,214,534,001
EU 16b	Cash inflows - Total weighted value	1,662,957,372	1,650,653,318	1,722,106,542	1,628,149,735	932,583,406
16	Total net cash outflows (adjusted value)	1,691,268,286	2,191,857,318	2,081,941,456	1,806,619,463	2,218,864,618
17	**Liquidity coverage ratio (%)**	**196%**	**159%**	**147%**	**158%**	**149%**
	Net Stable Funding Ratio					
18	Total available stable funding	15,608,609,451.75	15,048,615,676.45	14,324,451,687.60	13,876,779,957.50	13,466,981,711.30
19	Total required stable funding	9,823,253,407.00	10,458,625,414.05	10,337,377,013.45	9,757,698,105.30	9,245,220,002.85
20	**NSFR ratio (%)**	**159%**	**144%**	**139%**	**142%**	**146%**

Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

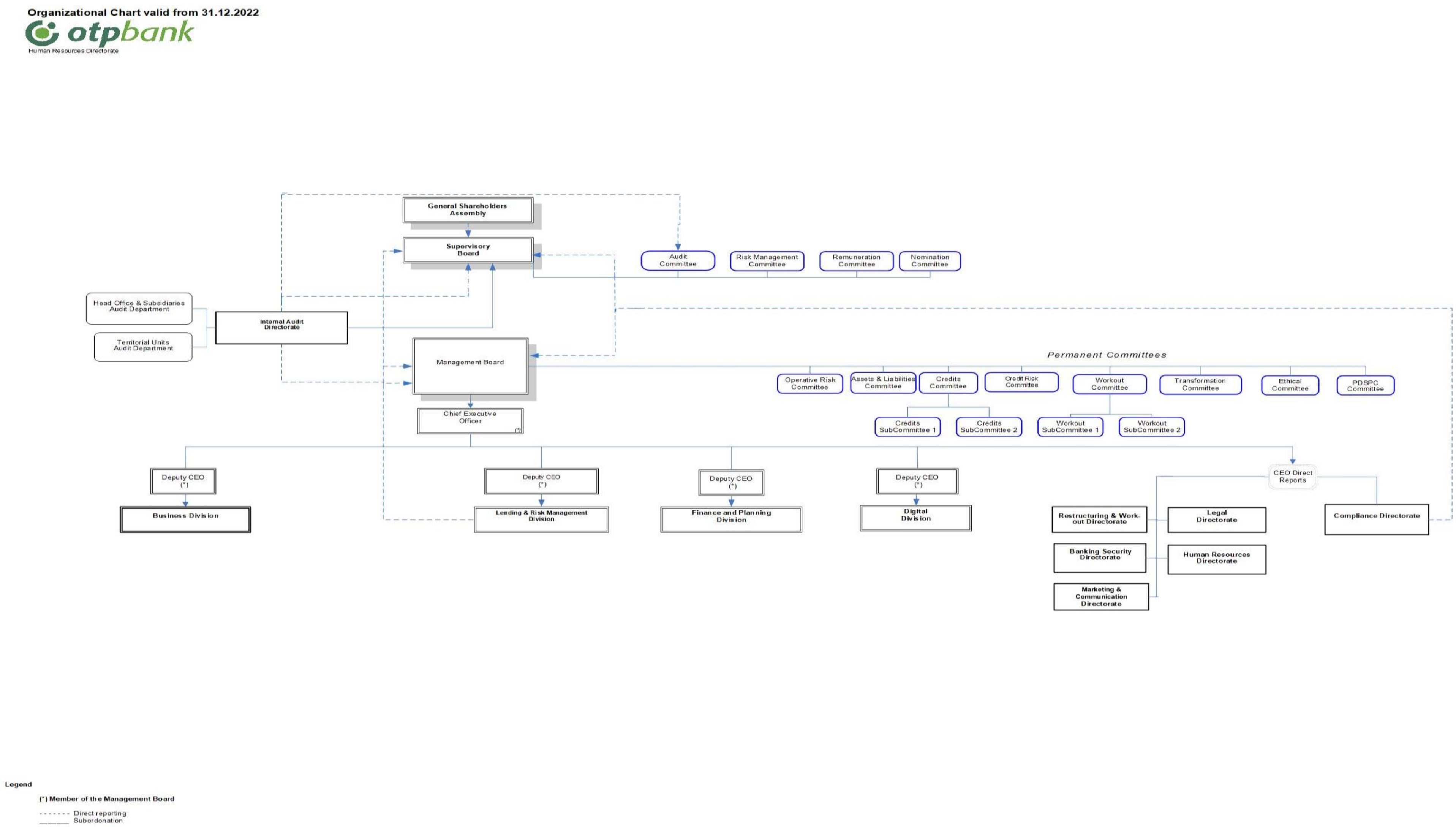
	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Defalcare pe țări:													
Country: RO	8,477,920,857	0	0	0	0	8,477,920,857	678,233,669	0	0	678,233,669	8,477,920,863	0	0
Total	**8,477,920,857**	**0**	**0**	**0**	**0**	**8,477,920,857**	**678,233,669**	**0**	**0**	**678,233,669**	**8,477,920,863**	**0**	

Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer

Total risk exposure amount	**9,954,223,927**
Institution specific countercyclical capital buffer rate	0.50%
Institution specific countercyclical capital buffer requirement	**49,771,120**

Annex 2

The Organisational Sructure of OTP Bank România S.A._Head-office



Annex 3
Risk appetite Statement of the Supervisory Board of OTP Bank Romania S.A. for 2022

Risk Appetite Statement of the Supervisory Board of OTP Bank Romania S.A. for 2022

We, as the Supervisory Board of OTP Bank Romania S.A., have agreed and confirm the following regarding the risk appetite of the organization:

I. General principles:

1. This document is an integral part of the framework on risk appetite developed at the level of OTP Bank Romania S.A. (hereinafter the Bank) and defines the aggregate level and types of risk that the Bank is willing to assume within the limits of its risk capacity, according to its business model, in order to achieve its strategic objectives.
2. The risk appetite is defined both at a general level and at the level of each significant risk for the Bank on a scale of 5 points between the low level and the high level.
3. A high risk appetite is the availability to be exposed to a high probability and / or potential impact of a risk.
4. Having a high appetite for a risk does not mean that the real manifestation of the risk is desirable or the event should be overlooked once it occurs.

II. Overall risk appetite

5. The Bank shall aim to optimize its risk profile so as to achieve its business objectives with the least possible impact in terms of the risks to which it is exposed.
6. Thus, the general objective regarding the risk appetite of OTP Bank Romania S.A. is to have an overall MEDIUM risk profile obtained by aggregating the levels of significant risks.
7. From the perspective of capital adequacy to risk, it corresponds to a minimum overall capital requirement (OCR) of 18.06% at individual level and of 17.99% at consolidated level (includes the total capital requirement SREP (TSCR), a combined buffer requirement of 4%[1] and a management shock absorber of 1.50%). Concerning liquidity adequacy, the objective is to register a minimum level of the liquidity coverage ratio (LCR) of 120%.
8. Risk appetite is an integral part of the Bank's business planning processes to promote the proper alignment of risk, capital and performance objectives, while taking into account risk capacity and appetite constraints in terms of financial and non-financial risks.

III. Appetite for significant risks

9. The diversity of activities carried out at the level of the institution requires the identification, measurement, administration and monitoring of risks on an ongoing basis.
10. The level of risk appetite of the Bank differs among the risks considered significant after the inventory of all risks to which the bank is exposed.
11. OTP Bank Romania S.A. has a **medium - low risk appetite** for:

[1] Starting with October 2022, it will also include the capital countercyclical buffer of 0.5%, becoming 4.5%, and the target rates will change accordingly.

(a) The risk that the recognized credit risk mitigation techniques used may prove less effective than anticipated, resulting in an overestimation of collateral or problems related to their liquidation. In this sense, a series of management, control and monitoring mechanisms have been implemented both in the process of assuming credit risk and at the level of the risk management function.

(b) The risk of losses on and off - balance sheet positions due to unfavorable market fluctuations in prices. The Bank manages the market risk exposure of the portfolio held for trading separately from that of the activities outside the trading book. The trading activity is carried out within the approved trading strategy. The trading of highly liquid instruments will be pursued.

(c) Current or future risk associated with the banking portfolio to negatively affect profits and capital as a result of adverse changes in interest rates. Interest rate risk exposure is monitored on a monthly basis by the Assets and Liabilities Management Committee (ALCO).

(d) The risk of not being able to meet its obligations at maturity and of a significant increase in the cost of financing. Liquidity is pursued under both normal and crisis conditions, taking into account the resources needed to support the budgetary objectives of business development. Through its activity, the Bank aims to minimize its exposure to liquidity risk and does not seek to make a profit by assuming a high exposure.

(e) The risk associated with the improper provision of financial services, including cases of intentional or negligent misconduct. The Bank manages the risk of conduct by promoting the Code of Ethics and implementing clear policies on the development of products and services, conflict of interest management, the regime of incentives received from third parties or granted to them regarding investment services.

(f) The risk of a loss as a result of decisions that could be based primarily on the results of internal models due to errors in the development, implementation or use of those models.

(g) Risks of loss due to breach of confidentiality, failure to ensure the integrity of systems and data, inadequacy or unavailability of systems and data or inability to change information technology in a reasonable time and at reasonable costs when environmental or business requirements change. These include security risks resulting from inadequate or failed internal processes or external events, including cyber attacks or inadequate physical security. These risks are mitigated within the IT strategy developed at the Bank's level.

(h) The risk of adversely affecting profits, own funds or liquidity as a result of damaging the credit institution's reputation. The Bank aims to continuously improve its reputation, effectively manage customer requests and complaints and establish appropriate corrective actions.

(i) The risk that may materialize in operating losses or unrealized income and subsequently in potential reputational damage to the Bank due to its current / future operations performed by third parties on its behalf. The outsourcing of some activities is carried out on the basis of specific internal regulations and only with the prior approval of the Risk Operations Committee and the Bank's Management Board.

(j) The risk of adversely affecting profits, own funds or liquidity, which may lead to significant financial losses or damage to a credit institution's reputation as a result of breaches or non-compliance with the legal and regulatory framework, agreements, practices recommended or ethical standards applicable to its activities (general compliance risk). The Bank is committed to ensuring a high level of compliance with relevant legislation, regulations, codes and standards, as well as compliance with internal policies and corporate governance principles.

(k) Risks arising from the Bank's inability to properly implement business plans, strategies, decisions, resource allocation and inability to adapt to changes in the business environment. The monitoring and reporting mechanisms developed at the Bank's level provide the premises for mitigating these risks. The fulfillment of the actions and objectives set by the business strategy of OTP Bank Romania S.A. will be pursued.

12. OTP Bank Romania S.A. has a **medium risk appetite** for:

(a) Credit risk (default of the debtor on fullfiling contractual obligations) and the risk of concentration of credit exposures. The lending activity represents the basic activity of the institution, over 90% of the debt instruments being loans and advances. At the same time, according to the business strategy, the Bank aims to reach a market share at the end of 2022 of 4.39%, up ~0.3 pp compared to the previous year. It is therefore necessary to take these risks, but to an acceptable level, carefully managed through the three lines of defense of the credit risk management framework. It is also intended to build up sufficient reserves to absorb.

(b) Operational risk resulting either from the use of inadequate or improperly performed internal processes, persons or systems, or from external events, including legal risk. The Bank pays close attention to operational risk events and constantly monitors the development and improvement of the operational risk management framework.

(c) The risk posed by the impact and likelihood of the Bank's involvement in money laundering and terrorist financing activities. The Bank will implement procedures to ensure the allocation of resources to ensure compliance with regulatory requirements, including the implementation of best practice guidelines in line with European regulations, depending on the size and complexity of the Bank's operations.

IV. Detailed provisions concerning compliance risk appetite

13. As set out in the legal regulations in effect and in the internal provisions and regulations, the executives, managers, employees of the OTP Bank Romania S.A. undertake general responsibility for the application of compliance requirements and rules. All employees of the organisation are under an obligation to enforce requirements for compliance, report any circumstances that pose a threat to enforcement, and participate in the elimination of such circumstances. Persons performing outsourced activities or engaged as experts or advisors, whether natural or legal persons, must meet compliance requirements and standards as well.

14. The compliance function is conducted in order to create a corporate culture that ensures the prudential and ethical operation of the Bank in the long term.

15. In the course of operating the compliance function, the Bank applies the following principles:

- Independence

- Integrity
- operation without interference
- objectivity
- preventive and proactive approach
- risk-based approach
- proportionality
- high level of professional care and competence
- full coverage of the Bank's areas of activity through monitoring, control and support
- efficiency, rationalisation of compliance costs

16. Processing and protection of personal data – GDPR

a. The Bank is committed to the adequate protection of the personal data processed by it, in accordance with the provisions of the General Data Protection Regulation and the applicable national laws and regulations.

b. As part of that, the Bank has established, operates and applies a system for regulation, implementation and auditing that provides for the adequate protection of personal data by meeting the criteria specified in applicable legislation and safeguarding its core business interests.

17. Conflict of interest, ethics

a. The Bank has a vested business interest and a statutory obligation in ensuring that the personal interests of its employees and of members of its management bodies are not in conflict with the business interests and commitments of the Bank and its customers, and that the Bank identifies, prevents and manages the conflicts of interest related to its various activities, and regulates and ensures the assessment of suppliers' compliance (supplier pre-screening). With a view to protecting its values and its customers, the Bank formulates requirements for ethical business operations.

b. The Bank draws up a Conflict of Interest Policy to specify the circumstances that are associated with its investment service activity, ancillary services and related financial services, and which lead or may lead to a conflict of interest potentially causing adverse consequences for the business partner. The Policy also defines the detailed procedural rules and measures that allow the prevention, identification and management of conflict of interest situations that are potentially prejudicial to the business partner.

18. Compliance with restrictions on information flows between financial and investment service activities

a. The Bank puts in place an internal organisational, operational and procedural mechanism to ensure that the data and information flows among the organisational units in charge of financial services, ancillary financial services and investment services comply with the applicable legal provisions and recommendations.

b. The organisational units of the Bank may only disclose confidential banking and securities information to one another as provided for in their own applicable internal regulations.

c. Additionally, the Bank ensures that any person may only access bank secrets and securities secrets on a need-to-know basis.

19. Prevention of market abuse (insider dealing, unfair price manipulation)

a. Within the meaning of applicable law and of its own regulation, the Bank prohibits insider dealing and attempted insider dealing in respect of the financial instruments of companies whose securities are issued in public offerings and in connection with which the insider person has obtained information. The transmission of such information is also prohibited. The Bank counters all forms of inside dealing, carrying out analyses and examinations of such incidents, and taking action to prevent such incidents, or address incidents that have occurred.

b. The Bank counters all forms of conduct that involves a potential for market manipulation, or is inconsistent with generally accepted professional principles, or discloses unfounded, false or potentially deceptive information and gives signals of that character about the price of a specific financial instrument, or artificially keeps the price of an instrument at an abnormal level.

20. Fair treatment of customers, consumer protection

a. The Bank is committed to the enforcement of consumers' interests. In this context, it follows consumer protection principles that are consistent in their approach, and takes into account changes in consumer habits and interests.

b. The Bank continuously monitors and regularly assesses the adequacy and effectiveness of the measures and procedures relating to investment services as well as the measures aimed at addressing compliance deficiencies.

c. The Bank takes all of the measures required to ensure that orders are carried out in the best interest of customers, and that it exercises utmost care and prudence in managing customers' financial instruments and investments.

d. The Bank has undertaken a commitment to safeguard the interests of capital market participants, investors and customers, to maintain fair competition, and to prevent market abuse and conflicts of interest.

21. Corporate governance

a. In the spirit of responsible corporate governance, the Bank has guidelines in place ensuring that the operations of the Bank,comply with the internationally recognised rules and standards of responsible corporate governance, and that the public disclosure of information on its governance and operations makes it a transparent and verifiable company.

22. Compliance with international tax agreements

a. The Bank has a fundamental interest and a legal obligation in ensuring its full compliance with the customer identification and reporting requirements set out in international tax arrangements (FATCA for the US, CRS/DAC2/DAC6 for the OECD and the European Union), and in applicable local law.

23. Compliance with the requirements of international sanctions and mitigation of risks associated with sensitive transactions

a. Upon the establishment and maintenance of its relationships and making its business decisions, the Bank takes into account the economic, financial and commercial sanctions and embargo requirements approved by international organisations and specific states, thus, in particular, by the United Nations Security Council, the European Union, the United States (published by OFAC of US Department of Treasury and UK list.

b. In pursuing its business policy goals, the Bank strives to avoid sensitive transactions that may be detrimental to the reputation and business relations of the Banking Group and accordingly, it inspects – in particular but not limited to – active transactions related to military goods, dual use products and technologies, the extraction of crude petroleum, nuclear energy and crypto instruments.

V. ESG risks appetite

24. OTP Bank Romania's mid term objective is to develop a comprehensive ESG risk management framework able to ensure alignment with the definitions and requirements of EBA and ECB, local integration the parent bank's strategy for green financing and ESG risk management and increased understanding and capability to quantify ESG risks in order to set limits (at the level of business line, economic sector or product) that adequately reflect the appetite for ESG risks.

25. In 2021, the Bank implemented a methodology for the assessment of ESG risks at initiation of exposures to corporate clients and over the life of the exposure. Economic activities whose nature and impact are incompatible with the values set at the level of the OTP Group in terms of providing responsible financial services and promoting sustainable development will be excluded from financing on the basis of a defined list.

26. In relation to our customers, OTP Bank Romania 's ESG Exclusion List is the central steering document that lists the activities that are not supported by the Bank. The bank's new customers should not engage in the activities listed in the ESG Exclusion List, which incorporates the following:

- Transactions with the purpose to violate legal regulations of the host country or international law, like: illegal arms trade, prohibited gambling, illegal trading in drugs, production or trade in products containing PCBs (Polychlorinated biphenyls are a group of highly toxic chemicals), production or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans, production or trade in ozone depleting substances subject to international phase out , trade in wildlife or wildlife products regulated under CITES , Transboundary movements of waste prohibited under international law;
- Production of or trade in controversial weapons (anti-personnel landmines, biological, chemical and nuclear weapons etc.);
- Trade in goods without required export or import licenses or other evidence of authorisation of transit from the relevant countries of export, import and, if applicable, transit;
- Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage;
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- Shipment of oil or other hazardous substances in tankers which do not comply with IMO requirements;
- Mining, exploration and upgrading of shale gas in Europe;
- Mountain top removal – mining;
- The keeping of animals for the primary purpose of fur production or any activities involving fur production;
- The manufacture, placing on the market and use of asbestos fibres, and of articles and mixtures containing these fibres added intentionally;
- The export of mercury and mercury compounds, and the manufacture, export and import of a large range of mercury added products.

27. A distinction in engagement with controversial activities may apply for an existing client as opposed to a new client. For activities listed in the ESG Exclusion List, while new clients will be subject to zero credit

tolerance, existing clients' term loans will be subject to natural amortisation, while their short-term loans may be renewed for a specific period upon the consideration of specific ESG, credit, and reputational risks. This distinction is based on the general notion that the Bank will have less leverage on a new client to agree on a strategy to exit from the activities listed in the ESG Exclusion List in the future.

28. In 2022, the foundations of the local ESG strategy will be laid in order to align with the parent bank's ESG strategy and meet the requirements and expectations of the supervisory authority. The process of integrating ESG risks in the Bank's core activities and risk management framework is a medium-term one, it will take place gradually and involves the allocation of significant various resources from the bank.

VI. Risk appetite metrics

29. In order to ensure the proper implementation of the risk appetite, the Bank has established the RAS dashboard, a set of metrics specific for the main risk categories which are monitored towards the triggers and limits set at the parent bank level (OTP Bank PLc).

30. The metrics cover credit risk, market risk, operational risk, liquidity and IRRBB risks, solvency and are reviewed periodically as well as in case of material changes to the Bank's business and risk strategies.

VII. Approval and Communication

31. The Risk Appetite Statement will be approved by the Supervisory Board together with the Risk Strategy of the Bank.

32. For disclosure, the Risk Appetite Statement will be published as an annex to the Transparency Report.

VIII. Monitoring and reporting

33. The monitoring of the risk profile in relation to the risk appetite and of the RAS dashboard is performed quarterly by the Risk Administration Directorate by calculating the specific indicators and aggregating the results according to the provisions of the Risk Strategy of OTP Bank Romania.

34. The results are reported to the Operative Risk Committee, the Risk Management Committee , the Bank's Management Board and Supervisory Board.

IX. Revision

35. The risk appetite statement will be revised:

(a) annually;

(b) whenever the revision of the Risk Strategy so requires.

Antal György Kovács
President of the Supervisory Board of

OTP Bank Romania SA

Appendix 4

1.1.1. Credit Committee

Chairman	1. Deputy CEO coordinating the Credit and Risk Management Division
Vice-Chairman	2. Director Corporate Loans Underwriting Directorate
Members	3. Director Commercial Banking Underwriting Directorate
	4. Director Credit Administration Directorate
	5. Deputy CEO coordinating the Business Division, starting with 27.06.2021
Permanent invitees	Director of the Legal Directorate
	Director of the Retail Credit Directorate
Committee Secretary	Underwriting Support Department, Corporate Loans Underwriting Directorate
Permanent replacements:	
Deputy Chief Executive Officer of the Business Division	Director of the Large Corporate Directorate or Director Commercial Banking Directorate or Director of the Retail and Network Directorate
Director of the Corporate Loans Underwriting Directorate	Deputy Director of the Corporate Loans Underwriting Directorate
Director of the Commercial Banking Underwriting Directorate	Commercial Banking Underwriting Department Manager
Committee Secretary	Underwriting Support Department, Corporate Loans Underwriting Directorate

1.1.2. Credit Sub-Committee 2

In the case of clients managed by the Business Division, Large Corporate Directorate

Members	Director of Corporate Loans Underwriting Directorate or Manager of the Structured Financing Underwriting Department or Manager of the Corporate Loans Underwriting Department
	Director of the Large Corporate Directorate
Committee Secretary	Corporate Loans Underwriting Directorate

In the case of clients managed by the Business Division, the Commercial Banking Directorate

Members	Director of the Commercial Banking Underwriting Directorate
	Director of the Commercial Banking Directorate
Committee Secretary	Commercial Banking Underwriting Directorate

In the case of clients managed by the Business Division, Micro Directorate

Members	Director of the Commercial Banking Underwriting Directorate
	Director of Micro Directorate
Committee Secretary	Commercial Banking Underwriting Directorate

In the case of clients managed by the Business Division, Retail and Network Directorate

Members	Director of the Retail Credit Department
	Director of the Retail and Network Directorate
Committee Secretary	Retail Credit Directorate

1.1.3. Credit Sub-Committee 1

In the case of clients managed by the Business Division

Members	Director of the Corporate Loans Underwriting Directorate or Deputy Director of the Corporate Loans Underwriting Directorate or Manager of the Structured Financing Underwriting Department or Manager of the Corporate Loans Underwriting Department or Coordinator of the Structured Finance Underwriting Department or Corporate Underwriting Department's Coordinator
	Director of the Large Corporate Directorate or Manager of the Specialized Lending and Structured Finance Department or Manager of Corporate Finance Department
Committee Secretary	Corporate Loans Underwriting Directorate

In the case of clients managed by the Business Division, the Commercial Banking Directorate

Members	Director of the Commercial Banking Underwriting Directorate or Manager of the Medium Companies Underwriting Department
	Director of the Large Corporate Directorate or Manager of the Large Corporate Support and Products Management Department
Committee Secretary	Commercial Banking Underwriting Directorate

In the case of clients managed by the Business Division, Micro Directorate

Members	Manager of Medium Companies Underwriting Department
	Director of the Micro Directorate or Manager of the Micro Sales Support Compartment
Committee Secretary	Medium Companies Underwriting Department

In the case of clients managed by the Business Division, Retail and Network Directorate

Members	Director of the Retail Credit Directorate or Manager of the Private Individuals Loan Processing Department
	Director of the Retail and Network Directorate or Manager of the Individuals Lending Support Department
Committee Secretary	Retail Credit Directorate
Permanent replacements:	
Director of the Retail Credit Directorate or Manager of the Private Individuals Loan Processing Department	Personal Lending Coordinator or Lending Officer, Lending Department Individuals
Director of the Retail and Network Directorate or Manager of the Individuals Lending Support Department	Senior Banking Officer or Bank Bin Coordinator

Credit Committee and Subcommitee structure during 01.08.2022-31.12.2022

1.1.1. Credit Committee

Chairman	1. Deputy Chief Executive Officer of the Credit and Risk Management Division
Vice-Chairman	2. Director of the Corporate Loans Underwriting Directorate
Members	3. Director of the Commercial Banking Underwriting Directorate
	4. Director of the Credit Administration Directorate
	5. Deputy Chief Executive Officer coordinating the Business Division
Permanent invitees	Director of the Legal Directorate (or permanent replacement Deputy Director of the Legal Directorate)
	Director of the Retail Credit Directorate
Secretariat function	Underwriting Support Department, Corporate Loans Underwriting Directorate
Permanent replacements:	
Deputy Chief Executive Officer of the Business Division	Director of the Large Corporate Directorate (or permanent replacement Deputy Director of the Large Corporate Directorate) or Director of the Commercial Banking Directorate or Director of the Retail and Network Directorate (or permanent replacement Deputy Director of the Retail and Network Directorate)
Director of the Corporate Loans Underwriting Directorate	Manager of the Structured Financing Underwriting Department or Manager of the Corporate Loans Underwriting Department
Director of the Commercial Banking Underwriting Directorate	Medium Companies Underwriting Department Manager
Secretariat function	Underwriting Support Department, Corporate Loans Underwriting Directorate

1.1.2. Credit Sub-Committee 2

In the case of clients managed by the Business Division, Large Corporate Directorate

Members	Director of Corporate Loans Underwriting Directorate or Manager of the Structured Financing Underwriting Department or Manager of the Corporate Loans Underwriting Department
	Director of the Large Corporate Directorate (or permanent replacement Deputy Director of the Large Corporate Directorate)
Secretariat function	Corporate Loans Underwriting Directorate

In the case of clients managed by the Business Division, Commercial Banking Directorate analysed by the Commercial Banking Underwriting Directorate

Members	Director of the Commercial Banking Underwriting Directorate (or permanent replacement Medium Companies Underwriting Department Manager)
	Director of the Commercial Banking Directorate (or permanent replacement Commercial Banking Sales Support Department Manager)
Secretariat function	Commercial Banking Underwriting Directorate

In the case of clients managed by the Business Division, Commercial Banking Directorate analysed by the Corporate Loans Underwriting Directorate

Members	Director of Corporate Loans Underwriting Directorate or Manager of the Structured Financing Underwriting Department or Manager of the Corporate Loans Underwriting Department
	Director of the Commercial Banking Directorate (or permanent replacement Commercial Banking Sales Support Department Manager)
Secretariat function	Corporate Loans Underwriting Directorate

In the case of clients managed by the Business Division, Micro Directorate

Members	Director of the Commercial Banking Underwriting Directorate (or permanent replacement Medium Companies Underwriting Department Manager)
	Director of the Micro Directorate (or permanent replacement Micro Sales Support Department Manager)
Secretariat function	Commercial Banking Underwriting Directorate

In the case of clients managed by the Business Division, Retail and Network Directorate

Members	Director of the Retail Credit Directorate (or permanent replacement Private Individuals Loan Processing Department Manager)
	Director of the Retail and Network Directorate (or permanent replacement Deputy Director of the Retail and Network Directorate)
Secretariat function	Retail Credit Directorate

1.1.3. Credit Sub-Committee 1

In the case of clients managed by the Business Division, Large Corporate Directorate

Members	Manager of the Structured Financing Underwriting Department (or permanent replacement Coordinator of the Structured Finance Underwriting Department) or Manager of the Corporate Loans Underwriting Department (or permanent replacement Corporate Underwriting Department's Coordinator)
	Manager of the Specialized Lending and Structured Finance Department or Manager of the Corporate Finance Department or Deputy Director of the Large Corporate Directorate
Secretariat function	Corporate Loans Underwriting Directorate

In the case of clients managed by the Business Division, Commercial Banking Directorate analysed by the Commercial Banking Underwriting Directorate

Members	Manager of the Medium Companies Underwriting Department (or permanent replacement Director of the Commercial Banking Underwriting Directorate) or Manager of the Small Companies Underwriting Department
	Manager of the Commercial Banking Sales Support Department (or permanent replacement Director of the Commercial Banking Directorate)
Secretariat function	Commercial Banking Underwriting Directorate

In the case of clients managed by the Business Division, Commercial Banking Directorate analysed by the Corporate Loans Underwriting Directorate

Members	Manager of the Structured Financing Underwriting Department (or permanent replacement Coordinator of the Structured Finance Underwriting Department) or Manager of the Corporate Loans Underwriting Department (or permanent replacement Corporate Underwriting Department's Coordinator)
	Manager of the Commercial Banking Sales Support Department (or permanent replacement Director of the Commercial Banking Directorate)
Secretariat function	Corporate Loans Underwriting Directorate

In the case of clients managed by the Business Division, Micro Directorate

Members	Manager of the Micro Companies Underwriting Department (or permanent replacement Director of the Commercial Banking Underwriting Directorate)
	Manager of the Micro Sales Support Department (or permanent replacement Director of the Micro Directorate)
Secretariat function	Commercial Banking Underwriting Directorate

In the case of clients managed by the Business Division, Retail and Network Directorate

Members	Director of the Retail Credit Directorate (or permanent replacement Private Individuals Loan Processing Department Manager)
	Director of the Retail and Network Directorate or permanent replacement: Deputy Director of the Retail and Network Directorate or Manager of the Individuals Lending Support Department
Secretariat function	Retail Credit Directorate
Permanent replacements:	
Director of the Retail Credit Directorate or Manager of the Private Individuals Loan Processing Department	Coordinator Private Individuals Loan Processing Department Lending Officer, Private Individuals Loan Processing Department
Director of the Retail and Network Directorate, Deputy Director of the Retail and Network Directorate or Manager of the Individuals Lending Support Department	Coordinator or Senior Banking Officer of the Individuals Lending Support Department