TRANSPARENCY AND DISCLOSURE REPORT FOR THE THIRD QUARTER OF 2021

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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 September 30, 2021.

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 Regulation no. 1423/2013, which presents the implementing technical standards regarding the publication of the own funds requirements for the institutions;
- Information regarding the leverage indicator based on Regulation no. 200/2016, 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 September 30, 2021, 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.

Common Equity Tier 1 (CET1): Instruments and Reserves	**Individual**
Capital instruments eligible as CET1 Capital	**2,122,004**
Of which: Capital instruments subscribed by public authorities in emergency situations	2,122,004
Retained earnings	-331,238
Other reserves	59,543
Funds for general banking risk	4,763
Common Equity Tier 1 (CET1) before regulatory adjustments	**1,855,072**
Common Equity Tier 1 (CET1): Regulatory Adjustments	-
Additional Value Adjustments (Negative Value)	-782
Intangible assets (excluding related tax liabilities) (negative)	-19,256
Deferred tax assets that are based on future profitability, excluding those resulting from temporary differences (without related tax liabilities when the conditions of Article 38 (3) are met) (negative)	-
Other transitional adjustments for core Tier 1 own funds	151,401
Basic own-fund items or deductions from them - others	8,854
Basic level 1 core funds (CET1)	**1,995,289**
Additional level 1 own funds (AT1)	-

Level 1 own funds (T1 = CET1 + AT1)	**1,995,289**
Level 2 own funds (T2)	-
Total own funds (TC = T1 + T2)	**1,995,289**
Total risk weighted assets	**9,602,889**
Rate and amortization of own funds	
Additional Tier 1 own funds (as a percentage of the total exposure amount)	20.78%
Tier 1 own funds (as a percentage of the total exposure value)	20.78%
Total own funds (as a percentage of the total exposure amount)	20.78%
The requirement for own-account silencer (the own-funds requirement of Tier 1 under Article 92 (1) (a) plus the capital buffer and anti-cushioned shock absorbers plus the systemic shock absorber, plus the institution's shock absorber of systemic importance expressed as a percentage of the exposure value)	240,072
of which: the capital buffer	240,072
Basic Tier 1 own funds available to meet the damping requirements (as a percentage of the exposure value)	11.69%

As of September 30, 2021, the value of individual own funds was RON 1,995,289 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.

- **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 September 30, 2021 is 146.6% at consolidated level. The main categories of risks followed are: credit risk, operational risk, residual risk, concentration risk, risks which arise from the activity of granting loans in FX to the debtors which are exposed to foreign currency risk, position and foreign exchange risks, liquidity risk, reputational risk, stress test component (including external risks to the credit institution), interest rate risk, strategic risk and leverage risk.

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 third quarter of 2021 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 30.09.2021, the leverage transition indicator was 10.69% compared to 30.09.2020 when its value was 11.22%. The decrease in the indicator is the result of the increase in the value of total exposure above the level of the increase in own funds.

Exposures to financial derivatives	**Applicable amounts**
Effective notional effective value of underwriting credit derivatives	6,034,285
Total exposures to financial derivatives	93,485
Other off-balance sheet exposures	**Applicable amounts**
Off-balance sheet exposures denominated in gross notional value	994,606
(Adjustments for conversion into equivalent credit amounts)	-
Financing operations for securities that are not subject to a clearing agreement between different products	-
Other off-balance exposures	-
Exposures for calculating the leverage indicator according to the CRR Regulation	**Applicable amounts**
Total balance sheet exposures (excluding financial derivatives, SFT and exempted exposures), of which:	16,807,042
Exposures related to the trading book	-
Exposures related to the banking portfolio, out of which:	-
Guaranteed bonds	-
Exposures considered as sovereign	3,533,736
Exposures to regional governments, multilateral development banks, international organizations and public sector entities that are not treated as sovereign entities	27,668
Institutions	598,228
Exposures secured by mortgages on immovable property	4,179,104
Retail exposures	3,201,454
Companies	3,977,864
Exposures in default	274,052
Other exposures (eg equity securities, securitizations and other assets that do not meet credit obligations)	1,014,937
Own funds and total exposure measurement indicator	**Applicable amounts**
Tier 1 capital - transitional definition	1,995,289
Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	18,658,724
Leverage Ratio - using a transitional definition of Tier 1 capital	**10.69%**

4. Risk management

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

- credit risk;
- concentration risk;
- residual risk;
- position risk and currency risk;
- interest rate risk outside the trading portfolio activity;
- liquidity risk;
- operational risk;
- reputational risk;
- outsourced activities related risk;
- compliance risk (general compliance risk, including data protection and investment services and the risk related to know-your-customer activities and the prevention of money laundering and terrorism financing (KYC & AML/CFT));
- conduct risk;
- model risk;
- information and communication technology (ICT) and security risk;
- strategic risk;
- external risks.

The following graphics present the evolution of the main indicators in 2021:

Figure 1 : EBA - defined NPE ratio

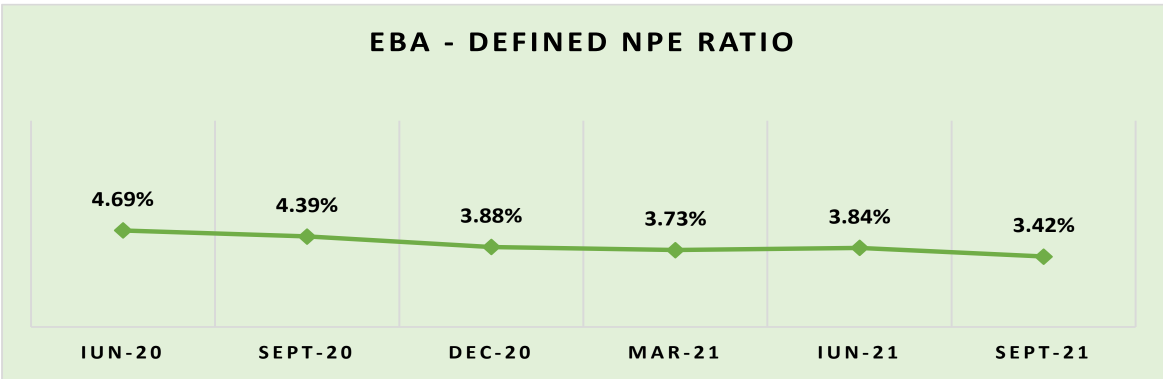


Figure 2: EBA - defined NPE coverage ratio

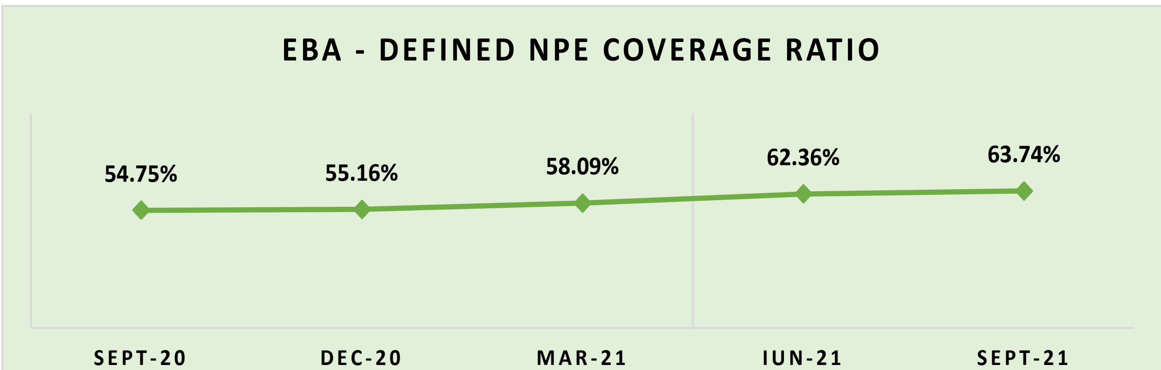


Figure 3 : Return on equity

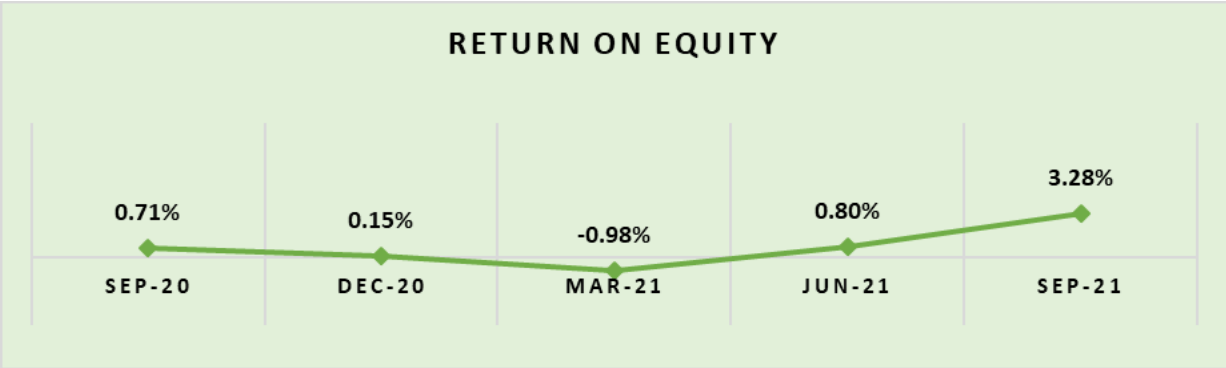
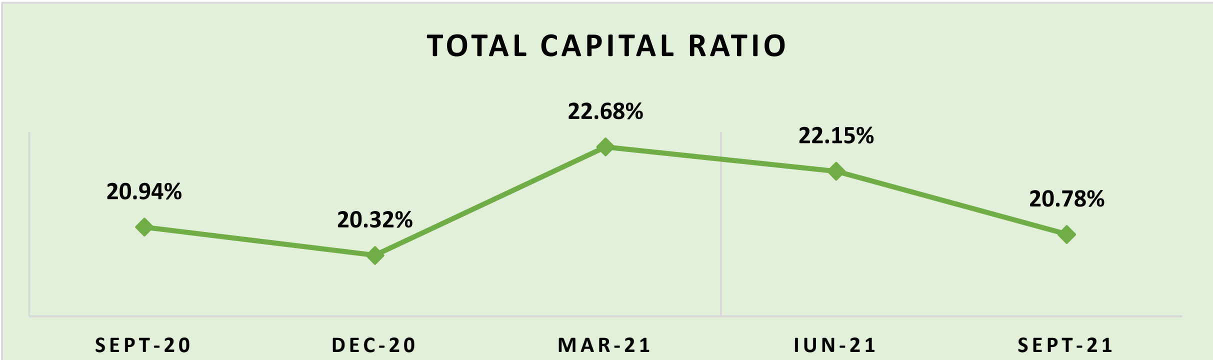


Figure 4: Total capital ratio



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 2021 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 30.09.2021 the situation of affiliated parties was:

- Individual level (OTP Bank Romania SA)

Number of clients	Gross exposure (LEI)	Related provisions	Excluded amounts (LEI)			Own funds %
			without protection	with protection		
				funded	unfunded	
Non-institutions						
43	93,015,608	4,719,715	16,402,224	1,480,886	-	3.528953
Institutions						
1	469,273,569	-	-	-	-	23.519071

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

Number of clients	Gross exposure (LEI)	Related provisions	Excluded amounts (LEI)			Own funds %
			without protection	with protection		
				funded	unfunded	
Non-institutions						
46	64,648,265	191,751	6,647,095	389	-	2.872097
Institutions						
1	470,377,850	-	-	-	-	23.372778

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 10%[1];
  - the coverage ratio with non-performing loans - The European Banking Authority's definition does not fall below 50%[2]
  - forborne non-performing exposures to total forborne exposures is no more than 75%;
  - annual growth rate of total loans is no more than 15%[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 20%.

The Bank’s strategy for 2021 related to the credit risk management include the following principles:

[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].

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

II. The Bank's desirable clientele are customers:
- whose creditworthiness is appropriate and whose risk is deemed to be low or medium based on their debtor rating;
- whose activity and business management are transparent, and they cooperate with the Bank; 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 Norms.

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.

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 assets (RWA)		**Minimum capital requirements**
		30/09/2021	**30/09/2020**	**30/09/2021**
1	**Credit risk (excluding CCR)**	**8,578,537**	**7,159,473**	**686,283**
2	Of which the standardized approach	8,578,537	7,159,473	686,283
3	Of which the core IRB (FIRB) approach			
4	Of which advanced IRB (AIRB) approach			
5	Of which equity securities from the IRB Approach under the simple risk-weighted approach or AMI			
6	**CCR**	**5,819**	**5,121**	**466**
7	Of which method of marking the market	-	-	-
8	Of which initial exposure method			
9	Of which standardized method			
10	Of which the Internal Model Method (MMI)			
11	Of which the amount of risk exposure for contributions to the CCP guarantee fund			
12	Of which credit assessment adjustment (CVA)	5,819	5,121	466
13	Settlement risk	-	-	**-**
14	Exposures in securitization in the banking portfolio (after the ceiling)			
15	Of which IRB approach			
16	Of which the IRB regulated formula method (SFA)			
17	Of which the Internal Assessment Based Approach (IAA)			
18	Of which the standardized approach			
19	**Market risk**	**4,377**	**45,646**	**350**
20	Of which the standardized approach	4,377	45,646	350
21	Of which AMI			
22	Large exposures	-	-	**-**
23	Operational risk	**1,014,156**	**898,016**	**81,132**
24	Of which basic approach	1,014,156	898,016	81,132
25	Of which the standardized approach			
26	Of which advanced assessment approach			
27	Values below the deduction thresholds (which are subject to a 250% risk weight)			
28	Adjustment for the minimum threshold			
29	**Total**	**9,602,889**	**8,108,257**	**768,231**

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 Exposure at the end of period**	**Net average exposure for the period**
Central governments or central banks	3,220,772	2,887,409
Regional governments or local authorities	64,331	52,710
Public sector entities	-	-
Multilateral Developed Banks	-	-
International Organizations	-	-
Institutions	1,389,983	1,183,826
Companies	6,133,963	5,606,637
Retail	4,277,014	3,926,192
Secured by mortgages on immovable property	4,246,497	3,997,722
Overdue elements	290,026	301,223
Items associated with particularly high risk	-	-
Guaranteed bonds	-	-
Short claims on institutions and corporate	-	-
Collective Investment Undertakings (CIU)	13,648	13,297
Debt securities	67,583	66,985
Other items	933,706	940,820
Total	**20,637,524**	**18,976,821**

In order to analyze the diversification of the credit portfolio, OTP Bank Romania S.A. follows the distribution of the portfolio on the five geographical regions in which it divided the country's territory.

Table 3: Geographical breakdown of exposures

(ths.RON)	**Center**	**Bucharest-Ilfov**	**South Muntenia**	**Soth East**	**South West - Oltenia**	**West**	**Nord East**	**Nord West**	**Other countries**	**Other areas**	**Total**
Central governments or central banks	0	3,220,772	0	0	0	0	0	0	0	0	3,220,772
Regional governments or local authorities	1,360	23,648	0	0	0	0	14,318	25,006	0	0	64,331
Institutions	0	536,434	0	0	0	0	0	0	830,008	23,540	1,389,983
Companies	622,357	3,245,831	499,855	452,173	135,201	159,092	411,606	604,321	0	3,528	6,133,963
Retail	550,458	1,454,927	403,751	421,599	197,057	290,814	453,964	504,444	0	0	4,277,014
Exposures secured by mortgages on immovable property	413,613	2,033,382	310,709	229,857	110,209	337,520	233,623	577,584	0	0	4,246,497
Exposures in default	42,625	110,242	16,490	23,685	5,793	9,267	22,380	59,544	0	0	290,027
Collective investment (OPC)	0	13,648	0	0	0	0	0	0	0	0	13,648
Equity exposures	0	67,583	0	0	0	0	0	0	0	0	67,583
Other items	20,800	810,574	18,142	9,176	4,621	8,783	10,834	18,486	0	32,291	933,706
Total	**1,651,213**	**11,517,043**	**1,248,948**	**1,136,490**	**452,881**	**805,474**	**1,146,725**	**1,789,385**	**830,008**	**59,359**	**20,637,524**

The Bank monitors quarterly the concentration of the portfolio by sectors of activity and compliance with the limits set by the risk strategy. Below are the exposure classes according to the main sectors of activity at September 30, 2021:

Table 4.a. : Concentration of exposures by sector and type of counterparty

(ths.RON)	Accommodation and food service activities	Administrative and support service activities	Agriculture, forestry and fishing	Arts, entertainment and recreation
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Companies	205,533	88,442	881,295	-
Retail	136,420	40,924	440,682	8,299
Exposures secured by mortgages on immovable property	6,914	4,832	15,067	1,240
Exposures in default	1,873	356	4,700	10
Collective investment (OPC)	-	-	-	-
Equity exposures	-	-	-	-
Other items	11	9	114	1
Total	**350,750**	**134,563**	**1,341,860**	**9,550**

Table 4.b. : Concentration of exposures by sector and type of counterparty

(ths.RON)	Construction	Education	Electricity, gas, steam and air conditioning supply	Financial and insurance activities
Central governments or central banks	-	-	-	1,163,088
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	1,374,803
Companies	949,403	6,387	372,299	434,494
Retail	241,284	3,374	12,013	29,872
Exposures secured by mortgages on immovable property	36,748	50	20,854	5,278
Exposures in default	12,302	0	15,630	-
Collective investment (OPC)	-	-	-	13,648
Equity exposures	-	-	-	67,503
Other items	1,182	1	1	918,201
Total	**1,240,919**	**9,811**	**420,797**	**4,006,888**

Table 4.c. : Concentration of exposures by sector and type of counterparty

(ths.RON)	Human health and social work activities	Information and communication	Manufacturing	Mining and quarrying
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Companies	10,182	5,771	728,688	11,945
Retail	15,231	31,674	325,428	18,610
Exposures secured by mortgages on immovable property	1,616	4,823	17,998	1,187
Exposures in default	-	9,846	22,393	-
Collective investment (OPC)	-	-	-	-
Equity exposures	-	-	-	-
Other items	1	2	74	-
Total	**27,030**	**52,117**	**1,094,581**	**31,743**

Table 4.d. : Concentration of exposures by sector and type of counterparty

(ths.RON)	*Other service activities*	*Professional, scientific and technical activities*	*Public administration and defense; compulsory social security*	*Real estate activities*
Central governments or central banks	-	-	2,057,684	-
Regional governments or local authorities	-	-	64,331	-
Public sector entities	-	-	-	-
Companies	6,273	168,403	-	817,387
Retail	1,389	90,304	-	23,957
Exposures secured by mortgages on immovable property	315	9,388	-	5,451
Exposures in default	-	22,799	-	8,284
Collective investment (OPC)	-	-	-	-
Equity exposures	-	-	-	-
Other items	2	39	-	265
Total	**7,979**	**290,933**	**2,122,015**	**855,344**

Table 4.e. : Concentration of exposures by sector and type of counterparty

(ths.RON)	*Transportation and storage*	*Water supply, sewerage, waste management, and remediation activities*	*Wholesale and retail trade; repair of motor vehicles and motorcycles*	*Others*	*Total*
Central governments or central banks	-	-	-	-	3,220,772
Regional governments or local authorities	-	-	-	-	64,331
Public sector entities	-	-	-	15,180	1,389,983
Companies	153,437	37,537	1,239,897	16,589	6,133,963
Retail	112,537	35,764	516,691	2,192,560	4,277,014
Exposures secured by mortgages on immovable property	8,500	2,812	74,993	4,028,431	4,246,497
Exposures in default	5,609	-	6,911	179,311	290,027
Collective investment (OPC)	-	-	-	-	13,648
Equity exposures	-	-	-	80	67,583
Other items	157	-	353	13,294	933,706
Total	**280,240**	**76,114**	**1,838,845**	**6,445,445**	**20,637,524**

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	-	275,050	981,433	794,644	1,169,645	3,220,772
Regional governments or local authorities	-	5,510	7,748	51,073	-	64,331
Public sector entities	-	472,114	4,600	0	913,269	1,389,983
Companies	-	2,353,823	2,026,062	1,750,449	3,628	6,133,963
Retail	2	862,075	2,100,675	1,313,288	973	4,277,014
Exposures secured by mortgages on immovable property	-	138,927	99,018	4,008,552	-	4,246,497
Exposures in default	-	80,285	68,215	112,669	28,857	290,027
Collective investment (OPC)	-	0	0	0	13,648	13,648
Equity exposures	-	0	0	0	67,583	67,583
Other items	-	1,217	142	0	932,347	933,706
Total	**2**	**4,189,002**	**5,287,894**	**8,030,676**	**3,129,951**	**20,637,524**

Table 6: Form 11: EU CR1-A - Exposure credit grade by exposure class and instrument

	Gross carrying values of						
	Defaulted exposures	**Non - defaulted exposures**	**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-off**	**Credit risk adjustment charges of the period**	**Net values (a+b-c-d)**
Central governments or central banks							
Institutions							
Corporates							
Of which: Specialized lending							
Of which: SME							
Retail							
Secured by real estate property							
SMEs							
Non-SMEs							
Qualifying revolving							
Other retail							
SMEs							
Non-SME							
Equity							
Total IRB approach							
Central governments or central banks	-	4,288,632	9,039	-			4,279,594
Regional governments or local authorities	-	65,433	1,102	-			64,331
Public sector entities	-	-	-	-			-
Multilateral development banks	-	-	-	-			-
International organizations	-	-	-	-			-
Institutions	-	821,012	-	-			821,012
Corporates	-	6,072,217	114,702	-			5,957,515
Of which: SMEs	-	3,729,432	74,581	-			3,654,851
Retail	-	4,063,954	100,343	-			3,963,611
Of which: SMEs	-	2,142,512	50,175	-			2,092,337
Secured by mortgages on immovable property	-	4,246,497	-	-			4,246,497
Of which: SMEs	-	187,863	-	-			187,863
Exposures in default	530,373	-	240,346	-	-		290,027
Items associated with particularly high risk	-	-	-	-			-
Covered bonds	-	-	-	-			-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-			-
Collective investments undertakings	-	13,648	-	-			13,648
Equity exposures	-	71,960	4,376	-			67,583
Other exposures	-	1,218,749	285,042	-			933,706
Total standardized approach	**530,373**	**20,862,102**	**754,950**	**-**	**-**		**20,637,524**
Total	**530,373**	**20,862,102**	**754,950**	**-**	**-**		**20,637,524**
Of which: Loans	512,447	15,771,577	703,669	-	-		15,580,355
Of which: Debt securities	-	2,092,802	9,039	-			2,083,764
Of which: Off - balance- sheet exposures	17,926	2,997,722	42,243	-			2,973,405

Table 6.1: Form 12: EU CR1-B - Quality of exposure credit by industry or counterparty type

	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-off	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	**Non-Defaulted exposures**					
Agriculture, forestry and fishing	13,171	1,375,637	26,133	-	-		1,362,675
Mining and quarrying	78	32,040	356	-	-		31,763
Manufacturing	122,763	1,106,730	91,050	-	-		1,138,443
Electricity, gas, steam and air conditioning supply	20,109	412,582	11,688	-	-		421,003
Water supply	-	77,222	1,106	-	-		76,116
Construction	36,294	1,256,713	47,951	-	-		1,245,056
Wholesale and retail trade	50,340	1,869,879	63,905	-	-		1,856,314
Transport and storage	13,238	278,892	7,842	-	-		284,288
Accommodation and food service activities	4,014	360,631	12,652	-	-		351,992
Information and communication	11,936	43,644	3,454	-	-		52,126
Financial and insurance activities	5,650	4,319,378	302,676	-	-		4,022,352
Real estate activities	9,554	860,042	14,249	-	-		855,347
Professional, scientific and technical activities	41,422	272,550	17,878	-	-		296,094
Administrative and support service activities	12,505	136,979	10,405	-	-		139,078
Public administration and defense, compulsory social security	-	2,132,156	10,141	-	-		2,122,015
Education	-	13,864	1,710	-	-		12,154
Human health services and social work activities	-	27,600	569	-	-		27,032
Arts, entertainment and recreation	16	10,815	1,274	-	-		9,557
Other services	97	13,393	473	-	-		13,018
Households	189,186	6,261,355	129,439	-	-		6,321,102
Total	**530,373**	**20,862,102**	**754,950**	**-**	**-**	**-**	**20,637,524**

Table 7: Template 1: 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		Collateral 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 measures
			Of which defaulted	Of which impaired				
Loans and advances	128,304	260,242	260,242	260,242	- 23,027	- 151,736	162,037	65,232
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	71,331	217,359	217,359	217,359	- 15,643	- 128,808	106,063	51,030
Of which SMEs	70,490	105,584	105,584	105,584	- 15,545	- 51,073	89,758	35,468
Households	56,973	42,883	42,883	42,883	- 7,384	- 22,928	55,974	14,202
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	4,829	73	73	73	-	-	-	-
Total	**133,133**	**260,315**	**260,315**	**260,315**	**- 23,027**	**- 151,736**	**162,037**	**65,232**

Table 8: Template 2: Quality of forbearance

	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	119,380
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	145,643

Table 9: Template 3: 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 or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**12,845,273**	**12,784,331**	**60,942**	**512,448**	**227,281**	**40,239**	**36,326**	**71,636**	**63,748**	**41,351**	**31,867**	**512,448**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	26,336	26,336	-	-	-	-	-	-	-	-	-	-
Credit institutions	807,202	807,202	-	-	-	-	-	-	-	-	-	-
Other financial corporations	368,389	368,339	50	85	-	-	-	-	85	-	-	85
Non-financial corporations	5,446,176	5,443,324	2,852	317,892	134,996	4,953	5,153	60,659	55,859	27,953	28,319	317,892
Of which SMEs	4,205,665	4,202,815	2,850	187,226	80,135	4,953	5,153	2,784	47,912	27,953	18,336	187,226
Households	6,197,170	6,139,130	58,040	194,471	92,285	35,286	31,173	10,977	7,804	13,398	3,548	194,471
Debt securities	**2,096,059**	**2,096,059**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	2,096,059	2,096,059	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**3,003,708**			**17,926**								**17,926**
Central banks	-			-								-
General governments	37,302			-								-
Credit institutions	37,784			-								-
Other financial corporations	138,913			-								-
Non-financial corporations	2,684,170			17,627								17,627
Households	105,539			299								299
Total	**17,945,040**	**14,880,390**	**60,942**	**530,374**	**227,281**	**40,239**	**36,326**	**71,636**	**63,748**	**41,351**	**31,867**	**530,374**

Table 10: Template 4: 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	Collateral 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			
Loans and advances	**12,845,273**	**11,702,389**	**1,142,884**	**512,448**	**-**	**512,448**	**- 236,033**	**- 112,317**	**- 123,716**	**- 314,818**	**-**	**- 314,818**	**-**	**10,155,615**	**107,948**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	26,336	21,703	4,633	-	-	-	- 779	- 571	- 208	-	-	-	-	8,953	-
Credit institutions	807,202	807,202	-	-	-	-	-	-	-	-	-	-	-	763,592	-
Other financial corporations	368,389	368,343	46	85	-	85	- 8,273	- 8,254	- 19	- 5	-	- 5	-	111,067	80
Non-financial corporations	5,446,176	4,809,861	636,315	317,892	-	317,892	- 160,030	- 75,476	- 84,554	- 204,886	-	- 204,886	-	4,334,079	61,369
Of which SMEs	4,205,665	3,657,786	547,879	187,226	-	187,226	- 128,586	- 53,807	- 74,779	- 113,811	-	- 113,811	-	3,410,540	43,789
Households	6,197,170	5,695,280	501,890	194,471	-	194,471	- 66,951	- 28,016	- 38,935	- 109,927	-	- 109,927	-	4,937,924	46,499
Debt securities	**2,096,059**	**2,096,059**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	2,096,059	2,096,059	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**3,003,708**	**2,887,150**	**116,558**	**17,926**	**-**	**17,926**	**- 54,078**	**- 43,378**	**- 10,700**	**- 4,884**	**-**	**- 4,884**	**- 27,993**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	37,302	37,302	-	-	-	-	- 784	- 784	-	-	-	-	-	-	-
Credit institutions	37,784	37,784	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	138,913	138,913	-	-	-	-	- 2,045	- 2,045	-	-	-	-	-	-	-
Non-financial corporations	2,684,170	2,568,534	115,636	17,627	-	17,627	- 50,584	- 39,996	- 10,588	- 4,726	-	- 4,726	- 27,993	-	-
Households	105,539	104,617	922	299	-	299	- 665	- 553	- 112	- 158	-	- 158	-	-	-
Total	**17,945,040**	**16,685,598**	**1,259,442**	**530,374**	**-**	**530,374**	**- 290,111**	**- 155,695**	**- 134,416**	**- 319,702**	**-**	**- 319,702**	**- 27,993**	**10,155,615**	**107,948**

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	**13,357,721**	**512,448**	**512,448**	**13,357,721**	**-550,851**	**-**	**-**
Romania	12,513,203	510,637	510,637	12,513,203	-548,735		
Hungary	763,783	37	37	763,783	-39		
Netherlands	56,096	1	1	56,096	-1,469		
Slovakia	8,312	2	2	8,312	-179		
Slovenia	6,495	0	0	6,495	-145		
Germany	1,561	49	49	1,561	-24		
Switzerland	2,007	0	0	2,007	-163		
United Kingdom	1,924	2	2	1,924	-14		
France	1,775	1,682	1,682	1,775	-12		
United States	593	2	2	593	-5		
Canada	319	1	1	319	-5		
Italy	378	8	8	378	-10		
Spain	281	1	1	281	-8		
Sweden	202	0	0	202	-1		
Poland	195	1	1	195	-1		
Ireland	189	0	0	189	-12		
Belgium	221	0	0	221	-4		
Denmark	92	0	0	92	-4		
Austria	55	0	0	55	-1		
Macedonia	11	1	1	11	-1		
Portugal	6	4	4	6	-4		
Moldavia	5	4	4	5	-4		
Greece	3	2	2	3	-2		
Turkey	2	0	0	2	0		
Bulgaria	2	2	2	2	-2		
Réunion	2	0	0	2	0		
Lithuania	2	1	1	2	-1		
Croatia	2	1	1	2	-1		
Serbia	1	1	1	1	-1		
Sri Lanka	1	1	1	1	-1		
Off-balance-sheet exposures	**3,021,634**	**17,926**	**17,926**	**3,021,634**	**-58,962**	**-**	**-**
Romania	2,983,739	17,890	17,890	2,983,739	-58,821		
Hungary	29,965	36	36	29,965	-7		
Netherlands	6,204	-	-	6,204	-121		
Bulgaria	1,162	-	-	1,162	-		
Poland	500	-	-	500	-12		
Portugal	18	-	-	18	0		
Germany	21	-	-	21	0		
Austria	15	-	-	15	0		
Italy	10	-	-	10	0		
United Kingdom	0	-	-	0	0		
Total	**16,379,356**	**530,373**	**530,373**	**16,379,356**	**-609,813**	**-**	**-**

Table 12: Template 6: Credit quality of loans and advances by industry

	Gross carrying amount				**Accumulated impairment**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	1,129,537	13,171	13,171	1,129,537	- 30,272	-
Mining and quarrying	26,170	78	78	26,170	- 433	-
Manufacturing	784,120	122,087	122,087	784,120	- 113,726	-
Electricity, gas, steam and air conditioning supply	214,716	20,073	20,073	214,716	- 11,553	-
Water supply	42,832	-	-	42,832	- 888	-
Construction	807,262	35,441	35,441	807,262	- 53,548	-
Wholesale and retail trade	1,173,026	50,294	50,294	1,173,026	- 71,626	-
Transport and storage	223,767	11,814	11,814	223,767	- 8,579	-
Accommodation and food service activities	235,328	3,977	3,977	235,328	- 14,380	-
Information and communication	32,434	7,590	7,590	32,434	- 3,990	-
Financial and insurance activities	-	-	-	-	-	-
Real estate activities	736,377	6,347	6,347	736,377	- 16,640	-
Professional, scientific and technical activities	199,475	34,418	34,418	199,475	- 21,616	-
Administrative and support service activities	110,354	12,505	12,505	110,354	- 12,647	-
Public administration and defence, compulsory social security	-	-	-	-	-	-
Education	11,325	-	-	11,325	- 2,262	-
Human health services and social work activities	20,790	-	-	20,790	- 642	-
Arts, entertainment and recreation	9,048	16	16	9,048	- 1,614	-
Other services	7,507	81	81	7,507	- 500	-
Total	**5,764,068**	**317,892**	**317,892**	**5,764,068**	**- 364,916**	**-**

Table 13: Template 7: Collateral valuation – loans and advances

	Loans and advances											
		Performing		Non-performing								
					Unlikely to pay that are not past due or are 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	**13,357,721**	**12,845,273**	**60,942**	**512,448**	**227,281**	**285,167**	**40,239**	**36,326**	**71,636**	**63,748**	**41,351**	**31,867**
Of which secured	**12,082,903**	**11,615,014**	**56,683**	**467,889**	**209,239**	**258,650**	**38,800**	**34,305**	**71,033**	**49,066**	**34,882**	**30,563**
Of which secured with immovable property	8,440,778	8,072,650	41,784	368,128	187,095	181,033	18,874	9,296	62,896	33,794	35,977	20,196
Of which instruments with LTV higher than 60% and lower or equal to 80%	2,096,267	2,000,775		95,492	81,378	14,114						
Of which instruments with LTV higher than 80% and lower or equal to 100%	1,945,734	1,909,045		36,689	16,349	20,340						
Of which instruments with LTV higher than 100%	1,391,003	1,218,631		172,372	45,464	126,908						
Accumulated impairment for secured assets	**- 504,225**	**- 223,614**	**- 9,829**	**- 280,611**	**- 82,562**	**- 198,049**	**- 19,789**	**- 22,628**	**- 60,798**	**- 38,304**	**- 28,506**	**- 28,023**
Collateral												
Of which value capped at the value of exposure	10,111,107	10,003,287	35,525	107,820	85,159	22,661	12,153	3,115	1,474	4,617	892	411
Of which immovable property	7,218,249	7,113,505	34,137	104,744	82,595	22,150	11,908	3,075	1,391	4,473	892	411
Of which value above the cap	9,429,234	8,935,290	34,213	493,944	287,189	206,754						
Of which immovable property	7,567,528	7,129,369	32,934	438,159	255,449	182,710						
Financial guarantees received	**348,977**	**328,717**	**3,614**	**20,261**	**15,349**	**4,912**	**1,733**	**384**	**260**	**706**	**1,829**	**-**
Accumulated partial write-off	**- 27,993**	**-**	**-**	**- 27,993**	**-**	**- 27,993**	**-**	**-**	**-**	**-**	**-**	**- 27,993**

Table 14: Template 10: 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	**4,061**	**-**	**1,534**	**-**	**-**	**-**	**1,534**	**-**	**-**	**-**	**-**	**-**
Residential immovable property	3,618	-	-	-	-	-	1,358	-	-	-	-	-
Commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-
Movable property (auto, shipping, etc.)	-	-	-	-	-	-	-	-	-	-	-	-
Equity and debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Other	443	-	-	-	-	-	176	-	-	-	-	-
Total	**4,061**	**-**	**1,534**	**-**	**-**	**-**	**1,534**	**-**	**-**	**-**	**-**	**-**

Table 15: Template 9: Collateral obtained by taking possession and execution processes

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	1,534	-
Other than PP&E	-	-
Residential immovable property	1,358	-
Commercial Immovable property	-	-
Movable property (auto, shipping, etc.)	-	-
Equity and debt instruments	-	-
Other	176	-
Total	**1,534**	**-**

Table 16: Template 8: Changes in the stock of non-performing loans and advances

	Gross carrying amount	Related net accumulated recoveries
Initial stock of non-performing loans and advances	**508,586**	
Inflows to non-performing portfolios	150,265	
Outflows from non-performing portfolios	146,403	
Outflow to performing portfolio	17,352	
Outflow due to loan repayment, partial or total	81,919	
Outflow due to collateral liquidation	27,390	
Outflow due to taking possession of collateral	1,955	
Outflow due to sale of instruments	1,005	
Outflow due to risk transfer	0	
Outflow due to write-off	16,782	
Outflow due to other situations	0	
Outflow due to reclassification as held for sale	0	
Final stock of non-performing loans and advances	**512,448**	

Table 17: Form 16: UE CR2-A – Modification of specific adjustments for cumulative credit risk

	Specific adjustments for cumulative credit risk
Opening balance	**(506,502)**
Increases due to initiation and purchase	(79,750)
Decreases due to derecognition	4,414
Changes due to changes in credit risk (net)	564
Variations due to changes without derecognition (net)	6,640
Variations due to updating the institution's estimation methodology (net)	-
Decrease in the depreciation adjustment account due to off-balance sheet removals	21,465
Other adjustments	(9,814)
Closing balance	**(562,983)**
Recoveries of amounts previously removed from the balance sheet directly recognized in profit or loss	2,908
Sums deducted directly from the profit or loss statement	10

Table 17.1: Form 16: EU CR2-B - Changes in the stock of loans and debt securities in default and impaired

	Cumulated specific adjustments for credit risk
Opening balance	**(261,092)**
Increases due to initiation and purchase	(16,038)
Decreases due to derecognition	2,736
Changes due to changes in credit risk (net)	(14,807)
Variations due to changes without derecognition (net)	(35,633)
Variations due to updating the institution's estimation methodology (net)	-
Decrease in the depreciation adjustment account due to off-balance sheet removals	20,312
Other adjustments	6,948
Closing balance	**(297,575)**
Recoveries of amounts previously removed from the balance sheet directly recognized in profit or loss	2,908
Sums deducted directly from the profit or loss statement	10

Table 18: COVID 19 - Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

	Gross carrying amount		**Maximum amount of the guarantee that can be considered**	**Gross carrying amount**
		'of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**1,395,132**	**41,243**	**683,008**	**14,341**
of which: Households	582,862			13,114
of which: Collateralized by residential immovable property	566,721			12,698
of which: Non-financial corporations	802,308	537	674,887	1,227
of which: Small and Medium-sized Enterprises	703,952			1,227
of which: Collateralized by commercial immovable property	48,613			-

Table 18.1: COVID 19 - Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

	Gross carrying amount							**Accumulated impairment, accumulated negative changes in fair value due to credit risk**							**Gross carrying amount**
		Performing			**Non performing**				**Performing**			**Non performing**			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	15,161	8,726	0	7,380	6,435	0	6,435	-2,618	-1,042	0	-1,026	-1,576	0	-1,576	2,889
of which: Households	858	809	0	295	49	0	49	-42	-22	0	-18	-20	0	-20	49
of which: Collateralised by residential immovable property	586	550	0	205	36	0	36	-17	-6	0	-5	-11	0	-11	36
of which: Non-financial corporations	14,302	7,916	0	7,085	6,386	0	6,386	-2,577	-1,020	0	-1,008	-1,557	0	-1,557	2,839
of which: Small and Medium-sized Enterprises	14,298	7,916	0	7,085	6,382	0	6,382	-2,572	-1,020	0	-1,008	-1,552	0	-1,552	2,839
of which: Collateralised by commercial immovable property	9,929	3,570	0	2,738	6,359	0	6,359	-1,720	-190	0	-177	-1,530	0	-1,530	2,839

Table 18.2: COVID 19 - Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	33,486	4,140,990							
Loans and advances subject to moratorium (granted)	23,671	2,208,569	1,213,434	2,193,408	15,161	-	-	-	-
of which: Households		1,494,914	648,120	1,494,055	859	-	-	-	-
of which: Collateralized by residential immovable property		1,287,371	544,388	1,286,785	587	-	-	-	-
of which: Non-financial corporations		687,891	539,550	673,588	14,302	-	-	-	-
of which: Small and Medium-sized Enterprises		654,907	518,562	640,609	14,298	-	-	-	-
of which: Collateralized by commercial immovable property		596,577	477,527	586,648	9,929	-	-	-	-

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 exposures - Book value	Guaranteed Exposures - Book Value	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	12,819,282	5,734,478	4,871,755	862,723	-
Total debt securities	2,083,764	-	-	-	-
Total exposures	**14,903,045**	**5,734,478**	**4,871,755**	**862,723**	**-**
Of which in default	154,620	135,407	135,407	-	-

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 CRM		Exposures after CCF and CRM		RWA and RWA density	
	Balance sheet value	**Valoare extrabilanțieră**	**Balance sheet value**	**Valoare extrabilanțieră**	**RWA**	**RWA Density**
Central governments or central banks	3,220,772	-	3,533,736	-	22,873	0.13%
Regional government or local authorities	27,668	36,663	27,668	13,818	8,297	0.05%
Public sector entities	-	-	-	-	-	0.00%
Multilateral development banks	-	-	-	-	-	0.00%
International organizations	-	-	-	-	-	0.00%
Institutions	503,426	33,008	598,228	66,335	229,955	1.31%
Corporates	4,072,865	2,057,571	3,944,310	555,967	4,503,805	25.70%
Retail	3,514,219	762,795	3,168,323	121,432	2,467,316	14.08%
Secured by mortgages on immovable property	4,179,104	67,393	4,179,104	21,987	1,470,382	8.39%
Exposures in default	274,052	15,974	274,052	1,987	294,078	1.68%
Exposures associated with particularly high risk	-	-	-	-	-	0.00%
Covered bonds	-	-	-	-	-	0.00%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
Collective investment undertakings	13,648	-	13,648	-	18,061	0.10%
Equity	67,583	-	67,583	-	67,583	0.39%
Other items	933,705	-	933,705	-	362,059	2.07%
Total	**16,807,042**	**2,973,405**	**16,740,357**	**781,527**	**9,444,410**	**53.90%**

Table 21: Form 20: EU CR5 - Standardized Approach

Exposure classes	Risk weight																	Total	Of which unrated
	0%	2%	4%	10%	20%	25%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Altele	Dedusă		
Central governments or central banks	4,165,227	-	-	-	114,366	-	-	-	-	-	-	-	-	-	-	-	-	4,279,594	3,533,736
Regional government or local authorities	-	-	-	-	64,331	-	-	-	-	-	-	-	-	-	-	-	-	64,331	64,331
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	530,580	-	-	287,992	-	-	2,440	-	-	-	-	-	-	821,012	218,609
Corporates	62,253	-	-	-	-	-	-	-	-	-	5,895,262	-	-	-	-	-	-	5,957,515	5,957,515
Retail	54,612	-	-	-	-	-	-	-	-	3,908,999	-	-	-	-	-	-	-	3,963,611	3,963,611
Secured by mortgages on immovable property	-	-	-	-	-	-	4,246,497	-	-	-	-	-	-	-	-	-	-	4,246,497	4,246,497
Exposures in default	-	-	-	-	-	-	-	-	-	-	249,273	40,754	-	-	-	-	-	290,027	290,027
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investment undertakings	3,406	-	-	-	3,158	-	-	1,325	-	-	4,803	-	-	-	957	-	-	13,648	13,648
Equity	-	-	-	-	-	-	-	-	-	-	67,583	-	-	-	-	-	-	67,583	47,666
Other items	534,088	-	-	-	46,949	-	-	-	-	-	352,669	-	-	-	-	-	-	933,706	932,417
Total	**4,819,586**	**-**	**-**	**-**	**759,384**	**-**	**4,246,497**	**289,317**	**-**	**3,908,999**	**6,572,030**	**40,754**	**-**	**-**	**957**	**-**	**-**	**20,637,524**	**19,268,056**

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 approved limits, 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 Treasury 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 Treasury Directorate, the Operational and Market Risk Department within Risk Administration Directorate, updates the limits in the Fusion Risk system (implemented at OTP Group level), in order to determine at any time the available limits. The Operational and Market Risk Department presents a quarterly report to the Operative Risk Committee containing the Bank's counterparty exposure.

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

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

Table 23: Form 25: EU CCR1 - Analysis of CCR exposure by approach

		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)	6,617	60,158		1.4	93,485	93,485	93,485	24,707
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)					763,592	17,734	17,734	3,547
5	VaR for SFTs								
6	**Total**					**857,076**	**111,218**	**111,218**	**28,253**

Table 24: Form EU CCR2 - Capital Requirement for CVA

	Exposure value	RWA
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	37,927	5,819
Transactions based on the original exposure method	-	-
Total subject to the CVA capital charge	**37,927**	**5,819**

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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 organisations												
6	Institutions					98,947	6,354			2,390			107,691
7	Corporates									3,528			3,528
8	Retail												
9	Institutions and corporates with a short-term credit assessment												
10	Other items												
11	**Total exposure value**					**98,947**	**6,354**			**5,917**			**111,218**

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

		Collateral used in derivative transactions				**Collateral used in SFTs**			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency								
2	Cash – other currencies								
3	Domestic sovereign debt								
4	Other sovereign debt						762,020		
5	Government agency debt								
6	Corporate bonds								
7	Equity securities								
8	Other collateral								
9	**Total**						**762,020**		

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
- Treasury Directorate – undertakes and manages market risk in compliance with the principles and limits approved
- Middle Office Department within the Strategy, Controlling and Asset and Liability 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 Treasury 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)	4,377
Equity risk (general and specific	-
Foreign exchange risk	-
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitization (specific risk)	-
Total	**4,377**

4.10 Foreign currency risk

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

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

The bank established the following limits: FX Position limits (per currency and for Total), Value at Risk (VaR) limit and stop-loss limits (daily, quarterly, and annual). The limits are monitored at OTP Bank Romania level and throughout OTP Bank Group using the Kondor+ and Market Risk Portal systems.

The VaR measure estimates the potential loss over a given holding period for a specified confidence level. The Bank uses a historical VaR approach, which allows to easily aggregate risk factors and trading desk VaR figures.

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, 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. Average duration for non-maturity deposits is 2.5-3 years, with the maximum maturity of 10 years. The Bank grants loans mainly with variable interest rate indexed by a reference public rate (benchmark ex.: Euribor, Robor) and aims to harmonize as possible the financing structure with the structure of assets so that to maintain a low interest rate risk exposure of the Bank. Most of fixed rate loans are RON consumer loans and a lower amount of RON mortgage loans with fixed interest rate for the first 5 years.

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

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

RONEQ mio	EVE	NII
Year	Q3 2021	
Parallel up	(194.3)	-16.0
Parallel down	95.7	16.0
Steepener	(116.0)	
Flattener	52.0	
Short rate up	(74.1)	
Short rate down	35.0	
Maximum	194.3	16.0
Year	Q3 2021	
Tier 1 Capital	1,995	

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 bp and to 200 bp 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 September 30, 2021, Bank performed stress tests applying different shocks for the modification of the market interest rates by 250 bp, 300 bp as well as in 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.

The interest rate risk for those activities outside the trading portfolio is determined on a monthly basis by the Asset & Liability Management Department within Strategy, Controlling and ALM 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 and the funding received are of floating rate type with 3 months repricing period.

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 risk function is provided by the Asset & Liability Management Department within Strategy, Controlling and ALM 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 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 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 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 and having early warning limits internally established, the assessment of the risk in crisis conditions based on the stress testing.

Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigates

The bank's funding structure is comprised of a significant part of Group funding (around 25% of total liabilities). In the management of liquidity 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.
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.

Other than Group funding there are is no other concentration of funding on other funding providers.
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 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 risk statement describing the overall liquidity risk profile associated with the business strategy.
The liquidity 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, immediate liquidity); balance sheet ratios (loans/deposits, liquid assets/potential liabilities outflows in the next 12 months), measures of Group Funding dependency, internal liquidity indicators and liquidity crises simulation results.

Liquidity risk profile of the Bank has remained constant over the course of 2021, registering a medium-low level (assumed risk appetite of the Bank for 2021) 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 only concentration of funding is related to Group Funding obtained to various Group entities (25% of total liabilities). The bank considers that maturing Group funding can be rolled over at any time.

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

Coin mismatch at LCR level
The LCR is calculated in all major currencies representing at least 5% of the bank's debt (RON, EUR, occasionally HUF and total cumulative in RON equivalent). During the year 2021, 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.

		Q3 2021		Q2 2021		Q1 2021		Q4 2020	
Scope of consolidation : solo Currency and units (RON million)		Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weiehted value	Total unweighted value	Total weiehted value
Quarter ending on (DD Month YYY)		30-09-21	30-09-21	30-06-21	30-06-21	31-03-21	31-03-21	31-12-20	31-12-20
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)		2,601		2,451		2,230		2,162
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	3,081	237	2,879	220	2,704	205	2,546	193
3	*Stable deposits*	2,048	102	1,954	98	1,870	93	1,773	89
4	*Less stable deposits*	1,032	135	925	122	834	111	772	104
5	Unsecured wholesale funding	4,818	2,455	4,469	2,275	4,202	2,176	3,886	2,032
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	4,818	2,455	4,469	2,275	4,202	2,176	3,886	2,032
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding		-		-		-		-
10	Additional requirements	580	73	501	63	449	57	367	45
11	*Outflows related to derivative exposures and other collateral requirements*	9	9	9	9	10	10	10	10
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	570	64	491	53	439	47	357	35
14	Other contractual funding obligations	135	112	160	138	131	108	101	79
15	Other contingent funding obligations	1,651	83	1,643	82	1,622	81	1,603	80
16	**TOTAL CASH OUTFLOWS**		2,959		2,777		2,627		2,429
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	700	700	607	607	514	514	342	342
18	Inflows from fully performing exposures	740	646	724	638	728	662	651	598
19	Other cash inflows	17	6	17	6	17	6	16	6
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**	1,457	1,352	1,348	1,251	1,258	1,182	1,009	947
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	1,457	1,352	1,348	1,251	1,258	1,182	1,009	947
			TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE
21	**LIQUIDITY BUFFER**		**2,601**		**2,451**		**2,230**		**2,162**
22	**TOTAL NET CASH OUTFLOWS**		**1,573**		**1,500**		**1,404**		**1,478**
23	**LIQUIDITY COVERAGE RATIO (%)**		**172%**		**170%**		**164%**		**149%**

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.

All of 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.

		Q3 2021		Q2 2021		Q1 2021		Q4 2020	
Scope of consolidation : consolidated		Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weiehted value	Total unweighted value	Total weiehted value
Currency and units (RON million)									
Quarter ending on (DD Month YYY)		30-09-21	30-09-21	30-06-21	30-06-21	31-03-21	31-03-21	31-12-20	31-12-20
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)		2,534		2,383		2,163		2,095
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	3,147	243	2,945	226	2,771	211	2,612	199
3	*Stable deposits*	2,080	104	1,985	99	1,902	95	1,805	90
4	*Less stable deposits*	1,067	139	960	127	869	116	807	108
5	Unsecured wholesale funding	4,868	2,462	4,520	2,281	4,254	2,183	3,939	2,039
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	4,868	2,462	4,520	2,281	4,254	2,183	3,939	2,039
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding		-		-		-		-
10	Additional requirements	619	79	539	68	485	63	402	50
11	*Outflows related to derivative exposures and other collateral requirements*	10	10	10	10	10	10	10	10
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	609	69	529	59	475	52	391	40
14	Other contractual funding obligations	123	87	147	113	117	83	87	54
15	Other contingent funding obligations	1,608	80	1,600	80	1,579	79	1,560	78
16	**TOTAL CASH OUTFLOWS**		2,951		2,768		2,619		2,420
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	771	771	677	677	584	584	413	413
18	Inflows from fully performing exposures	738	642	724	635	729	659	658	599
19	Other cash inflows	17	6	17	6	17	7	16	6
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**	1,525	1,418	1,418	1,318	1,330	1,250	1,087	1,018
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	1,525	1,418	1,418	1,318	1,330	1,250	1,087	1,018
			TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE
21	**LIQUIDITY BUFFER**		**2,534**		**2,383**		**2,163**		**2,095**
22	**TOTAL NET CASH OUTFLOWS**		**1,477**		**1,403**		**1,305**		**1,372**
23	**LIQUIDITY COVERAGE RATIO (%)**		**178%**		**175%**		**170%**		**155%**

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

Regulation (EU) 2019/876 has introduced a minimum Net Stable Funding Ratio (NSFR) of 100 % that requires banks to maintain a stable funding profile in relation to their on and off balance sheet exposures. The NSFR is calculated as the ratio of available stable funding (ASF) divided by required stable funding (RSF) and became applicable for the September 30, 2021 reporting.

All liabilities and capital instruments are assigned an ASF weight, while assets and certain off balance sheet positions receive an RSF weight. For example, liabilities with residual maturity above one year and retail deposits receive a high ASF weight. In contrast, short-term liabilities, in particular from financial customers, receive a low ASF weight. On establishing the RSF weights, aside from residual maturity, the quality of the assets as well as their encumbrance plays a key role. High quality liquid assets and short-term securities financing transactions receive low RSF weights, while long-term loans and assets encumbered for more than one year receive a high RSF weight.

For 30.09.2021 the bank’s NSFR ratio was comfortable above the regulated minimum, on both individual and consolidated level:

Individual Level		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	**1,995**	**-**	**-**	**-**	**1,995**
2	*Own funds*	1,995	-	-	-	1,995
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**5,349**	**711**	**22**	**5,679**
5	*Stable deposits*		3,570	491	16	3,874
6	*Less stable deposits*		1,779	219	6	1,805
7	Wholesale funding:		**5,785**	**-**	**3,046**	**5,168**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		5,785	-	3,046	5,168
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	**43**	**318**	**22**	**116**	**127**
12	*NSFR derivative liabilities*	43				
13	*All other liabilities and capital instruments not included in the above categories*		318	22	116	127
14	**Total available stable funding (ASF)**					**12,969**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**1**
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:		**2,866**	**1,410**	**8,720**	**8,099**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		764	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		554	19	46	111
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,360	1,212	4,093	4,435
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		25	15	366	257
22	*Performing residential mortgages, of which:*		188	179	4,580	3,553
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		141	128	3,905	2,673
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:		**184**	**128**	**1353**	**739**
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*				5	5
30	*NSFR derivative liabilities before deduction of variation margin posted*				43	2
31	*All other assets not included in the above categories*		136	21	607	732
32	Off-balance sheet items		**360**	**107**	**746**	**69**
33	**Total RSF**					**8,908**
34	**Net Stable Funding Ratio (%)**					145.59%

Consolidated Level		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	**2,013**	**-**	**-**	**-**	**2,013**
2	*Own funds*	2,013	-	-	-	2,013
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**5,349**	**711**	**22**	**5,679**
5	*Stable deposits*		3,570	491	16	3,874
6	*Less stable deposits*		1,779	219	6	1,805
7	Wholesale funding:		**5,795**	**119**	**3,496**	**5,667**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		5,795	119	3,496	5,667
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**43**	**347**	**21**	**116**	**127**
12	*NSFR derivative liabilities*	43				
13	*All other liabilities and capital instruments not included in the above categories*		347	21	116	127
14	**Total available stable funding (ASF)**					**13,485**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**1**
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:		**2,996**	**1,505**	**9,134**	**8,563**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		764	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		555	19	46	111
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,489	1,307	4,507	4,898
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		25	15	366	257
22	*Performing residential mortgages, of which:*		188	179	4,580	3,553
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		141	128	3,905	2,673
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:		**215**	**127**	**1355**	**757**
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*				5	5
30	*NSFR derivative liabilities before deduction of variation margin posted*				43	2
31	*All other assets not included in the above categories*		167	21	609	749
32	Off-balance sheet items		**381**	**105**	**746**	**70**
33	**Total RSF**					**9,390**
34	**Net Stable Funding Ratio (%)**					**143.62%**

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;
- developing / 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, 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).

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 (eg. liquidity risk, operational risk), in order to identify the potential impact on the bank's reputation and the applicable measures in such situations;
- calculating capital reserves for reputational risk in order to protect the bank in case of future crisis.

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;
- the Bank does not target the outsourcing of activities which involve a high degree of risk.

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 verifying 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 of the timely transmission of reporting obligations to authorities by all the organizational units within the Bank, according to the legal and regulation requirements;
- monitoring Authorities controls respectively of the sanctions imposed by the Authorities on the Bank as sources of potential materialization of the compliance risk (both general compliance and KYC & AML/CFT) or evidence of materialization of such risk
- monitoring of the complaints submitted directly by the customers or through authorities in order to manage the risk generated by the non-compliance with the consumer protection legal framework (including investment services area) and data protection legal framework ;
- reorganizing and coordinating "compliance messengers network" – concept implemented for better compliance risk management at Bank level;
- developing the compliance culture within the Bank as an integrated part of risk culture and their management, by providing training sessions on general compliance issues.

OTP Bank Romania targets a medium-low level of the general compliance risk exposure (risk appetite). The aggregate value of general compliance risk indicator for the third quarter of 2021 (calculated according to the Risk Strategy of OTP Bank Romania S.A.) falls within the low risk limits.

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

- Periodic revision of the provisions regarding know-your-customer activity and of other policies and procedures in order to avoid business relationships with clients with fraudulent history or who were involved in terrorism acts, money laundering, major payment incidents, bad debtors and/or customers involved in producing or selling of prohibited substances and/or illegal activities (illegal production/marketing of drugs, weapons and ammunition);
- 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, the level of the indicator for the third quarter of 2021 was within the limits of the risk appetite set by 2021 OTP Bank Romania S.A. Risk Strategy.

4.17 Management of the Conduct Risk

Conduct risk represents the current or prospective risk of losses to an institution arising from an inappropriate supply of financial services, including cases of willful or negligent misconduct.

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

The conduct risk is addressed within the management of operational risk by:

- continuously collection of the losses generated by conduct risk in the Bank's operational risk losses database;
- evaluation of losses with high impact and low frequency driven by conduct risk within the scenarios analysis;
- identification of the operational risks related to conduct risk during the yearly risk self-assessment exercise;
- establishing conduct risk related metrics within the operational KRI system;
- developing a product inventory containing the material retail banking products and the potential risks associated, according to OTPH requirements.

Regarding the exposure to conduct risk, the level of the indicator for the third quarter of 2021 was within the limits of the risk appetite, set by 2021 OTP Bank Romania S.A. Risk Strategy.

4.18 Model risk management

Model risk represents the risk to register losses as a consequence of decisions that could be principally based on the output of (internal) models, due to errors in the development, implementation or use of such models.

Model risk derives from the wide range of model types that Bank uses for regulatory and managerial purposes.

Model risk is administrated by establishing an adequate control framework and it is coordinated and reported within the management of operational risk according to the Policy regarding model risk management within OTP Bank Romania S.A.

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

The Bank uses the following tools in line with OTPH Group requirements for model risk management:

- Gap analysis - in order to assess the model's level of compliance with the control requirements, each model is evaluated using a 3-points scale: appropriate, slightly inappropriate and inappropriate. Identified gaps result in assumed actions and deadlines for compliance by model owners.
- Risk analysis - is similarly to the risk and control self-assessment process (RCSA), using a heat-map in order to analyse and evaluate the frequency and severity of losses potentially arising from model risks. Based on the risk assessment and gap analysis results, a different category of risk is assigned to each model.

Regarding the exposure to model risk, the level of the indicator for the third quarter of 2021 was within the limits of the risk appetite, set by 2021 OTP Bank Romania S.A. Risk Strategy.

4.19 ICT and security risk management

Information and communication technology (ICT) and security risk represents a subcategory of operational risk that refer to the risk of loss due to breach of confidentiality, loss of system and data integrity, inappropriate character or unavailability of systems and data or inability to change information technology (IT) within a reasonable period of time and with reasonable costs when the environment or business requirements change (agility). This includes security risks resulting from inadequate internal processes or which have not perform their function properly or from external events including cyber-attacks or inadequate physical security.

The process of ICT and security risks identification is performed based on the following activities:

- assessment of the functions related to the support activities and processes, as well as their mapping to the situation of information assets in order to identify the importance of each and their interdependencies related to ICT and security risks;
- the self-assessment of risk controls performed according to operational risk identification techniques;
- the scenario-based risk analysis exercise;
- IT security risk analysis performed according to internal regulations.

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

The efficiency of the implemented controls for the identified ICT risks is monitored by using a set of relevant key performance indicators, established according to the global risk appetite and tolerance.

The Bank has developed a comprehensive IT strategy within which the IT mission in respect to the ICT risk management is acknowledged. Also, the assumed strategic plans related to IT applications and architecture serve the general objective of ensuring excellence in services offered to clients (both internal clients and bank's clientele) and business continuity, especially by the continuous operation of business-critical systems.

Regarding the exposure the exposure to ICT and security risk, the level of the indicator for the third quarter of 2021 was within the limits of the risk appetite, set by 2021 OTP Bank Romania S.A. Risk Strategy.

4.20 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).

In the actual vs. plan analysis special events that occurred due to market opportunities and that could not have been foreseen will not be taken into consideration (CHF conversion, gain from Millennium acquisition).
The Bank examines the fulfillment of the plan on a quarterly basis for the last 3 years.
For each quarter between Q4 2018 and Q3 2021 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, (2018-2021) are added up to **+235 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 (2018-2021) is +**13 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, (2018-2021) are added up to **+248 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.**

- **Risk categories**

In order to determine the risk category that the calculated strategic risk falls in (low, medium, high) the capital requirement is calculated as a share out of own funds, the result will be categorized in the following risk categories accordingly:
- <5% - low risk
- 5%-10% - medium risk
- >10% - high risk

Calculation of capital requirement for strategic risk, exemplified for 2021 for OTP Bank Romania S.A.
Since the capital requirement for strategic risk in 2021 at the consolidated level is null, the strategic risk is low.

4.21 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 2021, macroeconomic crisis simulations were conducted over a three-year horizon (2021-2023), **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:

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution			**17,472,284**	**2,076,649**
Equity instruments			13,698	13,698
Debt securities			2,083,927	2,062,951
Other assets			15,374,659	-

At 30.09.2021 the Bank did not have any encumbered assets.

Anexa1

IFRS 9-FL Form: Comparison of own funds, capital ratios and leverage of institutions, depending on the application or non-application of the transitional measures on IFRS 9 or ECLs analogous

		a	b	c	d	e
		30-09-2021	**30-06-2021**	**31-03-2021**	**31-12-2020**	**30-09-2020**
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	1,995,290	1,974,429	1,930,217	1,700,882	1,697,570
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,843,888	1,837,770	1,798,750	1,550,798	1,548,975
3	Tier 1 capital	1,995,290	1,974,429	1,930,217	1,700,882	1,697,570
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,843,888	1,837,770	1,798,750	1,550,798	1,548,975
5	5 Total capital	1,995,290	1,974,429	1,930,217	1,700,882	1,697,570
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,843,888	1,837,770	1,798,750	1,550,798	1,548,975
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	9,602,889	8,913,850	8,511,245	8,368,757	8,108,257
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,468,520	8,913,850	8,511,245	8,235,558	7,976,379
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.78%	22.15%	22.68%	20.32%	20.94%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.47%	20.62%	21.13%	18.83%	19.42%
11	Tier 1 (as a percentage of risk exposure amount)	20.78%	22.15%	22.68%	20.32%	20.94%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.47%	20.62%	21.13%	18.83%	19.42%
13	Total capital (as a percentage of risk exposure amount)	20.78%	22.15%	22.68%	20.32%	20.94%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.47%	20.62%	21.13%	18.83%	19.42%
Leverage ratio						
15	Leverage ratio total exposure measure	18,658,724	16,959,089	16,678,051	15,825,338	15,074,938
16	Leverage ratio	10.69%	11.64%	11.57%	10.75%	11.26%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.81%	10.93%	10.79%	9.80%	10.28%

Risk appetite Statement of the Supervisory Board of OTP Bank Romania S.A. for the year 2021

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 17.72% at individual level and of 17.73% at consolidated level (includes the total capital requirement SREP (TSCR), a combined buffer requirement of 4.50 % and a management shock absorber of 1.50%). Concerning liquidity adequacy, the objective is to register a minimum level of the liquidity coverage ratio (LCR) of 120%.
8. Risk appetite is an integral part of the Bank's business planning processes to promote the proper alignment of risk, capital and performance objectives, while taking into account risk capacity and appetite constraints in terms of financial and non-financial risks.

III. Appetite for significant risks

9. The diversity of activities carried out at the level of the institution requires the identification, measurement, administration and monitoring of risks on an ongoing basis.
10. The level of risk appetite of the Bank differs among the risks considered significant after the inventory of all risks to which the bank is exposed.

11. OTP Bank Romania S.A. has a **medium - low risk appetite** for:

(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. The Bank is committed to ensuring a high level of compliance with relevant legislation, regulations, codes and standards, as well as compliance with internal regulations and corporate governance principles.

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

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

(a) Credit risk (default of the debtor on fullfiling contractual obligations) and the risk of concentration of credit exposures. The lending activity represents the basic activity of the institution, over 90% of the debt instruments being loans and advances. At the same time, according to the business strategy, the Bank aims to reach a market share at the end of 2021 of 4.2%, up 0.4 pp compared to the previous year. It is therefore necessary to take these risks, but to an acceptable level, carefully managed through the three lines of defense of the credit risk management framework. It is also intended to build up sufficient reserves to absorb.

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

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

IV. Communication

13. Risk appetite Statement of the Supervisory Board of OTP Bank Romania S.A. will be published as an annex to the Transparency Report.

V. Monitoring and reporting

14. The monitoring of the risk profile in relation to the risk appetite 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.

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

16. Deviations from risk appetite are reported quarterly to the Bank's Supervisory Board by the Risk Administration Directorate.

VI. Revision

17. 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