TRANSPARENCY AND DISCLOSURE REPORT FOR THE SECOND QUARTER OF 2023

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Registered at trade regisrty under no. J40/10296/1995
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Equity: 2.279.253.360 RON

Contents

INTRODUCTION

This report has been prepared to respond to the transparency and publicity requirements of the National Bank of Romania Regulation no. 5/2013 on prudential requirements for credit institutions, as subsequently amended and supplemented, as well as Regulation no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions.
All the amounts presented are in thousand lei, if otherwise is specified.
This report is prepared on individual bases for June 30, 2023.

Following an overall evaluation of the frequency of information submitted for publication in the Transparency Report according to Pillar 3, this quarterly report mainly provides an update of the areas mentioned below, which are also in line with the recommendations of the European Banking Authority ("EBA"), in the framework of the “Final Report on the publication requirements under Part 8 of EU Regulation no. 575/2013 (ABE Guide, ABE / GL / 2016/11, version 2).

The areas that require quarterly publication of information are as follows:

- Information regarding own funds and the relevant indicators based on EU Regulation No 637/2021, which presents the implementing technical standards regarding the publication of the own funds requirements for the institutions;
- Information regarding the leverage indicator based on EU Regulation No 637/2021, which presents the implementing technical standards regarding the publication of the leverage effect indicator for institutions;
- Information regarding the total risk-weighted assets and capital requirements in accordance with Article 438 points (c) - (f) of the CRR. According to ABE / GL / 2016/11 Guide, version 2, the EU OV1, EU CR8, EU CCR7 and EU MR2-B forms will be used to publish the necessary information;
- Information on risk exposures and credit quality with the corresponding quarterly or semi-annual frequency according to Guide ABE / GL / 2016/11, version 2, EU forms INS1, EU CR1 - A, EU CR1 - B, EU CR1 - C, Forms 1-10, EU CR2 - A, EU CR2 - B, EU CR3, EU CR4, EU CR5, EU CR6, EU CR 7, EU CR 10, EU CCR1, EU CRR2, EU CCR3, EU CCR4, EU CCR5 - A, EU CCR5 - B, EU CCR6, EU CCR8, EU MR1, EU MR2-A, EU MR3 and EU MR4;
- Information regarding the indicator Rate of coverage of the liquidity requirement considered as items prone to rapid changes in accordance with Guide ABE / GL / 2017/01.

1. Own funds

On June 30, 2022, OTP BANK ROMÂNIA S.A. calculated the own funds according to the egulation of the National Bank of Romania no 5/2013 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.

The Bank's own funds, according to the legal regulations in force regarding capital adequacy, include:

- Level I own funds, which include the subscribed and paid-up share capital, capital bonuses, eligible reserves, the deferred result and the deductions provided by the legislation in force;
- Level II own funds include subordinated loans and deductions provided by the legislation in force.

		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	-278,744,907	
3	Accumulated other comprehensive income (and other reserves)	72,408,581	
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	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	2,120,431,173	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-562,791	
8	Intangible assets (net of related tax liability) (negative amount)	-24,672,553	**(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 adjustments	60,042,966	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	34,807,622	
29	**Common Equity Tier 1 (CET1) capital**	2,155,238,795	
	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)**	2,155,238,795.00	

	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)**	2,155,238,795	
60	**Total risk exposure amount**	10,185,779,251	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1	21.16%	
62	Tier 1	21.16%	
63	Total capital	21.16%	
64	Institution CET1 overall capital requirements	9.89%	
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	2.39%	
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)	-	

As of June 30, 2023, the value of individual own funds was RON 2,155,238 thousand.

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 June 30, 2023, 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 assessment**

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 on June 30, 2023 is 155% 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.

2. Information on the 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.

3. 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 this 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 first semester of 2023 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 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 Indicator

At 30.06.2023, the leverage transition indicator was 10.44% compared to 30.06.2022 when its value was 10.28%. The increase in the indicator is the result of the decrease in the level of total exposure above the level of 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	19,529,808,734
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	129,076,102
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)	927,643,645
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)	-
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	65,712,492
13	**Total exposure measure**	**20,652,240,973**

Template EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		30.06.2023	30.06.2022
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	**On-balance sheet items (excluding derivatives, SFTs, but including collateral)**	**19,555,153,956**	**19,891,589,685**
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)**	**19,555,153,956**	**19,891,589,685**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	56,514,178	31,554,704
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	112,929,194	137,821,555
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**	**169,443,372.00**	**169,376,259.00**
	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	3,282,557,467	2,859,466,460
20	(Adjustments for conversion to credit equivalent amounts)	(2,354,913,822)	(1,897,608,932)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**927,643,645**	**961,857,528**
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**	**2,155,238,795**	**2,162,136,292**
24	**Total exposure measure**	**20,652,240,973**	**21,022,823,472**
Leverage ratio			
25	Leverage ratio	10.44%	10.28%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	10.44%	10.28%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.44%	10.28%
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	436,386,684	350,693,756
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)	21,088,627,657	21,373,517,228
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)	21,088,627,657	21,373,517,228
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)	10.22%	10.12%
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)	10.22%	10.12%

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:**	**19,555,153,956**
EU-2	Trading book exposures	-
EU-3	**Banking book exposures, of which:**	19,555,153,956
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	5,982,193,176
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	114,267,036
EU-7	Institutions	307,670,396
EU-8	Secured by mortgages of immovable properties	4,806,591,662
EU-9	Retail exposures	2,118,068,507
EU-10	Corporates	4,852,602,387
EU-11	Exposures in default	305,995,407
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,067,765,385

4. Risk 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;
• general compliance risk, including the protection of personal data and investment services;
• money laundering and terrorist financing risk;
• 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.

The following graphics present the evolution of the main indicators in 2023:

Figure 1 : EBA - defined NPE ratio

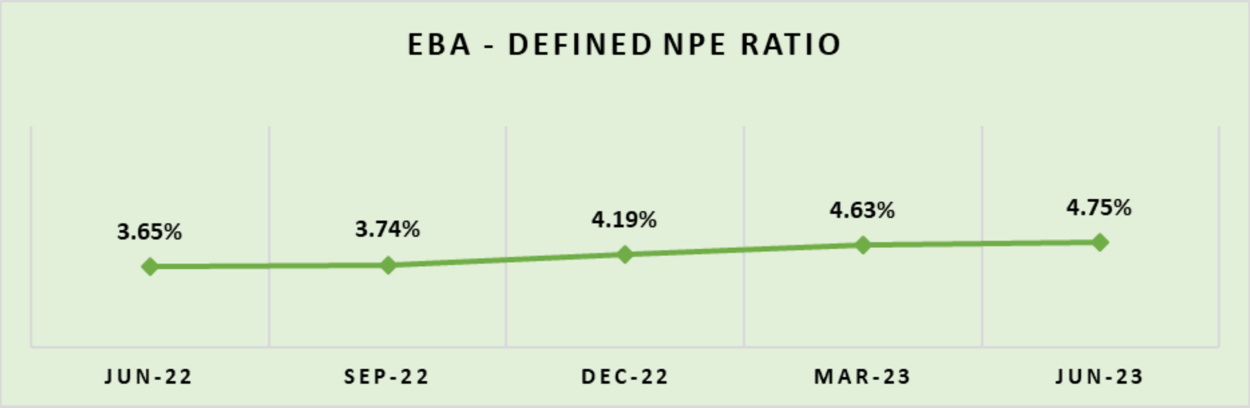


Figure 2: EBA - defined NPE coverage ratio

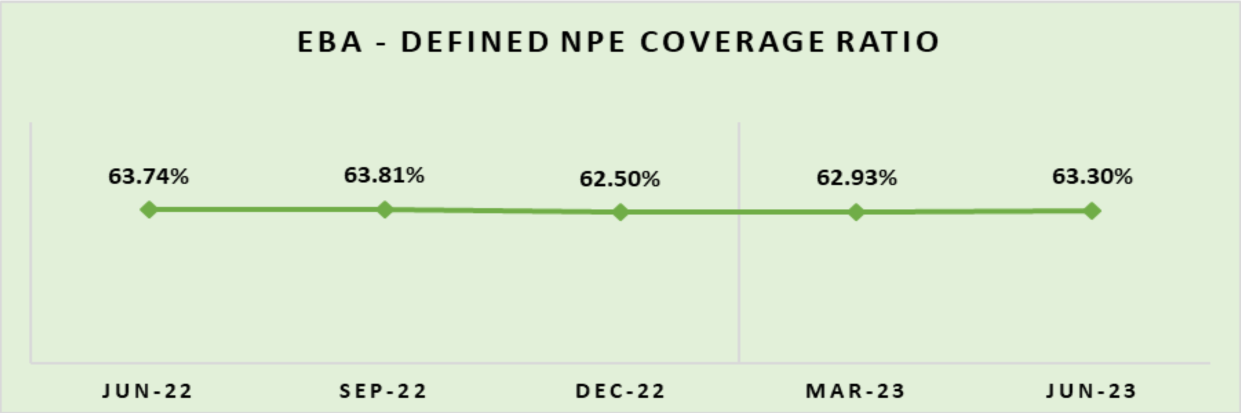


Figure 3 : Return on equity

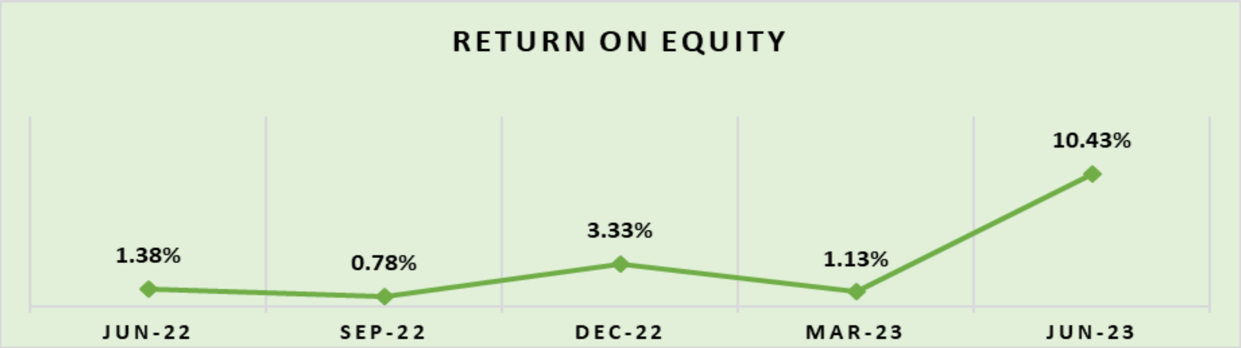
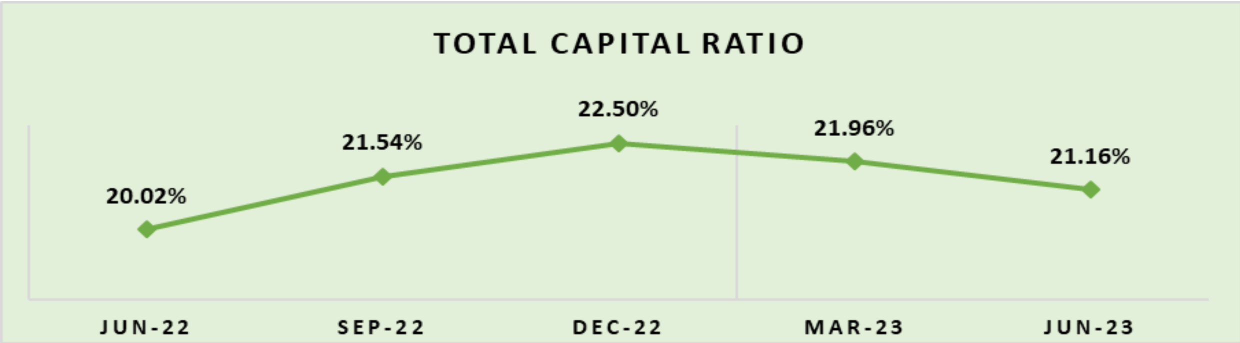


Figure 4: Total capital ratio



The above-mentioned indicators show a better provisioning of non-performing loans. In addition, the solvency is at a comfortable level for the Bank.

- ***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 2023 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 30.06.2023 the situation of affiliated parties was:

- Individual level (OTP Bank Romania SA)

No. of clients	Gross exposure RON	Provisions RON	Deduced amounts RON			Net exposure	
			without protection	with protection		Net exposure RON	% din FP
				financed	not financed		
Non-institutions							
43	94,610,229	4,809,829	6,626,784	1,984,636	0	81,188,980	3.77%
Institutions							
2	240,216,078	126,935	1,686,421	0	0	238,402,722	11.06%
45	334,826,307	4,936,764	8,313,205	1,984,636	0	319,591,702	14.83%

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

No. of clients	Gross exposure RON	Provisions RON	Deduced amounts RON			Net exposure	
			without protection	with protection		Net exposure RON	% din FP
				financed	not financed		
Non-institutions							
45	63,492,237	4,618,717	5,485,656	550	0	53,387,314	2.45%
Institutions							
2	241,370,804	126,793	1,686,435	0	0	239,557,576	10.98%
47	304,863,041	4,745,510	7,172,091	550	0	292,944,890	13.42%

4.1 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%;
  - annual growth rate of total loans is no more than 20%[3];
  - forbearance ratio for loans and advances is no more than 7%[4];
  - total write off losses in total exposure written off is no more than 10%.

The Bank's strategy for 2023 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.

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[1] Non-performing loans and advances/ Total gross loans and advances excluding cash balances at central banks and other term deposits and loans to credit institutions – [(FINREP, F18, Rows 090, 110, 120, 150, 193, 195, 196, 197, 223, 225, 226, 227; Column 060)+OTP Factoring exposure reported for consolidation purpose] / [(FINREP, F18, Rows 090, 110, 120, 150, 193, 195, 196, 197, 223, 225, 226, 227; Column 10)) + OTP Factoring exposure reported for consolidation purpose]

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

[3] 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];

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

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; in respect of their financial standing and reliability, solid data – preferably from independent sources – are available for the longest possible period;
- whose income is regular, stable, verifiable and whose willingness to pay is also adequate;
- 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 an sector where future prospects are expected to improve or at least to stabilize.

III. The Bank assumes credit risks where:
- 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.

- **Transactions:**
  - aiming to violate legal regulations. Illegal arms trade, prohibited gambling, drug trade and all other activities that breach legal regulations qualify as prohibited business areas (e.g. money laundering, black economy) which violate legal regulations are classified as prohibited business areas;
  - do not comply with environmental requirements;
  - not complying with the principles of responsible lending (for example, the amount of credit that can be granted must be determined by the customer's ability to repay the loan in monthly installments);
  - involving the acquisition of securities representing membership rights issued by a member of a group of credit institutions or an undertaking closely linked to it or the acquisition of the cooperative holding.

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.

The Bank uses two approaches to estimate the expected losses:
- Individual assessment
- Collective assessment

Recognition of the expected loss on loans on a collective 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 persons in accordance with this standard.

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 these norm.

If the 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 analyzed, all of the Bank's exposures to that client will be individually analyzed.

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.

4.2 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.

4.3 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
		30.06.2023	30.06.2022	30.06.2023
1	**Credit risk (excluding CCR)**	**8,850,795,782**	**9,628,443,137**	**708,063,663**
2	**Of which the standardised approach**	**8,850,795,782**	**9,628,443,137**	**708,063,663**
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**	**56,249,626**	**52,704,668**	**4,499,970**
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	**Of which exposures to a CCP**	**52,371,501**	**45,070,005**	**4,189,720**
EU 8b	**Of which credit valuation adjustment - CVA**	**3,878,125**	**7,634,663**	**310,250**
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)**	7,298,951	6,394,338	583,916
21	**Of which the standardised approach**	7,298,951	6,394,338	583,916
22	Of which IMA	0	0	0
EU 22a	Large exposures	0	0	0
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**	**10,185,779,251**	**10,797,623,638**	**814,862,340**

The following table shows the total and average value over the period of the net exposure broken down by exposure classes:

Table 2: Form 7: EU CRB-B - Total and average net exposures

(ths.RON)	Net value of exposures at the end of the period	Net average exposures related to the period
Central governments or central banks	4,909,084	5,092,793
Regional governments or local authorities	180,653	167,421
Public sector entities	0	0
Multilateral Development Banks	0	0
International organizations	0	0
Institutions	448,044	328,099
Companies	7,499,741	7,372,011
Retail	3,663,991	3,674,951
Secured by mortgages on immovable property	4,896,927	4,950,899
Overdue elements	329,763	337,600
Items associated with particularly high risk	0	0
Guaranteed bonds	0	0
Short claims on institutions and corporate	0	0
Collective Investments Undertakings (CIU)	12,835	34,876
Equity exposures	73,488	73,027
Other elements	981,443	1,004,148
Total	**22,995,968**	**23,035,825**

Table 5: Form 10- UE CRB-E: Exposure by maturity

(ths.RON)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No maturity declared	Total
Central governments or central banks	0	2,811,781	793,643	552,813	750,847	4,909,084
Regional governments or local authorities	0	21,122	3,010	156,521	0	180,653
Public sector entities	0	177,400	33,064	0	237,580	448,044
Companies	0	2,813,779	2,315,933	2,362,743	7,287	7,499,741
Retail	1	1,059,404	1,925,858	670,583	8,145	3,663,991
Exposures secured by mortgages on immovable property	0	144,481	148,842	4,603,598	6	4,896,927
Exposures in default	0	69,344	109,454	128,428	22,537	329,763
Collective investment (OPC)	0	0	0	0	12,835	12,835
Equity exposures	0	0	0	0	73,488	73,488
Other items	0	2,469	0	0	978,974	981,443
Total	1	**7,099,780**	**5,329,803**	**8,474,687**	**2,091,697**	**22,995,968**

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				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	100,637,944	193,549,834	193,549,834	193,549,834	(8,429,102)	(127,818,024)	149,062,195	63,542,923
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	46,606,053	137,012,513	137,012,513	137,012,513	(3,232,303)	(97,744,715)	82,041,304	38,963,998
070	*Households*	54,031,891	56,537,321	56,537,321	56,537,321	(5,196,799)	(30,073,309)	67,020,891	24,578,925
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	262,196	441,317	441,317	441,317	0	0	0	0
100	***Total***	**100,900,140**	**193,991,151**	**193,991,151**	**193,991,151**	**-8,429,102**	**-127,818,024**	**149,062,195**	**63,542,923**

Table 8: EU CQ2: Quality of forbearance

		Gross carrying amount of forborne exposures
010	Loans and advances that have been forborne more than twice	91,158,849
020	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	113,690,478

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	**985,964,136**	**985,964,136**	-	-	-	-	-	-	-	-	-	-
Loans and advances	**13,400,852,213**	**13,299,934,409**	**100,917,804**	**717,560,378**	**322,144,610**	**82,052,659**	**91,627,005**	**101,992,089**	**46,316,631**	**5,343,215**	**68,084,169**	**717,560,378**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	114,531,907	114,531,481	426	-	-	-	-	-	-	-	-	-
Credit institutions	20,706,517	20,706,517	-	-	-	-	-	-	-	-	-	-
Other financial corporations	521,944,486	521,938,844	5,642	118,988	118,988	-	-	-	-	-	-	118,988
Non-financial corporations	6,466,489,122	6,441,911,377	24,577,745	370,797,620	165,716,756	33,785,057	53,074,795	42,965,122	15,304,093	834,585	59,117,212	370,797,620
Of which SMEs	5,118,922,976	5,094,348,363	24,574,613	276,377,877	144,172,609	31,030,957	28,415,125	26,980,899	15,304,093	834,585	29,639,609	276,377,877
Households	6,277,180,181	6,200,846,190	76,333,991	346,643,770	156,308,866	48,267,602	38,552,210	59,026,967	31,012,538	4,508,630	8,966,957	346,643,770
Debt Securities	**4,178,543,984**	**4,178,543,984**	-	-	-	-	-	-	-	-	-	-
Central banks	2,479,160,098	2,479,160,098	-	-	-	-	-	-	-	-	-	-
General governments	1,682,849,753	1,682,849,753	-	-	-	-	-	-	-	-	-	-
Credit institutions	0	0	-	-	-	-	-	-	-	-	-	-
Other financial corporations	16,534,133	16,534,133	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**3,270,037,692**			**29,967,285**								**29,967,285**
Central banks	-			-								-
General governments	66,425,889			-								-
Credit institutions	34,362,789			-								-
Other financial corporations	225,285,033			6,437								6,437
Non-financial corporations	2,882,900,123			29,234,975								29,234,975
Households	61,063,858			725,873								725,873
Total	**21,835,398,025**	**18,464,442,529**	**100,917,804**	**747,527,663**	**322,144,610**	**82,052,659**	**91,627,005**	**101,992,089**	**46,316,631**	**5,343,215**	**68,084,169**	**747,527,663**

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			
Cash balances at central banks and other demand deposits	**985,964,136**	**985,700,924**	**263,212**	**0**	**0**	**0**	**-1,320,760**	**-1,319,456**	**-1,304**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**13,400,852,213**	**11,488,422,324**	**1,892,283,535**	**717,560,378**	**0**	**675,131,814**	**-291,342,491**	**-122,927,440**	**-167,695,032**	**-442,854,802**	**0**	**-427,376,178**	**-62,416,146**	**10,269,922,284**	**230,276,166**
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	114,531,907	114,531,907	0	0	0	0	-270,388	-270,388	0	0	0	0	0	91,095,571	0
Credit institutions	20,706,517	20,706,517	0	0	0	0	-127,639	-127,639	0	0	0	0	0	0	0
Other financial corporations	521,944,486	521,568,051	376,435	118,988	0	118,988	-11,139,923	-11,097,759	-42,164	-97,974	0	-97,974	0	133,657,418	0
Non-financial corporations	6,466,489,122	5,664,006,434	801,343,567	370,797,620	0	360,440,982	-140,795,422	-89,539,530	-51,181,796	-236,688,736	0	-232,401,081	-62,416,146	4,963,644,408	129,150,657
Of which: SMEs	5,118,922,976	4,601,334,798	516,449,057	276,377,877	0	266,468,683	-106,724,772	-68,779,956	-37,870,720	-169,970,053	0	-165,682,398	-15,416,845	3,989,341,704	101,449,598
Households	6,277,180,181	5,167,609,415	1,090,563,533	346,643,770	0	314,571,844	-139,009,119	-21,892,124	-116,471,072	-206,068,092	0	-194,877,123	0	5,081,524,887	101,125,509
Debt Securities	**4,178,543,984**	**485,402,958**	**0**	**0**	**0**	**0**	**-6,516,736**	**-1,770,153**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks	2,479,160,098	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	1,682,849,753	485,402,958	0	0	0	0	-6,516,736	-1,770,153	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	16,534,133	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance sheet exposures	**3,270,037,692**	**3,174,688,166**	**95,349,526**	**29,967,285**	**0**	**29,967,285**	**21,421,513**	**19,255,287**	**2,166,226**	**8,751,522**	**0**	**8,751,522**		**1,557,401,992**	**19,684,882**
Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
General governments	66,425,889	66,425,889	0	0	0	0	43,483	43,483	0	0	0	0		39,555,325	0
Credit institutions	34,362,789	34,362,789	0	0	0	0	13,262	13,262	0	0	0	0		12,734,188	0
Other financial corporations	225,285,033	225,284,964	69	6,437	0	6,437	1,555,049	1,555,036	13	5,301	0	5,301		71,556,100	0
Non-financial corporations	2,882,900,123	2,788,355,786	94,544,337	29,234,975	0	29,234,975	19,587,208	17,459,515	2,127,693	8,310,086	0	8,310,086		1,428,850,817	19,682,955
Households	61,063,858	60,258,738	805,120	725,873	0	725,873	222,511	183,991	38,520	436,135	0	436,135		4,705,562	1,927
Total	**21,835,398,025**	**16,134,214,372**	**1,987,896,273**	**747,527,663**	**0**	**705,099,099**	**-320,601,500**	**-145,272,336**	**-169,862,562**	**-451,606,324**	**0**	**-436,127,700**	**-62,416,146**	**11,827,324,276**	**249,961,048**

Table 11: Template 5: 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	**14,118,413**	**717,559**	**717,560**	**14,118,413**	**-734,197**	**-**	**-**
Romania	14,005,367	715,802	715,802	14,005,367	-731,468		
Italy	52,783	6	6	52,783	-1,325		
Slovenia	18,687	17	17	18,687	-197		
United Kingdom	18,452	14	14	18,452	-477		
United States	7,381	1	1	7,381	-157		
Germany	4,653	0	0	4,653	-102		
Switzerland	3,041	1,607	1,607	3,041	-44		
Slovakia	1,731	1	1	1,731	-92		
France	1,611	0	0	1,611	-87		
Israel	746	2	2	746	-14		
Belgium	653	71	71	653	-57		
Canada	624	0	0	624	-63		
Ireland	323	0	0	323	-8		
Bulgaria	272	1	1	272	-16		
Austria	250	20	20	250	-19		
Hungary	229	0	0	229	-15		
Poland	218	0	0	218	-1		
Denmark	213	0	0	213	-1		
Netherlands	204	0	0	204	-20		
Norway	92	0	0	92	-13		
Portugal	73	0	0	73	-4		
Moldavia	6	5	5	6	-5		
Sri Lanka	4	3	3	4	-3		
Ukraine	2	1	1	2	-1		
Lithuania	1	0	0	1	0		
Sweden	1	0	0	1	0		
Croatia	1	0	0	1	0		
Greece	1	1	1	1	-1		
Spain	0	0	0	0	0		
Czech Republic	0	0	0	0	0		
Off-balance-sheet exposures	**3,300,006**	**29,967**	**29,967**	**3,300,006**	**-30,173**	**-**	**-**
Romania	3,181,177	29,950	29,950	3,181,177	-29,591		
Germany	54,152	0	0	54,152	-271		
Italy	26,904	16	16	26,904	-179		
Hungary	15,243	1	1	15,243	-17		
Netherlands	11,032	0	0	11,032	-63		
France	7,650	0	0	7,650	-38		
Poland	2,133	0	0	2,133	-6		
United States	1,373	0	0	1,373	-7		
Bulgaria	119	0	0	119	0		
Portugal	15	0	0	15	0		
Total	**17,418,419**	**747,527**	**747,528**	**17,418,419**	**-764,370**	**-**	**-**

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			
010	Agriculture, forestry and fishing	1,244,957,465	41,673,008	41,673,008	1,244,957,465	-45,540,363	-
020	Mining and quarrying	40,704,738	151,965.00	151,965	40,704,738	-753,744	-
030	Manufacturing	926,914,625	85,288,172	85,288,172	926,914,625	-93,726,909	-
040	Electricity, gas, steam and air conditioning supply	126,695,396	0	-	126,695,396	-3,138,126	-
050	Water supply	53,954,831	1,419,346	1,419,346	53,954,831	-2,424,649	-
060	Construction	1,041,446,681	70,781,231	70,781,231	1,041,446,681	-59,117,288	-
070	Wholesale and retail trade	1,189,320,592	85,008,602	85,008,602	1,189,320,592	-84,188,456	-
080	Transport and storage	324,828,170	18,229,026	18,229,026	324,828,170	-24,147,498	-
090	Accommodation and food service activities	244,775,550	11,764,317	11,764,317	244,775,550	-8,103,651	-
100	Information and communication	58,929,148	7,486,529	7,486,529	58,929,148	-4,350,359	-
110	Real estate activities	1,254,174,379	10,045,255	10,045,255	1,254,174,379	(19,665,812)	-
120	Financial and insurance actvities	0	0	0	0	0	-
130	Professional, scientific and technical activities	132,104,366	32,909,444	32,909,444	132,104,366	-22,875,413	-
140	Administrative and support service activities	105,106,112	5,277,974	5,277,974	105,106,112	-6,367,109	-
150	Public administration and defense, compulsory social security	0	-	-	0	-	-
160	Education	9,133,823	180,840.00	180,840.00	9,133,823	-758,787	-
170	Human health services and social work activities	72,681,773	-	-	72,681,773	-1,485,756	-
180	Arts, entertainment and recreation	7,289,187	0	0	7,289,187	-397,240	-
190	Other services	4,269,906	581,911	581,911	4,269,906	-442,998	-
200	**Total**	**6,837,286,742**	**370,797,620**	**370,797,620**	**6,837,286,742**	**-377,484,158**	**-**

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	of which Past due > 7 years
Gross carrying amount	**14,118,412,591**	**13,400,852,213**	**100,917,804**	**717,560,378**	**322,144,610**	**395,415,768**	**82,052,659**	**91,627,005**	**101,992,089**	**46,316,631**	**5,343,215**	**68,084,169**
Of which: secured	**13,663,205,105**		**99,671,899**	**677,819,989**	**296,704,025**	**381,115,963**	**81,281,137**	**90,566,521**	**97,938,878**	**43,433,341**	**5,260,664**	**62,635,422**
Of which: secured with Immovable property	9,465,355,078		62,898,175	387,379,237	203,564,271	183,814,966	43,557,633	47,880,324	20,655,019	17,021,254	5,162,334	5,162,334
Of which: instruments with LTV higher than 60% and lower or equal to 80%	2,437,859,793	2,316,802,887		121,056,906	66,450,237	54,606,669						
Of which: instruments with LTV higher than 80% and lower or equal to 100%	1,899,622,365	1,844,324,433		55,297,932	29,352,146	25,945,785						
Of which: instruments with LTV higher than 100%	1,486,148,575	1,397,572,537		88,576,038	31,013,842	57,562,199						
Accumulated impairment for secured assets	**-688,547,527**	**-283,464,651**	**-11,433,482**	**-405,082,876**	**-131,831,353**	**-273,251,523**	**-42,729,725**	**-67,759,459**	**-65,695,733**	**-36,040,857**	**-3,105,324**	**-57,920,425**
Collateral												
Of which value capped at the value of exposure	**10,390,570,963**	**10,160,972,245**	**56,757,538**	**229,598,718**	**152,827,852**	**76,770,866**	**33,852,173**	**14,764,754**	**18,887,303**	**2,398,147**	**2,153,493**	**4,714,996**
Of which: Immovable property	7,977,114,053	7,802,647,272	52,389,885	174,466,781	123,265,026	51,201,757	26,595,187	10,530,988	5,780,243	2,170,829	2,153,493	3,971,017
Of which value above the cap	9,259,856,379	8,604,237,933	47,290,879	655,618,446	390,518,650	265,099,796						
Of which: Immovable property	7,916,719,166	7,375,662,233	46,123,687	541,056,933	322,276,392	218,780,539						
Financial guarantees received	**109,627,487**	**108,950,039**	**1,289,236**	**677,448**	**478,080**	**199,368**	**175,904**	**22,188.00**	**-**	**345**	**931.00**	**-**
Accumulated partial write-off	**-62,416,146**	**-**	**-**	**-62,416,146**	**0**	**-62,416,146**	**-**	**-**	**-**	**-**	**-**	**-**

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

	Debt balance reduction		Total collateral obtained by taking possession									
					Foreclosed <=2 years		Foreclosed >2 years <=5 years		Foreclosed >5 years		Of which: Non-current assets held-for-sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as PP&E	-	-	-	-								
Collateral obtained by taking possession other than classified as PP&E	8,709,427	-3,791,587	4,104,551	-	2,199,351	-	1,776,367	-	128,833	-	4,104,551	4,104,551
Residential immovable property	8,709,427	-3,791,587	4,104,551	-	2,199,351	0	1,776,367	-	128,833.00	-	4,104,551	4,104,551
Commercial Immovable Property	-	-	-	-	-	-	-	-	-	-	-	-
Movable property (auto, shipping, etc.)	-	-	-	-	-	-	-	-	-	-	-	-
Equity and debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-	-	-	-	-	-
Total	**8,709,427**	**-3,791,587**	**4,104,551**	**-**	**2,199,351**	**-**	**1,776,367**	**-**	**128,833.00**	**-**	**4,104,551**	**4,104,551**

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

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	-	-
020	Other than PP&E	4,104,551	-
030	*Residential immovable property*	4,104,551	-
040	*Commercial Immovable property*	0	-
050	*Movable property (auto, shipping, etc.)*	0	-
060	*Equity and debt instruments*	0	-
070	*Other collateral*	0	-
080	***Total***	**4,104,551**	**-**

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	**648,597,249**
Inflows to non-performing portfolios	**191,497,484**
Outflows from non-performing portfolios	**-122,534,355**
Outflows due to write-offs	-11,399,842
Outflow due to other situations	-111,134,513
Final stock of non-performing loans and advances	**717,560,378**

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
010	**Initial stock of non-performing loans and advances**	**648,597,249**	
020	Inflows to non performing portfolios	**191,497,484**	
030	Outflows from non-performing portfolios	**-122,534,355**	
040	Outflow to performing portfolio	-24,171,409	
050	Outflow due to loan repayment, partial or total	-55,311,388	
060	Outflow due to collateral liquidations	-9,165,538	9,165,538
070	Outflow due to taking possession of collateral	-1,432,933	786,496
080	Outflow due to sale of instruments	-21,053,245	21,053,245
090	Outflow due to risk transfers	-	-
100	Outflows due to write-offs	-11,399,842	
110	Outflow due to Other Situations	-	
120	Outflow due to reclassification as held for sale	-	
130	**Final stock of non-performing loans and advances**	**717,560,378**	

4.4 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	3,868,660,224	10,500,198,450	10,390,570,963	109,627,487	-
Debt securities	4,172,027,248	-	-	-	
Total	**8,040,687,472**	**10,500,198,450**	**10,390,570,963**	**109,627,487**	**-**
Of which non-performing exposures	44,429,410	230,276,166	229,598,718	677,448	-
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	4,909,083,623	-	5,982,193,176	-	122,522,271	0.61%
Regional government or local authorities	114,267,037	66,385,734	114,267,037	8,942,232	24,641,854	0.12%
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	246,540,017	32,739,690	307,670,396	23,482,419	114,065,009	0.57%
Corporates	5,268,211,223	2,230,851,727	4,827,115,523	510,705,553	4,638,648,698	22.98%
Retail	2,836,699,603	827,290,522	2,093,800,720	96,083,716	1,468,640,942	7.28%
Secured by mortgages on immovable property	4,806,591,662	90,335,728	4,806,591,662	28,860,893	1,676,414,384	8.31%
Exposures in default	305,995,138	23,767,409	305,995,138	10,870,814	334,402,750	1.66%
Exposures associated with particularly high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	12,834,522	-	12,834,522	-	13,614,181	0.07%
Equity	73,487,710	-	73,487,710	-	73,487,710	0.36%
Other items	981,443,153	-	981,443,153	-	384,357,982	1.90%
TOTAL	**19,555,153,688**	**3,271,370,810**	**19,505,399,037**	**678,945,627**	**8,850,795,782**	**43.85%**

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	4,849,008,899	-	-	1,041,145,842	92,038,435	-	-	-	-	-	-	-	-	-	-	5,982,193,176	5,982,193,176
Regional government or local authorities	-	-	-	-	123,209,269	-	-	-	-	-	-	-	-	-	-	123,209,269	123,209,269
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	172,237,312	-	158,595,911	-	-	319,591	-	-	-	-	-	331,152,814	296,869,087
Corporates	-	-	-	-	-	-	-	-	-	5,337,821,076	-	-	-	-	-	5,337,821,076	5,337,821,076
Retail	-	-	-	-	-	-	-	-	2,189,884,436	-	-	-	-	-	-	2,189,884,436	2,189,884,436
Secured by mortgages on immovable property	-	-	-	-	-	4,835,452,555	-	-	-	-	-	-	-	-	-	4,835,452,555	4,835,452,555
Exposures in default	-	-	-	-	-	-	-	-	-	281,792,355	35,073,597	-	-	-	-	316,865,952	316,865,952
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unit or shares in collective investment undertakings	2,448,372	-	-	3,091,819	1,343,265	-	932,578	-	-	3,965,408	414,441	-	-	638,639	-	12,834,522	9,310,786
Equity	-	-	-	-	-	-	-	-	-	73,487,710	-	-	-	-	-	73,487,710	53,269,532
Other items	542,078,149	-	-	-	68,758,777	-	-	-	-	370,606,227	-	-	-	-	-	981,443,153	946,677,102
TOTAL	**5,393,535,420**	**-**	**-**	**1,044,237,661**	**457,587,058**	**4,835,452,555**	**159,528,489**	**-**	**2,189,884,436**	**6,067,992,367**	**35,488,038**	**-**	**-**	**638,639**	**-**	**20,184,344,663**	**20,091,552,971**

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

Table 22: Type of collaterals

Crt. 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.

4.5 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.

4.6 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. Also, country risk will be considered by Global Markets Directorate in all risk assumptions towards counterparties, particularly towards the Banks that are making deals with.

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

4.7 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 Global Markets 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

		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)	40,367	80,664		1.4	169,443	169,443	169,443	52,372
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**					**169,443**	**169,443**	**169,443**	**52,372**

Table 24: Form EU CCR2 - Capital Requirement for CVA

Total transactions subject to the advanced method	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) SVaR component (including the 3×multiplier)	-	-
Transactions subject to the standardized method	26,007	3,878
Transactions based on the original exposure method	-	-
Total subject to the CVA capital charge	**26,007**	**3,878**

Table 25: Form EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

	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 organizations												
6	Institutions					120,217	41,796			6,751			168,764
7	Corporates									678			678
8	Retail								1				1
9	Institutions and corporates with a short-term credit assessment												
10	Other items												
11	**Total exposure value**					**120,217**	**41,796**		**1**	**7,430**			**169,443**

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

	Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	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**								

4.8 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. Risk Profile - OTP Bank Romania S.A. proposes an average low level of exposure to residual risk as the share of personal guarantees and financial guarantees is very low.

4.9 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: 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

	RWEAs
Outright products	
Interest rate risk (general and specific)	7,299
Equity risk (general and specific	-
Foreign exchange risk	-
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitization (specific risk)	-
Total	**7,299**

4.10 Foreign currency risk

No proprietary trading limits for foreign exchange risk are approved for 2023. The Bank performs only market-making activity on the foreign currency market. The Bank may perform transactions and have open foreign currency positions only in the following currencies: 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 daily stop-loss limit. 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.

4.11 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 had a constant evolution in the last semester and the bank has stayed within the mediu-low assumed risk profile level this entire period:

RONEQ mio	EVE	NII
Year	Q2 2023	
Parallel up	(162.0)	-9.0
Parallel down	75.9	9.0
Steepener	(133.9)	
Flattener	62.6	
Short rate up	(43.3)	
Short rate down	19.6	
Maximum	162.0	9.0
Year	Q2 2023	
Tier 1 Capital	2,155	

To assess the risk of interest rate, 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 June 30, 2023, 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 mandated EBA 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 and Assets & 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 loan, 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.

4.12 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 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 risk management function**

The management of the liquidity and funding risk function is provided by the Asset & Liability Management Department within Capital and Assets & 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 risk reporting and measurement systems**

Based on the Liquidity Strategy and Policy on liquidity 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 and funding 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 20% of total liabilities at 30th of June 2023). 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 2022 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.
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 management process to be adequate about the bank's liquidity 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 and funding 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 outflows in the next 12 months), measures of Group Funding dependency and customer funds concentration, internal liquidity indicators and liquidity crises simulation results.

Liquidity and funding risk profile of the Bank has remained constant over the first semester of 2023, registering a medium-low level (assumed risk appetite of the Bank for 2023) level 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 concentration of funding is related to Group Funding obtained to various Group entities (20% of total liabilities) and to Top5/Top10 customers. 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 first semester of 2023, 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)	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-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					3,181	3,182	3,107	3,128
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	3,765	3,783	3,786	3,703	309	312	311	298
3	*Stable deposits*	2,365	2,354	2,360	2,340	118	118	118	117
4	*Less stable deposits*	1,400	1,429	1,426	1,362	191	195	193	181
5	Unsecured wholesale funding	5,291	5,381	5,474	5,570	2,623	2,794	2,853	2,935
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	5,291	5,381	5,474	5,570	2,623	2,794	2,853	2,935
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	471	468	506	535	99	94	82	74
11	*Outflows related to derivative exposures and other collateral requirements*	54	49	32	17	54	49	32	17
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	417	419	474	518	45	45	50	57
14	Other contractual funding obligations	102	143	149	147	67	110	118	119
15	Other contingent funding obligations	2,147	2,124	2,113	2,011	107	106	106	101
16	**TOTAL CASH OUTFLOWS**					3,205	3,416	3,470	3,527
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	1,314	1,153	902	760	1,314	1,153	902	760
18	Inflows from fully performing exposures	608	720	829	792	523	637	750	710
19	Other cash inflows	21	23	24	24	11	13	14	14
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**	1,943	1,896	1,756	1,576	1,849	1,802	1,666	1,483
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	1,943	1,896	1,756	1,576	1,849	1,802	1,666	1,483
TOTAL ADJUSTED VALUE									
21	**LIQUIDITY BUFFER**					**3,181**	**3,182**	**3,107**	**3,128**
22	**TOTAL NET CASH OUTFLOWS**					**1,686**	**1,874**	**1,943**	**2,075**
23	**LIQUIDITY COVERAGE RATIO (%)**					**216.91%**	**185.80%**	**164.91%**	**153.15%**
		Q2 2023	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**

OTP Leasing has a low level of liquidity 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 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)	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-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					3,181	3,182	3,107	3,128
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	3,765	3,783	3,786	3,703	309	312	311	298
3	*Stable deposits*	2,365	2,354	2,360	2,340	118	118	118	117
4	*Less stable deposits*	1,400	1,429	1,426	1,362	191	195	193	181
5	Unsecured wholesale funding	5,229	5,321	5,404	5,503	2,592	2,759	2,809	2,893
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	5,229	5,321	5,404	5,503	2,592	2,759	2,809	2,893
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	500	497	537	566	102	96	85	77
11	*Outflows related to derivative exposures and other collateral requirements*	54	49	32	17	54	49	32	17
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	446	448	504	549	48	48	53	60
14	Other contractual funding obligations	116	156	163	162	67	110	118	119
15	Other contingent funding obligations	2,138	2,113	2,102	2,000	107	106	105	100
16	TOTAL CASH OUTFLOWS					3,177	3,384	3,429	3,487
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	1,314	1,153	902	760	1,314	1,153	902	760
18	Inflows from fully performing exposures	667	776	882	834	556	668	779	733
19	Other cash inflows	21	23	24	24	11	13	14	14
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	2,002	1,953	1,808	1,618	1,882	1,834	1,695	1,506
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	2,002	1,953	1,808	1,618	1,882	1,834	1,695	1,506
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					3,181	3,182	3,107	3,128
22	TOTAL NET CASH OUTFLOWS					1,641	1,823	1,875	2,018
23	LIQUIDITY COVERAGE RATIO (%)					222.33%	191.66%	172.07%	157.85%
		Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2023	Q1 2023	Q4 2022	Q3 2022

- **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 June 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 30.06.2023 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

		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	**2,155**	**-**	**-**	**-**	**2,155**
2	*Own funds*	2,155	-	-	-	2,155
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**6,999**	**909**	**17**	**7,380**
5	*Stable deposits*		4,438	490	11	4,693
6	*Less stable deposits*		2,561	418	6	2,687
7	Wholesale funding:		**5,452**	**-**	**3,175**	**5,324**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		5,452	-	3,175	5,324
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	**8**	**397**	**34**	**144**	**161**
12	*NSFR derivative liabilities*	8				
13	*All other liabilities and capital instruments not included in the above categories*		397	34	144	161
14	**Total available stable funding (ASF)**					**15,021**

		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:		**2,346**	**1,408**	**9,512**	**8,749**
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*		371	45	63	122
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,803	1,226	4,725	4,625
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		213	190	828	740
22	*Performing residential mortgages, of which:*		172	137	4,725	4,002
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		133	123	4,542	3,080
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:		**239**	**275**	**1435**	**919**
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*				29	29
30	*NSFR derivative liabilities before deduction of variation margin posted*				9	0
31	*All other assets not included in the above categories*		201	22	706	889
32	Off-balance sheet items		**322**	**252**	**729**	**85**
33	**Total RSF**					**9,753**
34	**Net Stable Funding Ratio (%)**					154.01%

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	**2,182**	**-**	**-**	**-**	**2,182**
2	*Own funds*	2,182	-	-	-	2,182
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**6,999**	**909**	**17**	**7,380**
5	*Stable deposits*		4,438	490	11	4,693
6	*Less stable deposits*		2,561	418	6	2,687
7	Wholesale funding:		**5,391**	**292**	**3,716**	**5,954**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		5,391	292	3,716	5,954
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	**8**	**430**	**34**	**144**	**161**
12	*NSFR derivative liabilities*	8				
13	*All other liabilities and capital instruments not included in the above categories*		430	34	144	161
14	**Total available stable funding (ASF)**					**15,678**

		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:		**2,541**	**1,494**	**10,083**	**9,374**
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*		373	37	63	118
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,996	1,321	5,295	5,254
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		213	190	828	740
22	*Performing residential mortgages, of which:*		172	137	4,725	4,002
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		133	123	4,542	3,080
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:		**314**	**275**	**1393**	**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*				29	29
30	*NSFR derivative liabilities before deduction of variation margin posted*				9	0
31	*All other assets not included in the above categories*		276	22	664	885
32	Off-balance sheet items		**356**	**252**	**729**	**86**
33	**Total RSF**					**10,375**
34	**Net Stable Funding Ratio (%)**					151.11%

4.13 Operational Risk Management

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

Objectives
The following objectives are pursued for an appropriate management of the operational risk:

- to avoid the unexpected operational losses, with high consequences for the activity;
- to avoid recording a large number of operational losses generating events, with low consequence on the activity of the organizational unit and a high probability of occurrence;
- to improve the efficiency within the operational risk management process;
- to increase customer service quality;
- enhanced attention for the operational risk within the risk management activity framework;
- efficient management of information and human resources within the Bank;
- to improve the system for reporting and monitoring the losses caused by the operational risk.

Strategy
The operational risk strategy main objective is to develop an appropriate operational risk control environment and 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 Bank's mid-term strategy for operational risk management is based on:

- increased focus on defining risk mitigating measures and execution monitoring of such, the improvement of the control environment by way of closer cooperation with partner areas engaged in risk management and control but also by assessing 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;
- enhancing the conduct risk / model risk / ITC risk management framework;
- developing 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.

Short-term objectives for 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;
- mitigating 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 litigations ongoing;
- 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, monitoring of the operational risk and associated risks profile, yearly reports regarding the risks identified following the risk self-assessment, quarterly reports regarding the implementation status of the action plans established following the risk self-assessment, yearly reports regarding the results of the crisis scenarios analysis.

Management of the operational risk within the Bank is based on the responsibility of all Head Quarters organizational units and 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 operational risk event.

For a permanent assessment of the exposure to operational risk, OTP BANK ROMANIA S.A. has the following approaches:

- identification of the exposures towards the operational risk and monitoring of information and relevant data related to the operational risk including those of significant operational losses;
- Integration of operational risk management system into the risk management processes existing at OTP Group level. The results of operational risk management will be an integrant part of the monitoring and control of the Bank's operational risk profile;
- Development of internal reporting system, that provides monthly reports related to the operational risk to the management structures and management persons within the Bank.

The regulatory capital requirement for operational risk is determined in accordance with 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 determines the regulatory capital requirement to cover operational risk in line with the Basic Indicator Approach (BIA).

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.

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

Banking activities	Relevant indicator			Own funds requirements	Risk exposure amount
	2020	2021	2022		
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 risk profile for its exposure to operational risk.

In addition to the qualitative risk appetite limit, the Bank has established quantitative risk limits based on the data collected during the operational risk management process for pre-defined risk categories.

4.14 Reputational Risk Management

In order to avoid losses or to fail in achieving 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
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);
- the improvement of the Bank's image by providing high-quality products and services;
- to avoid the reveal of secret or 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 consequences to the detriment of the Bank or the bank's clients.

Strategy
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, 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 clients all the necessary information to make 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 the initiation of business relationships with clients 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 and also in association with other related types of risk (e.g. 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.

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

4.15 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
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.

Strategy
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 related risk exposure.

4.16 Compliance Risk Management (General Compliance and KYC & AML/CFT)

The compliance risk represents the current or future risk of impairment of profits, own funds and liquidity, which may lead to significant financial losses or damage to Bank's reputation as a result of breaching or noncompliance with the legal and regulatory framework regulation, agreements, recommended practices or ethical standards.

The compliance risk includes risks related to the general compliance framework and associated activities, as well as risks related to know-your-customer process, money laundering prevention and terrorism financing prevention activities.
Consequently, compliance risk has as components the general compliance risk (including personal data protection - GDPR - and investment services) and KYC & AML / CFT risk.
The general compliance risk materializes in sanctions (financial and / or non-financial) imposed by supervisory and control authorities following specific actions for non-compliance with the requirements of the applicable legal and regulatory framework.
The objective of the general compliance risk strategy (general compliance risk) is to maintain this type of risk at the level established and agreed by the Bank according to the appetite and risk tolerance set up in "Risk Strategy of OTP Bank Romania S.A." and it includes the following general/main actions:

- Periodic revision of the 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 (including from the Group related to general compliance aspects), respectively the monitoring of their timely implementation;
- assessing the effectiveness of the corrective measures taken within the Bank following control actions performed by authorities;
- monitoring Authorities controls respectively of the sanctions imposed by the Authorities on the Bank - the first ones representing the premises for the materialization of the general compliance risk, the others representing the materialization of the general compliance risk;
- coordination of the network of Compliance Messengers[5] - OTPH concept, implemented from May 2021 - set up with the main purpose of identification and operational communication of potential general compliance risks (excluding KYC & AM/CFT area) at the level of the entities coordinated by the Compliance Messengers;
- Developing the compliance culture within the Bank as an integrated part of risk culture and their management, by providing training sessions on compliance issues and by effectively implementing the system of Compliance Messengers through alignment with Group requirements.
- monitoring of the complaints received by the Bank in order to manage the risk generated by the non-compliance with the consumer protection regulation/data protection regulation (complaints received directly from customers through monthly monitoring according to minimum standards of activity and complaints received through the Authorities – based on automatic alerts);
- monitoring and/or control of the Bank's subsidiaries, on general compliance issues

For Q2 2023, OTP Bank Romania targets a medium-low level of the general compliance risk exposure (risk appetite) for Q2 2023, appetite has been exceeded (the aggregate indicator reached medium risk level) but the level is within tolerance according to the Risk Strategy for 2023.

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 internal regulations provisions regarding know-your-customer activity and of other applicable 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);

[5] heads of department from Headquarter entities and branch/agency managers (according to the applicable internal regulation, transposing the OTPH regulation)

- 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.

In terms of exposure to risks related to know your customer, prevention of money laundering and terrorist financing activities, OTP Bank Romania S.A. fell within the medium risk level for the second quarter of 2023, exceeded the risk appetite, but within the tolerance, in line with the provision of 2023 Risk Strategy.

4.17 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 Romania 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 Romania 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 (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).

The Bank examines the fulfillment of the plan on a quarterly basis for the last 3 years.
For each quarter between Q3 2020 and Q2 2023 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, (Q3 2020- Q2 2023) are added up to **+124.6 million RON**.
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 (Q3 2020- Q2 2023) is +**11.4 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 positive result of the gaps for the analyzed period, (Q3 2020- Q2 2023) are added up to **+136.0 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 exceeded the plan, highlighting the lack of the capital requirement for the individual and consolidated strategic risk.**

4.18 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 the credit risk management area, ESG risk is assessed at the initiation of exposures to corporate clients and over the life of the exposure according to the provisions of the 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.

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).

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.

QUALITATIVE ASPECTS ON MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE ASPECTS

OTP Bank Romania understands its responsibility towards environment, social development and consolidation of ethic business standards.

Considering OTP Group ESG Strategic directions, regulatory recommendations, NBR expectations, market opportunities and challenges, the Bank defined in 2022 its local ESG Strategy (Environmental, Social & Governance) to clarify its priorities, objectives and directions for action to support the United Nations Sustainable Development Goals and EU de-carbonization targets.

Based on materiality assessment performed by OTP Group amongst stakeholders, applicable to OBR also, all environmental, social and governance related factors appeared as relevant and were grouped under 3 materiality strategic Pillars:

- ✓ *Responsible Provider*
- ✓ *Responsible Employer*
- ✓ *Responsible Social Actor*

Under each pillar, strategic priorities and responsabilities were defined, thus ensuring proper incorporation of sustainability factors in all the aspects of the Bank activity. Responsibilities were assigned to all relevant organizational units in the Internal Organizational Rules and Sustainability Department was created to coordinate ESG Strategy definition and implementation efforts across organization. Management Board and Supervisory Board are the ultimate decisions/ supervisory bodies and the 3 lines of defence principles are applicable to ESG risks managements also.

Starting 2023, the main directions and objectives defined in the OTP Bank Romania ESG Strategy(more details on link *Angajamente ESG | OTP Bank)*, as approved by Management Board and Supervisory Board, were integrated in the mid-term business strategy of OTP Bank Romania.

OTP Bank Romania, trough ESG strategy is committed to finance a fair and gradual transition to a low-carbon economy, while encouraging responsible behaviors and increasing the positive impact on society.

From this strategic commitment, the Bank focuses on addressing environmental, social and governance risks in several directions, focusing not only to integrate the highest ESG standards in its own operations but also to encourage its clients, suppliers and society in adoption of such standards.

In consequence, environmental, social and governance factors are considered in clients' acceptance, suppliers and solutions selection, financing decisions and CSR projects.

Qualitative information on environmental risks

Our commitments to mitigate environmental risks are formulated in our local ESG Strategy and translated in specific objectives for various areas in the banks' mid-term business strategy and some specific yearly KPIs.
A Management Board member is directly supervising Sustainability unit responsible with ESG strategy implementation, ultimate responsibility for strategic ESG decisions and progress supervision lies with the highest management bodies.
All Management Board members participate in specific ESG trainings, act as ambassadors and ESG progress is part of their yearly performance evaluation linked to remuneration.
The environmental concerns related to climate change, referring to physical and transition risks, from both inside-out and outside–in perspectives, are addressed by:

- In-house ecology: efforts to enhance tracking and reduce green-house gas emissions of own operations;
- Active management of ESG risks: new prudential measures were implemented in credit, operational and market risk policies, certain environmental standards are applied in clients and suppliers selection processes;

- Focus to increase green/sustainable financing & define methodologies for green assessment;
- Develop data collection framework for scope 3 emissions tracking in order to further elaborate reduction plans as per Paris Agreement transition plan to a climate neutral economy by 2050 and EU Green Deal targets (55% GHG reduction compared to 1990 levels by 2030) ;
- Development of digital channels as sustainable service alternatives
- CSR and education actions aimed to increase environmental awareness across society/ communities

Main implementations:

In house ecology: efforts are made for own operations' decarbonization plan aimed to reach Carbon Neutrality of scope 1&2 emissions by 2025 and further ambition of total carbon neutrality by 2050 with intermediary targets.

Main focus is to decrease our impact on environment by responsible resources & waste management, usage of eco-friendly products and energy from green renewable sources to reduce own greenhouse gas emissions and use carbon offsets only as ultimate resort. Such actions refer to:

Scope 1 direct emissions reductions- coming from GHG emissions from Banks' own usage of natural gas & fossil fuels and air conditioning maintenance.
Further OTP Bank's savings opportunities in this area are limited, because efficiencies were already in focus since many years.

- ✓ In 2022 a pilot Energy Audit was performed for 2 representative locations- measures were analyzed but little room identified for feasible significant improvements
- ✓ Enhancement on energy efficiency of the buildings is done along with branch refurbishment plan since 2018 -HQ premises were renovated and 33 branches out of 97 total

Scope 2 indirect emissions reductions cover those from own consumptions of electricity, steam, district heating & cooling. In this area the main directions of our actions are consumption optimization and increasing usage of green electricity.
Thus the main achievements were in consumption reduction:

- ✓ 20% energy saving in 2023 February –April versus 2022 same interval from air conditioning/heating pre-set 210^0C/240^0C; timer switch for exterior signage 24:00-6:00h; movement sensors on 24 h branch areas lighting and common spaces;
- ✓ LED lighting extension – currently fully implemented in over 40% premises;
- ✓ Regarding emissions reduction-in 2023 100% green energy was purchased for Banks' own premises – meaning over 80% CO_2 reduction from electricity used, efforts being made to extend it for sub-rented & outsourced centers.Limited possibilities were identified for photovoltaic roof top installation on own premises.

Scope 3 indirect emissions refers to business commute, supply chain, other waste. Our main focus was related to:

- ✓ gradual reduction of GHG emissions from an increasing more-eco vehicles fleet: starting 2023, acquisition of cars – new or replacements to be done with hybrid & electric where possible (considering limitation on appropriate infrastructure for electric car usage on long distances);
- ✓ Promote eco-friendly ways of transport/commuting to work & existing facilities for bikers
- ✓ Waste-management: enhance selective waste collection in our premises and increase awareness on the topic via internal campaigns;
- ✓ Cards – we plan switching to recycled plastic cards for new production & yearly renewal to gradual replacement;
- ✓ Paper usage -Continuous focus on reducing paper usage via continuous improvement of E2E processes & documents usage, plan start using 100% Recycled paper;
- ✓ Further development and consolidation of digital channels for client onboarding, personal loan acquisition, usage of internet banking solutions, soft POS, virtual cards- all these leading to a decrease in paper consumption and overall GHG emissions;

The Bank's 2023 challenges are to increase accuracy on consumption measurements & GHG emission calculation by clearer procedures for consumption and Carbon Footprint calculation. For next years

priority shall be the plan & budgeting for other GHG emission reduction solutions & offset possibilities for carbon neutrality in 2025.
Evolving risk policies and framework (see also chapter 4.18 Management of ESG Risk) that cover:

- ***Integration of ESG factors in clients' and transactions'*** assessment in non-retail loan origination & review process: the ESG Exclusion List is applied with zero tolerance for new clients with controversial activities (as described in Annex 3 ESG Risk Appetite), sectorial ESG Risk Heat Map is applied to all clients and transactions, enhanced ESG due diligence is performed for high risk transactions. The result of ESG assessment is considered in the credit approval process and particularly the environmental impact aspects that may indicate higher risks of non-performance of an investment/ activity (e.g. expansion of a carbon intensive activity that may be seriosly affected or even discontinued by emerging regulations). In other words, environmental and social factors are considered in the overall risk assessment of the client/transaction and in the financing decision.
- ***Monitoring distribution on ESG risk categories of non- retail*** exposures integrated in Loan Portfolio Quality reports presented monthly in Operative Risk Committee and Credit Risk Committee, Management Board and quarterly to Risk Management Committee and Supervisory Board
- ***Enhancement of operational risks management framework that integrated ESG factors*** in scenario analysis, Risk & Control Self Assessments yearly exercises, SAS loss database, ESG climate stress test for reputational risk. 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).
- Climate disaster scenarios start being incorporated at Group level into trading book stress tests.

- ***Focus to increase green/sustainable financing*** translated in:
  - ✓ Clear objective setting of 100 mil EUR target by 2025 allocated to green corporate projects financing.
  - ✓ Current portfolio: at 30.06.2023, 115,5 mil EUR, almost 8% of OTP Bank Romania corporate lending portfolio, is allocated to sustainable „green" investments – financing renewable energy projects: 22,5 mil EUR wind power plants, 13,5 solar energy production and 79,5 mil EUR allocated to real estate developments certified with high energy efficiency BREEAM "Very Good" or above or LEED "Gold" or above. These projects are assessed as sustainable based on OTP Group Sustainable Finance Framework -details on methodology in link: Sustainable_Finance_Framework_ENG.pdf (otpgroup.info).

Note: Social Financing is not reported yet.
No green exposure is fully aligned with EU taxonomy yet.
Still, such exposures has significant climate change mitigation impact. AS per OTP Group Impact report 2022, together with OTP Hungary, OTP Romania financed at 31.12 2023 a sustainable lending portfolio of 170 mil EUR allocated to Romanian projects leading to an impact of over 91,600 T CO2 avoided emissions.
Details :

Use of proceeds category	Allocated amounts (EUR)	Financed emmissions avoided (T CO2/year)
Renewable energy production Solar (19 MWh financed capacity)	15 323 339	13 991
Renewable energy production Wind (58 MWh fianced capacity)	39 635 859	69 386
Green Buildings: Office	32 487 464	3 592
Green Buildings: Shopping Mall	82 814 087	4 681
Total	170 260 749	91 632

For details on allocation and calculation methodology please see OTP_Green_Bond_Allocation_Report_2022.pdf(otpgroup.info)andOTP_Green_Bond_Impact_Report_2022.pdf (otpgroup.info).

- **Implementation of green alignment methodology**: to enhance the Bank's commitment to finance transition to a low carbon economy, this year it was developed the local methodology under OTP Group Green Loan Framework (link : Green_loan_framework_ENG.pdf (otpbank.hu) - that will enable to assess the alignment of Romanian new sustainable projects with the EU taxonomy and/or the Climate Bond Initiative (CBI) definition. This methodology details principles and requirements that a certain loan shall meet in order to be considered 'green' as per either EU Taxonomy or CBI. The local methodology is defined for 56 potential sustainable activities across 6 industrial sectors (agriculture& forestry, energy, real estate, transportation, manufacturing, waste management).

- **Efforts to track and reduce scope 3 GHG emissions of the lending portfolio**-started at OTP Group level, since 2021, when first portfolio' emissions estimates were calculated based on PCAF methodology. First estimations indicated that portfolio emissions account for over 98% total bank's GHG emissions To increase accuracy of the process were started in 2023 some actions to collect emissions data from our clients with the biggest estimated CO2 impact – thus initiating a dialogue toward increased awareness and need to decarbonize operations and investments. Nevertheless, collecting ESG data represents a big challenge, big majority of the Bank's clients are not under reporting obligations of NFRD, CSRD thus such data collection at bank request may be perceived as excessive, small companies lacking even basic awareness regarding carbon tracking necessities. All these make quite challenging the process of tracking portfolio emissions and the plan to set relevant de-carbonization targets.

- **Promoting Responsible behaviours towards environment protection** via internal communication campaigns (Green Dot -internal communication stream on ESG topics, ongoing starting Q1 202) and CSR projects aiming to raise general awareness and make a positive impact on preserving the environment. One such project in 2022- reedited in 2023 was our collaboration with "Asociația Ape fără plastic" for the "Jiul fără plastic" river cleaning actions, where OTP volunteers joined forces to clean up the Ișalnița barrage area, successfully recovering 700 kg of plastic waste. Another example is the Edu Plant action, organized in collaboration with the Aura Ion Association, with 30 volunteers from OTP Bank Romania and the OTP Bank Romania Foundation working together to transform a school garden in Călărași County, creating a welcoming and enjoyable space for the children. This initiative aimed to inspire love for nature in the younger generation and promote environmental consciousness. Building on these successful partnerships and initiatives, we will continue to seek out and engage in similar projects throughout this year also.

- We believe in banks' role as **sustainability ambassador towards their clients'** and we started training efforts for relationship managers and risk colleagues to enable them to initiate and sustain conversations with clients towards evolving sustainability requirements and adaptation needs.

OTP Bank Romania reports nonfinancial aspects on yearly Sustainability Reports based on GRI standards, highlighting aspects deemed material based on comprehensive surveys run at OTP Group level among all stakeholders.

Template 1: Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

	Sector/subsector	a	b	c	d	e	f	g	h
		Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)		
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures
1	**Exposures towards sectors that highly contribute to climate change***	**1.298,971**			**152,783**	**65,350**	**-68,664**	**-9,509**	**-42,207**
2	***A - Agriculture, forestry and fishing***	***250,816***			***10,161***	***8,396***	***-9,175***	***-0,734***	***-5,194***
3	***B - Mining and quarrying***	***8,201***			***0,073***	***0,031***	***-0,152***	***-0,013***	***-0,023***
4	*B.05 - Mining of coal and lignite*								
5	*B.06 - Extraction of crude petroleum and natural gas*								
6	*B.07 - Mining of metal ores*								
7	*B.08 - Other mining and quarrying*	8,201			0,073	0,031	-0,152	-0,013	-0,023
8	*B.09 - Mining support service activities*								
9	***C - Manufacturing***	***186,738***			***52,320***	***17,183***	***-18,884***	***-2,210***	***-14,694***
10	*C.10 - Manufacture of food products*	1,554			0,060	-	-0,029	-0,011	0,000
11	*C.11 - Manufacture of beverages*	0,342			0,202	-	-0,040	-0,037	0,000
12	*C.12 - Manufacture of tobacco products*	-			-	-	-	-	-
13	*C.13 - Manufacture of textiles*	-			-	-	-	-	-
14	*C.14 - Manufacture of wearing apparel*	2,137			-	-	-0,020	-	-
15	*C.15 - Manufacture of leather and related products*	0,579			-	-	-0,013	-	-
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufa*	0,951			0,101	-	-0,015	-0,007	-
17	*C.17 - Manufacture of paper and paper products*	-			-	-	-	-	-
18	*C.18 - Printing and reproduction of recorded media*	0,579			-	-	-0,013	-	-
19	*C.19 - Manufacture of coke and refined petroleum products*	-			-	-	-	-	-
20	*C.20 - Manufacture of chemicals and chemical products*	0,243			-	-	-0,002	-	-
21	*C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations*	0,234			-	-	-0,002	-	-
22	*C.22 - Manufacture of rubber products*	2,836			-	-	-0,038	-	-
23	*C.23 - Manufacture of other non-metallic mineral products*	1,540			-	-	-0,014	-	-
24	*C.24 - Manufacture of basic metals*	-			-	-	-	-	-
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	0,280			-	-	-0,004	-	-
26	*C.26 - Manufacture of computer, electronic and optical products*	0,008			-	-	0,000	-	-
27	*C.27 - Manufacture of electrical equipment*	0,432			-	-	-0,006	-	-
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	0,280			-	-	-0,004	-	-
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	-			-	-	-	-	-
30	*C.30 - Manufacture of other transport equipment*	0,154			0,154	-	-0,018	-0,018	-
31	*C.31 - Manufacture of furniture*	0,094			-	-	-0,001	-	-
32	*C.32 - Other manufacturing*	173,585			51,666	17,178	-18,626	-2,110	-14,683
33	*C.33 - Repair and installation of machinery and equipment*	0,214			-	0,014	-0,013	0,000	-0,012
34	***D - Electricity, gas, steam and air conditioning supply***	***25,525***			***3,977***	***0,000***	***-0,632***	***-0,303***	***0,000***
35	*D35.1 - Electric power generation, transmission and distribution*	-			-	-	-	-	-
36	*D35.11 - Production of electricity*	0,508			0,023	-	-0,012	0,000	0,000
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*								
38	*D35.3 - Steam and air conditioning supply*								
39	**E - Water supply; sewerage, waste management and remediation activities**	***10,870***			***0,181***	***0,286***	***-0,489***	***-0,023***	***-0,277***
40	***F - Construction***	***209,814***			***24,737***	***14,261***	***-11,911***	***-0,891***	***-7,111***
41	*F.41 - Construction of buildings*	41,069			-	2,029	-1,943	-	-
42	*F.42 - Civil engineering*	3,943			-	-	-0,053	-	-
43	*F.43 - Specialised construction activities*	2,178			-	-	-0,019	-	-
44	***G - Wholesale and retail trade; repair of motor vehicles and motorcycles***	***239,591***			***28,639***	***17,127***	***-16,962***	***-2,642***	***-11,082***
45	***H - Transportation and storage***	***0,000***			***0,000***	***0,000***	***0,000***	***0,000***	***0,000***
46	*H.49 - Land transport and transport via pipelines*	2,735			0,697	0,050	0,000	0,000	0,000
47	*H.50 - Water transport*	-			-	-	-	-	-
48	*H.51 - Air transport*	-			-	-	-	-	-
49	*H.52 - Warehousing and support activities for transportation*	1,072			-	-	-	-	-
50	*H.53 - Postal and courier activities*	0,982			0,008	-	-	-	-
51	***I - Accommodation and food service activities***	***49,312***			***7,749***	***2,370***	***-1,633***	***-0,580***	***-0,632***
52	***L - Real estate activities***	***252,663***			***6,166***	***2,024***	***-3,962***	***-0,472***	***-0,662***
53	**Exposures towards sectors other than those that highly contribute to climate change***	***78,570***			***8,897***	***9,356***	***-7,390***	***-0,817***	***-5,480***
54	***K - Financial and insurance activities***	-			-	-	-	-	-
55	***Exposures to other sectors (NACE codes J, M - U)***	-			-	-	-	-	-
56	***TOTAL***	***1.377,541***			***161,680***	***74,706***	***-76,054***	***-10,327***	***-47,687***

** In accordance with the Commission Delegated Regulation EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006*

Template 2: Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

	Counterparty sector	Total gross carrying amount (in MEUR)															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	**Total EU area (Total gross carrying amount of loans)**	**2,825.823**	**0**	**0**	**0**	**0**	**0**	**0**	**9.738**	**7.721**	**2.216**	**0.129**	**0.021**	**0.067**	**0**		
2	Of which Loans collateralised by commercial immovable property	779.006	0	0	0	0	0	0	0	0	0	0	0	0	0		
3	Of which Loans collateralised by residential immovable property	1,126.860	0	0	0	0	0	0	9.738	7.721	2.216	0.129	0.021	0.067	0		
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	1.755	0	0	0	0	0	0	0	0	0	0	0	0	0		
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated																
6	**Total non-EU area (Total gross carrying amount of loans)**	**1.170**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		
7	Of which Loans collateralised by commercial immovable property	-															
8	Of which Loans collateralised by residential immovable property	1.164	0	0	0	0	0	0	0	0	0	0	0	0	0		
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties																
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated																

Template 3: Banking book - Indicators of potential climate change transition risk: Alignment metrics
Exposures to top 20 carbon-intensive firms: we do not have exposures to any counterparty among the top 20 carbon emitting companies in the world.

	a	b	c	d	e	f	g
	Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
1	Power, Electricity		*22,816*	*n/a*	*n/a*	*n/a*	*n/a*
2	Fossil fuel combustion		*25,188*	*n/a*	*n/a*	*n/a*	*n/a*
3	Automotive		*0,28*	*n/a*	*n/a*	*n/a*	*n/a*
4	Aviation		*1,00*	*n/a*	*n/a*	*n/a*	*n/a*
5	Maritime transport		*5,215*	*n/a*	*n/a*	*n/a*	*n/a*
6	Cement, clinker and lime production		*2,78*	*n/a*	*n/a*	*n/a*	*n/a*
7	Iron and steel, coke, and metal ore production		*49,56*	*n/a*	*n/a*	*n/a*	*n/a*
8	Chemicals		*7,49*	*n/a*	*n/a*	*n/a*	*n/a*
9	… potential additions relevant to the business model of the institution		-				

Template 10 - Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations				
2		Non-financial corporations				
3		Of which Loans collateralised by commercial immovable property				
4		Other counterparties				
5	**Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)**	**Financial corporations**	***20,556***	Mitigating the risk of climate change, by financing renewable energy (wind and solar energy) and by financing green buildings (reduction of carbon emissions)		
6		**Non-financial corporations**	***95,300***	Mitigating the risk of climate change, by financing renewable energy (wind and solar energy) and by financing green buildings (reduction of carbon emissions)		
7		**Of which Loans collateralised by commercial immovable property**	90,923	%		
8		**Households**	***9,738***	Mortgage with "A"class certificates		
9		**Of which Loans collateralised by residential immovable property**	9,738	Mortgage with "A"class certificates		
10		**Of which building renovation loans**	0,00			
11		**Other counterparties**		n/a		

- **Qualitative information on social risks**

Social concerns are a key element in OTP Bank values, policies and practicies - starting with Code of Ethics applicable to all employees and collaborators, a strong compliance culture with permanently reinforced policies on anti-money laundering and terrorism financing, constant focus for clients and employees satisfaction.

Moreover, ESG Strategy of OTP Bank Romania under the 3 responsibility pillars- as provider, employer and social actor- reinforce objectives and targets for social aspects also, highlighting commitments to human rights, diversity inclusion (including strong gender representation in management board) , non discrimination & fair treatment across employees (including pay-gap monitoring), clients and society, evolving integration of social considerations (as ESG factors) in risk landscape, reinforced commitment to social development via educational projects of OTP Bank Foundation and CSR project of the bank.

Human rights and prevention of harmful activities are important factors in clients screening for relationship opening & maintenance. They are considered in financing decisions also: corporate clients with controversial activities from social perspective are excluded from financing based on ESG exclusion list, social factors are considered in ESG risk categorization by industry codes and particular social risks (e.g. particular reputational risk) may influence credit risk assessemnet of the transaction and loan granting decision. Human rights regulations and safety standards are considered in providers selection process also- Suppliers are pre-qualified by OTP Bank Romania if the value of the procurement is expected to exceed a gross amount of 50.000 Euro- and pre-qualification system requires that the supplier has no public debts and that it complies with statutory requirements regarding health, security and environmental protection. Sanctions screening was integrated in the qualification process in relation to the war in Ukraine.

Safe and secure operation is a priority for OTP Bank Romania. With that in mind, we assess and manage operational risks and ensure that we and our clients data and assets are strongly protected against fraud attempts. What with the expansion of IT services, IT and cyber security are becoming more and more important in the operation of our company. In particular, fraud management and prevention has become crucially important considering exponential increasingly criminal attempts especially against customers by deceiving via data phishing, abuse involving payment services by means of social engineering (psychological manipulation), fraud via fake websites, fraudulent advertisemnts and cards fraud. The bank deployes more and more sophysticated prevention framework and promptely notify authorities in case of incidents ensuring full cooperation for effective detection and prevention. Intensive actions are carried for increasing awareness of employees and clients.

OTP Bank Romania S.A. respect for human rights is manifested in its daily activities, in relation to its employees and customers by:

- ensuring the transparency of operations and acting in accordance with the principles established in Code of Ethics; strictly protecting data privacy of the employees and clients
- ensuring cooperation with its employees and their families;
- offering practice programs for students;
- offering training programs and development opportunities for its employees, providing opportunities for internal promotion and encouraging talents;
- maintaining successful workplace cooperation and appropriate employee relations via continuous and consistent information; internal events, team building activities, internal competitions; motivational messages;
- within its capacities, the organization protects the health of employees by fully translating in internal norms the latest legislation in work safety, ergonomy and security and emergency situations, ensuring all employees are properly trained in this regard at least once per year. The bank also offers private health insurance and vouchers for medical / protection glasses (once at 2 years).
- keeping in focus accessibility of the banks' premises to persons with disabilities;

OTP Bank Romania S.A. offers services and products that meet the needs of special customers, such as young people and retirees.
Although we make effort to increase usage of digital channels, we are committed to maintaing full human support and traditional service in branches for less- digital clients.
Human rights enforcement and safe & non discriminatory environmnet are supported by dedicated channel etica@otpbank.ro –where any employees, client or any external party, inclusively under protection of anonymity, can signal fraudulent, unethical, discriminatory, abusive conduct, manifested as breach of law or Code of Ethics, to be dully investigated.
From internal collaborators/ employees- 1 complaint registred in 2022, investigated and closed in H1 2023 as not founded, 0 issues raised in H1 2023.
From external parties 1 ethic complaint received in 2022 and resolved in H1 2023, 8 issues raised in H1 2023, all solved (7 solved in H1 2023, 1 in the second half of 2023).

Moreover, clients and any external party can easily contact the bank by phone, mail, email or in any of the bank's premises to submit complaints on any aspect, including concerns on environmental an social aspects. A dedicated email adress is also indicated on the bank website - office@otpbank.ro for such complaints, together with a Complaints Guide; for data protection issues - dpo@otpbank.ro.

In recent years continuos efforts are made towards employees engagement and wellbeing.
The success of these efforts was revealed by the last Organizational Culture Survey run in April-May 2023 in a similar manner with a study run in 2015, making the results comparable. According to Human Synergistics Romania, OTP Bank Romania made notable progress in the last 8 years from a defensive organizational behavioral patterns (dominated by competitiviness and oposition) to a constructive and proactive one (where self-development, humanistic encouragement and afiliaton prevail. In 2023 74% of the employees consider the work volumes is manageable. This correlate with another recognition obtained by OTP Bank Romania in 2023 as no.7 in top Banks & Financial institutions to work for in 2023 by Undelucram.ro.

The Bank sees Corporate Social Responsibility as: the commitment to increase the well-being of the community, through business practices and contributions of corporate resources; but also as major activities carried out by a company in support of social causes and in order to fulfill corporate responsibility commitments.

Thus OTP Bank România S.A., as a responsible and active player on the financial-banking market, understands and acts not only in in full compliance with human rights, but also making undertakes to exercise a positive influence in the community in which it operates, as well as on the surrounding environment. That is why, since its entry into the Romanian market, OTP Bank România S.A. laid the foundations for responsible development by integrating CSR strategies into its growth program.

Thus via *Corporate Social Responsibility* agenda we do our best to play a positive role in the lives and education of our employees, customers, and the wider community by promoting responsible behaviours. Starting from 2014, the Right to Education Foundation/ OTP Bank Foundation, with a dedicated yearly budget of 1 mil RON, is the bank's main program of the long-term CSR strategy. Its contribution is mainly towards financial literacy but also towards supporting quality of public education via various programs and initiatives.
As a bank, our main CSR activity, in addition to being a responsible provider of financial services, is to develop a financial culture through all the means at our disposal. Successful educational programs in this direction were Financial Fitness program and A Financially Easy Podcast hosted by Itsy Bitsy FM radio station. Broader educational impact towards society is achieved by OTP Bank Foundation by supporting programs such as Neuroscience in classroom, and MindArchitect podcast series in 2021/2022 focusing on neuroscience & psychology topics, EduPlant and other actions aimed to enhance learning conditions for children in small villages, collaborations such as that in organization of Green Week model actvities in 2022 for primary school students.

Other dedicated CSR projects of the Bank, apart from supporting education of young people and students, reach also:

- Sports via sponsorship offered to sports teams, thereby contributing to the excitement and engagement of our customers and communities throughout the country and organization of special events. Notable events in 2022 and 2023 were OTP Charity Tours organized by the bank for amateur and semiamateur cyclists to support social causes in benefits of children in need. Such events not only supported strong community causes, but also promoted cycling as eco-friendly mode of transport.
- Culture and art: financial aid for various exhibitions or other cultural events;
- Local communities supporting by organizing local events;
- Environment protection awareness raising
- Social aspects, such as helping children and other disadvantaged categories, promoting donations, and encourage volunteering. During the previous year, the bank sponsored various organizations that catered to individuals facing challenging circumstances. One notable partnership was with the Red Cross for their Good Deeds Auction Campaign, which focused on improving the social, educational, and emotional well-being of marginalized children and young people.

Additionally, it was organized the Green Heart Christmas event, the largest charitable gathering supported by OTP Bank Romania for our corporate and private banking customers. This event took place to support the "Gift with a Smile" campaign organized by the Aura Ion Association, and as a result, over 145 children from disadvantaged areas had a memorable Christmas.

The Bank also actively supported charitable causes through various campaigns. For instance, the "Back to School" campaign for disadvantaged children in rural areas, the "Rural Library" initiative, our internal volunteering campaigns during the Easter holidays or the annual "Spring Sweatshirt" campaign reaching 1000 children in disadvantaged situations.

Furthermore, OTP Bank Romania also facilitated the donation of IT equipment for schools, benefiting 350 children. These charitable projects and initiatives reflect our firm belief in creating a more socially just society and supporting the most vulnerable members of our communities. We remain dedicated to continuing our involvement in such projects, as they align with our core values and contribute to the overall well-being of society.

More information is available in our yearly Sustainability reports.

- **Qualitative information on governance risks**

OTP Bank Romania fully recognize that sustainable practices are grounded in a commitment to sound governance. We have taken significant strides to ensure that our operations align with robust governance principles, spanning from our compliance and risk policies to the integration of ESG factors. These efforts are not only in line with our strategic goals but also contribute to a sustainable future for our organization and the communities we serve.

The Bank (OTP Bank Romania/OBR) has a framework regulation in place which defines the role and responsibility of the internal governance and internal control functions, aligned with OTP Group regulations.
At OTP Bank Romania level, the Management Board and Supervisory Board make strategic decisions regarding ESG aspects and periodically steer ESG progress as detailed in their functional regulations.

The Supervisory Board establishes, approves and oversees the implementation of the bank's general business strategy and key strategies and policies, in accordance with the applicable legal and regulatory framework, also taking into account the climate and environmental risks. The Supervisory Board also evaluates the short, medium and long-term effects of ESG factors and ensures that they are clearly integrated into the relevant responsibilities in the organizational structure, both within the lines of activity and within the internal control functions.

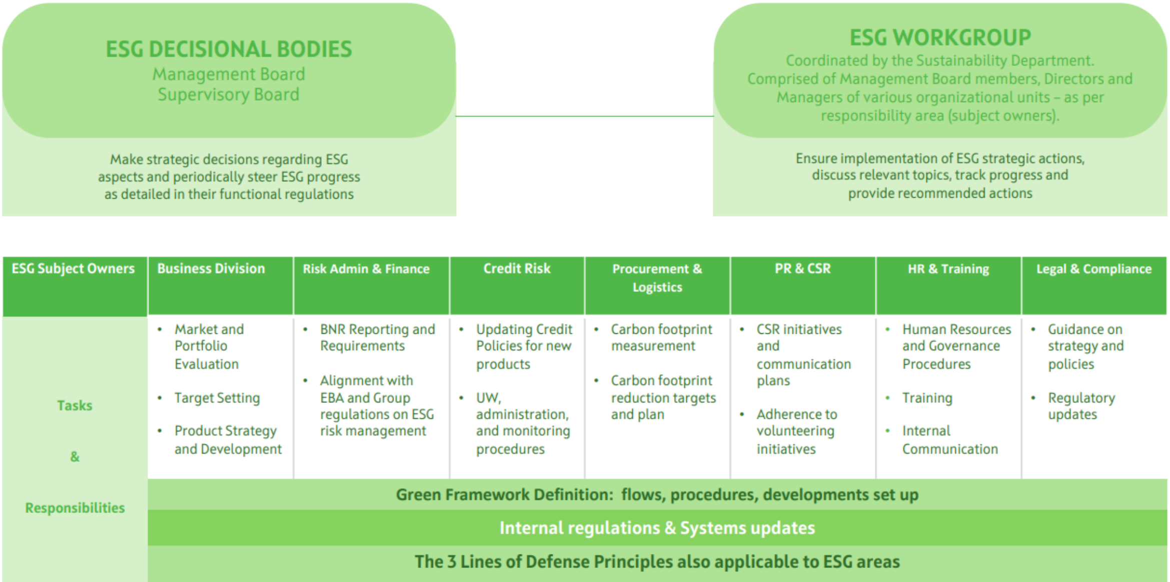
The Management Board discusses and evaluates at least annually the long-term objectives and implementation of the bank's business and risk strategies, including those regarding ESG and environmental and climate risks. It also identifies and assesses the impact, risks and opportunities of environmental, social and governance (ESG) changes and also ensures that there is adequate monitoring of ESG risks and developments that currently affect or may affect the bank in the future and the achievement of its objectives in this context. Specific ESG training programs were implemented for senior management and key positions. ESG KPI are included in performance evaluation of Management board members.

ESG strategic developments implementation is ensured by various organizational units with clear responsibilities in ESG areas, specified in Internal Organizational Rules. Sustainabilty department coordinates ESG implementation efforts across organization, supported by OTP Group functional lines that also ensure subsidiaries alignament with group standards and policies developpment in various areas.

For smooth implementation of ESG directions an ad-hoc ESG workgroup may be convoked whenever necessary by the Sustainability Department. This workgroup is comprised of Management Board members, directors and managers of various involved organizational units – as per responsibility area (subject owners).

ESG responsabilities chart:

Governance system of OTP Bank Romania S.A.
ESG Organization



The 3 Lines of defence principle applies in OTP Bank control framework.: The general principles pertaining to the three lines of defence are defined by the Bank's internal regulation framework, Internal Organizational Rules and other relevant documents and fully apply to ESG risks also.
As first line of defense, the primary responsibility of business lines and organizational units is to manage risks.

As the second line of defense, the risk management and compliance control functions are responsible for the appropriate management of Environmental(E), Social (S) and Governance (G) risks.

As the third line of defense, during its activity the internal audit function also inspects (reviews) E, S&G factors. The above principles are applicable as defined in OBR Internal Control framework.

The OTP Bank Romania is committed to combating corruption, and declared zero tolerance towards all forms of bribery and the gaining of unfair advantages as part of the Compliance Policy, attached to which is the Anti-Corruption Policy of OTP Bank Romania at https://www.otpbank.ro/en/about-otp-bank/about-us/compliance. Potential conflict of Interests are thouroghly monitored.

The Internal Organizational Rules describes in detail the duties of the internal control functions (second and third lines of defense) and the principles of cooperation and coordination between the head office organizational units of the Bank. The internal control functions are independent of the audited and controlled organizational entities and from one another, and the internal audit function must not be combined with any other function.

Taking into consideration the proportionality, the internal control functions must have at all times an adequate number of human resources with the necessary qualifications and professional competence as well as the required authorizations, who must be provided with regular professional training and the competences, material resources, IT system access and support necessary for performing their work, as well as external and internal information. These aspects also include the possibility of engaging external experts in particular cases.

OTPH Internal control functions entities operate at group level, governing and supervising the internal control activities of the members of the Banking Group and overseeing the implementation and application of the relevant standards of the parent bank. Given the variations in size and operating profile within the group, the internal control functions operate on a principle of proportionality.

4.19 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 2023, macroeconomic crisis simulations were conducted over a three-year horizon (2023-2025), **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, unemployment rate 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:

- inform the Bank's Board of Directors of 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

5. 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	-	-			19,529,808,734	5,403,901,103		
Equity instruments	-	-	-	-	20,230,865	20,230,865	20,230,865	-
Debt securities	-	-	-	-	4,172,027,248	4,160,239,699	4,155,493,115	4,155,493,115
of which: covered bonds	-	-	-	-	-	-	-	-
of which: securitisations	-	-	-	-	-	-	-	-
of which: issued by general governments	-	-	-	-	1,676,333,017	1,681,079,601	1,676,333,017	1,676,333,017
of which: issued by financial corporations	-	-	-	-	16,534,133	-	-	-
of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
Other assets	-	-			15,337,550,621	1,223,430,539		

At 30.06.2023 the Bank did not have any encumbered assets.

Anexa1

EU KM1 - Key metrics template

		30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,155,238,795	2,175,801,459	2,239,415,609	2,182,209,997	2,162,136,292
2	Tier 1 capital	2,155,238,795	2,175,801,459	2,239,415,609	2,182,209,997	2,162,136,292
3	Total capital	2,155,238,795	2,175,801,459	2,239,415,609	2,182,209,997	2,162,136,292
	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 (%)**	**21.16%**	**21.96%**	**22.50%**	**21.54%**	**20.02%**
6	**Tier 1 ratio (%)**	**21.16%**	**21.96%**	**22.50%**	**21.54%**	**20.02%**
7	**Total capital ratio (%)**	**21.16%**	**21.96%**	**22.50%**	**21.54%**	**20.02%**
	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 (%)	4.24%	4.24%	4.56%	4.56%	4.56%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2.39%	2.39%	2.57%	2.57%	2.57%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	3.18%	3.18%	3.42%	3.42%	3.42%
EU 7d	**Total SREP own funds requirements (%)**	**12.24%**	**12.24%**	**12.56%**	**12.56%**	**12.56%**
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
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%	0.50%
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-	-	-
11	Combined buffer requirement (%)	3.00%	3.00%	3.00%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	15.24%	15.24%	15.56%	15.06%	15.06%
12	CET1 available after meeting the total SREP own funds requirements (%)	-	-	-	-	-

	Leverage ratio					
13	Total exposure measure	20,652,240,973	20,710,044,560	21,055,186,491	21,807,392,669	21,022,823,472
14	**Leverage ratio (%)**	**10.11%**	**10.06%**	**9.90%**	**9.20%**	**9.54%**
	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 (%)**	**10.44%**	**10.51%**	**10.64%**	**10.01%**	**10.28%**
EU 14e	**Overall leverage ratio requirements (%)**	**10.44%**	**10.51%**	**10.64%**	**10.01%**	**10.28%**
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	2,987,683,313	3,104,331,440	3,237,571,104	3,393,401,847	2,993,752,709
EU 16a	Cash outflows - Total weighted value	2,933,196,919	3,178,616,297	2,988,190,519	3,720,554,820	3,776,954,040
EU 16b	Cash inflows - Total weighted value	1,907,049,852	2,174,277,937	1,662,957,372	1,650,653,318	1,722,106,542
16	Total net cash outflows (adjusted value)	1,328,268,194	1,531,523,731	1,691,268,286	2,191,857,318	2,081,941,456
17	**Liquidity coverage ratio (%)**	**271%**	**241%**	**196%**	**159%**	**147%**
	Net Stable Funding Ratio					
18	Total available stable funding	15,020,618,079	15,161,778,865	15,608,609,452	15,048,615,676	14,324,451,688
19	Total required stable funding	9,752,988,903	9,609,896,618	9,823,253,407	10,458,625,414	10,337,377,013
20	**NSFR ratio (%)**	**154%**	**158%**	**159%**	**144%**	**139%**

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			
By countries:													
Romania	8,490,790,873	0	0	0	0	8,490,790,873	679,263,270	0	0	679,263,270	8,490,790,873	0	0
Netherlands	44,220,059	0	0	0	0	44,220,059	3,537,605	0	0	3,537,605	44,220,059	0	0
United States	18,861,449	0	0	0	0	18,861,449	1,508,916	0	0	1,508,916	18,861,449	0	0
Germany	14,255,910	0	0	0	0	14,255,910	1,140,473	0	0	1,140,473	14,255,910	0	0
Slovakia	9,692,329	0	0	0	0	9,692,329	775,386	0	0	775,386	9,692,329	0	0
Belgium	5,853,706	0	0	0	0	5,853,706	468,296	0	0	468,296	5,853,706	0	0
France	2,421,897	0	0	0	0	2,421,897	193,752	0	0	193,752	2,421,897	0	0
Italy	1,393,788	0	0	0	0	1,393,788	111,503	0	0	111,503	1,393,788	0	0
United Kingdom	630,319	0	0	0	0	630,319	50,426	0	0	50,426	630,319	0	0
Switzerland	518,825	0	0	0	0	518,825	41,506	0	0	41,506	518,825	0	0
Iran	419,901	0	0	0	0	419,901	33,592	0	0	33,592	419,901	0	0
Iceland	197,883	0	0	0	0	197,883	15,831	0	0	15,831	197,883	0	0
Australia	158,824	0	0	0	0	158,824	12,706	0	0	12,706	158,824	0	0
Guernsey	157,512	0	0	0	0	157,512	12,601	0	0	12,601	157,512	0	0
Luxembourg	155,327	0	0	0	0	155,327	12,426	0	0	12,426	155,327	0	0
Hungary	140,373	0	0	0	0	140,373	11,230	0	0	11,230	140,373	0	0
Spain	92,028	0	0	0	0	92,028	7,362	0	0	7,362	92,028	0	0
Bulgaria	78,401	0	0	0	0	78,401	6,272	0	0	6,272	78,401	0	0
Canada	75,435	0	0	0	0	75,435	6,035	0	0	6,035	75,435	0	0
Poland	66,682	0	0	0	0	66,682	5,335	0	0	5,335	66,682	0	0
Denmark	28,014	0	0	0	0	28,014	2,241	0	0	2,241	28,014	0	0
Norway	24,107	0	0	0	0	24,107	1,929	0	0	1,929	24,107	0	0
Puerto Rico	6,934	0	0	0	0	6,934	555	0	0	555	6,934	0	0
Total	**8,590,245,676**	**0**	**0**	**0**	**0**	**8,590,245,676**	**687,219,654**	**0**	**0**	**687,219,654**	**8,590,245,676**	**0**	**0**

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

Total risk exposure amount	**10,185,779,251**
Institution specific countercyclical capital buffer rate	0.50%
Institution specific countercyclical capital buffer requirement	**50,928,896**

Risk appetite Statement of the Supervisory Board of OTP Bank Romania S.A. for first semester of 2023

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 16.74% at individual level and of 17.07% at consolidated level (includes the total capital requirement SREP (TSCR), a combined buffer requirement of 4% at individual level, respectively 4.5% at consolidated level[6] and a management shock absorber of 0.50% at individual level and 0.25% at consolidated level). 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.

[6] Starting with October 2023, it will also include the capital countercyclical buffer of 1.0%, becoming 4.5% at standalone level and 5% at consolidated level, and the target rates will change accordingly.

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:

(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.

(l) 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.

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 2023 of 3.38%. 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.

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. OTP Bank Romania's ESG Strategy was defined in 2022 considering OTP Group ESG Strategic directions, regulatory recommendations, NBR expectations, market opportunities and challenges.

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, ESG credit risk, general compliance risk, KYC & AML / CFT risk, cyber risk 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 S.A..

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