OTP Bank
Annual Report

otpbank

2021

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MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

2021 is the second year affected by the evolution of the COVID-19 pandemic and the deterioration of macroeconomic prospects regionally and internationally, an aspect that was felt in the 11 countries where OTP Group is present and in the activity of our 16,3 million clients. However, the Group's business continued to grow organically, with substantial investments and large-scale projects aimed at developing operational and customer service capacity. As a result, OTP Group recorded a consolidated net profit of EUR 1.3 billion (HUF 497 billion / RON 6,463 million) in the last quarter of 2021.

The performance of 2021 does not include, as in other years, new acquisitions, but the annual dynamics were affected at the end of 2020 by the sale of the Slovak subsidiary. At the same time, we took a step towards consolidating the group's position in Slovenia and Albania, where the agreements for the acquisition of NKBM and Alpha Bank were signed. At the beginning of the year the progress of the vaccination campaign in Europe created the conditions for the euro zone economic recovery, but the business environment faced, especially in the first half of the year, the effects of the pandemic. Macroeconomic indicators, especially inflation, then deteriorated towards the end of the year, erasing some of the momentum of the economic recovery.

OTP Bank has always made the transition to digital banking services a priority, even before the pandemic outbreak. On Group level the credit institution places a great emphasis on the development of its internet banking, SMS, call center and mobile banking services, as well as on the continuous expansion of online personal loan and commodity loan, while at the same time leading the way in the digitalization of branch processes. OTP Bank, as a leading credit institution in the Central and Eastern European region, has received numerous national and international awards in recent years, for example won the World's Best Consumer Digital Bank Award 2021 from Global Finance magazine last year.

In Romania, last year's results are a faithful representation of our development status, within the local expansion strategy started three years ago. The main investment and transformation programs are underway, and, at the same time, we see an increase in market share, lending, and savings activities, as well as in operating costs, according to the growth plan.

Thus, the bank reported in 2021 a net adjusted after tax profit of HUF 4.3 billion (RON 58 million), more than double the result of the previous year. Total risk cost decreased to RON 46 million, 69% lower from RON 141 million in 2020, following a reduced cost of credit risk compared to the base period and the issuance of other provisions. In the fourth quarter, the provisions created for the higher volume of stage 2 and stage 3 loans led to credit risk costs of -RON 10 million. On the other line of risk costs, provisions of RON 25 million were released, most of them coming from litigation.

OTP Bank Romania recorded a dynamic progress, with a solid evolution in its activity, starting from the lending area, where the volume of performing loans increased by 21% due to the intense activity in the real estate, SME, and corporate area.
The bank's capital adequacy ratio remains at a comfortable level of 20,8% in 2021, after the Group carried out a capital increase operation of RON 200 million in December. The bank ranks 9th, according to assets, in the ranking of Romanian banking players.

General activity has progressed rapidly, following investments in organic growth and digitization, through the development of internal systems, process automation and the introduction of robots for transaction management. In order to support the business environment, we continued to finance local businesses through new products or within the national financing programs with state guarantee, through IMM Invest or APIA SAPS, as is the case of pre-financing granted to the agricultural sector.

At the same time, the immediate liquidity ratio increased slightly to 34,77% from 33.03% (calculated internally) in December 2021, and the liquidity coverage ratio (CSF) reached a level of 152.49 %.at the end of last year.

Last year's positive result, with sustained growth across all major business lines, follows a strong local investment program, operational transformation, and openness to adapt quickly and flexibly to new market requirements and conditions. The bank also supported the saving activity of Romanians, offering products adapted to current needs, while customer deposits recorded an increase of 17%. The net loan / deposit ratio improved by 4pp, reaching 118% at the end of last year.

OTP Bank Romania´s development program implies extensive investments in digitalization, which in turn helped roll out a full array of products and services, as the fully digital account opening process, end-to-end digital personal loan, redesigned mobile application and Internet bank, helpful chatbots to improve the customer experience, or the soft POS service which helps our micro customers use their mobile phone as POS terminals. The bank has committed to a long-term digitalization strategy, that implies yearly investments of RON 50 million for the continuous development of the organization´s infrastructure, digital banking channels and new and improved digital banking products.

2021 was also a productive year in terms of projects dedicated to the community and the local public. It also marked a change in OTP Bank Romania's approach on financial education, the strategy for this field being aimed at becoming a creator of educational content, through the OTP Bank Romania Foundation.

One of the most important projects launched in 2021 by the OTP Bank Romania Foundation is "Neuroștiința la clasă", developed in partnership with Mind Architect. It embodies our new approach on education and aims to introduce neuroscience and psychology in the lives of pupils and students.

Another important program, launched in the latter part of 2021, is OTP GirlPower, which embodies our approach on modern mentoring and is also a way to support equal opportunities in the banking sector. It is a special program among the recently developed ones and it was implemented in parallel with our organizational transformation, which instilled in us a greater concern for diversity and inclusion in the culture of our company.

Therefore, the year 2021 was for OTP Bank Romania one with gratifying evolutions, with obstacles generated by the international and geopolitical context, which we overcame with determination, and in which we continued our development through programs aimed at improving the infrastructure, and also through investments in our teams. We acted quickly, grew organization wise, and consistently and frequently offered new tailored products and services in the local banking market, while trying to reduce the impact of rising financing costs for the clients.
The bank's plans and direction remain unchanged, we continue to innovate, expand and we are ready to highlight this through the same determination and involvement we have shown in financing the local economy and business.

Antal György Kovács,
Chairman of the Supervisory Board

OTP Bank România S.A. Annual Report

Financial Highlights

2021

Financial Highlights

MAIN FINANCIAL INDICATORS OF OTP GROUP

Main components of the adjusted Statement of recognised income, in HUF million	2020	2021	Y/Y
Consolidated after tax profit	259,636	456,428	76%
Adjustments (total)	-50,631	-40,474	-20%
"Consolidated adjusted after tax profit without the effect of adjustments "	310,268	496,902	60%
Pre-tax profit	351,802	587,853	67%
Operating profit	537,437	660,391	23%
Total income	1,169,920	1,313,124	12%
Net interest income	788,079	884,012	12%
Net fees and commissions	293,112	325,548	11%
Other net non-interest income	88,729	103,563	17%
Operating expenses	-632,483	-652,733	3%
Total risk costs	-187,995	-72,538	-61%
Provision for possible loan losses (adj.) without the revaluation of FX provisions	-158,421	-46,006	-71%
Other cost of risk	-29,574	-26,532	-10%
One off items	2,360	-	
Corporate taxes	-41,534	-90,951	119%
Main components of the adjusted balance sheet, closing balances in HUF million	**2020**	**2021**	**Y/Y**
Total assets	23.335.841	27.553.384	18%
Placements with other banks and securities	1.148.987	1.584.860	38%
Total customer loans and advances (net)	13.528.586	15.743.922	16%
Total customer loans (net, FX adjusted)	13.715.487	15.743.922	15%
Total customer loans and advances (gross)	14.363.281	16.634.454	16%
Total customer loans (gross, FX adjusted)	14.575.916	16.634.454	14%
Performing (Stage 1+2) customer loans (gross, FX-adjusted)	13.736.409	15.756.503	15%
Allowances for possible loan losses	-834.695	-890.532	7%
Allowances for possible loan losses (FX adjusted)	-860.429	-890.532	3%
Total customer deposits	17.890.863	21.068.644	18%
Total customer deposits (FX adjusted)	18.152.563	21.068.644	16%
Issued securities	464.214	436.325	-6%
Subordinated loans	274.704	278.334	1%
Total shareholders' equity	2.537.112	3.036.766	20%
Indicators based on adjusted earnings %	**2020**	**2021**	**Y/Y**
ROE (from accounting net earnings)	10,9%	17,0%	6,1%p
ROE (from adjusted net earnings)	13,0%	18,5%	5,5%p
ROA (from adjusted net earnings)	1,4%	2,0%	0,5%p
Operating profit margin	2,47%	2,62%	0,16%p
Total income margin	5,37%	5,21%	-0,15%p
Net interest margin	3,61%	3,51%	-0,11%p
Net fee and commission margin	1,34%	1,29%	-0,05%
Net other non-interest income margin without one-offs	0,41%	0,41%	0,00%
Cost-to-asset ratio	2,90%	2,59%	-0,31%p
Cost/income ratio	54,1%	49,7%	-4,4%p
Provision for impairment on loan and placement losses-to-average gross loans ratio	1,15%	0,30%	-0,84%p
Total risk cost-to-asset ratio	0,86%	0,29%	-0,57%p
Effective tax rate	11,8%	15,5%	3,7%p
Net loan/(deposit+retail bond) ratio	76%	75%	-1%
Net loan/(deposit+retail bond) ratio (FX adjusted)	76%	75%	-1%p
Gross loan/deposit ratio	80%	79%	-1%
Gross loan/deposit ratio (FX adjusted)	80%	79%	-1%
Leverage (Shareholder's Equity/Total Assets)	10,9%	11,0%	0,1%
Leverage (Total Assets/Shareholder's Equity)	9.2x	9.1x	
Capital adequacy ratio (consolidated, IFRS) - Basel3	17,7%	18,4%	0,7%p
Tier1 ratio - Basel3	15,4%	16,9%	1,5%p
Common Equity Tier 1 ('CET1') ratio - Basel3	15,4%	16,9%	1,5%p

OTP BANK ROMANIA S.A.
Notes to the Separate Financial Statements for the period ended December 31, 2021

Share Data	2020	2021	Y/Y
EPS base (HUF) (from unadjusted net earnings)	1.004	1.739	73%
EPS diluted (HUF) (from unadjusted net earnings)	1.003	1.738	73%
EPS base (HUF) (from adjusted net earnings)	1.200	1.896	58%
EPS diluted (HUF) (from adjusted net earnings)	1.200	1.896	58%
Closing price (HUF)	13.360	16.600	24%
Highest closing price (HUF)	15.630	19.400	24%
Lowest closing price (HUF)	8.010	12.920	61%
Market Capitalization (HUF billion)	3.741	4.648	24%
Market Capitalization (EUR billion)	10,2	12,6	23%
Book Value Per Share (HUF)	9.061	10.846	20%
Tangible Book Value Per Share (HUF)	8.436	10.190	21%
Price/Book Value	1,5	1,5	4%
Price/Tangible Book Value	1,6	1,6	3%
P/E (trailing, from accounting net earnings)	14,4	10,2	-29%
P/E (trailing, from adjusted net earnings)	12,1	9,4	-22%
Average daily turnover (EUR million)	22	19	-12%
Average daily turnover (million share)	0,7	0,4	-38%

Financial Highlights

MAIN FINANCIAL INDICATORS OF OTP BANK ROMANIA SA

Main components of the Statement of recognised income in RON million	2020	2021	Y-o-Y
Profit after tax	2.4	-9.3	-393%
Pre-tax profit	-1.1	1.2	-107%
Operating profit	164.8	116.5	71%
Total income	595.4	630.4	106%
Net interest income	435.7	471.4	108%
Net fees and commissions	46.6	50.6	109%
Other net non-interest income	113.1	108.4	96%
Operating expenses	-430.6	-513.9	119%
Total risk cost	-164.8	-116.5	71%
Corporate taxes	3.5	-10.6	-300%
Main components of balance sheet closing balance in RON million	**2020**	**2021**	**Y-o-Y**
Total assets	14,843	18,464	124%
Total customer loans (net)	10,187	12,386	122%
Total customer loans (gross)	10,686	13,005	122%
Allowances for possible loan losses	-499	-619	124%
Total customer deposits	**9,511**	**11,196**	**118%**
Issued securities	-	-	0%
Subordinated loans	-	-	0%
Total shareholders' equity	1,614	2,061	128%
Indicators based on actual earnings %	**2020**	**2021**	**Y-o-Y**
ROE (from net earnings)	0.1%	-0.5%	-0.7%p
ROA (from net earnings)	0.02%	-0.06%	-0.1%p
Operating profit margin	1.1%	0.6%	-0.5%p
Total income margin	4.2%	3.8%	-0.5%p
Net interest margin	3.1%	2.8%	-0.3%p
Cost-to-asset ratio	3.1%	3.1%	0.0%p
Cost/income ratio	72%	82%	9.2%p
Risk cost to average gross loans	1.6%	1.0%	-0.6%p
Total risk cost-to-asset ratio	1.2%	0.7%	-0.5%p
Effective tax rate	307%	858%	550%p
Net loan/deposit ratio	107%	111%	3.5%p
Capital adequacy ratio (IFRS)-Basel3	20.2%	22.3%	2.1%p
Tier ratio - Basel3	20.2%	22.3%	2.1%p
Common Equity Tier 1 (CET1) ratio - Basel3	20.2%	22.3%	2.1%p

MACROECONOMIC AND FINANCIAL ENVIRONMENT

Romania had a remarkable recovery from the Covid crisis from 2020H2 to 2021H1, however growth slowed than halted by 2021Q4. The 5.9% GDP growth from last year rather reflects the good performance of the first half of the year. At the same time inflation accelerated substantially, mostly driven by higher fuel and household energy prices, while core inflation remained relatively contained. Although the budgetary position improved compared to 2020, the current account deficit increased further, on account of higher energy prices and the widening output gap. Credit markets showed a sizable uptick, as economic growth rebounded and the average interest rate remained favourable, the bank sector's profitability improved.

Last year brought a decent rebound in the Romanian economy. Annual **GDP growth** turned out at 5.9%, after the 3.7% fall in 2020. However, during the year growth was uneven, while the first half of the year brought QoQ growth rates around 1.5-2.0%, in Q3 the economic growth slowed and in Q4 it rather stagnated in QoQ terms. Consequently, while up to Q2 Romania was among the best performing countries in the region, by 2021Q4 it fell behind. The key question is what could have explained the weakening performance?

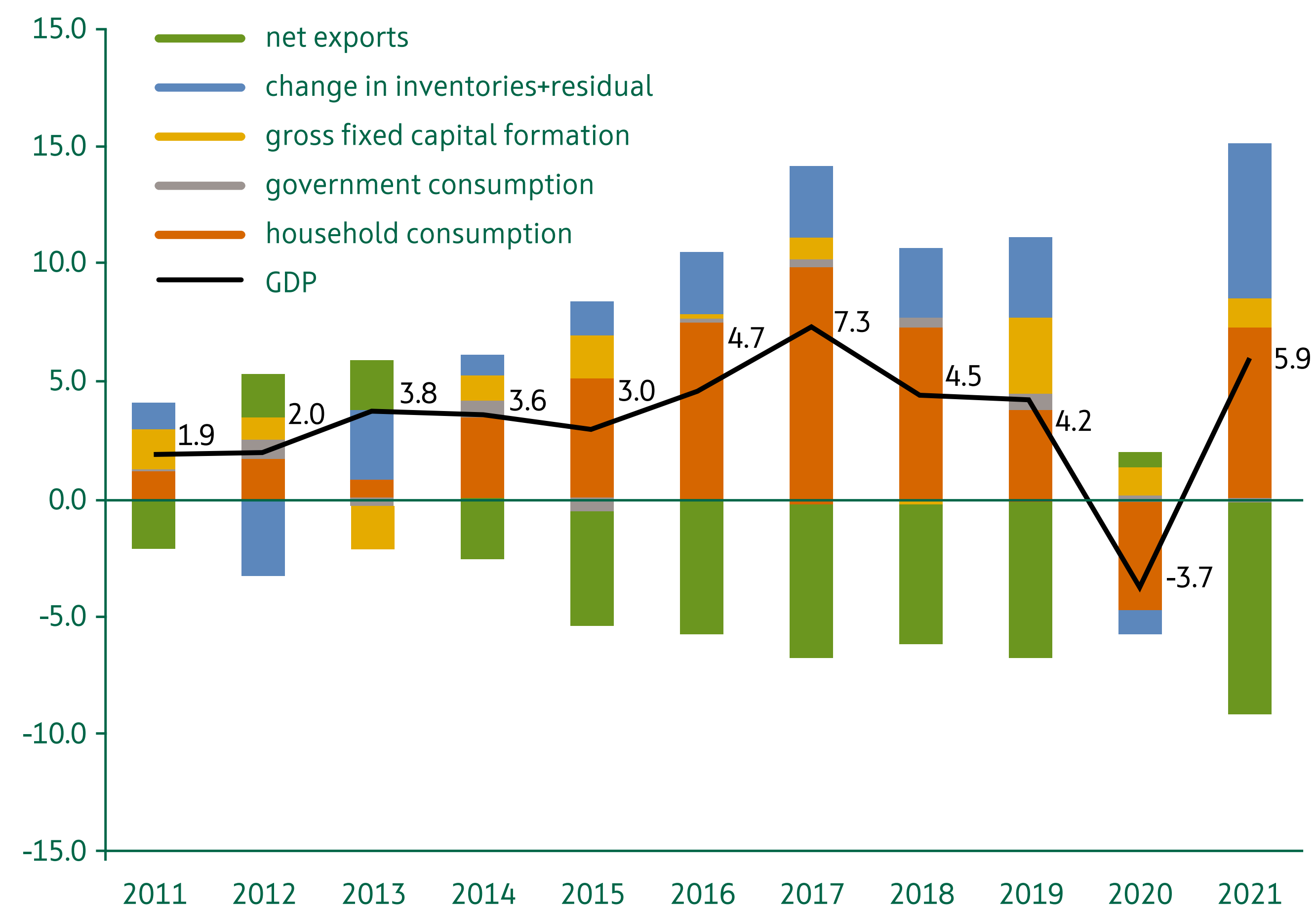
On one hand Romania's Q3 output performance was already held back by global supply chain problems in the industrial sector. Second, the construction sector declined during the second half of the year. Finally, but probably the most importantly, given the low level of vaccinations, the economy was set-back by the severe delta pandemic wave, which held back service sector activity. At the same time, the agricultural sector has seen an increase in value added growth of around 7% in H2 on account of a record grain harvest.

In annual terms, on the sectoral side, market services brought the highest contribution to economic growth (5.4 ppts). This latter component increased by 8.9%. This mostly occurred as the services sector returned closer to normal functioning after severe lockdowns in 2020, albeit weakened in Q4. Construction fell minorly (-1.4%), while industry grew by 5.6%, giving a growth contribution of 1.3%. The relatively decent growth of the industrial sector could be explained mostly by H1 performance, when similarly to the service sector, the main effects dominated, while in Q3 supply chain problems have started to take their toll. Agriculture added 0.5 ppts to growth by 8.8% increase, mostly in Q3.

On the expenditure side, there is more uncertainty about the breakdown, as change in inventories brought the biggest growth contribution (9.1%), only followed by household consumption expenditure, which grew by 7.5% (growth contribution 7.3%). At the same time, net export had a similar but negative contribution (-9.2%) as inventories. Growth of gross capital formation stood at 4.0% and contributing to economic growth by 1.2 ppts. Overall, the expenditure side picture suggests that household consumption after 2020 lockdowns has practically recovered, while the large increase in inventories partly reflects the good agricultural season and probably the supply chain problems as well but given its magnitude also uncertainties regarding the expenses breakdown.

Employment has recovered from the Covid crisis, and wage growth stabilized around 6-6.5% in H2. However rising inflation led to fall in actual wages in October-December. Although they were increasing, **labour market** tightness indicators stood still below pre-Covid levels in Q3.

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



Sources: NIS, OTP Research

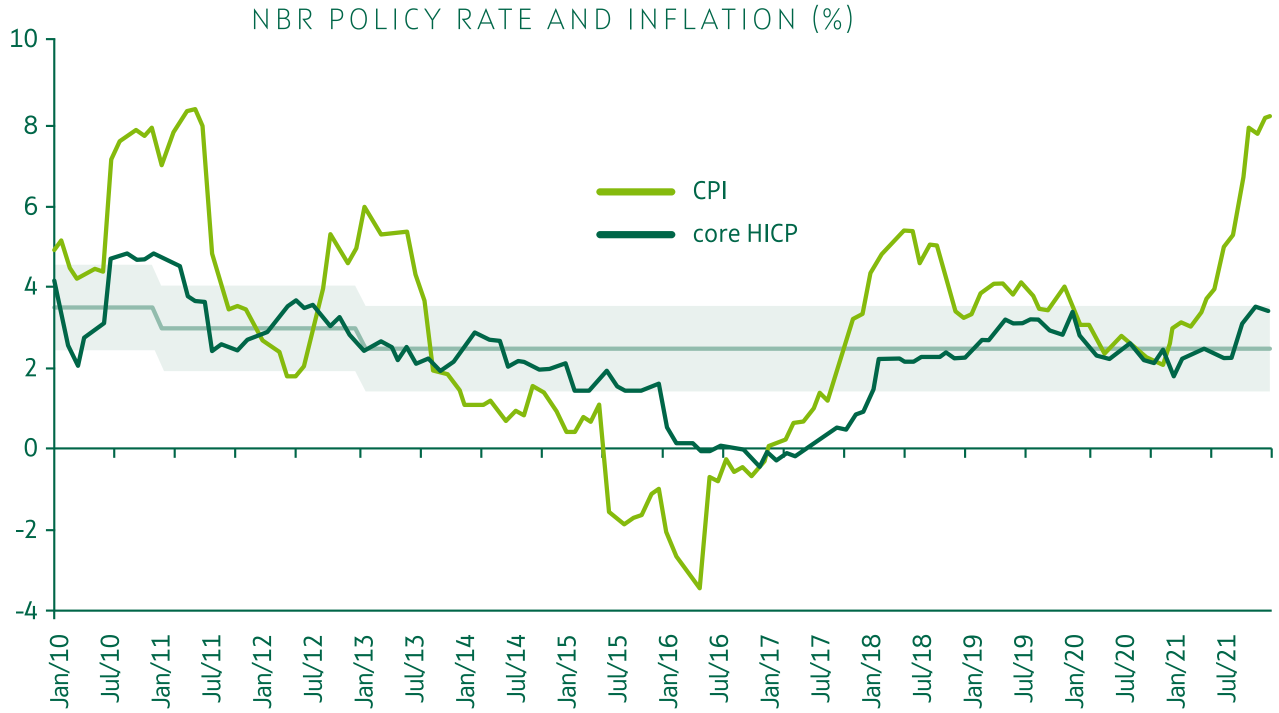
2021 was the year when **supportive policies** had started to be gradually withdrawn as the sharp rise in inflation and increasing financing costs made the decision makers realize that the economy operates close to full capacity. On one hand, the budget deficit declined, the available 2021 cash deficit stood at 6.8%, 0.3 ppts below plans, despite somewhat increasing expenditures during the year, due to higher-than-expected revenues. The ESA based budget deficit could end up the year at 7.1% of GDP, which could imply end year debt level at 48.9% of GDP.

Monetary policy has begun to raise interest rates in October and raised the key rate by 50 bps in two steps on account inflation surprises and an increasing global yield environment, given the announcement of tapering by the Federal Reserve.

Probably **the sharp inflation increase** was last year's biggest negative story. Starting at 2.1% in December 2020, inflation practically uninterruptedly increased to 8.2% by December 2021. All components of inflation increased, however most importantly non-food goods inflation sped-up from 1.0% to 10.7%. Food inflation gained momentum from 3.2% to 7.2%, service sector inflation strengthened from 2.7% to 5.7%. Out of the 6.1 ppts increase in headline inflation (from December to December), 4.9 ppts was related to fuel (+2.6 ppts) and heating energy (+2.4 ppts) inflation. Consequently, core inflation items were less responsible for the inflation increase: the HICP ex food and energy inflation strengthened from 2.5 to 3.4%.

The **external position** of the country continued to deteriorate, the current account deficit amounted to 7% of GDP in 2021, up from 5.1% in 2020 and 4.9% in 2019. The increase was partly driven by higher energy prices, and by increasing domestic demand, while exports were held back by global supply chain problems. Nevertheless, due to the substantial inflow of EU funds, the actual external deficit from the financing side stood, lower at -5.2% of GDP.

NBR POLICY RATE AND INFLATION (%)

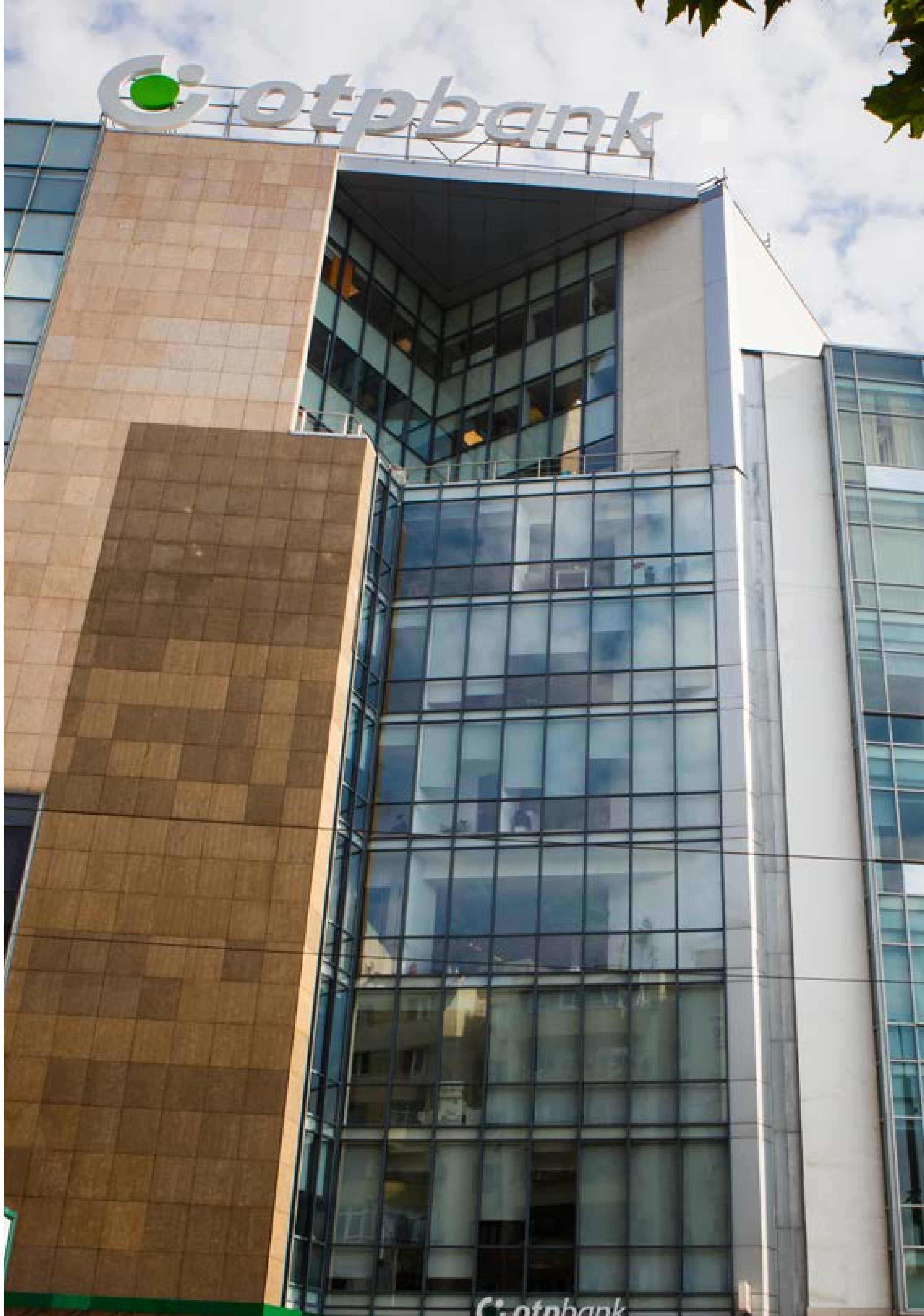


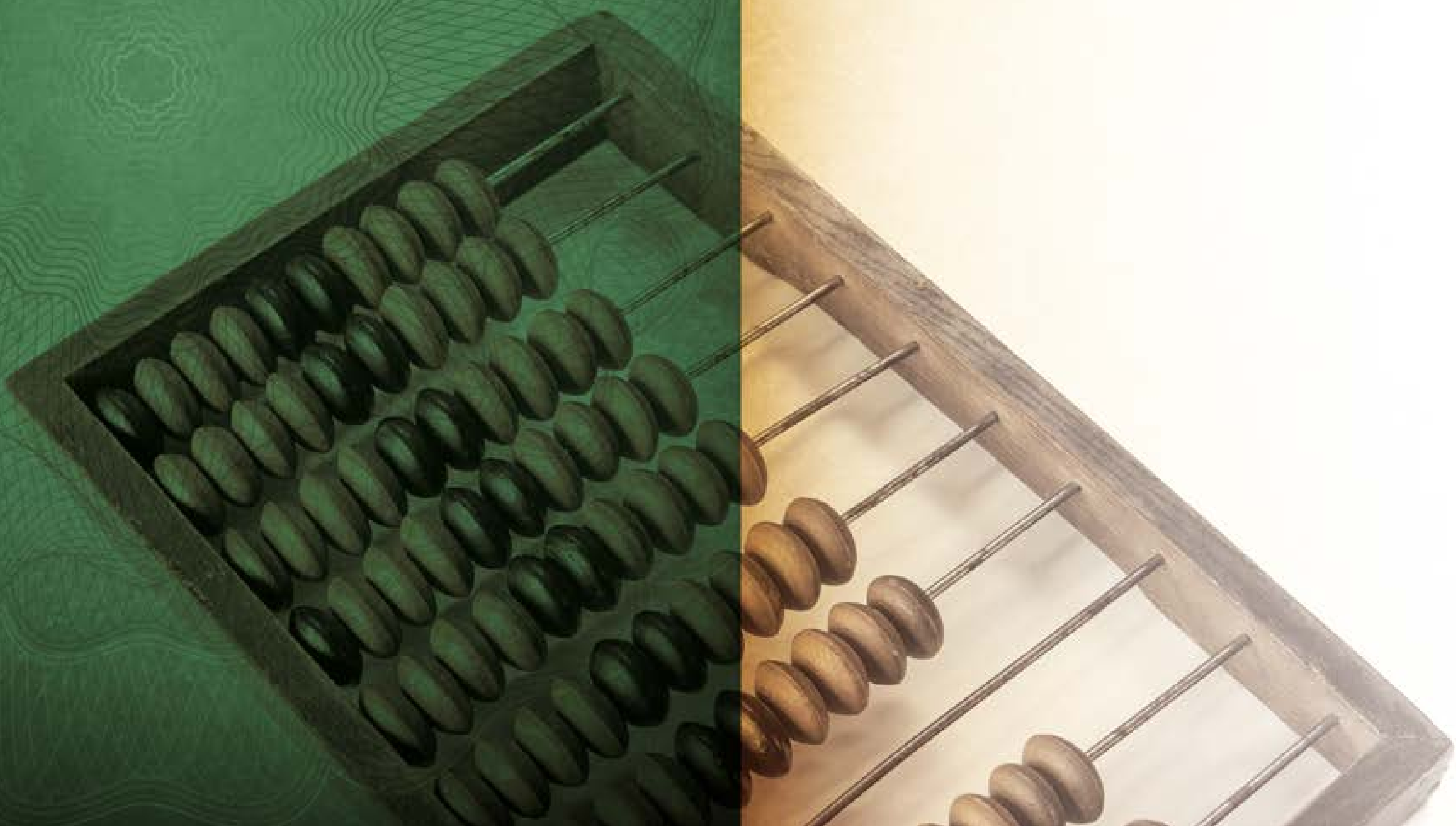
Sources: NIS, NBR

The **EUR / RON** rate ended in 2021 at 4.95, up from 4,87 at end 2020. The 1.6% depreciation was in line with the tendency of previous year. The weakening occurred in two waves (April and September), in the latter case related to political uncertainty after the junior coalition partner withdrawn itself from the government.

In 2021, the growth of the **stock of non-government (household and corporate) loans** sped-up substantially to 14%, compared with a 5.5% increase in 2020 and the 6.6% in 2019, supported by the rebound in economic activity, the low interest rate environment and government guarantee programs. Growth of household loans increased to 9.4% from 4.8%, driven mainly by higher consumer loan growth (5.7% vs. -1.9% in 2020), while mortgage loan growth gained momentum less steeply (11.8% in 2020 vs. 9.9% in 2020). Corporate loans accelerated substantially (from 6.4% to 19.3%), partly on account of one-off transactions and subsidized lending schemes. The share of credits in RON rose further, at household loans it reached 83% from 79% a year ago, while in corporate loans it rose to almost 65% from 62% in 2020. At the same time, non-performing loans declined mildly to 3.7% by 2021Q3 from 4.1% a year before.

NBR data showed that the **profitability** of the sector improved up to Q3 on an annual basis, with the ROE index reaching 13.6% compared to ~10% in 2020. At the same time, the capital adequacy ratio remained at around a solid 23%.





OTP Bank România S.A. Annual Report

Business results

2021

HISTORY OF OTP BANK ROMANIA

OTP BANK ROMANIA , a subsidiary of OTP Group, is an integrated financial services provider, present for 18 years on the Romanian banking market. The company entered the financial-banking market through buying 99.99% of RoBank, which later became OTP BANK ROMANIA.

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

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

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

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

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

2009 and 2010 were difficult years for the banking market players. OTP Group, therefore, also OTP BANK ROMANIA, aimed at stability,

liquidity, and profitability.

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

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

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

2014, more precisely the date of July 30, marks the moment when OTP BANK ROMANIA signed the acquisition contract for Millennium Bank, a subsidiary of Banco Comercial Portugues. The value of the transaction amounted to EUR 39 million. Millennium Bank had almost 80 thousand customers and a network of 56 units and 58 ATMs, with a large share in Bucharest.

2015 was the year in which the acquisition was final, and the integration process was completed in November 2015. After the integration, OTP BANK ROMANIA's market share increased to approximately 2% of assets. The total number of branches in Romania increased by 24 during 2015, and the new customer portfolio reached over 426,000 customers, increasing by 13% compared to the portfolio prior to the acquisition.

Also in 2015, in December, OTP BANK ROMANIA launched a conversion program for mortgage loans in CHF. The program underlined the Bank's desire to restore strong and healthy long-term relationships with its customers, constantly looking for those pragmatic solutions, adapted to the economic reality of the market. The program was continued in 2016, and over 70% of the Bank's customers with loans in Swiss francs paid a lower rate from the moment they accepted the offer proposed by the Bank. The offer initiated by the Bank represented a RON 425 million financial effort.

2016 was the year in which OTP BANK ROMANIA continued to prosper and achieved a net profit of HUF 1,65 billion (RON 24 million), an increase of 12% compared to 2015. The Bank continued to develop its banking product portfolio, by creating solutions dedicated to individuals, legal entities, and SMEs, as well as digital apps and the development of internet banking service.

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

2018 marked the moment when OTP BANK ROMANIA managed to consolidate its position on the Romanian market, reaching the 9th place on the banking market, with a market share of 2.37% in September 2018, all through an organic growth. At the end of the year, OTP BANK ROMANIA had a team of specialists of 1,364 employees, registering an increase of 7% compared to the number of employees in 2017.

During the same year, the team woks with an extensive portfolio of over 358,000 customers. 2019 was the year in which OTP Group achieved an important goal, becoming the largest integrated and self-financed provider of financial services and a major player in the Central and Eastern region. At the same time, OTP BANK ROMANIA launched an organic growth program - Apollo, the most revolutionary change made within the Bank. The ambitions of the program are first doubling the market share and consolidating the market position, in a period of 5 years, and changing the way the Bank interacts with customers, through a customer-focused perspective.

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

2021 represented for OTP BANK ROMANIA a year of constant growth of lending and saving activities on the main business lines, simultaneously with the implementation of the Apollo growth strategy and of several organizational transformation programs. These results are also grounded on constant investments in digitization projects, the Bank allocating annual funds amounting to RON 50 million for this direction. Improving customer orientation was one of the key objectives in 2021, which is why OTP BANK ROMANIA has constantly developed infrastructure (digital and physical capabilities), invested in increasing its teams and hiring 300 people. The recruitment process will continue in 2022.

OTP BANK ROMANIA's approach

OTP BANK ROMANIA has been present on the Romanian banking market for more than 18 years, as a universal Bank that offers complete financial solutions for individuals and companies.

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

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

In 2021, OTP BANK ROMANIA consolidated its systemic position and remained in the top 10 banks on the local market, ranking 9th after assets. At the same time, last year the Bank completed the first part of its 5-year growth program and well ahead of its business objectives for this first stage.

The second year marked by the COVID-19 pandemic ended for OTP BANK ROMANIA with a remarkable operational growth, and on the main business lines as well.

As a result, the Bank has continued to be a key lender for the local economy, through direct or syndicated loans granted to local companies, and a strong partner for government-guaranteed programs. Thus, through IMM Invest funds were distributed directly to local entrepreneurs, the initial ceiling granted by FNGCIMM being supplemented, financing and financial advice has been provided for local farmers and rural investors through the partnership with AFIR for the absorption of European funds, and by implementing the state aid scheme based on GEO no. 224/2020, the HoReCa sector was given a lifeline. OTP BANK ROMANIA also participated in the Noua Casă program.

The whole situation in the last two years has accelerated the need for digital services and customers, for the most part, have understood the advantage of being able to perform most banking operations remotely. Consequently, this has stimulated us to increase the share of digital channels.

The Bank continues to operate in a prudent and transparent manner and is constantly innovating to provide a full range of financial services of the highest quality, and in 2021 it launched new products with the same agility. This is the case for the 100% online personal needs loan, the possibility to open an online account, the Contactless ATM service for cash withdrawals from Bank ATMs or the OTP POSibil service, a solution that allows Bank cards to be accepted for payment and use a mobile phone instead of a POS.

The Bank's Agile transformation strategy also means investments in internal systems, process automation, the introduction of robots for managing transactions, but also the development of the network and teams. A balanced approach, which allows the use of the most modern digital channels for banking and also offers financial advice through teams of network specialists.

The Bank's approach underwent an evolution in 2021 also in terms of financial education strategy, the Right to Education Foundation, the most important pillar of social responsibility of OTP Bank, launched in 2014, becoming the OTP BANK ROMANIA Foundation. The name change follows the foundation's goal of becoming one of the main pillars of educational transformation in Romania.

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

Plans

2021 was a year of sustained growth, with many interesting projects, investment programs and operational development, implemented within the Apollo strategy. All this contributed to the transformation of the organization, the way of working and the implementation of the projects. These investments, in new systems, team trainings and in the branch network have as a direct objective the client (internal and external) and the experiences created in connection with the Bank.

OTP BANK ROMANIA approaches digital and physical development in a balanced way, in order to offer not only quality banking services, but also direct contact, advice and adapted products. This has allowed the active financing of the local economy and the support of companies and individual customers through updated financing products, own financing programs or with state guarantees. The digitization process, an important pillar for OTP BANK ROMANIA, has continued at an equally fast pace and the high degree of adoption of digital banking services and products has helped us increase the coverage of specific channels. That is why in the following years we also committed ourselves to an investment program of RON 50 million in the digitization and development of banking products. It is one of the main directions of growth, an area that has offered our customers many solutions and innovations in the last two years, such as new versions for OTPdirekt and SmartBank services, 100% online personal loan - a fast financing option that significantly streamlines interaction customers with the Bank, or the digital onboarding procedure for new customers.

There is a clear increase in the use and demand of our customers for digital tools and channels, only in the last two years the number of Internet Banking users increasing by 50%, which determines us to continue in this direction.

At the same time, within the organization we continued to develop systems and automate our processes, introducing robots to perform certain operations, such as transaction management. The whole sphere of new digital services, as well as the novelties within the branch network, actively contribute to the development of the relationship and the direct activity with the customers.

The dedicated activity in the area of financial education and building a financial culture has reached a new dimension and continues through the OTP BANK ROMANIA Foundation. Thus, through the OTP Girl Power program we support the new generation of banking professionals, while through "Neuroștiința la casă", developed in partnership with Mind Architect, we create educational financial content.

Furthermore, in 2021, OTP BANK ROMANIA started the analisys of all implications to build an accurate, effective ESG strategy, in line with the Group's vision, wisely and deeply engaging the company's portfolio.The strategy will focus on **three key pillars, product, planet, people,** described in **3 areas of responsibilities: responsible provider, responsible employer, responsible social actor.**

OBJECTIVES

In 2021, we have consolidated our position in the banking system and remained in the top 10 banks on the local market, ranking 9th in assets. At the same time, OTP BANK ROMANIA has reached the middle of its 5-year growth program and well ahead of its business objectives for this first stage.

In the area of financial education, we are a reliable partner, promoter of modern learning and adapted to the needs of active generations, and through the latest projects of the OTP BANK ROMANIA Foundation we provide educational content in diverse areas, from communication to leadership and emotional intelligence. In 2022 we will continue to contribute consistently to the transformation of education in Romania by creating valuable content and authentic learning experiences.

In the business area, since the implementation of our growth strategy, in 2019, we have come a long way, we have improved and diversified our portfolio, we have developed new and relevant financial products and also new channels. The Bank's plan and objectives remain unchanged, and we focus on increasing market share to 5% in the next three years, a target we will reach, given that we have now reached 4%, and our high-performing loan portfolio has grown by 21% in 2020. The operational transformation and the new working model, Agile, have brought us closer to our customers and contributed to the increase of interactions and operations. Thus, we managed to continue financing the local economy, to implement investment programs for the development of our infrastructure, but also of our teams and people. As a result, we

hired 300 new employees, and for example, our IT team grew fourfold. We will continue this activity in 2022, together with all our programs for learning, transformation, and optimization of internal operations.

We have maintained a continuous flow of investment in digitization, while keeping our teams of specialists and consultants available to our clients. We believe in human interaction, now more than ever.

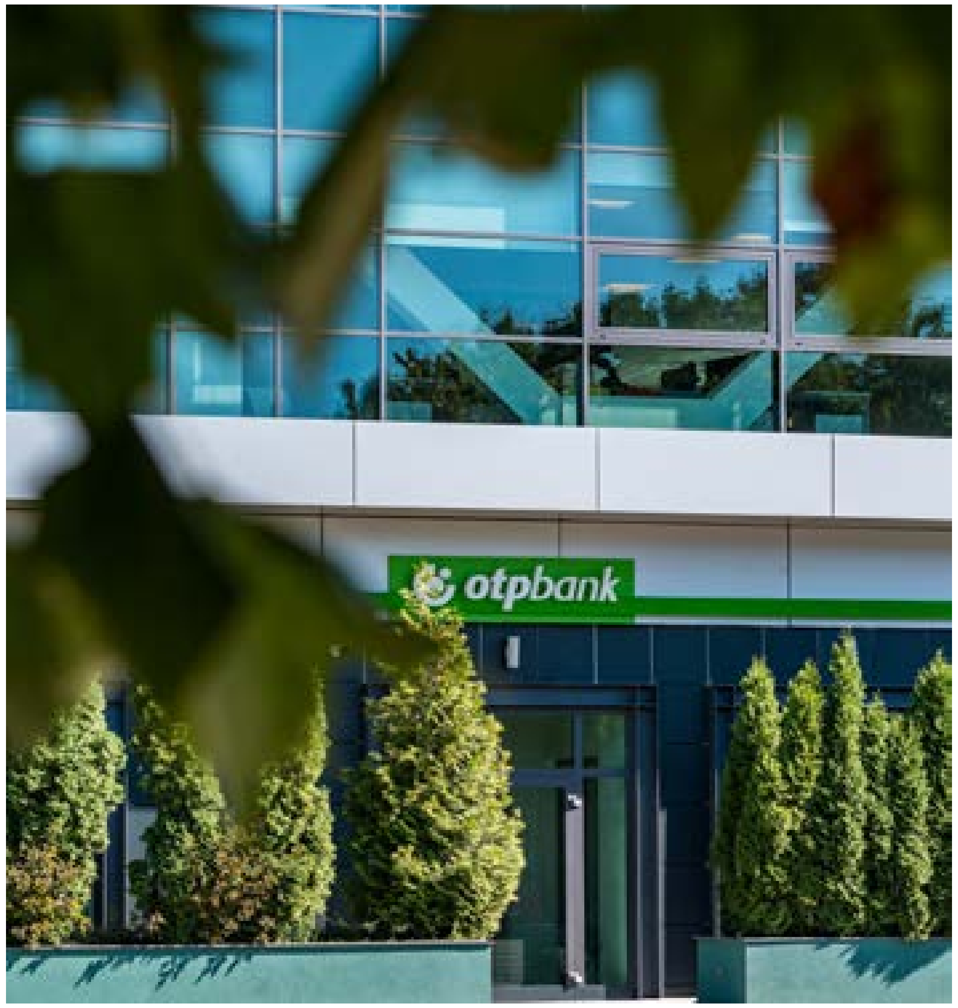
There are good prospects for this year, even if it may be more difficult from a macroeconomic point of view, and the growth of the local economy will be slower compared to 2021. That is why we continue to have a balanced and agile approach, continuing investment, and growth programs. The annual digital development program is underway, along with investments in portfolio development with new services and banking products, with over 50 projects underway since the beginning of the year.

In 2022 the macroeconomic and geopolitical context is different, and the situation may seem difficult, but we have prepared, through programs, transformations, investments, and the whole activity of the last year, to face the new market changes and to respond to our customers with proper products and services, easy to use and updated for their needs.

STRATEGIC PROJECTS OF OTP BANK ROMANIA

In 2021, OTP BANK ROMANIA increased focus on the digitization and modernization of the Bank's business platforms, maintaining its major projects with the aim of supporting the Bank's activity, developing and improving the Bank's customer relationship.

In 2021, the Apollo program continued to deliver important milestones of the transformation plan, improving Bank



interaction with the clients, while focusing continuously on their satisfaction:

- **Operational Excellence:** Implementation of actions to optimize the customer experience: implementing 100% online solutions for corporate (micro and SME) and private individual clients and introducing the Queue Management System in local units. Continue initiatives on reduction / elimination of non-sales activities at the local units level, improvement of the main processes, reduction of paper consumption;
- **Implementation of CRM solutions:** continue developments for implementation of lead management campaigns through CRM modules;
- **Implementation of online personal loans:** finalization of the developments for the online cash loan and continue optimisations on the online cash loan branch flow;
- **Improvement of the mortgage processes and products:** further optimisations of the of mortgage loans flow supporting the increase of clients' satisfaction and reduce operational work.
- **Omni-channel:** Continue enhancing the remote relationship with clients and further implementing optimisation actions on Internet and Mobile Banking and create new digital communication channels.

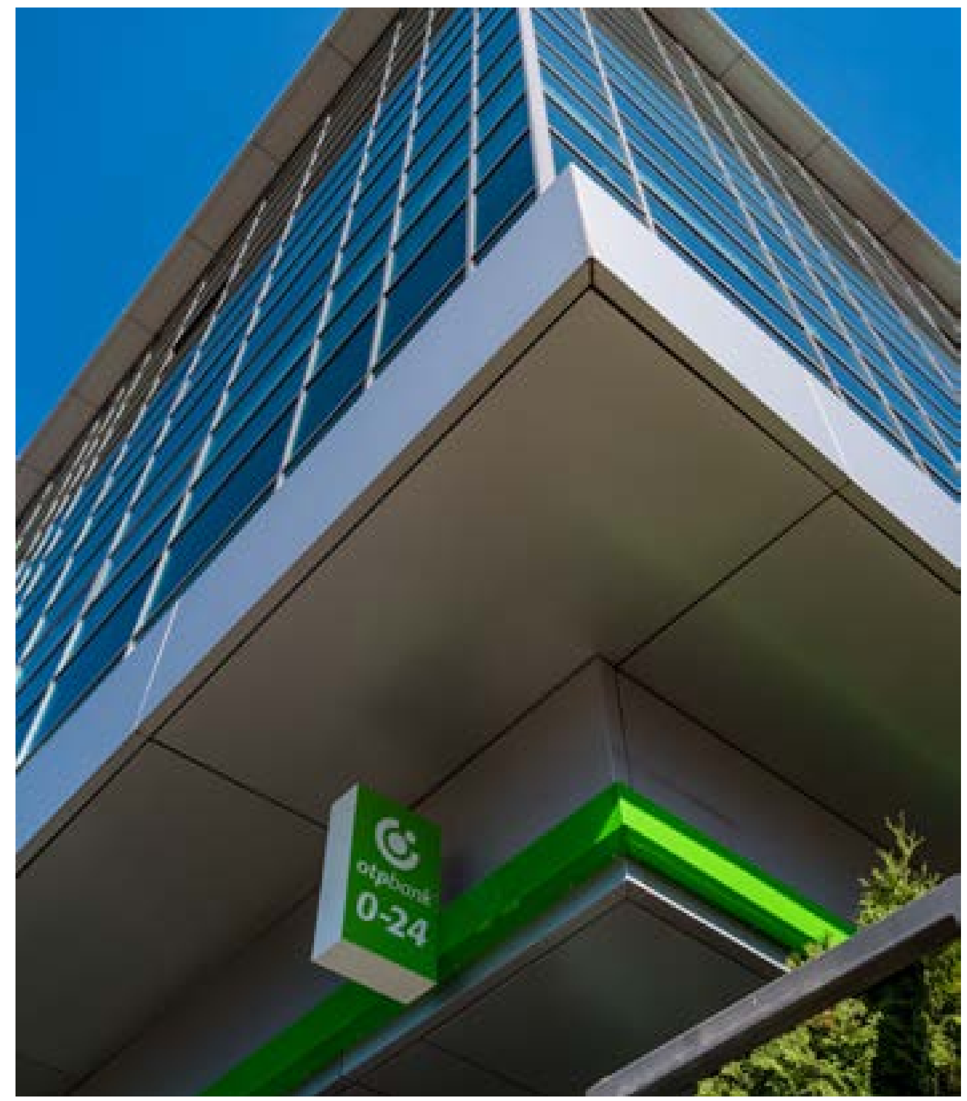
At the same time, in accordance with the strategic objectives the Bank continued the implementation of its portfolio projects, in order to address business development and process optimization, as well as compliance of its activities and services to the current legislation.

The main projects for business development and optimization of processes carried out during 2021 were:

- Continuing the development and implementation of the Business Process Management (BPM) platform, with the main objective of streamlining of business processes;
- Continuing the implementation of the Data Warehouse project to ensure all the data and information requirements necessary to carry out daily operational activities and to facilitate the business decision making;
- Human Resources Management Solutions Improvement Program which aims to improve the efficiency of HR specific services.

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

- Implementation of the EU Regulations CRD V, BRRD, CRR II, SRMR II requirements in the field of risk and capital;
- TARGET 2 project meeting the requirements of the NBR on the technical and functional consolidation of the TARGET2 and T2S systems;
- Implementation of European Banking Authority (EBA) requirements on loans origination and monitoring.



OTPdirekt

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

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

1. OTPdirekt – Internet Banking (transactions and information)

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

- check account balance;
- check transaction history;
- RON or foreign currency transfers to beneficiaries' accounts;
- standing orders;
- foreign exchanges;
- transfers between client's own accounts;
- open/view/close deposits;
- Bank account statement file export or send by email possibility;
- special payment templates for utility bills;
- detailed information about loans, insurance policies, incoming and outgoing debit instruments and collateral deposits (through Electronic RM menu);
- importing domestic or foreign payments from a file (e.g. inter-banking payments, payments representing treasury rates and taxes, transfers to beneficiaries with accounts opened at OTP BANK ROMANIA etc.);
- creating templates for domestic payments;
- creating templates for foreign currency payments;
- sending and receiving messages to/from the Bank;
- change card limits, online payment on/off switch, report lost/stolen card, reset card PIN, request card reissue, block card temporarily on/off switch, show card details;
- personal financial tool - MyMentor; settings budgets and new goals, transaction categorization;
- open new current account;
- open new savings account;
- automatic savings tool;
- reset or unblock the internet banking access code;
- SMS Alerts and Push Notification configuration;
- Money Magnet: transferring money from other banks to OTP BANK ROMANIA accounts, using debit cards issued by other banks in Romania;
- subscription and redemption of investment funds;
- personal data update;
- nearest ATMs or branches by client location.

2. OTPdirekt – SmartBank (transactions and information)

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

- check account balance;
- check transaction history;
- RON or foreign currency transfers to beneficiaries' accounts;
- transfers between client's own accounts;
- foreign exchanges;
- special payment templates for utility bills;
- pending transactions;
- open new deposits;
- close deposits;
- Bank account statement file export or send by email possibility;
- cards information menu;
- change card limits, online payment on/off switch, report lost/stolen card, reset card PIN, request card reissue, block card temporarily on/off switch, show card details; enable card biometrics;
- loans information menu;
- Money Magnet: online transfer of money from other banks to OTP BANK ROMANIA accounts, using debit cards issued by other banks in Romania;
- SMS Alerts and Push Notification configuration;
- My Mentor: list of transaction, add new transaction category;
- ATM and branch locator of OTP BANK ROMANIA;
- foreign exchange rates;
- Bank contact;
- received messages from the Bank;
- quick access with fingerprint/face ID;
- languages: Romanian/English/Hungarian.

3. OTPdirekt – Contact Center (transactions and information)

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

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

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

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

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

The alerts received through a SMS/PUSH notification can be of several types, depending on the client needs:

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

The number of OTPdirekt – Internet Banking and Contact Center users, on December 31, 2021, was 184,095, divided as follows:

- private individuals: 158,360
- legal entities: 25,735

The number of OTPdirekt – SMS Alerts contracts, on December 31, 2021, was 181,270, divided as follows:

- private individuals: 166,098
- legal entities: 15,172

The number of SMSs messages sent to the clients during 2021 was 22,244,071

The number of calls to the Contact Center received in 2021 was 164,258

The number of transactions through OTPdirekt – Contact Center was 0, and through OTPdirekt - Internet Banking 2,745,079 by the end of 2021.

During 2021 the SmartBank application was used by 102,480 clients.

The transaction volume through OTPdirekt was of:

- Contact Center: EUR 0;
- Internet Banking: EUR 12,019,285,481.28 .

BANK CARD BUSINESS

In 2021 OTP BANK ROMANIA managed to further increase its Bank card portfolio through steady organic growth.

OTP Bank expanded the card acquiring business on the Merchant POS segment and succeeded to continuously improve the quality of the card-related products and services offered to its customers. At the end of 2021, the merchant POS network reached **7,843 POSs**, both in-store terminals and virtual terminals (e-commerce), which represent an increase of more than 27% comparing to previous year.

As of December 2021, the bankcard portfolio of OTP BANK ROMANIA increased with **13%** compared to the previous year. The debit card segment represents 95%, while the credit cards stand for around 5% of the total bankcard portfolio. The cards new sales in 2021 mainly consisted of salary cards, pension cards, and SME business cards, the Bank continuing its strategy started in 2019 of attracting new income transfer clients, as well as micro and small companies, through a wide range of competitive packages, addressed both to individuals and legal entities.

The total volume of Bank card transactions performed by the OTP Bank cardholders in 2021 reached **RON 4,644 million,** which marked a stable increase of **33%** compared to the previous year. On the card acquiring side, the Merchant POS transactions volume registered an increase of **57%** in 2021, reaching **RON 3,622 million**.

Among the most important OTP BANK ROMANIA card related projects in 2021, we mention the launch of the new contract and sales flow for credit cards where we aim for 1 client visit and the reduction of the cost for contract printing with 66%, the launch of the cross-sell flow for credit cards to personal loans and mortgage loans, the launch of the contactless ATM functionality, the launch of the Soft POS service on Android devices, the partnership with DPD courier company for mobile POSs.

Considering the debit card portfolio, the educational project initiated 4 years before with the aim of switching the card usage from ATM withdrawals to POS purchases and to increase the loyalty towards OTP Bank debit card, making it the top of wallet, continued in 2021. Therefore, we initiated a project of Portfolio Optimization, with the aim to improve customer loyalty and behavior towards payment cards. The debit card portfolio of OTP BANK ROMANIA was analyzed, segmented and profiled and concluded into clusters of clients to be targeted with card usage offers.

Currently, OTP BANK ROMANIA offers one of the most comprehensive card product portfolios on the Romanian market, consisting of the following main products:

- MasterCard Flat and Standard (RON & EUR) - debit cards for individuals;
- Visa Business and Visa Business Silver (RON & EUR) - debit cards for companies;
- Mastercard Corporate (RON & EUR) – debit cards for companies;
- Mastercard Debit Gold (RON & EUR) – debit card for individuals;
- MasterCard Standard and Visa Transparent - credit cards for individuals;
- Visa Junior Plus and Junior Max (RON & EUR) - debit cards for individuals;
- VISA Sapientia - co-branded debit card;
- VISA Gold - credit card for individuals (premium);

INDIVIDUALS (LOANS AND LIABILITIES)

In 2021, the main activities were associated with increasing the portfolio of clients and the number of products owned, both for liabilities and lending side. In the same time, the protection of our customers in the pandemic context generated by the virus COVID-19, the update of the working flows in the new conditions and maintaining the quality of the existing portfolio of loans were Bank's priorities.

Loans

During 2021, OTP BANK ROMANIA continuously offered lending solutions through dedicated campaigns or by adjusting the existing products to the market practice and to the clients need and also through periodically updates of the pricing conditions for its lending offer for the customers.

On the lending segment, according to the Bank's strategy, OTP BANK ROMANIA focused on increasing the number and volume of credits to customers with good payment behaviour as well as maintaining a good quality of the actual portfolio, and also improving Time to Yes indicator.

From legislative perspective, beginning of 2021 year had a powerful influence on the individuals lending conditions, by offering solutions for installment payment postponement through legislative and non-legislative moratoria, for the customers that had the income affected directly or indirectly by the difficult situation generated by the COVID-19 pandemic, compared to the normal. Despite the limitations imposed by the economic instability, OTP BANK ROMANIA continued its consistent efforts to achieve the business plans or even to overpass some of the objectives.
Depending on the loan purpose and the specific collateral required, individuals lending products of OTP BANK ROMANIA are divided in two main categories:

- loans for real estate investments, including New House;
- consumer loans.

1. Loans for real estate investments

Mortgage loan for acquisition (ML). The purpose of this loan is the full or partial acquisition of houses or flats and also refinancing mortgage loans previously contracted from other banks. In 2021, the lending activity was carried exclusively in RON, in line with market development. The minimum loan amount is EUR 1,000 (RON equivalent) and the maximum is EUR 200,000 (RON equivalent). The minimum granting period is of 6 months and the maximum 360 months. The collateral accepted is 1st rank mortgage on the purchased property and property insurance assigned in favour of OTP BANK ROMANIA.

In order to provide to its customers lending products that suit best their needs, in 2021 OTP BANK ROMANIA maintained the pricing structure for mortgage loan for loans with variable interest rate and also for loans with fixed interest rate in the first 5 years, then variable, adjusting constantly the pricing in accordance with market conditions.

With a diversified offer for the Mortgage loan in RON and a periodic adjustment of the price conditions and lending conditions determined by the pandemic context, tightly correlated to direct competitors movements, the new sales of mortgage loans offered by OTP BANK ROMANIA considerably exceeded the number and volumes of "New House" facilities. New House sales volumes were lower due to the allocated ceilling that was lower than in preavious years. This trend was also similar in the market, the big banks promoting extremely competitive prices for mortgage loans in RON, which inevitably diminished the consumption preferences for "New House" loan.

In this respect, OTP Bank continued to promote the Mortgage loan in RON with variable interest rate having a pricing scheme simpler and easier to be accessed (based on loan amount and the option of income transfer), considering OTP BANK ROMANIA'S strategic objective to maintain the competitiveness on the ML market.

OTP Bank offer was promoted also trough marketing campaigns (30.07.2021 – 21.10.2021). For Mortgage product, the information presented on the website have been restructured and refreshed, to better meet customer needs.

Also a series of improvements have been made to the lending process: credit documentation simplification and optimization, relaxation and regulation of some specific situations encountered in the analysis and lending processes.

OBR continued to diversify the PPI offer and in May launched two new insurance products, which are sold optionally to the customers who are requesting Mortgage / Personal loans with mortgage: Life and Unemployment Insurance and Life Insurance. The two products are sold for both new production and existing portfolio.

2. Consumer loans

Personal loan without Mortgage (PL). This product is addressed to individual clients, Romanians or foreign citizens with Romanian residence and the purpose of this loan without collateral is to cover the general customers'

needs. OTP BANK ROMANIA accepts a wide variety of eligible incomes and it offers the loan only in RON. The offer of personal loan includes different pricing scheme in line with the market and to better cover the clients' needs (better pricing for customers choosing to receive the income in the OTP Bank, decreased interest rate based on customers income level, possibility to choose between fix and variable interest rate, etc). The maximum loan amount is RON 120,000. For different loan amounts, for example:
• RON 50,000 or
• RON 75,000 / RON 120,000 it is neccesary to meet some predefined conditions.

In 2021, OTP Bank continued to offer to its customers PPI offer which covers protection in case of deceased, permanent invalidity and involuntary unemployment, with monthly or unique payment of the insurance premium. In this way, the customers that are choosing additional protection together with the personal needs loan granted, have at their disposal the possibility to choose full payment or monthly payment together with the payment of loan installment.

OTP Bank continued the strategy of digital development of the portfolio and in March launched a new lending product, the 100% Online Cash loan in RON for new to Bank customers, with current account opening in the same flow (OBR was 2nd Bank in Romania offering an 100% online cash loan for new to Bank customers, with current account opening in the same flow). It is addressed to the customers who need a faster financing option and want a more effective way to interact with the Bank. The approval and loan disbursement takes about 30 minutes.

OTP BANK ROMANIA'S strategic objective remained to attract higher quality clientele, with income transfer, increased cross-sell potential and low-risk profile.
During 2021, OTP Bank efforts regarding the Personal loan without Mortgage concentrated on loans with fixed interest rate, considering the competitive price mechanism based on customer financial profile and a constant promotion through mass-communication channels.

OTP Bank offers for consumer loans having competitive features and favourable price conditions was promoted through different campaigns (18.01-19.02.2021, 8.03 – Women's day, 19.04-31.05.2021, 4.10-17.10.2021, 6.12-22.12.2021)

Overdraft. This product meets the universal expenses on short term being addressed especially to the clients who receive their monthly salary in the current accounts opened at OTP BANK ROMANIA.

The limit for the overdraft facility is between RON 600 and RON 40,000. Customers can get up to 6 salaries or pensions if there is a salary convention concluded between the Bank and the employer or the Pension House. Otherwise the clients can get up to 3 net salaries. Clients must reimburse monthly only the interest calculated for the used amount.

In 2021 OBR performed a major improvement of the Overdraft product characteristics (amount, no. of salaries, minimum age, expand the target market for retirees and professionals, etc.) aiming to increase the number of customers having OBR as main Bank, through salary conventions.

SAVING PRODUCTS

Taking into account the evolution of the market, the Bank's strategy and the continuous changing needs of customers, OTP BANK ROMANIA regularly updates the price and features of savings products, through constant efforts to reduce the cost of funds and improve the LCR rate. In 2021, OTP Bank continued its strategy of increasing the volumes generated by savings products and maintaining the volumes already attracted from its customers.

TERM DEPOSITS are savings products with fixed interest rates until maturity. The standard maturities of OTP BANK ROMANIA for term deposits are 1, 3, 6, 12, 18 and 24 months. Available currencies for term deposits are RON, EUR, USD, HUF and GBP. No fees are charged on opening, closing or withdrawing amounts from the deposit if the withdrawal is made on the due date (except for deposits with a maturity of one month, for which the fee for withdrawing the amount from the current account applies, including at maturity).
The minimum deposit amount is RON/USD/EUR/GBP 100 and HUF 25,000. For deposits made on standard terms, customers have the possibility to automatically manage deposits, choosing at the time of deposit one of the three options available at maturity:

- automatic renewal with capitalization - the deposit will be automatically extended by the Bank for a period identical to the initial option the customer, using the interest rate in force on the date of renewal of the deposit, and the interest accrued for the previous period will be added to the amount of the initial deposit;
- automatic renewal without capitalization - the deposit will be automatically extended by the Bank for a period identical to the client's initial option, using the interest rate in force on the date of renewal of the deposit, and the interest accrued for the previous period will be transferred to the current account;
- automatic liquidation at the due date - the Bank transfers the amount of the deposit and the related interest to the client's current account.

OTP BANK ROMANIA offers different types of deposits with special features, such as interest rates above standard values, using the concept of bonus or flexible maturities depending on the customer's needs:

- **Anniversary Deposit** - the client benefits from a bonus applicable to the interest rate when the deposit is opened in the month of birthday anniversary of the client
- **Term Deposit for Retirees** - based on the last pension coupon or the original account statement (not older than 2 months), a pensioner can benefit from a bonus above the standard interest rate when constituting a deposit. This feature only applies to customers who hold the Retirement Package;
- **Term Deposit through OTPdirekt** - customers receive a bonus above the standard interest rate if they open a deposit through the Internet Banking platform.

SAVINGS ACCOUNT is a product that combines the benefits of term deposits, but has the flexibility of a current account. The interest rate is variable, calculated daily and recorded in the savings account on the last business day of each month. The savings account is available in the following currencies: RON, EUR, USD and HUF. Customers are allowed to make unrestricted cash deposits and withdrawals, to make intra- and inter-Bank transfers, to transfer funds only to accounts opened with OTP BANK ROMANIA and to automatically repay loan rates. The savings account can also be accessed through a debit card issued in the name of the cardholder or proxy.

JUNIOR ACCOUNT is a savings account opened in the child's name, which has additional facilities attached. Junior account is available in RON, EUR, USD and HUF. The interest rate is variable and is paid according to the value tranches. At a higher amount, the customer receives a higher interest rate, thus the advantage of obtaining or higher interest rate than the current account. Junior account types are:

- **Junior Start,** for children under 14
- **Junior Plus,** for teenagers between 14 and 18 years old. The customer also has the possibility to use a Junior Plus debit card
- **Junior Max,** created for young people between the ages of 18 and 25. The customer has the opportunity to use the Junior Max debit card.

INVESTMENTS FUNDS

- Investment Funds
- AST - Automatic Saving Tool

Investment funds. OTP Bank offers a diversified investment funds offer, both Romanian and foreign, managed by: OTP Asset Management Romania, NN Investment Partners, Franklin Templeton Investments and Eurobank FMC LUX.

In order to meet customer's needs, in March 2021 the Bank diversified the range of investment funds included in the automatic savings tool, adding the possibility of regular savings in investment funds managed by NN Investment Partners, Franklin Templeton Investments, and Eurobank FMC - LUX, together with the funds managed by OTP Asset Management Romania, included until then in this service.
Starting with July 2021, OTP Bank offers an improved experience to their customers, by implementing the facility to trade with investment funds directly from the Internet Banking application, without the need for any visit to the Bank, once the intermediation contract is signed.

AST - Automatic Savings Tool - is a flexible service, which allows customers to set up a regular transfer of a certain amount of money to the savings account, the term deposit account or to make investments in investment funds through the signed contract, without having to go to the Bank to order these transactions.

In this way, the client can begin to build a portfolio of savings or investment products, with minimal effort, in just a few steps. The service is available in RON, USD and EUR and can be opened both in the territorial unit and through OTPdirekt. The frequency of automatic transfers is very flexible, and customers can set the frequency (expressed in months or days) for each product selected in the automatic saving service (junior account, savings account, term deposit or investment funds).

Starting with March 2021, the clients are proactively informed by the Bank, before the date of execution of the order related to the chosen saving product, regarding the date and the amount to be invested. The information is transmitted via SMS messages.

TRANSACTIONAL PRODUCTS

- Current Account
- Payment Account with Basic Services
- LeZero Package
- Modular Structures
- OTP Express

Through its customer-centric approach, which takes into account factors such as the usage level of banking products, lifestyle, customer profile, OTP Bank continued to promote in 2021 **LeZero Package,** launched in November 2019. With the start of the 2021 academic year, OTP Bank welcomed students with a promotional campaign aimed at those aged between 18 and 25. During the campaign, the **LeZero Package** was promoted, with additional benefits until the age of 25, such as: ZERO RON administration cost for the LeZero Package (no income collection / transaction condition) and 10% cash back (maximum RON 50 monthly), from the volume of payments made and settled with the debit card in the monitored months of the campaign.

Other promotional campaigns that included the **Package LeZero** were **"Spring with Zero Costs for Life"** and **"Zero Friday 2021 - ZERO administration fee, for life, for the LeZero package"** which took place between April 5 and 18 and November 12 and 26 respectively. The benefit of these campaigns consists of ZERO commission for the monthly administration of the LeZero Package, for the entire duration of the contract signed within the campaign. Individuals interested in this promotional campaign could become customers and contract the package through a process that took place 100% online or could apply to the campaign by registering on the Bank's website so that they can be contacted by a Bank representative to schedule a visits to one of the territorial units.
Another campaign tht run in 2021 focused on retirees as potential customers. The campaign **"Pension with ZERO costs"** came with an additional advantage to the Pension Package for customers who purchased the package between June 2 - December 31, namely the administration fee, during the use of the package, is ZERO.

Current Account can be opened in RON, EUR, USD, HUF, GBP or CHF. The customer can attach services to the current account: Overdraft, Debit Card, Direct Debit, OTPdirekt - Internet Banking, SmartBank, Contact Center and SMS Alerts.

Basic Account with Payment Services - an account held in the name of one or more consumers, which is used to perform one or more payment transactions that are considered basic. For the payment account with basic services, the target market consists of its own exclusive individuals, who do not hold at the time of requesting a payment account (including a payment account with basic services) at any financial institution in Romania (including OTP BANK ROMANIA SA) or which prove that they have been notified to the financial institution regarding the closure of the accounts. Customers who can open payment accounts with basic services are of two types:

- **Financially vulnerable customer** - a consumer whose monthly income does not exceed the equivalent of 60% of the average gross earnings per economy or whose income in the last 6 months does not exceed the equivalent of 60% of the average gross earnings per economy according to the last macroeconomic forecasts for next year
- **Vulnerable customer** - the consumer who is not financially vulnerable.

LeZero Package brings together several products and services - current accounts, debit card and OTPdirekt, including SMS Alerts - for the use of which a number of benefits are offered, such as: ZERO cash withdrawal fee in RON no matter how many withdrawals from any ATM in Romania, ZERO payment processing commission in RON on the Romanian territory, if it is ordered through the OTPdirekt service. The package includes many other ZERO commissions and discounts on using the same product or service, but purchased separately. If the customer inflows RON 1,200 or more in one of the accounts held with OTP Bank and makes at least one payment by card or debit card to POS or OTPdirekt service, the package fee in that month becomes ZERO.

Modular Structures represent a flexible package consisting of a database of banking products and services (a fixed number of predefined products, eg debit card, OTPdirekt, current account) and at least one option (generally represented by benefits for certain products) chosen by the customer. Customers can activate any option specific to the segment they belong to and can keep it active for as long as they want. This way, customers pay exactly what they use, instead of buying more products that they only partially use.

The OTP Express Service allows individuals and legal entities to make transfers (EUR, USD and HUF) from accounts opened with OTP BANK ROMANIA to accounts with OTP Bank Plc. or OTP group banks, in a very short period of time and with advantageous costs. There is no minimum transfer fee through OTP Express. The time limit for making payments through the OTP Express service is: 16:00 for regular payments (beneficiary's account is credited the next day) and 11:00 for urgent payments (beneficiary's account is credited on the same day).

LIFE INSURANCE

Advanced Life Insurance in case of Serious Health Disorders (ADVANCE). This product:

- has coverage specially designed for OTP Bank customers and their families, offering the peace of mind that in unforeseen situations they benefit from financial protection
- It is differentiated from the products on the market by the fact that, in addition to the classic death cover for any cause (illness or accident), it also includes the coverage of serious illnesses which consists in the Insurer bearing, within the insured amount, medical care in case of diagnosis with a serious condition
- It is simple to understand and purchase, benefiting from the fixed monthly premium and the payment of insurance premiums exclusively by direct debit.

Commercial Banking Directorate

Starting with June 2021, the Commercial business line changed the segmentation approach of the clients administered, by targeting and managing mainly legal entities clients with an annual business turnover between EUR 1,5 million and EUR 10 million, in order to better understand and focus on meeting the expectations and business needs on the increasingly more sophisticated small and medium enterprises.

In 2021, **the Commercial business line recorded an increase with 43% of the total loans volume and with 17% of number of active clients,** maintaining at the same time the complex approach of the cross-sell/ up-sell methods.

The year 2021 brought unexpected challenges and extraordinary circumstances for the business environment and the entire society, as we faced global pandemics caused by the COVID-19 virus. Therefore, the daily activities and ways of conducting the daily business activities suffered a major impact with many industries severely affected by the consequences of the pandemics.

The Business Division offers comprehensive financial solutions for private individuals, self-employed entrepreneurs, small and medium enterprises (SMEs) and large corporate. Our priority is to offer the most efficient financial solutions available, according to the real needs. Our aim is to convert simple relationships into strong, fruitful partnerships, based on trust. With an approach defined by responsibility, sustainable performance and commitment to a better understanding of our customers' needs, OTP BANK ROMANIA is a reliable partner in providing best quality financial services for its customers:

- **We continued to be a solid partner of the IMM Invest/AGRO IMM Invest Program,** launched by the Romanian Government on the 17th of April 2020, taking into account the success of the program. We were one of the first banks that granted loans within the IMM Invest Program, since we understood the emergency and the necessity of standing by the Romanian entrepreneurs in this ambitious Program. Since its inception, we have intensely promoted the IMM Invest program among our clients because we understood the benefits it brings to the business environment and, most importantly, we have reconfigured our internal structure and increased our team so that we are able to support the SME's segment as efficiently as possible through specific solutions. The IMM Invest/AGRO IMM Invest Program is a viable solution for companies that are facing a temporary lack of liquidity or that need to adapt their business plans to the particular evolution of the business environment. Approximately 30% of new loans sales in 2021 are granted within the Invest/AGRO IMM INVEST program.
- In June 2021, **OTP BANK ROMANIA became a partner Bank by concluding the Convention with the Ministry of Economy, Entrepreneurship and Tourism, for the support measures instituted by the Government Emergency Ordinance no. 224/2020 regarding the grants for the HoReCa companies, respectively in the fields of tourism, public food service and event organization, whose activity was affected in the context of the COVID-19 pandemic, within the context of the crisis caused by COVID-19.** Therefore, we have opened dedicated accounts (with zero commissions for receipts / payments in RON for inter / intrabank transactions, except for commissions with third parties (ex: Transfond; NBR), for the amounts in the grant accounts) and distributed the funds for the eligible companies and private entrepreneurs according to the conditions of the program.
- **Considering the success of last year's Black Friday campaign and in order to promote the transactions through the digital services and the brand awareness, we developed a very successful "Zero Friday" campaign in November 2021.** All the clients that registered exclusively in the dedicated online landing page and met the criteria of the campaign could benefit of: the free of charge current accounts at the Bank, Internet Banking for one user and Visa Business debit card, unlimited number of inter-banking payments in RON by Internet Banking and optionally, one 1 POS / E-Commerce / Soft POS terminal, for which a commission of only 0.70% commission is applied to the processing of transactions through POS / E-Commerce / Soft POS regardless of turnover.
- In order to sustain the business environment and mainly the businesses affected by the pandemics, **we have implemented the solutions as per the Government Emergency Order no. 37/2020, with all the subsequent amendments.** Customers with ongoing loans, whose income was directly or indirectly affected by the situation generated by the COVID-19 pandemic, had the possibility to request rates deferral for a period between 1 and 9 months, in accordance with Government Emergency Ordinance no. 227/2020 for the amendment and completion of GEO 37/2020 on the granting of facilities for loans granted by non-banking financial institutions to certain categories of debtors. The measure was also addressed to customers who did not request this deferral until June 15, 2020, according to the law, for loans granted until March 30, 2020.
- At the same time, in 2021, besides the specific projects of the SME and Micro client category and measures taken to support the businesses through the difficult economic and social period, **we continued to place the agriculture at the center of the OTP BANK ROMANIA preoccupations. The loan for double pre-financing of the APIA SAPS subsidies is still unique on the banking market and represented a real support for the Agri businesses, by its specific characteristics of pre-financing subsidies for two years.** The volume of loans granted for prefinancing SAPS subsidies has increased with 30% in 2021 compared to 2020.
- **In addition, OTP Bank has concluded a Collaboration Agreement with the Agency for Financing Rural Investments, in order to support the acceleration for accessing European funds allocated through the European Fund for Agriculture and Rural Development (FEADR) in the Transition period 2021-2022.** Based on this partnership, we identify solutions for accessing European funds, by identifying the co-financing needs and also a better implementation of the investment projects of the beneficiaries. The advantages of the partnership concluded with AFIR are:

- offering financing solutions: Co-financing of the eligible project's eligible expenses, through an investment loan; Financing of the non-eligible expenses of the eligible project (other than VAT), through an investment loan; Pre-financing of the non-reimbursable funds related to the eligible project through a bridge loan until the beneficiary cashes-in the grant;
- free verification of the eligibility of the applicants and the viability of the proposed investment project. The OTP Consulting representatives will analyse, free of charge, the eligibility of the beneficiaries and the business idea, by offering proper counselling in order to increase the chances of obtaining a non-reimbursable financing;
- offering a discount for the OBR clients regarding the consulting services for the elaboration and the submission of the financing request and professional assistance until the end of the project monitoring.

- We continued to align the products and services of OTP BANK ROMANIA S.A. dedicated to SME clients and private entrepreneurs to the general **digitalization trends** in order to provide the fastest and most appropriate financing and operational solutions through a various range of alternative channels. In this respect, we have implemented **the digital solutions portfolio offered to local customers by launching the OTP POSibil service, an innovative solution that allows Bank cards to be accepted for payment and mobile phones to be used instead of a POS.** Through OTP POSibil, OTP Bank supports local businesses, offering a tool that allows on-the-spot payment acceptance operations, without the need for a classic POS terminal and without additional maintenance costs or consumables. The application is compatible with mobile terminals with Android operating system, mobile phone or tablet, and is optimal for use in courier and delivery activities, taxi transport services and entrepreneurial activities, where business mobility is a key factor. OTP POSibil is implemented in partnership with Mastercard and Visa and incorporates the technology generically called "SoftPOS", which offers mobility, speed and flexibility in the payment acceptance of contactless Bank cards and alternative payment devices, equipped with NFC technology, all while facilitating collection operations.
- In the same direction of increasing digitalization, in November 2021 **we launched** (silent launch phase for the moment) **a digital platform for 100% online Micro & SME onboarding** - covering 10 packages & Black Friday offer. Thus, in a fully online process, companies registered in the RomanianTrade Registry & having a unique shareholder, can perform KYC to become OBR clients and open current accounts (in RON, EUR & HUF), business card, Internet Banking & POS (physical or softPOS or e-commerce).

The clients, registered in the Commercial Banking category continue to represent **a strategic segment** for OTP BANK ROMANIA S.A., and our efforts were focused on supporting this segment through **continuous development and improvement of the products and services** offered, highly professional service, being consistent in the support endeavour of the business environment and entrepreneurship.

PRIVATE BANKING

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

The international recognition highlights our performance: OTP Private Banking was designated again the best private Bank in Hungary, in the Global Private Banking Awards, event organized in 2021 by the prestigious publications The Banker and Professional Wealth Management, members of the Financial Times Group.

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

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

In 2021, Private Banking service was addressed to customers who invest more than EUR 50,000 in products offered by OTP BANK ROMANIA or cash-in a minimum monthly income of EUR 2,000 in a current account opened at OTP BANK ROMANIA.
An important aspect for the clients included in the Private Banking category is represented by the personalized relationship between them and the dedicated counsellor. In addition, clients are members of a group that benefits from products and services offered in accordance to their profiles, objectives, needs and risk tolerance. All these advantages provide them a special statute. The package includes a dedicated offer, flexible savings and investment solutions, premium debit and credit cards (Mastercard Gold and Platinum, or Visa Gold), loan products and non-financial facilities.

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

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

In the last year, the number of Private Banking clients increased with 24%, while the total assets under management registered an increase of approximately 33%. Consequently, there are good premises for further development and sustainable growth in the Private Banking segment.

Corporate Banking

Corporate enterprises have at their reach divers customised products and services to address their complex needs and benefit from OTP Bank's expertise of dedicated Relationship Managers and product experts.

Thus, from cash management to corporate finance, from forex to acquisition financing, OTP Bank provides corporate clients end-to-end services and constant innovation for all their banking needs.

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

Highlights of the year:

- **Industry-specialized teams for Large Corporate customers**

For Large Corporate sales, the Bank created dedicated teams for Specialised Lending and Corporate Finance, each of them having units specialized by industries, in order to enhance the sectorial knowledge, better servicing the customers and maximizing value.

Therefore, our presence in the syndicated loans market increased significantly through active participation in financing large corporate clients:

- 70% increase in volumes compared to previous year;
- Approval of the first transaction in which OTP BANK ROMANIA was the main arranger and coordinator.

- **Products**
  - Loans for Legal Entities

We are permanently preoccupied to sustain the large and medium companies. In these respect we are acting in developing the existing relationships with the guarantee and state institutions in order to facilitate the access of the clients to financing.

We have been an active partner in supporting the economic activity of our Corporate clients by granting financing through governmental programs such as IMM INVEST and EXIMBANK.

Corporate lending considers as appealing sectors like agriculture, manufacturing, trading, residential projects, syndicated deals and club loans for the purpose of profitability and market visibility, emphasizing the role of importer-exporter companies.

As a reliable partner, OTP BANK Romania is constantly concerned with supporting the activity of its customers by developing new products and services or customised financing solutions that fully meet their current needs and those of business grow. In this respect OTP BANK ROMANIA launched in 2021, a new product **"Cash loan for stock financing of agricultural equipment and vehicle"**, in order to support the dealers and distributors to increase the sales of financing agricultural equipment, involving also leasing companies.

OTP BANK ROMANIA provides the most complex crediting product on the local market. This product is addressed mainly to medium and large companies. The purpose of this umbrella product is to satisfy the entire range of financing needs of our groups of customers, by granting within it multiple credit facilities, in multiple currencies, both cash and non-cash, to sustain the current and investment activities.

- **Cash management – liquidities management solution**

OTP BANK ROMANIA offers a complete and complex range of cash management products, both for legal entities with local presence (collection management, Direct Debit, cash pick-up, Cash Sweeping - Standing Order etc.) as well as for customers with international presence (ex: MT101, MT940, MT942 and MT920). Some of them (ex: MT920) are offered exclusively by OTP BANK ROMANIA.

In 2021 we launched **the most complex cash management solution of intra-Bank Cash Pooling,** a product that consists in the joint administration of the liquidities from the Bank accounts opened at OTP Bank in different currencies, for companies from the same group of companies or holding. The product meets the highest standards required by customers for easier liquidity management and incorporates a series of automated processes for their benefit.

In addition, all the specific cash management services offer a high degree of customization depending on the need of each customer. Thus, OTP BANK ROMANIA supports the local and international business through tailor made solutions for each customer.

THE TREASURY

2021, the second year of corona pandemics, did not lack periods of high volatility on the local financial markets. In general, whenever there was a risk off period on the emerging markets, we have also witnessed pressures on EUR-RON rate and on interest rates. However, fluctuations on local markets were lower in magnitude when compared to those in other countries of the region (for example Hungary or Poland).

EUR-RON rate started last year around 4,8700 level and has seen a prominent rise at the end of March, when it breached 4,9200. Another rise took place in the second half of August – beginning September, when it approached 4.9500 ceiling – where it stabilized by the end of the year.
During the whole 2021 RON depreciated approximately 1.65% versus EUR.

In 2021, RON interest rates fluctuations were lower than in 2020 (the yields for the 3Month maturity were between 1.50% p.a. and 3.75% p.a.). BNR kept the monetary policy rate at a record low of 1.25% for most part of the year, until October when they started a new tightening cycle given the inflation well above the higher variation limit set a 1.50% - 3.50%. The Romanian government bond market has also seen lower fluctuations when compared to previous year.

Romanian GDP has re-entered positive territory in 2021 after the negative 3.65% in 2020. Hence, in 2021 the GDP grew with 5.90%

reaching around RON 1180 Bln (approximately EUR 239 Bln considering the end-of-year exchange rate). Current account deficit grew at a very high level of EUR 17 Bln, main cause being the much higher imports compared to exports.

Romanian public debt rose at the end of 2021 to around RON 577 Bln (or EUR 117 Bln) reaching 49% of GDP (compared to a weight of 47% of GDP in 2020).

As regards inflation, after 3.80% in 2019 and 2.60% in 2020, in 2021 energy prices (gas, electricity and thermal) and food prices took the full year inflation reading to a whopping 8.20%.

Government focus was on keeping the pandemic waves under control and implementing supportive measures for the economy, workforce and relief measures from the effects of rises in energy prices.

Although it was still a pandemic year, OTP BANK ROMANIA' s Treasury still managed to ensure a proper functioning and to exceed the set revenue goals (126.88% versus target). This was mainly the result of a great performance in Treasury Sales activity which, similarly to previous years, represented the growth engine of Treasury's revenues.

Main contributing factors leading to this performance were: a pro-active sale approach, more active sales of the regional treasury team and better cooperation with the Bank's lines of business.

In 2021 too, we successfully answered requests from customers willing to hedge their FX exposures from business activity or interest rate exposures related to their loans, by offering them the hedging products they requested.

Regarding Trading activity, we continued to deliver good results and succeeded in approaching the set targets (in Money Markets and Fixed Income) or even exceeded the targets (in FX Trading). Our goal has been to develop the activity with as many banking counterparts as possible and to become a known player on the local market gaining a larger share of total transactions on the Romanian interbank market.
These beyond expectations results of 2021 have only been possible thanks to the hard work and dedication of each member of our united Treasury team proving high levels of professionalism.

OTP Leasing

For 15 years, OTP Leasing Romania (OLR) offers financial leasing solutions intended for cars, commercial vehicles and equipment for local business.

In a macroeconomic context subject to uncertainties, the company experienced in 2021 an accelerated pace of financing and a solid financial performance, being recorded both in terms of customer portfolio and in terms of newly financed volumes. The main sectors of activity financed during the year were agriculture, trade, construction and road transport.

With a business strategy built around the pillars of digital transformation (self-service, paperless, agility), the company continued to invest in upgrading platforms and new IT applications, both for customers and for the team. In this way, a number of initiatives have been developed on process optimization. All these investments are intended to transform the services dedicated to customers and make the applications available 24/7.

Two of the most important technology projects built this year by the OLR team are Webleasing and the online enrollment platform & electronic signature. Webleasing is a new platform for internal teams (Sales, Sales Support, Approval and Compliance) and company partners, which provide better time to yes and user experience by streamlining the offers, checks and approvals. In addition, has integrations with external platforms that provide instant for verification and approval of financial leasing for legal entities. The online enrollment platform allows sales teams and customers to quickly verify and sign documents for the bidding flow and sign contracts. On this signing stream, customers and partners receive free digital certificates for leasing documents to be signed electronically.

Also this year, OTP Leasing invested in the area of strategic partnerships, launching a series of campaigns such as Green Leasing, with a product dedicated to financing electric and hybrid cars or the Black Friday offer. Looking at market opportunities, the company has developed new partnerships in both the car and equipment areas. The most important campaigns launched were those carried out alongside Webcar, one of the largest car advertising sites in Romania, and Utilben. Together with Webcar, OTP Leasing Romania launched the "Leasing de nota 10" offer for the purchase of cars in advantageous conditions. Through the Utilben campaign, customers were able to purchase agricultural machinery and construction equipment through financial leasing.

OTP Leasing Romania finances all business sectors, with a highlight in industries such as transport, telecommunications, services, agricultural production, medical, and IT. In terms of the area of financing, the companies with which OTP Leasing works come from all areas of the country, Bucharest, Iasi, Cluj, Brasov, Timisoara being the predominant regions.

OTP Consulting

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

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

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

The quality of its consultants is the cornerstone of the company`s ability to serve its clients, leading the company also in 2021 to many successful projects.

Also, in partnership with NGOs (LAM Foundation and AGROSIC), OTP Consulting

Romania developed a truly innovative concept for small manufacturers to develop their food industry marketing, brand share, to sell products online and through a special weekly market.

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

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

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

In 2021, OTP Consulting successfully implemented three European-funded projects in partnership with the Romanian Chamber of Commerce, with a total value of over 10 million euros, under the Human Capital Operational Program (POCU).
„FIA" Project „Become Entrepreneur at Home! Invest in your future!" - In partnership with the Chamber of Commerce of Romania and the League of Romanian Students Abroad (LSRS), with a total budget of EUR 1,7 million, aims to: inform more than 10,000 Romanians in the Diaspora about opportunities in the field of entrepreneurship, to develop an entrepreneurial training program for at least 220 Romanian trainees in the diaspora; to select for funding of max. EUR 40,000 and monitor several 22 best business plans. The aim of the project is to facilitate/support the return of Romanian people from the diaspora at home.

The Sustainable Entrepreneurship Project in the Center Region, launched in partnership with the Chamber of Commerce of Romania, aimed to support entrepreneurial initiatives to develop the economic environment and increase employment in the Center region of Romania.

SMART StartUP project. Innovative and Sustainable Entrepreneurship in the South Muntenia Region is launched in partnership with the Chamber of Commerce of Romania and aims to support entrepreneurial initiatives to develop the economic environment and increase employment in the South Muntenia region.

New projects

- **"AID4NEETs" - The interventions within the project include, but are not limited to, the registration of over 1,000 young people in the NEETs category to become beneficiaries of training, mediation, entrepreneurship, support for entrepreneurial initiatives by selecting the best 30 business plans.**

- **"Innovative Entrepreneurship for Students AIS" The project lasts 30 months and aims to encourage entrepreneurship among students and generate 20 businesses in the 7 least developed regions of Romania and has a total budget of EUR 2 million.**

- **"SIA - Innovative students, future entrepreneurs" The project lasts 30 months and aims to encourage entrepreneurship among students and generate 20 businesses in the 7 least developed regions of Romania and has a total budget of EUR 2 million.**

In 2021 the company signed new consulting contracts for project elaboration and management under various financing programs:

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

Achievements 2021

- Customer orientation. The OTP Consulting Romania team adopts a positive attitude in terms of customer service and keeps customers interested and involved, listening to them, identifying their needs, and innovating to offer the best solutions.
- Unity and ambition to succeed. The OTP Consulting Romania team has made continuous efforts to attract new clients, obtain new contracts and to submit 9 POCU projects in areas such as: student entrepreneurship, qualification and employment of young NEETs, social economy support and digital staff training.
- Strategic partnerships
- Human capital development
- Increasing productivity and efficiency within the company

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

otp Advisors

OTP Advisors S.R.L.

OTP Advisors S.R.L. started its activity in July 2007, under the name of OTP Broker Pensii Private S.R.L. At that moment, OTP Broker Pensii Private S.R.L. was managing the contracts to the private pension fund that OTP Bank Romania used to own. Starting July 2008, the activity was extended to promoting and distributing banking products and services offered by OTP Bank Romania. The name of the company was changed to OTP Broker de Intermedieri Financiare S.R.L.

In 2012, the company went through a rebranding process and become OTP Advisors S.R.L., a team of financial advisors focused on providing first class tailor made financial

services for Romania private individuals. The sole shareholders of OTP Advisors S.R.L. is OTP Bank Romania (100%), member of OTP Group.

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

In 2021, OTP Advisors S.R.L. has continued its development strategy and diversifying of all kinds of selling products of OTP Bank Romania (mortgage loans and personal loans with mortgage, credit packages and IMM).

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

By December 31, 2021, OTP Advisors S.R.L. sales force generated sales volume of the total sales of OTP Bank Romania on average, as follows: 25,9% of personal unsecured loans, 20,4% of mortgages and personal loans with mortgage.

OTP Asset Management Romania SAI S.A.

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

The company's mission is to create long-term value and to continuously implement new investment opportunities for its customers. The company is dedicated to providing a high level of performance and excellent services compared to the competition. Ranked the 6th player on the local market, the company has assets under management of RON 792 million, 34% higher than in 2020. In 2021, the number of investors grew by 42%, reaching 14.374 individual and institutional clients. Through the products offered, clients can diversify their investment portfolio in a broad range of asset classes, such as: equities, bonds, T-bills, deposits, capturing the opportunities from the financial markets. As part of the strategy to increase financial education among customers, the company continued to promote and implement automatic savings programs, which recorded an increase in the volume of 190% compared with the previous year.

OTP Asset Management Romania manages ten open ended funds as follows:

- OTP AvantisRO Class L and Class E (equity fund, RON, EUR);
- OTP Expert (equity fund, RON);
- OTP Real Estate & Construction Class L and Class E (diversified fund, RON, EUR);
- OTP Global Mix Class L and Class E (multi-asset fund, RON, EUR);
- OTP Premium Return Class L and Class E (Absolute-Return fund, RON, EUR);
- OTP Dinamic Class L and Class E (Absolute-Return fund, RON, EUR);
- OTP Dollar Bond (bond fund, USD);
- OTP Euro Bond (bond fund, EUR);
- OTP Obligaţiuni Class R and Class I (bond fund, RON);
- OTP ComodisRO (short bond fund, RON).

In 2021 OTP Expert ranked no.1 within top 5 best performing funds in the Romanian fund industry, according to official statistics of the Fund Manager's Association, with a Total Return of 40%* (including dividends). Equity, multi-assets or balanced funds (with an equity component) recorded the highest returns in 2021, as follows: OTP AvantisRO Class L, 31.38%, OTP Real Estate & Construction Class L, 16.67%* (*including dividends), OTP Global Mix Class L, 14.58% and OTP Premium Return Class L, 11.96%.

In order to recognize the outstanding results of the team's performance, OTP Expert received the award for "The best local investment fund", in 2021, award granted by the Bucharest Stock Exchange, during BVB Awards Gala, the capital market performers' gala in 2021.

During the past 8 years, the company has been actively involved in projects dedicated to increasing the level of financial education of the population together with partners such as Bucharest Stock Exchange, OTP Bank Romania Foundation or the Financial Supervisory Authority. OTP Asset Management Romania was awarded a special prize for financial education, granted by the Financial Supervision Authority for the involvement in most financial education initiatives and partnerships (within the 3rd Gala of the EduFin Awards 2019).

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

OTP Factoring

OTP Factoring S.R.L.

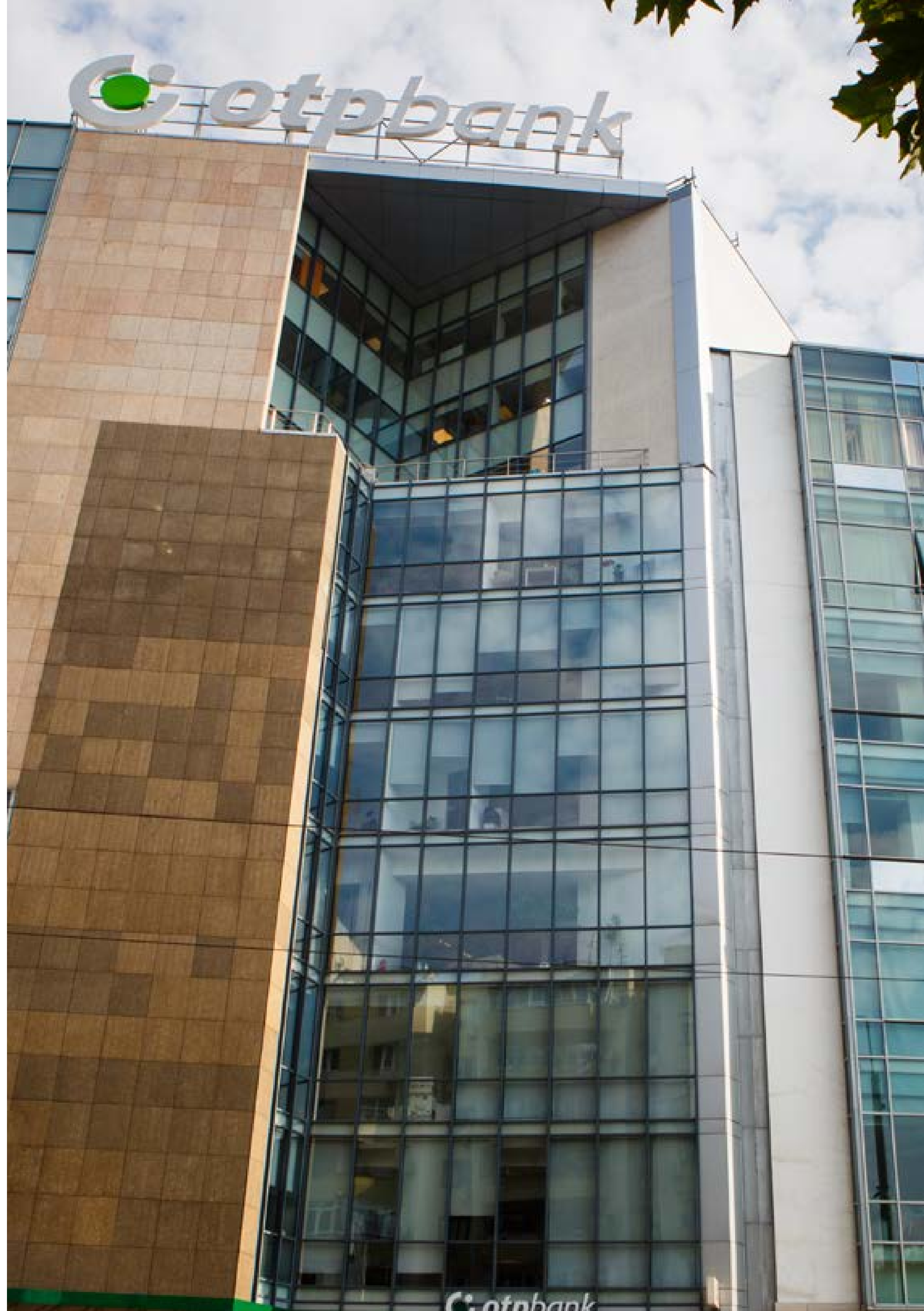
OTP Factoring was founded in 2009, as a member of OTP Bank Group, and has as its main activity the debt management of the receivables portfolios acquired from different Banking and Non-Banking Financial Institutions.

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

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

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

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



IFRS Report of the main foreign subsidiaries of OTP Group

According to the English summary of the 2020 Business Report of the Management Board.

MAIN FINANCIAL INDICATORS OF OTP BANK ROMANIA SA

Main components of P&L account in HUF million	2020	2021	Y-o-Y
After tax profit without the effect of adjustments	1,558	4,253	173%
Income tax	91	-1,444	
Profit before income tax	1,467	5,697	288%
Operating profit	11,811	8,937	-24%
Total income	43,748	46,699	7%
Net interest income	32,739	36,270	11%
Net fees and commissions	3,813	4,143	9%
Other net non-interest income	7,195	6,285	-13%
Operating expenses	-31,937	-37,762	18%
Total provisions	-10,344	-3,240	-69%
Provision for impairment on loan and placement losses	-7,840	-6,821	-13%
Other provision	-2,504	3,581	-243%
Main components of balance sheet closing balances in HUF million	**2020**	**2021**	**Y-o-Y**
Total assets	1,162,183	1,438,484	24%
Gross customer loans	861,393	1,035,400	20%
Gross customer loans (FX-adjusted)	863,037	1,035,400	20%
Retail loans	587,970	529,475	-10%
Corporate loans	236,277	457,228	94%
Leasing loans	38,790	48,697	26%
Stage 1+2 customer loans (FX-adjusted)	806,492	976,556	21%
Retail loans	552,550	500,791	-9%
Corporate loans	216,060	429,245	99%
Leasing	37,881	46,520	23%
Allowances for possible loan losses	-48,174	-54,780	14%
Allowances for possible loan losses (FX-adjusted)	-48,519	-54,780	13%
Deposits from customers	710,047	830,717	17%
Deposits from customers (FX-adjusted)	712,274	830,717	17%
Retail deposits	508,556	436,727	-14%
Corporate deposits	203,718	393,990	93%
Liabilities to credit institutions	284,173	402,553	42%
Issued securities	0	0	-100%
Subordinated debt	0	0	-100%
Total shareholders' equity	127,238	164,914	30%
Loan Quality	**2020**	**2021**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	690,664	826,518	20%
Stage 1 loans under IFRS 9/gross customer loans	80.2%	79.8%	-0.4%p
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.0%	0.0%p
Stage 2 loan volume under IFRS 9 (in HUF million)	114,615	150,038	31%
Stage 2 loans under IFRS 9/gross customer loans	13.3%	14.5%	1.2%p
Own coverage of Stage 2 loans under IFRS 9	9.0%	8.4%	-0.6%p
Stage 3 loan volume under IFRS 9 (in HUF million)	56,113	58,844	5%
Stage 3 loans under IFRS 9/gross customer loans	6.5%	5.7%	-0.8%p
Own coverage of Stage 3 loans under IFRS 9	54.6%	57.5%	2.9%p
Provision for impairment on loan and placement losses/average gross loans	0.99%	0.74%	-0.25%
90+ days past due loan volume (in HUF million)	38,713	35,921	-7%
90+ days past due loans/gross customer loans	4.5%	3.5%	-1.0%p
Performance Indicators	**2020**	**2021**	**Y-o-Y**
ROA	0.1%	0.3%	0.2%p
ROE	1.3%	3.0%	1.8%p
Operating margin (operating profit / avg. total assets)	0.0%	0.0%	0.0%p
Total income margin	4.18%	3.75%	-0.43%p
Net interest margin	3.13%	2.92%	-0.21%p
Net fee and commission margin	0.36%	0.33%	-0.03%p
Net other income margin		0.00%	0.00%p
Operating costs / Average assets	3.05%	3.04%	-0.02%p
Cost/income ratio	73.0%	80.9%	7.9%p
Effective tax rate	-6.2%	25.3%	31.6%p
Gross loans to deposits	121%	125%	3.3%p
Gross loans to deposits (FX-adjusted)	121%	125%	3.5%p
Net loans to deposits	115%	118%	4%p
Net loans to deposits (FX-adjusted)	114%	118%	4%p
FX rates (in HUF)	**2020**	**2021**	**Y-o-Y**
HUF/RON (closing)	75.0	74.6	-1%
HUF/RON (average)	72.6	72.8	0%

MAIN FINANCIAL INDICATORS OF DSK GROUP (BULGARIA)

Main components of P&L account in HUF million	2020	2021	Y-o-Y
After tax profit without the effect of adjustments	40,957	76,790	87%
Income tax	-3,707	-8,454	128%
Profit before income tax	44,665	85,244	91%
Operating profit	89,775	106,241	18%
Total income	166,668	178,470	7%
Net interest income	111,239	112,869	1%
Net fees and commissions	45,453	54,508	20%
Other net non-interest income	9,975	11,093	11%
Operating expenses	-76,893	-72,230	-6%
Total provisions	-45,110	-20,997	-53%
Provision for impairment on loan and placement losses	-44,875	-18,938	-58%
Other provision	-235	-2,059	777%
Main components of balance sheet closing balances in HUF million	**2020**	**2021**	**Y-o-Y**
Total assets	4,283,625	4,627,132	8%
Gross customer loans	2,634,870	2,922,886	11%
Gross customer loans (FX-adjusted)	2,663,462	2,922,886	10%
Retail loans	1,528,960	1,763,930	15%
Corporate loans	948,711	947,548	0%
Leasing loans	185,792	211,408	14%
Stage 1+2 customer loans (FX-adjusted)	2,466,457	2,741,964	11%
Retail loans	1,375,184	1,609,216	17%
Corporate loans	913,099	927,478	2%
Leasing	178,174	205,270	15%
Allowances for possible loan losses	-185,829	-193,180	4%
Allowances for possible loan losses (FX-adjusted)	-187,812	-193,180	3%
Deposits from customers	3,587,364	3,785,300	6%
Deposits from customers (FX-adjusted)	3,642,801	3,785,300	4%
Retail deposits	3,056,883	3,342,569	9%
Corporate deposits	585,918	442,730	-24%
Liabilities to credit institutions	17,010	86,606	409%
Issued securities	0	0	-100%
Subordinated debt	0	0	-100%
Total shareholders' equity	620,379	699,375	13%
Loan Quality	**2020**	**2021**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	2,142,644	2,454,806	15%
Stage 1 loans under IFRS 9/gross customer loans	81.3%	84.0%	2.7%p
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.0%	0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	297,292	287,157	-3%
Stage 2 loans under IFRS 9/gross customer loans	11.3%	9.8%	-1.5%p
Own coverage of Stage 2 loans under IFRS 9	12.6%	15.5%	2.9%p
Stage 3 loan volume under IFRS 9 (in HUF million)	194,934	180,922	-7%
Stage 3 loans under IFRS 9/gross customer loans	7.4%	6.2%	-1.2%p
Own coverage of Stage 3 loans under IFRS 9	65.6%	68.2%	2.5%p
Provision for impairment on loan and placement losses/average gross loans	1.79%	0.70%	-1.09%p
90+ days past due loan volume (in HUF million)	126,242	114,362	-9%
90+ days past due loans/gross customer loans	4.8%	3.9%	-0.9%p
Performance Indicators	**2020**	**2021**	**Y-o-Y**
ROA	1.0%	1.8%	0.7%p
ROE	7.0%	11.8%	4.8%p
Operating margin (operating profit / avg. total assets)	0.0%	0.0%	0.0%p
Total income margin	4.13%	4.07%	-0.05%p
Net interest margin	2.75%	2.58%	-0.18%p
Net fee and commission margin	1.13%	1.24%	0.12%p
Net other income margin	0.00%	0.00%	0.00%p
Operating costs / Average assets	1.90%	1.65%	-0.25%p
Cost/income ratio	46.1%	40.5%	-5.7%p
Effective tax rate	8.3%	9.9%	1.6%p
Gross loans to deposits	73%	77%	3.8%p
Gross loans to deposits (FX-adjusted)	73%	77%	4.1%p
Gross loans to deposits	68%	72%	4%p
Net loans to deposits (FX-adjusted)	68%	72%	4%p
FX rates (in HUF)	**2020**	**2021**	**Y-o-Y**
HUF/BGN (closing)	186.7	188.7	1%
HUF/BGN (average)	177.9	182.3	2%

MAIN FINANCIAL INDICATORS OF OTP BANKA HRVATSKA (CROATIA)

Main components of P&L account in HUF million	2020	2021	Y-o-Y
After tax profit without the effect of adjustments	14,830	33,448	126%
Income tax	-2,771	-7,618	175%
Profit before income tax	17,600	41,065	133%
Operating profit	40,329	43,422	8%
Total income	84,907	88,736	5%
Net interest income	58,199	60,933	5%
Net fees and commissions	16,093	18,183	13%
Other net non-interest income	10,615	9,619	-9%
Operating expenses	-44,578	-45,313	2%
Total provisions	-22,728	-2,357	-90%
Provision for impairment on loan and placement losses	-19,491	1,767	-109%
Other provision	-3,238	-4,124	27%
Main components of balance sheet closing balances in HUF million	**2020**	**2021**	**Y-o-Y**
Total assets	2,325,669	2,576,445	11%
Gross customer loans	1,642,170	1,811,376	10%
Gross customer loans (FX-adjusted)	1,664,491	1,811,376	9%
Retail loans	860,288	965,485	12%
Corporate loans	688,957	720,756	5%
Leasing loans	115,246	125,135	9%
Stage 1+2 customer loans (FX-adjusted)	1,519,909	1,667,213	10%
Retail loans	770,976	875,737	14%
Corporate loans	640,362	676,124	6%
Leasing	108,572	115,351	6%
Allowances for possible loan losses	-100,920	-109,575	9%
Allowances for possible loan losses (FX-adjusted)	-102,293	-109,575	7%
Deposits from customers	1,634,652	1,899,671	16%
Deposits from customers (FX-adjusted)	1,664,844	1,899,671	14%
Retail deposits	1,255,438	1,416,254	13%
Corporate deposits	409,406	483,417	18%
Liabilities to credit institutions	287,647	228,733	-20%
Issued securities	0	0	-100%
Subordinated debt	0	0	-100%
Total shareholders' equity	328,165	351,023	7%
Loan Quality	**2020**	**2021**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,257,492	1,448,458	15%
Stage 1 loans under IFRS 9/gross customer loans	76.6%	80.0%	3.4%p
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.6%	-0.2%p
Stage 2 loan volume under IFRS 9 (in HUF million)	241,962	218,754	-10%
Stage 2 loans under IFRS 9/gross customer loans	14.7%	12.1%	-2.7%p
Own coverage of Stage 2 loans under IFRS 9	5.7%	5.9%	0.1%p
Stage 3 loan volume under IFRS 9 (in HUF million)	142,716	144,163	1%
Stage 3 loans under IFRS 9/gross customer loans	8.7%	8.0%	-0.7%p
Own coverage of Stage 3 loans under IFRS 9	53.9%	61.4%	7.5%p
Provision for impairment on loan and placement losses/average gross loans	1.27%	-0.11%	-1.38%p
90+ days past due loan volume (in HUF million)	68,712	73,826	7%
90+ days past due loans/gross customer loans	4.2%	4.1%	-0.1%p
Performance Indicators	**2020**	**2021**	**Y-o-Y**
ROA	0.7%	1.4%	0.7%p
ROE	4.7%	10.0%	5.3%p
Operating margin (operating profit / avg. total assets)	0.0%	0.0%	0.0%p
Total income margin	3.93%	3.73%	-0.20%p
Net interest margin	2.69%	2.56%	-0.13%p
Net fee and commission margin	0.74%	0.76%	0.02%p
Net other income margin	0.00%	0.00%	0.00%p
Operating costs / Average assets	2.06%	1.90%	-0.16%p
Cost/income ratio	52.5%	51.1%	-1.4%p
Effective tax rate	15.7%	18.6%	2.8%p
Gross loans to deposits	100%	95%	-5.1%p
Gross loans to deposits (FX-adjusted)	100%	95%	-4.6%p
Gross loans to deposits	94%	90%	-5%p
Net loans to deposits (FX-adjusted)	94%	90%	-4%p
FX rates (in HUF)	**2020**	**2021**	**Y-o-Y**
HUF/HRK (closing)	48.4	49.1	2%
HUF/HRK (average)	46.6	47.6	2%

MAIN FINANCIAL INDICATORS OF OTP BANK SERBIA

Main components of P&L account in HUF million	2020	2021	Y-o-Y
After tax profit without the effect of adjustments	7,298	32,104	340%
Income tax	-1,157	-3,610	212%
Profit before income tax	8,455	35,714	322%
Operating profit	35,898	40,754	14%
Total income	79,001	83,494	6%
Net interest income	59,514	62,497	5%
Net fees and commissions	14,766	14,410	-2%
Other net non-interest income	4,721	6,586	40%
Operating expenses	-43,102	-42,740	-1%
Total provisions	-27,443	-5,040	-82%
Provision for impairment on loan and placement losses	-22,170	-387	-98%
Other provision	-5,273	-4,653	-12%
Main components of balance sheet closing balances in HUF million	**2020**	**2021**	**Y-o-Y**
Total assets	2,052,332	2,224,715	8%
Gross customer loans	1,539,738	1,715,347	11%
Gross customer loans (FX-adjusted)	1,555,706	1,715,347	10%
Retail loans	740,830	819,748	11%
Corporate loans	724,370	805,853	11%
Leasing loans	90,506	89,747	-1%
Stage 1+2 customer loans (FX-adjusted)	1,515,269	1,665,924	10%
Retail loans	716,486	786,945	10%
Corporate loans	711,244	794,091	12%
Leasing	87,538	84,889	-3%
Allowances for possible loan losses	-43,597	-44,587	2%
Allowances for possible loan losses (FX-adjusted)	-44,054	-44,587	1%
Deposits from customers	1,147,712	1,238,864	8%
Deposits from customers (FX-adjusted)	1,162,891	1,238,864	7%
Retail deposits	686,059	750,275	9%
Corporate deposits	476,832	488,589	2%
Liabilities to credit institutions	548,354	584,453	7%
Issued securities	0	0	-100%
Subordinated debt	31,033	44,578	44%
Total shareholders' equity	273,046	306,630	12%
Loan Quality	**2020**	**2021**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,367,313	1,542,170	13%
Stage 1 loans under IFRS 9/gross customer loans	88.8%	89.9%	1.1%p
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.7%	-0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	132,427	123,754	-7%
Stage 2 loans under IFRS 9/gross customer loans	8.6%	7.2%	-1.4%p
Own coverage of Stage 2 loans under IFRS 9	8.5%	6.1%	-2.4%p
Stage 3 loan volume under IFRS 9 (in HUF million)	39,998	49,423	24%
Stage 3 loans under IFRS 9/gross customer loans	2.6%	2.9%	0.3%p
Own coverage of Stage 3 loans under IFRS 9	53.6%	53.6%	0.0%p
Provision for impairment on loan and placement losses/average gross loans	1.62%	0.02%	-1.59%p
90+ days past due loan volume (in HUF million)	22,697	33,405	47%
90+ days past due loans/gross customer loans	1.5%	1.9%	0.5%p
Performance Indicators	**2020**	**2021**	**Y-o-Y**
ROA	0.4%	1.6%	1.2%p
ROE	2.7%	11.4%	8.6%p
Operating margin (operating profit / avg. total assets)	0.0%	0.0%	0.0%p
Total income margin	4.25%	4.07%	-0.17%p
Net interest margin	3.20%	3.05%	-0.15%p
Net fee and commission margin	0.79%	0.70%	-0.09%p
Net other income margin	0.00%	0.00%	0.00%p
Operating costs / Average assets	2.32%	2.09%	-0.23%p
Cost/income ratio	54.6%	51.2%	-3.4%p
Effective tax rate	13.7%	10.1%	-3.6%p
Gross loans to deposits	134%	138%	4.3%p
Gross loans to deposits (FX-adjusted)	134%	138%	4.7%p
Gross loans to deposits	130%	135%	5%p
Net loans to deposits (FX-adjusted)	130%	135%	5%p
FX rates (in HUF)	**2020**	**2021**	**Y-o-Y**
HUF/RSD (closing)	3.1	3.1	1%
HUF/RSD (average)	3.0	3.0	2%

MAIN FINANCIAL INDICATORS OF SKB BANKA (SLOVENIA)

Main components of P&L account in HUF million	2020	2021	Y/Y
After tax profit without the effect of adjustments	9,665	16,822	74%
Income tax	-2,439	-3,838	57%
Profit before income tax	12,104	20,660	71%
Operating profit	19,787	19,595	-1%
Total income	40,388	42,354	5%
Net interest income	28,103	27,673	-2%
Net fees and commissions	11,127	13,258	19%
Other net non-interest income	1,158	1,423	23%
Operating expenses	-20,601	-22,759	10%
Total provisions	-7,683	1,065	-114%
Provision for impairment on loan and placement losses	-6,244	1,819	-129%
Other provision	-1,440	-754	-48%
Main components of balance sheet closing balances in HUF million	**2020**	**2021**	**Y/Y**
Total assets	1,353,772	1,433,206	6%
Gross customer loans	909,439	984,605	8%
Gross customer loans (FX-adjusted)	919,331	984,605	7%
Retail loans	514,445	481,644	-6%
Corporate loans	234,738	331,513	41%
Leasing loans	170,148	171,448	1%
Stage 1+2 customer loans (FX-adjusted)	905,333	971,578	7%
Retail loans	507,762	475,971	-6%
Corporate loans	230,038	328,691	43%
Leasing	167,533	166,915	0%
Allowances for possible loan losses	-14,876	-16,271	9%
Allowances for possible loan losses (FX-adjusted)	-15,040	-16,271	8%
Deposits from customers	1,136,666	1,213,698	7%
Deposits from customers (FX-adjusted)	1,150,365	1,213,698	6%
Retail deposits	985,148	895,652	-9%
Corporate deposits	165,217	318,046	93%
Liabilities to credit institutions	29,524	15,565	-47%
Issued securities	0	0	-100%
Subordinated debt	0	0	-100%
Total shareholders' equity	166,124	179,515	8%
Loan Quality	**2020**	**2021**	**Y/Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	753,584	846,646	12%
Stage 1 loans under IFRS 9/gross customer loans (%)	82.9%	86.0%	3.1%p
Own coverage of Stage 1 loans under IFRS 9 (%)	0.5%	0.3%	-0.2%p
Stage 2 loan volume under IFRS 9 (in HUF million)	142,015	124,932	-12%
Stage 2 loans under IFRS 9/gross customer loans (%)	15.6%	12.7%	-2.9%p
Own coverage of Stage 2 loans under IFRS 9 (%)	4.3%	5.0%	0.7%p
Stage 3 loan volume under IFRS 9 (in HUF million)	13,840	13,027	-6%
Stage 3 loans under IFRS 9/gross customer loans (%)	1.5%	1.3%	-0.2%p
Own coverage of Stage 3 loans under IFRS 9 (%)	36.3%	56.1%	19.8%p
Provision for impairment on loan and placement losses/average gross loans (%)	0.70%	-0.20%	-0.90%p
90+ days past due loan volume (in HUF million)	3,620	4,353	20%
90+ days past due loans/gross customer loans (%)	0.4%	0.4%	0.0%p
Performance Indicators	**2020**	**2021**	**Y/Y**
ROA	0.8%	1.2%	0.5%p
ROE	6.3%	10.0%	3.7%p
Operating margin (operating profit / avg. total assets)	0.0%	0.0%	0.0%p
Total income margin	3.18%	3.13%	-0.05%p
Net interest margin	2.21%	2.04%	-0.17%p
Net fee and commission margin	0.88%	0.98%	0.10%p
Net other income margin	0.00%	0.00%	0.00%p
Operating costs / Average assets	1.62%	1.68%	0.06%p
Cost/income ratio	51.0%	53.7%	2.7%p
Effective tax rate	20.1%	18.6%	-1.6%p
Gross loans to deposits	80%	81%	1.1%p
Gross loans to deposits (FX-adjusted)	80%	81%	1.2%p
Gross loans to deposits	79%	80%	1%p
Net loans to deposits (FX-adjusted)	79%	80%	1%p
FX rates (in HUF)	**2020**	**2021**	**Y/Y**
HUF/EUR (closing)	365.1	369.0	1%
HUF/EUR (average)	351.2	358.5	2%

MAIN FINANCIAL INDICATORS OF OTP BANK UKRAINE

Main components of P&L account in HUF million	2020	2021	Y-o-Y
After tax profit without the effect of adjustments	26,104	39,024	49%
Income tax	-5,485	-8,242	50%
Profit before income tax	31,589	47,266	50%
Operating profit	42,030	54,760	30%
Total income	67,385	83,567	24%
Net interest income	48,581	62,051	28%
Net fees and commissions	13,540	14,494	7%
Other net non-interest income	5,264	7,022	33%
Operating expenses	-25,355	-28,806	14%
Total provisions	-10,441	-7,494	-28%
Provision for impairment on loan and placement losses	-6,286	-5,827	-7%
Other provision	-4,155	-1,667	-60%
Main components of balance sheet closing balances in HUF million	**2020**	**2021**	**Y-o-Y**
Total assets	729,012	983,557	35%
Gross customer loans	443,031	662,173	49%
Gross customer loans (FX-adjusted)	491,631	662,173	35%
Retail loans	124,985	139,347	11%
Corporate loans	239,042	352,058	47%
Leasing loans	127,605	170,768	34%
Stage 1 + 2 customer loans (FX-adjusted)	440,021	620,582	41%
Retail loans	90,510	115,140	27%
Corporate loans	227,872	341,118	50%
Leasing	121,640	164,324	35%
Allowances for possible loan losses	-46,200	-47,830	4%
Allowances for possible loan losses (FX-adjusted)	-51,699	-47,830	-7%
Deposits from customers	493,884	671,002	36%
Deposits from customers (FX-adjusted)	546,495	671,002	23%
Retail deposits	244,679	275,196	12%
Corporate deposits	301,815	395,805	31%
Liabilities to credit institutions	91,059	115,714	27%
Issued securities	0	0	-100%
Subordinated debt	5,684	6,514	15%
Total shareholders' equity	117,071	159,756	36%
Loan Quality	**2020**	**2021**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	365,266	576,876	58%
Stage 1 loans under IFRS 9/gross customer loans	82.4%	87.1%	4.7%p
Own coverage of Stage 1 loans under IFRS 9	1.9%	1.9%	0.0%p
Stage 2 loan volume under IFRS 9 (in HUF million)	31,726	43,707	38%
Stage 2 loans under IFRS 9/gross customer loans	7.2%	6.6%	-0.6%p
Own coverage of Stage 2 loans under IFRS 9	15.9%	18.5%	2.6%p
Stage 3 loan volume under IFRS 9 (in HUF million)	46,039	41,590	-10%
Stage 3 loans under IFRS 9/gross customer loans	10.4%	6.3%	-4.1%p
Own coverage of Stage 3 loans under IFRS 9	74.3%	69.6%	-4.8%p
Provision for impairment on loan and placement losses/average gross loans	1.39%	1.09%	-0.30%p
90+ days past due loan volume (in HUF million)	28,401	21,914	-23%
90+ days past due loans/gross customer loans	6.4%	3.3%	-3.1%p
Performance Indicators	**2020**	**2021**	**Y-o-Y**
ROA	3.8%	4.7%	0.9%p
ROE	23.0%	28.8%	5.8%p
Operating margin (operating profit / avg. total assets)	0.0%	0.0%	0.0%p
Total income margin	9.78%	10.06%	0.28%p
Net interest margin	7.05%	7.47%	0.42%p
Net fee and commission margin	1.96%	1.74%	-0.22%p
Net other income margin	0.00%	0.00%	0.00%p
Operating costs / Average assets	3.7%	3.5%	-0.2%
Cost/income ratio	37.6%	34.5%	-3.2%p
Effective tax rate	17.4%	17.4%	0.1%p
Gross loans to deposits	90%	99%	9.0%p
Gross loans to deposits (FX-adjusted)	90%	99%	8.7%p
Gross loans to deposits	80%	92%	11%p
Net loans to deposits (FX-adjusted)	81%	92%	11%p
FX rates (in HUF)	**2020**	**2021**	**Y-o-Y**
HUF/UAH (closing)	10.5	11.9	14%
HUF/UAH (average)	11.4	11.1	-3%

MAIN FINANCIAL INDICATORS OF OTP BANK RUSSIA

Main components of P&L account in HUF million	2020	2021	Y-o-Y
After tax profit without the effect of adjustments	16,317	37,624	131%
Income tax	-5,092	-9,690	90%
Profit before income tax	21,409	47,313	121%
Operating profit	65,068	62,368	-4%
Total income	123,198	118,158	-4%
Net interest income	99,872	91,364	-9%
Net fees and commissions	22,503	25,728	14%
Other net non-interest income	823	1,066	30%
Operating expenses	-58,130	-55,790	-4%
Total provisions	-43,659	-15,055	-66%
Provision for impairment on loan and placement losses	-41,160	-13,075	-68%
Other provision	-2,499	-1,979	-21%
Main components of balance sheet closing balances in HUF million	**2020**	**2021**	**Y-o-Y**
Total assets	688,980	799,965	16%
Gross customer loans	597,849	753,373	26%
Gross customer loans (FX-adjusted)	656,236	753,373	15%
Retail loans	575,131	626,802	9%
Corporate loans	81,105	126,571	56%
Leasing loans	0	0	-100%
Stage 1 + 2 customer loans (FX-adjusted)	564,686	667,347	18%
Retail loans	486,612	542,886	12%
Corporate loans	78,074	124,461	59%
Leasing	0	0	
Allowances for possible loan losses	-127,598	-131,878	3%
Allowances for possible loan losses (FX-adjusted)	-140,026	-131,878	-6%
Deposits from customers	350,608	411,633	17%
Deposits from customers (FX-adjusted)	383,877	411,633	7%
Retail deposits	315,780	307,663	-3%
Corporate deposits	68,097	103,970	53%
Liabilities to credit institutions	90,852	85,485	-6%
Issued securities	56	64	13%
Subordinated debt	22,580	8,842	-61%
Total shareholders' equity	183,402	240,724	31%
Loan Quality	**2020**	**2021**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	447,094	576,404	29%
Stage 1 loans under IFRS 9/gross customer loans	74.8%	76.5%	1.7%p
Own coverage of Stage 1 loans under IFRS 9	4.6%	3.8%	-0.9%p
Stage 2 loan volume under IFRS 9 (in HUF million)	67,394	90,944	35%
Stage 2 loans under IFRS 9/gross customer loans	11.3%	12.1%	0.8%p
Own coverage of Stage 2 loans under IFRS 9	43.1%	31.1%	-12.0%p
Stage 3 loan volume under IFRS 9 (in HUF million)	83,361	86,025	3%
Stage 3 loans under IFRS 9/gross customer loans	13.9%	11.4%	-2.5%p
Own coverage of Stage 3 loans under IFRS 9	93.4%	95.1%	1.7%p
Provision for impairment on loan and placement losses/average gross loans	6.36%	2.05%	-4.31%p
90+ days past due loan volume (in HUF million)	77,929	87,550	12%
90+ days past due loans/gross customer loans	13.0%	11.6%	-1.4%p
Performance Indicators	**2020**	**2021**	**Y-o-Y**
ROA	2.1%	5.4%	3.3%p
ROE	8.9%	18.2%	9.3%p
Operating margin (operating profit / avg. total assets)	0.0%	0.0%	0.0%p
Total income margin	16.03%	17.02%	0.99%p
Net interest margin	13.00%	13.16%	0.16%p
Net fee and commission margin	2.93%	3.71%	0.78%p
Net other income margin	0.00%	0.00%	0.00%p
Operating costs / Average assets	7.6%	8.0%	0.5%
Cost/income ratio	47.2%	47.2%	0.0%p
Effective tax rate	23.8%	20.5%	-3.3%p
Gross loans to deposits	171%	183%	12.5%p
Gross loans to deposits (FX-adjusted)	171%	183%	12.1%p
Gross loans to deposits	134%	151%	17%p
Net loans to deposits (FX-adjusted)	134%	151%	17%p
FX rates (in HUF)	**2020**	**2021**	**Y-o-Y**
HUF/RUB (closing)	4.0	4.4	10%
HUF/RUB (average)	4.3	4.1	-4%

OTP BANK ROMANIA S.A.
The activity of other foreign subsidiaries of OTP Group

MAIN FINANCIAL INDICATORS OF CKB GROUP (MONTENEGRO)

Main components of P&L account in HUF million	2020	2021	Y-o-Y
After tax profit without the effect of adjustments	4,307	4,140	-4%
Income tax	-302	-817	170%
Profit before income tax	4,609	4,957	8%
Operating profit	8,353	10,240	23%
Total income	22,095	22,046	0%
Net interest income	17,188	16,553	-4%
Net fees and commissions	4,446	4,880	10%
Other net non-interest income	461	613	33%
Operating expenses	-13,743	-11,805	-14%
Total provisions	-3,743	-5,283	41%
Provision for impairment on loan and placement losses	-3,434	647	-119%
Other provision	-309	-5,930	
Main components of balance sheet closing balances in HUF million	**2020**	**2021**	**Y-o-Y**
Total assets	477,676	513,522	8%
Gross customer loans	362,067	366,369	1%
Gross customer loans (FX-adjusted)	365,907	366,369	0%
Retail loans	175,610	173,356	-1%
Corporate loans	190,297	193,013	1%
Leasing loans	0	0	-100%
Stage 1+2 customer loans (FX-adjusted)	339,502	340,776	0%
Retail loans	164,896	162,018	-2%
Corporate loans	174,606	178,758	2%
Leasing	0	0	
Allowances for possible loan losses	-24,510	-23,504	-4%
Allowances for possible loan losses (FX-adjusted)	-24,772	-23,504	-5%
Deposits from customers	324,671	386,572	19%
Deposits from customers (FX-adjusted)	329,051	386,572	17%
Retail deposits	216,100	235,340	9%
Corporate deposits	112,951	151,232	34%
Liabilities to credit institutions	58,967	19,698	-67%
Issued securities	0	0	-100%
Subordinated debt	0	0	-100%
Total shareholders' equity	76,556	82,029	7%
Loan Quality	**2020**	**2021**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	294,548	280,910	-5%
Stage 1 loans under IFRS 9/gross customer loans	81.4%	76.7%	-4.7%p
Own coverage of Stage 1 loans under IFRS 9	1.3%	1.0%	-0.4%p
Stage 2 loan volume under IFRS 9 (in HUF million)	41,390	59,866	45%
Stage 2 loans under IFRS 9/gross customer loans	11.4%	16.3%	4.9%p
Own coverage of Stage 2 loans under IFRS 9	9.3%	6.5%	-2.8%p
Stage 3 loan volume under IFRS 9 (in HUF million)	26,129	25,593	-2%
Stage 3 loans under IFRS 9/gross customer loans	7.2%	7.0%	-0.2%p
Own coverage of Stage 3 loans under IFRS 9	63.9%	66.0%	2.1%p
Provision for impairment on loan and placement losses/average gross loans	0.99%	-0.18%	-1.17%p
90+ days past due loan volume (in HUF million)	17,538	16,472	-6%
90+ days past due loans/gross customer loans	4.8%	4.5%	-0.3%p
Performance Indicators	**2020**	**2021**	**Y-o-Y**
ROA	0.9%	0.9%	0.0%p
ROE	6.0%	5.2%	-0.7%p
Operating margin (operating profit / avg. total assets)	0.0%	0.0%	0.0%p
Total income margin	4.70%	4.62%	-0.08%p
Net interest margin	3.65%	3.47%	-0.18%p
Net fee and commission margin	0.95%	1.02%	0.08%p
Net other income margin	0.00%	0.00%	0.00%p
Operating costs / Average assets	2.92%	2.48%	-0.45%p
Cost/income ratio	62.2%	53.5%	-8.6%p
Effective tax rate	6.6%	16.5%	9.9%p
Gross loans to deposits	112%	95%	-16.7%p
Gross loans to deposits (FX-adjusted)	111%	95%	-16.4%p
Gross loans to deposits	104%	89%	-15%p
Net loans to deposits (FX-adjusted)	104%	89%	-15%p
FX rates (in HUF)	**2020**	**2021**	**Y-o-Y**
HUF/EUR (closing)	365.1	369.0	1%
HUF/EUR (average)	351.2	358.5	2%

MAIN FINANCIAL INDICATORS OF OTP BANK ALBANIA

Main components of P&L account in HUF million	2020	2021	Y-o-Y
After tax profit without the effect of adjustments	1,959	5,522	182%
Income tax	-489	-986	102%
Profit before income tax	2,448	6,508	166%
Operating profit	5,904	7,213	22%
Total income	11,597	13,398	16%
Net interest income	9,824	10,619	8%
Net fees and commissions	1,278	1,843	44%
Other net non-interest income	495	936	89%
Operating expenses	-5,693	-6,186	9%
Total provisions	-3,455	-705	-80%
Provision for impairment on loan and placement losses	-2,515	-880	-65%
Other provision	-940	175	-119%
Main components of balance sheet closing balances in HUF million	**2020**	**2021**	**Y-o-Y**
Total assets	286,606	350,848	22%
Gross customer loans	180,815	219,890	22%
Gross customer loans (FX-adjusted)	185,390	219,890	19%
Retail loans	85,829	87,896	2%
Corporate loans	95,627	127,885	34%
Leasing loans	3,934	4,110	4%
Stage 1+2 customer loans (FX-adjusted)	179,767	212,699	18%
Retail loans	83,135	84,207	1%
Corporate loans	93,097	124,691	34%
Leasing	3,536	3,801	7%
Allowances for possible loan losses	-8,089	-10,096	25%
Allowances for possible loan losses (FX-adjusted)	-8,285	-10,096	22%
Deposits from customers	214,808	251,270	17%
Deposits from customers (FX-adjusted)	220,322	251,270	14%
Retail deposits	184,605	210,200	14%
Corporate deposits	35,717	41,070	15%
Liabilities to credit institutions	37,151	53,257	43%
Issued securities	0	0	-100%
Subordinated debt	0	0	-100%
Total shareholders' equity	28,781	35,134	22%
Loan Quality	**2020**	**2021**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	143,701	191,308	33%
Stage 1 loans under IFRS 9/gross customer loans	79.5%	87.0%	7.5%p
Own coverage of Stage 1 loans under IFRS 9	1.3%	1.2%	0.0%p
Stage 2 loan volume under IFRS 9 (in HUF million)	31,620	21,391	-32%
Stage 2 loans under IFRS 9/gross customer loans	17.5%	9.7%	-7.8%p
Own coverage of Stage 2 loans under IFRS 9	10.4%	11.4%	1.0%p
Stage 3 loan volume under IFRS 9 (in HUF million)	5,494	7,190	31%
Stage 3 loans under IFRS 9/gross customer loans	3.0%	3.3%	0.2%p
Own coverage of Stage 3 loans under IFRS 9	54.2%	73.3%	19.1%p
Provision for impairment on loan and placement losses/average gross loans	1.55%	0.46%	-1.08%p
90+ days past due loan volume (in HUF million)	3,984	3,624	-9%
90+ days past due loans/gross customer loans	2.2%	1.6%	-0.6%p
Performance Indicators	**2020**	**2021**	**Y-o-Y**
ROA	0.7%	1.8%	1.1%p
ROE	7.3%	17.6%	10.3%p
Operating margin (operating profit / avg. total assets)	0.0%	0.0%	0.0%p
Total income margin	4.32%	4.43%	0.11%p
Net interest margin	3.66%	3.51%	-0.15%p
Net fee and commission margin	0.48%	0.61%	0.13%p
Net other income margin	0.00%	0.00%	0.00%p
Operating costs / Average assets	2.12%	2.05%	-0.08%p
Cost/income ratio	49.1%	46.2%	-2.9%p
Effective tax rate	20.0%	15.1%	-4.8%p
Gross loans to deposits	84%	88%	3.3%p
Gross loans to deposits (FX-adjusted)	84%	88%	3.4%p
Gross loans to deposits	80%	83%	3%p
Net loans to deposits (FX-adjusted)	80%	83%	3%p
FX rates (in HUF)	**2020**	**2021**	**Y-o-Y**
HUF/ALL (closing)	3.0	3.1	4%
HUF/ALL (average)	2.8	2.9	3%

OTP BANK ROMANIA S.A.
The activity of other foreign subsidiaries of OTP Group

MAIN FINANCIAL INDICATORS OF MOBIASBANCA (MOLDOVA)

Main components of P&L account in HUF million	2020	2021	Y-o-Y
After tax profit without the effect of adjustments	3,973	5,858	47%
Income tax	-540	-802	48%
Profit before income tax	4,513	6,660	48%
Operating profit	7,707	7,835	2%
Total income	14,596	15,271	5%
Net interest income	8,889	9,698	9%
Net fees and commissions	2,137	2,344	10%
Other net non-interest income	3,570	3,230	-10%
Operating expenses	-6,889	-7,437	8%
Total provisions	-3,193	-1,175	-63%
Provision for impairment on loan and placement losses	-2,695	-663	-75%
Other provision	-499	-512	3%
Main components of balance sheet closing balances in HUF million	**2020**	**2021**	**Y-o-Y**
Total assets	249,921	310,511	24%
Gross customer loans	132,081	166,573	26%
Gross customer loans (FX-adjusted)	138,650	166,573	20%
Retail loans	75,151	92,033	22%
Corporate loans	59,760	70,679	18%
Leasing loans	3,739	3,861	3%
Stage 1+2 customer loans (FX-adjusted)	134,504	163,525	22%
Retail loans	72,740	90,473	24%
Corporate loans	58,146	69,231	19%
Leasing	3,618	3,820	6%
Allowances for possible loan losses	-4,578	-5,020	10%
Allowances for possible loan losses (FX-adjusted)	-4,804	-5,020	5%
Deposits from customers	203,176	247,610	22%
Deposits from customers (FX-adjusted)	213,302	247,610	16%
Retail deposits	139,838	160,603	15%
Corporate deposits	73,465	87,008	18%
Liabilities to credit institutions	5,906	15,886	169%
Issued securities	0	0	-100%
Subordinated debt	0	0	-100%
Total shareholders' equity	37,287	42,701	15%
Loan Quality	**2020**	**2021**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	121,459	153,157	26%
Stage 1 loans under IFRS 9/gross customer loans	92.0%	91.9%	0.0%p
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.3%	0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	6,670	10,368	55%
Stage 2 loans under IFRS 9/gross customer loans	5.1%	6.2%	1.2%p
Own coverage of Stage 2 loans under IFRS 9	19.5%	13.6%	-5.9%p
Stage 3 loan volume under IFRS 9 (in HUF million)	3,952	3,048	-23%
Stage 3 loans under IFRS 9/gross customer loans	3.0%	1.8%	-1.2%p
Own coverage of Stage 3 loans under IFRS 9	48.0%	54.3%	6.3%p
Provision for impairment on loan and placement losses/average gross loans	2.23%	0.46%	-1.76%p
90+ days past due loan volume (in HUF million)	2,109	2,164	3%
90+ days past due loans/gross customer loans	1.6%	1.3%	-0.3%p
Performance Indicators	**2020**	**2021**	**Y-o-Y**
ROA	1.7%	2.2%	0.5%p
ROE	10.7%	15.2%	4.5%p
Operating margin (operating profit / avg. total assets)	0.0%	0.0%	0.0%p
Total income margin	6.24%	5.86%	-0.39%p
Net interest margin	3.80%	3.72%	-0.08%p
Net fee and commission margin	0.91%	0.90%	-0.02%p
Net other income margin	0.00%	0.00%	0.00%p
Operating costs / Average assets	2.95%	2.85%	-0.09%p
Cost/income ratio	47.2%	48.7%	1.5%p
Effective tax rate	12.0%	12.0%	0.1%p
Gross loans to deposits	65%	67%	2.3%p
Gross loans to deposits (FX-adjusted)	65%	67%	2.3%p
Gross loans to deposits	63%	65%	2%p
Net loans to deposits (FX-adjusted)	63%	65%	2%p
FX rates (in HUF)	**2020**	**2021**	**Y-o-Y**
HUF/MDL (closing)	17.3	18.4	6%
HUF/MDL (average)	17.8	17.2	-4%

OTP Bank România S.A. Annual Report

Financial Statements

2021

(all amounts are expressed in thousand RON, unless otherwise stated)

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Interest Income		621,381	589,939
Interest Expense		(150,007)	(154,278)
Net interest income	**5**	**471,374**	**435,661**
Fee and commission income		108,480	86,348
Fee and commission expense		(57,925)	(39,760)
Net fee and commission income	**6**	**50,555**	**46,588**
Impairment losses	**7**	**(116,490)**	**(164,799)**
Net interest, fee and commission income after impairment losses		**405,439**	**317,450**
Trading income, net	8	89,293	91,789
Gains or (losses) on financial instruments at fair value through profit or loss		1,339	8,115
Gains or (losses) on financial instruments at fair value through other comprehensive income		500	(2,557)
Other operating income	11	17,310	15,759
Total income from financial operations		**108,442**	**113,106**
Total operating revenues		**513,881**	**430,556**
Salaries and related expenses	9	(266,740)	(221,106)
Other administrative expenses	10	(162,464)	(138,661)
Depreciation of tangible and intangible assets	18	(73,455)	(62,400)
Other operating expenses	11	(9,989)	(9,536)
Total non-interest expense		**(512,648)**	**(431,703)**
Profit before income taxes		**1,233**	**(1,147)**
Income tax expense	28	(10,577)	3,526
Net Loss / Profit for the period for owners of the parent		**(9,344)**	**2,379**
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment		3,780	(1,814)
Net change in fair value of financial assets through other comprehensive income		1,177	(6,800)
Related tax for above positions		(820)	2,193
Total items that will not be reclassified to profit or loss		**4,137**	**(6,421)**
Items that may be reclassified to profit or loss			
Net change in fair value of financial assets through other comprehensive income		(268)	(2,519)
Total items that may be reclassified to profit or loss		**(268)**	**(2,519)**
Other comprehensive income, net of tax		**3,869**	**(8,940)**
Total comprehensive income for the reporting period for owners of the parent		**(5,475)**	**(6,561)**
Basic and diluted earnings per ordinary share	**30**	**(0.98)**	**0.31**

These separate financial statements have been authorized for issue by the management in of March 18, 2022.

Gyula Fatér,
Chairman of the Management
Board and CEO

Mara Cristea,
Member of the Management
Board and Deputy CEO

	Nota	Anul incheiat la 31 decembrie 2021	Anul incheiat la 31 decembrie 2020
ASSETS			
Cash and cash equivalents	12	551,861	532,794
Current accounts and deposits at banks	13	60,470	561,226
Accounts with the National Bank of Romania	14	1,354,829	1,698,185
Loans and advances to banks	16	1,931	76,652
Derivatives	25	18,211	13,945
Investment securities at fair value through profit and loss	19	21,130	19,436
Investment securities at fair value through other comprehensive income	19	724,374	725,804
Securities at amortized cost	15	2,818,975	570,948
Loans and advances to customers	17	12,386,495	10,186,761
Investment in Associates and Subsidiaries	20	46,558	46,558
Property and equipment	18	187,993	181,891
Intangible assets	18	60,162	56,790
Right-of-use assets	18	61,717	55,114
Investment property		1,008	1,254
Deferred tax assets	28	14,648	25,173
Other assets	21,3.3.3	153,801	90,624
Total assets		**18,464,163**	**14,843,154**
LIABILITIES			
Due to banks	22	1,473,153	162,393
Derivatives	25	19,638	13,343
Derivatives hedge accounting	26	31,573	48,875
Due to customers	23	11,196,196	9,510,560
Borrowings	24	3,258,072	3,098,347
Lease liabilities	18	63,308	56,347
Provisions	27	116,362	144,594
Deffered tax liabilities	28	9,933	9,060
Other financial liabilities	29	235,119	185,876
Total liabilities		**16,403,354**	**13,229,483**
SHAREHOLDERS' EQUITY			
Share capital, nominal	30	2,279,253	1,829,253
Share capital inflation effect		42,751	42,751
Total share capital		**2,322,004**	**1,872,004**
Other equity	9	6,794	-
Accumulated deficit and reserves		(267,989)	(258,333)
Total shareholders' equity		**2,060,809**	**1,613,671**
Total liabilities and shareholders' equity		**18,464,163**	**14,843,154**

These separate financial statements have been authorized for issue by the management in of March 18, 2022.

Gyula Fatér,
Chairman of the Management
Board and CEO

Mara Cristea,
Member of the Management
Board and Deputy CEO

(all amounts are expressed in thousand RON, unless otherwise stated)

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Cash flows from operating activities:			
Profit before taxes		**(9,344)**	**2,379**
Adjustments for non-cash items:			
Depreciation expense	18	73,209	62,153
Impairment losses on loans and advances to customers	7	134,325	140,215
Impairment losses on sundry transactions	7	1,355	1,122
Other adjustments	27	(21,859)	23,631
Valuation of derivative transactions	25, 26	(15,273)	5,705
Total adjustments for non-cash items		**171,757**	**232,825**
Net profit adjusted for non-cash items		**162,413**	**235,204**
Changes in operating assets and liabilities:			
Increase of cash at National Bank of Romania	12	(111,933)	28,319
Increase of loans and advances to customers	7, 14	(2,334,070)	(1,189,185)
Increase of loans and advances to banks	16	74,721	219,784
Increase of other assets	21	(54,581)	7,082
Increase of demand deposits	22, 23	1,430,589	(3,710)
Increase of term deposits	22, 23	1,565,718	1,186,640
Increase of other liabilities	29	52,267	22,128
Total changes in operating assets and liabilities		**622,711**	**271,773**
Net cash provided by operating activities		**785.124**	**506.977**
Cash flows from investing activities:			
Purchase of investments at fair value through other comprehensive income	19	2,124	27,317
Purchase of investments at amortized cost	15	(2,328,844)	(46,713)
Investments at amortized cost that reached maturity	15	80,817	20,220
Purchase of investments at fair value through profit and loss	19	(1,694)	(6,898)
Purchase of tangible and intangible assets, net	18	(60,376)	(56,141)
Payments for increase in share capital of subsidiaries	21	-	(5)
Net cash used in investing activities		**(2,307,973)**	**(62,220)**
Cash flows from financing activities:			
Increase of borrowings	24	159,725	346,754
Payment of lease liabilities	18	(23,854)	(25,280)
Proceeds from issue of shares	30	450,000	-
Net cash provided by financing activities		**585,871**	**321,474**
Net increase in cash and cash equivalents		**(936,978)**	**766,231**
Cash and cash equivalents at beginning of period	**12**	**2,130,759**	**1,364,536**
Cash and cash equivalents at end of period	**12**	**1,193,781**	**2,130,767**

Cash-flow from operating activities includes:		
	2021	**2020**
Interest received	619,104	589.686
Interest paid	(147,762)	(153.737)

These separate financial statements have been authorized for issue by the management in of March 18, 2022.

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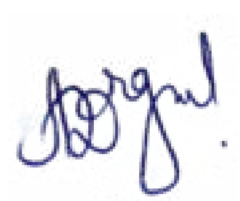
Chairman of the Management
Board and CEO

Mara Cristea,
Member of the Management
Board and Deputy CEO



	Share Capital	Share capital reserves	Other equity	Reevaluation reserves	Other comprehensive income	Retained earnings	Total
Balance as of December 31, 2020	**1,829,253**	**42,751**	**-**	**39,738**	**(283)**	**(297,788)**	**1,613,671**
Effect of changes in accounting policies	-	-	6,794	-	-	(6,101)	693
Net income, recognized directly in equity	-	-	-	-	-	(852)	(852)
Net loss for the period ended December 31, 2021	-	-	-	-	-	(9,344)	(9,344)
Net reserve from revaluation of tangible assets	-	-	-	-	-	2,772	2,772
Changes in Other comprehensive income	-	-	-	3,176	1,119	(426)	3,869
Increase in share capital	450,000	-	-	-	-	-	450,000
Balance as of December 31, 2021	**2,279,253**	**42,751**	**6,794**	**42,914**	**836**	**(311,739)**	**2,060,809**

	Share Capital	Share capital reserves	Other equity	Reevaluation reserves	Other comprehensive income	Retained earnings	Total
Balance as of December 31, 2019	**1,829,253**	**42,751**	**-**	**41,262**	**267**	**(295,600)**	**1,617,933**
Net income, recognized directly in equity	-	-	-	-	-	1,897	1,897
Net profit for the period ended December 31, 2020	-	-	-	-	-	2,379	2,379
Net reserve from revaluation of tangible assets	-	-	-	-	-	402	402
Changes in Other comprehensive income	-	-	-	(1,524)	(550)	(6,866)	(8,940)
Increase in share capital	-	-	-	-	-	-	-
Balance as of December 31, 2020	**1,829,253**	**42,751**	-	**39,738**	**(283)**	**(297,788)**	**1,613,671**

These separate financial statements have been authorized for issue by the management in of March 18, 2022.

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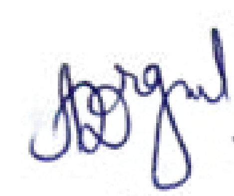

1 GENERAL OVERVIEW ON THE BANK AND ITS OPERATIONS

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

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

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

The Bank's tax identification number is RO 7926069.

Separate statement of cash flows for the period ended december 31, 2021

Members of Management Board and of the Supervisory Board at December 31, 2021:

Management Board:

Gyula Fatér	Chairman of the Management Board and CEO
Zoltán Balázs	Member of the Management Board and Deputy CEO, Coordinator of Lending and Risk Management Division
Roxana Maria Hidan	Member of the Management Board and Deputy CEO, Coordinator of Business Division
Mara Cristea	Member of the Management Board and Deputy CEO, Coordinator of Finance and Planning Division
Constantin Mareș	Member of the Management Board and Deputy CEO, Coordinator of Digital Division

Supervisory Board:

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

Members of Management Board and of the Supervisory Board at December 31, 2020:

Management Board:

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

Supervisory Board:

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

Separate statement of cash flows for the period ended december 31, 2021

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

Scope of the Business

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

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

OTP bank has continued to offer it's clients a wide range of products tailored to their expectations, as well as superior experience. The bank developed fast and easy financing solutions such as the SME Loan project or the Start-Up Hero package. For the corporate clients' segment, the personalized concept "Corporate Officer" is in place, an office dedicated to this type of client in branches.

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

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

Shareholders' Structure:

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

As at December 31, 2021 and December 31, 2020, the shareholders' structure of the bank was as follows:

December 31, 2021

	Percentage of ownership	Number of shares	Amount (RON)
1. OTP BANK Plc.	99.9999578809439%	9,496,885	2,279,252,400
2. Merkantil Bank zrt	0.0000421190561%	4	960
Total	**100%**	**9,496,889**	**2,279,253,360**

December 31, 2020

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

The organizational structure and number of employees

As at December 31, 2021, the bank operates through its 97 territorial units (including 65 branches and 32 agencies), distributed in all counties of Romania as well as the Bucharest headquarters.

The total number of employees of the bank as at December 31, 2021 was 1,791 (December 31, 2020: 1,728). The average number of employees during 2021 was 1,780 (1,646 in 2020).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

Statement of compliance

These separate financial statements include the separate statement of financial position, the separate income statement and other comprehensive income, the separate statement of changes in equity, the separate statement of cash flows and notes to the separate financial statements. The separate financial statements for the period ended as at December 31, 2021 and comparative data for the period ended as at December 31, 2020 have been prepared in accordance with Order 27/2010 approving the Accounting Regulations compliant with International Financial Reporting Standards applicable to credit institutions, issued by the National Bank of Romania and in accordance with International Financial Reporting standards ("IFRS") as adopted by the European Union (EU). The principal accounting policies applied in preparing these financial statements are set out below and have been applied consistently throughout all periods presented financial.

The Separate Financial Statements for the period ended as at December 31, 2021 and the comparative data for the period ended as at December 31, 2020 are prepared in Romanian new leu ("RON") and are presented in thousand Romanian lei ("RON") unless otherwise stated, rounded to the nearest thousand.

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

In 2021 the bank has applied all the new or revised Standards Interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been adopted by the EU and that are relevant to the work done by the bank.

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

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

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

Separate statement of cash flows for the period ended december 31, 2021

• **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform – Phase 2 adopted by the EU on January 13, 2021 (effective for annual periods beginning on or after January 1, 2021), In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest.

Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods.

• **Amendments to IFRS 16 "Leases" -** Covid-19-Related Rent Concessions beyond June 30, 2021 adopted by the EU on August 30, 2021 (effective from April 1, 2021 for financial years starting, at the latest, on or after January 1, 2021). The amendment applies, retrospectively, to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendments had no impact on the financial statements of the bank.

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

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

• **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on June 28, 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after January 1, 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

• **The amendments:**

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

• **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
The amendments are effective for annual periods beginning on or after January 1, 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

a) **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after January 1, 2022). IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
b) **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after January 1, 2022). IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
c) **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after 1 January 2022). IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations
d) IFRS 17 "Insurance Contracts" including amendments to IFRS 17 issued by IASB on June 25, 2020 - adopted by the EU on November 19, 2021 (effective for annual periods beginning on or after January 1, 2023),
e) Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the

Separate statement of cash flows for the period ended december 31, 2021

Illustrative Examples accompanying IFRS 16 Leases

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

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after January 1, 2023). The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. January 1, 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current.

The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**
The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**
The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

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

2.2 Offsetting

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

2.3 Consolidated and Separate Financial Statements

These financial statements present the separate financial position and results of operations of the Bank. Consolidated financial statements are currently being prepared by the ultimate parent, OTP Bank Plc.

The bank is part of the consolidation perimeter of OTP Group. Consolidated financial statements for all Group entities are prepared by OTP Bank Plc., the parent company with its headquarters set at 16 Nádor Street, 1051 Budapest, Hungary. OTP Bank Plc. is also the immediate consolidating entity of the bank.

Separate statement of cash flows for the period ended december 31, 2021

Investments in subsidiaries, associated companies and other investments:

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

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

The associates are presented in the financial statements at cost less impairment. Further information on the bank subsidiaries and affiliates are included in Note 20.

OTP BANK analyzed the provisions of IFRS 10 – Consolidated financial statements (paragraph 4 – exception of consolidation) and concluded that all conditions are met and the ultimate parent company OTP Bank Plc. is in the process of finalizing the consolidated financial statements as at December 31, 2021, which is expected to be made available to the public on www.otpbank.hu., starting with April 2022.

2.4 Foreign currency translation

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

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

	RON/ CHF	RON/ USD	RON/ EUR	RON / 100 HUF
The exchange rate at December 31, 2021	4.7884	4.3707	4.9481	1,3391
The exchange rate at December 31, 2020	4.4997	3.9660	4.8694	1.3356

Unrealized foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the income statement (please refer to Note 8).

2.5 Recognition of income and expenses

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

2.6 Interest income and expenses

For all financial instruments measured at amortized cost, financial instruments classified as fair value through other comprehensive income, interest income and expenses are recorded using the effective interest rate.

The effective interest rate method is a method of calculating amortised cost for a financial asset or a financial liability and of allocating and recognizing interest income or interest expense in profit or loss over the relevant period.

Interest income and expenses are recognized based on either gross carrying amount or amortized cost, using the effective interest rate applicable until the maturity of the asset / liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the whole life cycle of the financial instrument to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the bank estimates future cash flows considering all contractual terms of the financial instrument but does not account for future losses.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired the bank calculates interest income by applying the effective interest rate to the amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the bank reverts to calculating interest income on a gross basis.

2.7 Fees and commission income and expenses

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

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

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

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

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

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

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

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

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

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

More details on revenues from contracts are presented in Note 6.

2.8 Net trading income

Net trading income comprises gains and losses from trading assets and liabilities and includes all realized and unrealized fair value changes, interests and foreign exchange differences.

2.9 Financial assets

A financial asset is any asset that is:

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

In accordance with IFRS 9 classification, the bank classifies financial assets, in the following measurement categories:
- financial assets measured at amortized cost („AC");
- fair value through other comprehensive income („FVOCI");
- fair value profit and loss („FVPL").

The bank initially recognizes the financial assets, except for derivative financial instruments, at the settlement date. The bank's derivative instruments are recognized at the date of the transaction at which the bank becomes a party to the instruments. According to IFRS 9, the settlement date is the date on which an asset is delivered to or by the bank.

Settlement date accounting refers to:
(a) recognition of an asset on the day it is received by the bank; and
(b) derecognition an asset and recognition of any gain or loss on disposal on the day it is delivered by the bank.

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

Classification and subsequent measurement of financial assets that are debt instruments is based on the bank's business model to manage the assets and the cash flow characteristics of the assets (SPPI test).

2.9.1 Business model assessment

The term 'business model' refers to the way the bank manages its portfolio of financial assets in order to achieve the business objectives. That is, the bank's business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.
In order to determine whether cash flows will be obtained by collecting the contractual cash flows of financial assets, the bank analyzes the frequency, values and timing of sales from previous periods, the reasons for those sales and expectations of future sales activity.

The bank's business model does not depend on management's intentions for an individual instrument.

A business model assessment is needed for financial assets that meet the SPPI test, to determine whether they meet the criteria for classification as subsequently measured at amortised cost or FVOCI. Financial assets that do not meet the SPPI test are classified as at FVTPL irrespective of the business model in which they are held.

Three business models are allowed under IFRS 9:

a. Hold-to-collect

Financial assets in a hold-to-collect business model are managed to realise cash flows by collecting payments of principal and interest over the life of the instruments. An entity need not hold all of these assets until maturity. Therefore, a business model's objective can be to hold financial assets to collect contractual cash flows even when some sales of financial assets have occurred or are expected to occur.

In accordance with IFRS 9, paragraph B4.1.3, a business model can be to hold financial assets to collect contractual cash flows even when some sales of financial assets occur or are expected to occur in the future.

The following scenarios are considered by the bank, in accordance with IFRS 9, consistent with a hold to collect business model:
a) the bank sells financial assets when there is an increase in the assets' credit risk. To determine whether there has been an increase in the assets' credit risk, the bank considers reasonable and supportable

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information, including forward looking information. Irrespective of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the entity's ability to collect contractual cash flows.

b) sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).
c) sales made close to the maturity of the financial assets and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

The hold-to-collect portfolio is applicable to: Loans and advances to customers, Loans and advances to banks, part of bonds from banks portfolio and whose main objective is to safeguard in stress times the continuity of the bank's activity.

b. Hold-to-collect and Sale

An entity may hold financial assets in a business model whose objective is achieved by both collecting con¬tractual cash flows and selling financial assets. In this type of business model, the bank's key management personnel have made a decision that both of these activities are integral to achieving the objective of the business model.

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

Within the financial assets portfolio of the bank, the "Hold-to-collect and Sale" Business Model is applicable to the bond portfolios, managed for liquidity needs.

c. Other business model

The objective of the business model is considered 'other' when it does not fall into one of the previous two categories discussed above.

A financial asset must be measured at fair value through profit or loss if they are not held within either a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets or it is held within one of the above mentioned business model but do not meet the SPPI criterion.

The "Other" Business Model is applicable to the held for trading portfolio. Its strategy is to realize cash flows through sale of the assets or to manage the instruments actively on a fair value basis in order to realize fair value changes arising from changes in credit spreads and yield curves.

2.9.2 SPPI test

Second step in the classification process is to assess the characteristics of the contractual cash flows in order to identify whether the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" – SPPI test. The SPPI test is a one-off exercise and is performed at the initial recognition of the financial asset, based on the contractual clauses of the instrument.

The most significant elements of interest are typically the consideration for the time value of money and credit risk. Interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement.

To make the SPPI assessment, the bank applies judgements and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.9.3 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. More details are presented in chapter 4 Fair value of Financial Instruments.

2.9.4 Measurement at Initial Recognition

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

Transaction costs:

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

For financial assets that are not measured at fair value through profit or loss, transaction costs are amortized in profit or loss using the effective interest method.

2.9.5 Categories of financial instruments

a) Financial assets at amortized cost (AC)

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

b) Financial assets at fair value through other comprehensive income (FVOCI)
Debt instruments

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

On initial recognition, financial assets are recognised at their fair value, including transaction costs directly attributable to the transaction.

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They are subsequently measured at fair value and changes in fair value are recognised, under a specific line of shareholders' equity. These financial assets are also subject to the measurement of a loss allowance for expected credit losses on the same approach as for debt instruments at amortised cost. The counterparty of the related impact in cost of risk is recognised in the same specific line of shareholders' equity. On disposal, changes in fair value previously recognised in shareholders' equity are reclassified to profit or loss.

In addition, interest is recognised in the income statement using the effective interest method determined at the inception of the contract.

Equity instruments

The bank has made an irrevocable choice, at instrument level, to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument which is not held for trading and is not contingent consideration recognized by a buyer in a business combination to which it applies IFRS 3 "Business combinations". In this case, gains and losses remain valued at fair value through other comprehensive income without recycling to profit or loss.

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

Derivatives

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- it is settled at a future date.

In accordance with IFRS 9, derivative financial instruments are measured at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in profit or loss, in net trading income.

Equity instruments

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

Debt instruments

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

The "Other" Business Model is applicable to the held for trading portfolio. Its strategy is to realize cash flows through sale of the assets or to manage the instruments actively on a fair value basis in order to realize fair value changes arising from changes in credit spreads and yield curves.

2.9.6 Subsequent recognition

Depending on the classification, financial assets will be measured at amortized cost or fair value. Instruments classified as "AC" are recorded at amortized cost using the effective interest rate (EIR) or credit-adjusted effective interest rate (CAIR) for purchased or originated financial asset(s) that are credit-impaired on initial recognition.

2.9.7 Derecognition

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

i. transfers the contractual rights to receive the cash flows of the financial asset, or
ii. retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions:
    - The bank has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
    - The bank is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows
    - The bank has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

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

Also, in some circumstances renegotiation or modification of the contractual cash flows of a financial asset may lead to the derecognition of the existing financial asset.

Thus, when a change in a financial asset results in a derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a "new" financial asset in accordance with IFRS 9.

In order to determine derecognition, changes to the contractual clauses must be significant in terms of quantity and / or quality.

2.9.8 Renegotiated loans (forbearance)

If the terms of a credit agreement are renegotiated due to the borrower's financial difficulties and the renegotiation does not lead to derecognition of the exposure, any impairment is measured by reference to the effective interest rate before the terms change.

Contract modification in distressed conditions that imply a decrease of more than 10% of the NPV computed for the financial instrument lead to derecognition. Other renegotions conditions do not lead to derecognitions. Forbearance exposures are defined as exposures for which restructuring measures have been taken to minimize the default risk. The most used restructuring measures are to grant concessions in the form of refinancing / rescheduling of a debtor in financial difficulties and / or to modify loan terms initially agreed upon by a contractual change (eg postponement, waiver or moratorium).

2.9.9 Reclasification

If the bank changes its business model for the management of its financial assets, then it shall reclassify those financial assets according to the classification rules, except for those

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financial assets that were assessed and classified under an irrevocable choice.
According to IFRS 9, if the bank reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The entity shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

2.9.10 Impairment

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

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

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

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

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

The estimated expected loss for the next 12 months is the credit risk loss of the financial assets expected to occur according to the likelihood of the default event occurring within the 12 months following the initial recognition or from the reporting date for the instruments classified in stage 1.
Estimated expected loss over the life of the financial instrument is the present value of the expected loss according to the likelihood of the default event occurring at any time until the final maturity of the financial asset.

IFRS 9 sets out an impairment model based on a forward-looking approach to the "expected loss" that applies to:
a. Financial assets measured at amortized cost
b. Debt instruments measured at fair value recognized in other comprehensive income, and
c. Loan commitments and financial guarantee contracts

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

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

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

a/ Days past Due ("DPD") 31-90
b/ Performing forborne
c/ The transaction / client rating exceeds a predefined value or falls into a determined range, or compared to the historic value it deteriorates to a predefined degree. In case the rating-based staging is not possible (because the rating category is not available) the following rule must be used as stage 2 trigger: 10+ DPD in the last 6 reporting dates (the current one and the 5 preceding). Both the rating S2 trigger and the 10+DPD rule should be used 6 months after the first recognition, except for clients with PJC type rating that can be classified as stage 2 based on rating deterioration also in the first 6 months since exposure recognition.

The evaluation of the transaction / client is based on the rating classes that are established according to the Master Scale, which contains 10 rating classes, used by the OTP Group. The Master Scale provides a standard rating scale for the entire loan portfolio of the OTP Group.
In the case of loans granted to legal entities corporate clients, the evaluation of the transaction / client is done by the following steps:
- Rating calculation that contains quantitative and qualitative elements is calculated at least once a year for particular client;
- The individual calculated score for each client is transferred to all client's loans which are mapped to the Master Scale based rating categories.

The valuation of the loan portfolio granted to private individuals and legal entities retail clients involves an adequate comparison of the rating calculated at origination date with the current rating.

d/ Loan to Value ("LTV") in case of private individuals secured loans exceeds a predefined rate of 125% or for such segment LTV cannot be derived due to zero value of collateral
e/ The exchange rate of transaction's currency suffered an increase by 52.6% since loan origination and there is no hedge position in respect thereof
f/ Secured loans granted to individuals for whom a loan currency conversion operation has been carried out.
g/ Legal entities clients flagged Watch List 2 in the loan monitoring process; clients with significantly increased risk shall be selected individually to Stage 2 in the monitoring process, according to the decisions of the Credit Risk Committee, however provision calculation on this portfolio is done by using the collective approach (individually selected but collectively assessed)
h/ In case there is significant change in macroeconomic environment and it results in significant increase in the lifetime credit risk, based on the decision of the OTP BANK's HQ Group Reserve Committee, the affected loans / portfolios can be transferred to Stage 2.

Credit-impaired financial assets are those for which one or more events that have a detrimental effect on the estimated future cash flows have already occurred. These financial assets would be in Stage 3 and ifetime expected losses would be recognized. If any exposure of a client is classified to Stage 3 then all its exposures have to belong to Stage 3. Indicators that an asset is credit-impaired include observable data about the following events at reporting date:

a/ Default status according to the bank's CRR based definition.

The default events are standings reached by the loan contracts as defined in the current document and Annex 3 of the Risk Assumption Regulation of OTP BANK Romania S.A., in line with EBA definition and OTP Bank Plc. Group approach. The identification of default status is

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performed on transactional level in the private individual segment and on client level in the non-retail segment. Default status at transaction level will contaminate all client transactions in the private individual segment and in the non-retail segment. A default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place:

I. the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realizing security;
According to CRR (Art. 178. section 3.) elements to be taken as indications of unlikeliness to pay shall include the following:

a/the client is transferred to special credit handling (Restructuring &Work-Out Directorate management);
b/Bankruptcy, liquidation, personal bankruptcy, forced deleted status:
ba/ there is a bankruptcy, liquidation, (municipality) debt settlement procedure in progress in respect of the client, or the debtor takes part in similar protection;
bb/ the institution has filed for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the institution, the parent undertaking or any of its subsidiaries;
bc/ the client's status has changed to forced deleted

c/the institution sells the credit obligation at a material credit- related economic loss;
d/Active distressed restructuring of the obligation: the institution agrees to the distressed restructuring of the credit obligation, if in all probability as a result of this the financial liability decreases due to the forgiving or forbearance of a substantial part of the principal, interest or fees, as the case may be. During the distressed restructuring the transaction acquires non-performing forborne status (see: forborne definition). All non-performing forborne exposures have to be considered defaulted.
e/Delay in connected saving product;
f/ Cross default applied in the retail segment;
All on-balance sheet and off-balance sheet exposures to a single client are considered as defaulted, if the client has one defaulted transaction.
g/Other default event: It must be regarded as a default event in the case of all client types, if the contract is terminated on the initiative of the bank and the amount exceeds the materiality threshold.

II. the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.
III. Legal entities clients flagged with Client Risk Status Watch List 3 / Work Out during the loans monitoring process or clients managed by the Restructuring &Workout Directorate
IV. Clients selected by risk management (soft criteria)
V. "Debt to asset law" active notification status marked at loan level
VI. Actively forborne loans with more than 3 restructuring operations implemented by the bank during loan lifetime
VII. Legal entities with loans initially marked as Stage 2 that following their individually monitoring assessment (in accordance to internal regulations regarding legal entities loan monitoring) are showing significant impairment indications, i.e. forbearance operations, payments delays, classification into risk classes ineligible for funding – e.g. risk class 7 where risk class 8 reflects the default, significant decrease of turnover, dependence on a single customer, loss making, etc., and in which case the Credit Risk Committee decides the transfer in the risk category (client risk status) Watch List 3 / Work Out.
VIII. Loans granted to customers who in the past had loans granted by the bank and subsequently transferred to a debt collection company or who are found in the internal records of the bank on suspicion of fraud.

Cessation of default

Default status of a client/transaction, that originates from the objective criteria, can be ceased when the objective criteria are not fulfilled anymore (and there are no any indications of "unlikely to pay"):

a/ there is no credit obligation more than 90 days past due, and/or
b/ the amount of overdue does not exceed the materiality threshold.
c/after the ensuing of the above two factors this condition persists for minimum 3 months (3-months-long cure period).

Default due to "unlikely to pay" can be considered healed – besides no other criteria of default are met – when the criterion of default no longer exists, thus:

a/ In the enterprise segment:
- The impaired status ends,
- If it is no longer subject to individual assessment,
- if a decision is made on the termination of the subjective default status.
b/ In the retail segment and in the case of retail enterprise:
- The impaired status ends,

c/If the bankruptcy, liquidation, forced deleted or terminated status is ceased
d/ If the client is no longer special handled.
e/In the case of distressed restructuring, the client/transaction/client group may be removed from the default status if it acquires performing forborne status (see: Forborne definition).
f/ consider that no trigger of default continues to apply to a previously defaulted exposure, where at least 3 months have passed since the moment that the conditions referred to in Articles 178(1)(b) and 178(3) of Regulation (EU) No 575/2013 cease to be met ;

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

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

For purchased or originated credit-impaired financial assets (POCIs), the bank recognizes as a loss adjustment only the cumulative changes in expected lifetime loss after initial recognition.

At each reporting date, the bank shall recognize in profit or loss the amount of change in expected lifetime loss as a gain or loss on impairment.

In case of purchased exposures (other than loans but including purchased financial assets from other OTP Group members, purchased financial assets from outside of the Group, financial assets acquired during an acquisition) impaired (stage 3) and non-impaired (stage 1, 2) receivables should be handled separately for provisioning purposes. As the origination date equals to the purchase date, the allocation of the financial assets to the stage 1 categories is different from the above described staging

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rules. The bank shall assess whether the credit risk on a financial asset has increased significantly since the purchase date, the rules of the categorization are the followings:

a/ In case transaction is classified into stage 1 at the date of purchase, then rules in subsection 2.9.10 should be applied.

b/ Stage 3 (impaired) deals: the bank considers these exposures as POCI (lifetime credit loss)

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

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

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

The bank records the adjustment for the expected loss of financial assets in a separate allowance account provision and does not directly reduce the carrying amount of the asset.
Expenditures with third parties such as legal fees resulting from the conclusion of the loan are treated as part of the cost of the transaction. All loans and advances are recognized when cash is transferred to borrowers.

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

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

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

Recognition of the expected loss on loans on a collective basis

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

The characteristic elements of the credit activity used for segmentation will be:
a / For legal entities
• Business line: Corporate, SME, Municipalities
b / For individuals
• Instrument type:
  - o Mortgage or Personal loan secured by mortgage
    - Currency
    - Conversion status
  - o Consumer cash loan
  - o Credit cards
    - Origin entity
  - o Overdrafts

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

- Probability of default (PD) -is estimated for the entire life of financial instruments with the possibility of dividing at incremental values for each remaining life year. PD estimates are point-in-time (PIT), reflecting relevant present and future information.

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

- PL (Probability of Loss) is the probability of default (PD) multiplied by the 1 minus cure rate (1-CR), where cured category is which does not reach loss category after the default event.

PL = PD x (1-CR).

- LGL (Loss Given Loss) is the ratio of the EAD which is expected after default event when the loss category is reached.

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

During the modeling process, the bank used the following macroeconomic variables (where appropriate data were available) based on the proposal of the OTP Research Center experts and the quarterly historical time series provided by them:
• annual GDP change (input parameters in scenario);
• annual consumption change (C),
• annual export variation (EX),
• annual change in investments (I),
• annual change in the number of unemployed

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(UEMP);
• annual change in the number of people employed (PMM),
• annual nominal property price change (REP),
• Annual wage variation (W).

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

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

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

• **Crisis scenarios:** Crisis scenarios show different levels of economic contraction (moderate and severe declines in GDP), so the impact of a crisis on portfolio quality can be estimated with greater accuracy.

• **Non-Crisis Scenarios:** Compared with the forecasting scenario, one of the non-crisis scenarios is more optimistic and the other more pessimistic (without crisis conditions), but there are possibilities for exceptions depending on the economic cycle. These scenarios are defined by OTP BANK experts and show different trajectories of GDP under normal circumstances.
Risk parameters and depreciation value are defined in each scenario. According to IFRS9, the final asset depreciation is calculated as a weighted arithmetic mean of the values in each scenario, where the weights are the likelihood of each scenario occurring.
For 2022 the bank uses 3 scenarios, the first being the the forecasting scenario (50%) and 2 crisis scenarios (30%-Mild stress and 20%-Severe stress)

- Loss in case of default (LGD) - is estimated for each year of the expected lifetime of the exposures in order to calculate lifetime expected losses.

The bank model uses a rather narrow 'bad' loan definition ('Loss' category of the transition matrix) and the cure/healing from default is fully handled in the PD estimation. Therefore the LGD parameter should more likely be considered as 'loss given loss' rather than 'loss given default' thus no cure/healing should be taken into account in the course of the LGD estimation.
Consumer LGLs are estimated at portfolio level where the segmentation variables are: vintage, currency (local/foreign) and exposure size (small/medium/large). The length of the workout process and thus the scope of considering cash incomes is set at 6 years. Where the vintage recovery history is less than 6 years, future recoveries are estimated based on the performance of previous vintages.
For Stage 3 exposures with high days past due, the vintage based LGL estimations are modified according to the time already passed in the collection process.

The LGL parameter for private individuals mortgage backed, SME and Wholesale portfolios (including Municipalities if the case) is estimated based on a calculation that is performed for each exposure individually derived from the mortgage LGL calculation of the Asset Quality Review.
Separate LGD estimation should take place for exposures already in the absorbing state using the same principles as defined in this chapter. When estimating LGD for loans in the absorbing state the following should also be considered:

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

LGD methodology has to be consistent to PD parameters in terms of healing and cure rates. OTP Group methodology sets the barrier between PD and LGD called absorption state to DPD360+, write off or NPL debt sale that is called Loss category. It means the cure rate below DPD360+ is integrated into to migration matrices and LGD calculation measures the potential loss and recovery after default given that the Loss category is reached. OTP Group methodology introduces the two new measures: PL and LGL. LGL (Loss Given Loss) is the ratio of the EAD which is not expected to be recovered after the default event if the loss category is reached.

- Exposure in case of default (EAD) - impairment will be calculated both at the balance sheet and off-balance sheet levels. Given that the expected loss is estimated on each residual maturity of the instrument, the exposure in case of default will be estimated in the same way.

All types of off-balance loan commitments like undrawn credit lines, guarantees and other off-balance items are included in the EAD calculations. Off-balance items are included in the exposure at default with the use of an exposure specific credit conversion factor (CCF) based on proposals from Revisions to the Standardised Approach for credit risk, Basel Committee on Banking Supervision - December 2015 aligned to expert values provided by OTP Bank Plc..
EAD is integrated at contract level and includes the Gross Amortised Cost value of assets (GAC) and credit converted off balance sheet items. Upon the calculation of the lifetime EAD, in the case of exposures classified as showing significant increase in risk (stage2), are used the repayment schedule-based EADs. In the calculation of impairment losses, future cash flows are updated to the original effective interest rate. As a result, only the effect of reducing cash flows is recognized as a loss - that amount is not affected by other factors (eg, changes in market interest rates or credit ratings of the borrower) that could affect the fair value of the asset.

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

Recognition of expected loss on loans on an individual basis

Exposures will be analyzed on an individual basis according to certain conditions above a predefined materiality threshold, clients managed by the Restructuring and Recovery Department, clients with notifications according to the Debt Discharge Law no. 77/2016.

The Credit Risk Committee performs an analysis on a case-by-case basis regarding the opportunity of contamination of the members of the client groups in the scope of analysis on an individual basis.

The expected loss on loans is calculated on the basis of the amortized cost and the actual value based on the effective interest rate (EIR)

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of estimated future cash flows (voluntary and collateralised).

Future cash outflows will be estimated on the basis of the official financial statements of approved borrowers adjusted accordingly by the bank. These estimates will be made in a forward-looking approach, based on macroeconomic trends, inflation, dividend payments, shareholders and other business inputs, etc. The unique effects will be considered and adjusted according to the previous observed behavior.

Cash flows related to foreign currency loans will be estimated as follows:
a / Cash flows will be estimated in the currency of the credit
b / Cash flows will be currently updated at the EIR rate, and
c / Cash flows will be converted to RON at the official exchange rate at the reporting date.

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

The cash flow from collateral shall be calculated using the collateral amount allocated to the liquidation. The liquidation value is relevant if there is a risk that the client becomes non-cooperative and, consequently, the bank will go to forced execution.

Liquidation value is collateral value which, in the event of default, can be capitalized immediately or within a relatively short time span and which includes all liquidation costs. Both estimates of future cash flows (operational and derived from collateralisation) should include the negative component of expected cost estimates (eg valuation of real estate collateral, legal representation, security, etc.).
In order to meet the potential financial crisis generated by the Covid pandemic, the bank has adjusted the provisioning methodology for the end of 2020 according to the presentation in note 4.3.7.

Reversal

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

Write-off policy

The bank may decide at least once a year to review the portfolio, which may result in the decision to remove from the balance sheet by writing off certain items:

- The write-off can be performed individually (certain files), based on the individual analysis, whenever the elements that allow the write-off intervene
- All credits for which the write-off will be performed must be non-performing and must be fully provisioned in accordance with IFRS standards
- Reaching the maximum level of provisioning of the elements for which the write-off will be carried out must be prior to the write-off operation itself
- The write-off can affect a client, a group of clients, a list of clients, depending on the specific context in which the respective operation takes place

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

The bank analyzes whether the write-off can be performed and whether for certain elements the conditions are cumulatively fulfilled:

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

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

Provisioning methodology for sovereign and counterparty exposures

For sovereign and counterparty exposure, impairment calculation is performed regardless of the stage category to which the exposure belongs. The stage classification of sovereign and counterparty exposures is performed by the Market & Operational Risk Department.

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

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

Provisioning methodology for other financial assets

Provision calculation for purchased trade receivables is based on the recognition of expected credit losses on a collective basis and on recognition of expected credit losses on an individual basis.
After the partial write-off, during the valuation of the receivable, the impairment must be assessed in respect of the gross AC (gross book value) reduced by the write-off outstanding against the client. The volume of the recovery that is likely to be realised from the total receivable (due on the basis of the contract) must be determined and the amount of the expected credit loss may be calculated on the basis of this. The amount of the expected credit loss must be recognised as

impairment, as applicable, up to its gross AC reduced by the partial write-off (to its gross book value). The net value of the receivable affected by partial write-off before the write-off must always correspond to the net value after the partial write-off.

2.10 Financial liabilities

Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, adjusted for any additional costs/fees directly attributable to the single funding or issuing transaction (transaction costs) – excluding internal administrative costs. Initial recognition occurs at the date of subscription of the contract, which normally coincides with the time of collection of the sums deposited or the issue of debt securities.

After initial recognition, the bank measure all financial liabilities at amortized cost, except for financial liabilities that are held for trading which are measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

Amounts due to banks and to customers are recognized in the Liabilities section of the Statement of the Financial Position under lines: "Due to banks" and "Due to customers"; these liabilities are measured at amortised cost (Liabilities at Amortised cost).
Liabilities at amortised cost include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase.

Financial liabilities held for trading

A financial liability must be classified as "held for trading" if it is held to be traded in the near term or it is part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profit-taking. Held-for-trading liabilities are recorded and measured in the statement of financial position at fair value.

Derecognition of financial liabilities

The bank shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

2.11 Derivatives

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

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

Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The bank adopts multi curve valuation approach for calculating the net present value of future cash flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised.
There is no other credit value (CVA), debit value (DVA) or funding value (FVA) adjustment applied.

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

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

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

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

Own-credit valuation adjustment for debts (OCA) and for derivatives (debit valuation adjustment - DVA): OCA and DVA are adjustments reflecting the effect of credit worthiness of ank, on respectively the value of debt securities designated as at fair value through profit or loss and derivatives. Both adjustments are based on the expected future liability profiles of such instruments. The own credit worthiness is inferred from the market-based observation of the relevant bond issuance levels. The DVA adjustment is determined after taking into account the Funding Valuation Adjustment (FVA).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss of the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.12 Property and equipment

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

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

The last revaluation of land and buildings was carried out in the last quarter of 2018 by an independent valuator (ANEVAR member), the fair value being determined based

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on market values and where market values could not be determined, the independent valuator estimated fair value using an income or a depreciated replacement cost approach. The fair values of the buildings were booked as of end of December 2018. As at December 2021, the fair value was RON 104,124 thousand consider level 2 hierarchy. A impairment test was performed in December 2021 and no modification was found.

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

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

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

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

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

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

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

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

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

At the end of the financial year, the bank reviews the carrying amounts of property, plant and the estimated useful lives and depreciation methods. The bank asseses also the recoverable amount and the impairment loss (if any).

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

An impairment loss of property and equipment other than land and buildings is recognized in profit or loss. An impairment loss of land and buildings is recognized in other comprehensive income if the impairement loss is lower than the revaluation reserve. Any other difference is recognized in the Profit and Loss Account.

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

2.13 Intangible assets

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

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

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

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

2.14 Repossessed assets (inventories)

Inventories are measured at the lower of cost or net realizable value. Repossessed real estates resulting from loans are booked in accordance with IAS 2 "Inventories", at the lower of the cost (i.e.: loan net of provision)

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and net realizable value (i.e.: realization value of collateral, decreased by selling costs).

2.15 Investment property

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

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

2.16 Leasing

Pursuant to IFRS 16, an agreement is a lease or contains a lease if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation.

The bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 18.2.1 Right-of-use assets.

Expenses related to the use of lease assets, the majority of which were previously recognised in external services costs, are currently classified as depreciation/amortisation and interest costs.

Lease liabilities at the commencement date of the lease, the bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In the cash flow statement, cash flows from the principal of the lease liability are classified as cash flows from financing activities, while lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The interest payments regarding the lease liability are classified according to IAS 7 Statement of Cash Flows.

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

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

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

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

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

Recognition of right-of-use assets

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

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

Recognition of lease liabilities

Interest rate applied by the bank: weighted average lessee's incremental borrowing rate: ~3.05% RON, ~0.48% EUR, ~0% USD.

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

- fixed lease payments less any lease incentives,
- variable lease payments that depend on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option, if it is reasonably certain that the option will be exercised, and
- payment of contractual penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

Application of estimates

The implementation of IFRS 16 requires the making of certain estimates and calculations, which affect the measurement of financial lease liabilities and of right-of-use assets.

These include among others:
- determining the lease term of such agreements (including for agreements with unspecified lives or which may be prolonged),
- determining the interest rates to be applied for the purpose of discounting future cash flows,
- determining depreciation rates.

The bank holds only the lessee role in the leasing contracts that are active during 2021.

2.17 Interest-bearing loans and borrowing costs

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

2.18 Hedge accounting

In accordance with its risk management the bank's strategy to apply fair value hedge accounting to keep interest rate sensitivities within its established limits. The bank imple-

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mented fair value hedge accounting rules prescribed by IFRS 9 in 2018.

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or unrecognized firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss. The bank determines the fair value of both hedged item and hedging instrument at the reporting date, recognizes any change in fair value (gain or loss) on the hedging instrument in profit or loss and recognizes the hedging gain or loss on the hedged item in its carrying amount. The bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in fair value of the respective hedged items during the period for which the hedge is designated. The fair value hedge relationship is discontinued prospectively when the hedging instrument expires, is sold, terminated or exercised. If the hedge no longer meets the criteria for hedge accounting the bank revokes the designation. When the hedge relationship is terminated and the hedging instrument is not closed out, it is removed from the fair value hedge specific portfolio and recorded as a standalone derivative in another portfolio. Any adjustment arising to the carrying amount of a hedged financial instrument for which the effective interest method is used shall be amortized to profit or loss.

The hedged instrument for the bank is represented by securities and the hedging instrument is represented by the Intrest Rate Swap (IRS).

2.19 Taxation

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

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The tax rate for both current and deferred tax is 16% (2020: 16%).

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

The temporary differences arise mainly from impairment of loans and advances to customers, tangible and intangible assets, revaluation of available for sale financial assets and tax losses carried forward (see Note 28).

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

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

2.20 Contingent assets / liabilities

A contingent liability is:

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the bank.

A contingent asset is not recognized in the accompanying financial statements but is disclosed when an inflow of economic benefits is probable.

2.21 Provisions

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

Monthly provisions are calculated and registered within the bank for the ongoing litigations in which the bank is involved as defendant. The applied calculation methodology depends on the object of the litigation, a distinction being made between the litigations on abusive clauses and other types of litigations, as follows:

- in case of litigations regarding abusive clauses within the loan contracts, the methodology is based on the use of parameters obtained according to the history of refunds made by OBR to customers following final unfavorable Court decisions in litigations regarding abusive clauses, respectively according to the risk associated to the ongoing litigations, assessed by Legal Directorate/ Restructuring and Work-out Directorate according to internal regulations;
- in case of other types of litigations (with different object than abusive clauses), including work related litigations, OBR registers provisions for the litigations with medium and high risk associated, calculated according to the estimated value of the litigation and the associated risk (100% x litigation value for the high risk files, respectively 50% x litigation value for medium risk files);
- the litigations with significant value (> EUR 1 mil.) are considered exceptional situations, being assessed on a case by case basis regardless the associated risk. For these situations, provisions can be registered (established as weight of the litigations value based on the assessment performed by Legal Directorate/ Restructuring and Work-out Directorate) with the approval of the Operative Risk Committee and the Management Board;

Also, monthly provisions for potential litigations on abusive clauses are calculated and registsred within the bank, considering

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the CHF and EUR loan contracts with clauses potentially considered abusive. In this case, the applied methodolgy is based on the use of parameters obtained according to the history of the litigations on abusive clauses lost by the bank, respectively according to the history of refunds made by OBR to customers following final unfavorable Court decisions in litigations regarding abusive clauses.

Restructuring

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

2.22 Cash and cash equivalents

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

2.23 Related parties

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

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

2.24 Employee benefits

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

Defined contribution plans:

The bank pays the contribution to the Romanian State funds on behalf of its employees for health care, pension and unemployment benefits.

All employees of the bank are legally obliged to be members of the Romanian State Social Security and to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan).

The bank has no legal or constructive obligation to pay future benefits. Its only obligation is to pay the contributions as they fall due. If the members of the Romanian State Social Security plan cease to be employed by the bank or its subsidiary, there will be no obligation on the B to pay the benefits earned by these employees in previous years. The bank's contributions are included in salaries and related expenses.
All relevant contributions to the Romanian State pension plan are recognized as an expense in the statement of comprehensive income as incurred.

Share-based Payment:

The bank has applied the requirements of IFRS 2 Share-based Payment. The bank issues equity-settled share-based payment to certain employees. Equity-settled share-based payment is measured at fair value at the grant date.

The fair value determined at the grant date of the equity-settled sharebased payment is expensed on a straight-line basis over the year, based on the bank's estimate of shares that will eventually vest. Share-based payment is recorded in Statement of Profit or Loss as Personnel expenses. In 2021, the bank proceeded to register share based payments. The amounts related to the years 2017-2020 were recorded as a retained earnings.

2.25 Subsequent events

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

2.26 Going Concern

The bank's management has made an assessment of the bank's ability to continue as a going concern, including in the context of the conflict in Ukraine as described in the Subsequent events note, and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

2.27 Accounting for the effects of hyperinflation

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

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

2.28 Critical accounting judgements and key sources of estimation uncertainty

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

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

a) Critical judgements in applying the bank's accounting policies

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

- **Business model:** Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.
This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.
The bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

- **Significant increase of credit risk:** As explained in note 3 above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the bank takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to note 3.8.6 above and for more details.

- **Models and assumptions used:** the bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 3 above and note 4 for more details on ECL, and note 5 for more details on fair value measurement.

b) Key sources of estimation uncertainty

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

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

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3. RISK MANAGEMENT

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

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

Other risks managed by the bank are reputational risk, risk due to outsourced activities, compliance risk (general compliance and ML/FT), conduct risk, model risk, ICT and security risks.

Within the bank, the risk management is performed by the following subunits:

A. Risk Administration Directorate

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

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

Credit Risk Department – has the role of:

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

B. Strategy, Controlling and Assets and Liabilities Management Directorate

Assets and Liabilities Management Department – has the role to:

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

Risk Controlling Department - has the role to:

- acts as a controlling function for credit risk
- monitors and reports the risk cost of the bank to top management and group on segments, products
- understand and monitor the key drivers of the risk calculation

Regarding the scope and types of reporting and risks quantification systems, the reports prepared for risks quantification are:

- limits monitoring for various economic sectors, geographic regions and specific banking products (as required by NBR Regulation no. 5/2013, UE Regulation no. 575/2013);
- monitoring the limits specific to concentration risk management (as required by NBR Regulation no. 5/2013, UE Regulation no. 575/2013);
- monitoring of the limits established by the bank's Risk Strategy;
- monitoring of the limits in compliance with the internal regulations, according to the Group's Lending Policy, counterparty limits
- annual reports on:
  - internal process for assessing the capital adequacy to risks;
  - measures taken in respect of significant risks management.
- the results of the crisis simulation carried out and measures taken, as consequence by the management structure of the bank.

Risk Management Committee

The Risk Management Committee is a permanent committee, which operates independently from the bank's management, directly subordinated to the Supervisory Board and having an advisory function. The Risk Management Committee assists the Supervisory Board to carry out its responsibilities in terms of risk management.

The Risk Management Committee has to include members of the Supervisory Board who have, individually and collectively the necessary appropriate knowledge, skills and expertise and competencies concerning risk management and control practices in order to fully understand and monitor the bank's risk management strategy and the risk appetite.

Operative Risk Committee

The Operative Risk Committee is a permanent committee, subordinated to the bank's Management Board, authorised to take decisions in matters that are within its competence and also to submit proposals to the bank's Management Board regarding the development of adequate strategies, policies and procedures for the identification, assessment, monitoring and control of significant risks, according to the legislation in force and the internal regulations regarding risk management

Assets & Liabilities Committee

The Assets and Liabilities Management Committee is a permanent committee, subordinated to the bank's Management Board, which has the authority to take decisions on matters within its competence, as well as to submit proposals to the bank's Management Board on investments and the management of risks related to assets and liabilities structure of the bank, according to the provisions of the legislation in force and the incidental internal regulations.

Credits Committee

The Credit Committee is a permanent committee, subordinate to the bank's Management Board, which has the authority to take decisions on matters within its competence, as well as to submit proposals to the bank's Management Board, regarding the approval of loans and requests for changes in credit conditions, according to the provisions of the legislation in force and the incidental internal regulations.

The activity of the Credits Committee is sustained by two other permanent committees, functioning as sub-committees under the Credits Committee, respectively Credits Sub-Committee 1 and Credits Sub-Committee 2, having their attributions, responsibilities and

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competencies detailed within the Rules of Procedures of the Committees of the Management Board and Matrix 2 of the Internal Organizational Rules.

Workout Committee

The Workout Committee is a permanent committee, subordinated to the bank's Management Board, which has the authority to take decisions on matters within its competence, as well as to submit proposals to the bank's Management Board on taking the necessary debt recovery measures, according to the provisions of the legislation in force and the incidental internal regulations.

The activity of the Workout Committee is sustained by two other permanent committees, functioning as sub-committees under the Workout Committee, respectively Workout Sub-Committee 1 and Workout Sub-Committee 2, having their attributions, responsibilities and competencies detailed within the Rules of Procedures of the Committees of the Management Board and Matrix 4 of the Internal Organizational Rules.

Credit Risk Committee

The Credit Risk Committee is a permanent committee, subordinated to the bank's Management Board, which has the authority to take decisions on matters within its competence, as well as to submit proposals to the bank's Management Board, which emerges from its role of monitoring the credit portfolio and taking the necessary measures in order to ensure its quality, according to the provisions of the legislation in force and the incidental internal regulations.

In order to implement an effective governance system of the risk management framework and to address the full range of possible risks, the responsibilities between the different units of the bank are defined in such a way that there are three lines of defense that are independent of each other.

The first line of defense is provided by the organizational units at which the risks are assumed. In the course of business, the personnel involved shall be at the forefront of the proper identification, assessment, management and reporting of risk exposures on an ongoing basis, given the bank's appetite, policies, procedures and risk controls.

The second line of defense is provided by the risk management function and the compliance function. The risk management function is responsible for overseeing the bank's risk-taking activities, conducting risk assessments and reporting independently of business units, while the compliance function monitors compliance with laws, corporate governance rules and internal policies.

The third line of defense is provided by the internal audit function which is responsible for ensuring the effectiveness of the bank's risk management framework, including the processes carried out at the level of the first and second lines of defense.

The risk strategy of OTP BANK Romania S.A. lays the foundations for the identification, measurement, management, monitoring and mitigation of all risks to which the bank is exposed, in accordance with the established risk appetite. It must be approved and reviewed by the bank's Supervisory Board.

The bank has risk assessment processes that allow it to develop and implement appropriate strategies to mitigate risks before they have a negative effect on the bank's financial position and / or profitability. Risk assessment is integrated into the capital adequacy process and in risk management activities.

The bank identifies existing risks and risks that may arise from new business initiatives and those arising from market conditions.
Risk identification is an ongoing process and takes place at the transaction and line of business level.

The point in time assessment of the general risk position is performed through the computation of the risk profile. The general risk profile is derived from the weighted sum of the individual risk profiles of all significant risks whereas the individual risk profiles are computed based on the most influencing key indicators for each significant risk.

The point in time risk position is compared to risk appetite/tolerance/capacity and the following outcomes are possible:

(a) Individual risk profile
- o Favourable position against appetite; action – keep monitoring
- o Outside appetite but within tolerance; action – analysis of the future trends and implications, possible corrective risk measures
- o At capacity level; action – analysis, corrective risk measures and ICAAP to be addressed

(b) General risk profile
- o Favourable position against appetite; action – keep monitoring
- o Outside appetite but within tolerance; action – analysis of the future trends and implications, possible corrective risk measures
- o At capacity level; action – analysis, corrective risk measures and additional own funds to be addressed

The bank monitors quarterly the risk profile over all significant risks and measures the risk position against the established levels of risk appetite/tolerance/capacity that enables identifying potential endangerments over the predicted financial evolution of the institution.

All significant deviations from the established risk appetite are addressed with proposals regarding corrective measures with the aim to reshape the risk parameters back in the direction of the risk appetite target.

Quarterly, Risk Administration Directorate determines the risk profile, monitors the risk limits and reports on such to the Operative Risk Committee, to Risk Management Committee and to the bank's Management Board. The latter may request the responsible organizational units to draw up a remediation plan in order to return to the admitted limit if the established limits are exceeded. If the nature of elements that led to a deviation from the established thresholds does not impose further actions or does not allow effective measures to be taken to meet the established limits, it shall be recorded in the minutes of the meeting of the aforementioned management bodies that it was taken note of exceeding the limits and no other actions / measures are required.

The Credit Risk Department within Risk Administration Directorate informs quarterly the Supervisory Board on the deviations from the established limits and thresholds.

Bank's risk related policies and management approach are assessed periodically and updated to the changes that occurred on each analyzed area of activity.

Segment reporting information

A segment is a component of the bank:
- revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and;
- for which distinct financial information is available.

The segments used for management purposes are based on customer type and size, products and services offered as follows:

- In Retail category are identified individuals –

the bank provides individual customers with a range of banking products such as: saving and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities, etc.

- Retail customers include clients with similar characteristics in terms of financing needs, complexity of the activity performed for which a range of banking products and services with medium to low complexity is provided.
- In legal entities category are identified small, medium and large corporate enterprises . The bank provides these customers with a range of banking products and services, including saving and deposits taking, loans and other credit facilities, transfers and payment services, provides cash-management, investment advices, securities business, project and structured finance transaction, syndicated loans and asset backed transactions.

3.1 Interest Rate Risk (Banking Book)

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

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

Regarding the interest rate risk on the banking book, the bank manages its exposure with the aim of limiting the potential losses due to unfavorable fluctuations of the interest rates, in such a way that these losses do not threat the profitability of the bank, the own funds or the safety of operations. The bank grants loans with mainly variable interest rate indexed by reference (ex.: Euribor, Robor) and aims to harmonize the financing structure with the structure of assets and other liabilities so as to maintain a medium-low interest rate risk exposure. In 2021, the bank concentrated on local currency loans and the weight of fixed interest rate loans in total portfolio increased in case of consumer loans. The bank offers RON mortgage loans with fixed interest rate in the first 5 years, without their volume being significant.

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

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

At 31st December 2021, the bank had a low exposure to the interest rate risk on banking book, 2.06% of own funds (1.43% as of December 2020). The decrease mainly resulted from the inclusion of non-maturity deposits (current accounts) in the computation.

During 2021, the exposure to the interest rate risk on banking book had a stable level not exceeding a maxim medium-low level.

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the bank has established a project to manage the transition for any of its contracts that could be affected. The bank has in place plans to support the transition of interest rate benchmarks that will cease to be available after 30 June 2023 to alternative reference rates. The project will be led by senior representatives from functions across the bank including the client facing teams, Legal, Finance, Operations and Technology. The project will provide monthly progress updates to the Managing Board.

Interest rates on loans granted to customers	December 31, 2021				December 31, 2020			
	CHF	EUR	RON	USD	CHF	EUR	RON	USD
Consumer	n.a	11.62	9.35	n.a	n.a	9.34	10.28	n.a
Personal loans with mortgage	4.70	4.37	5.43	4.73	5.22	4.80	6.38	5.45
Housing	4.48	3.88	4.35	4.32	4.71	4.67	5.25	5.32
Corporate loans	2.06	3.25	4.95	3.31	2.19	3.38	6.10	3.77

Thousand RON	December 31, 2021	December 31, 2020
Impact in the economic value of the bank of a 200 bp interest rate shock (thousand RON)	71,832	24,373
Own funds (thousand RON)	2,230,318	1,700,882
Exposure (% of Own funds)	3.22%	1.43%
Impact in earnings for one year of a 200 bp interest rate shock (thousand RON)	10 954	314
Exposure (% of Own funds)	0.49%	0.02%

The following is a summary of the bank's interest rate gap position as at December 31, 2021. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the bank's balance sheet based on either (i) the next repricing date or (ii) the maturity date if fixed rate.

31 decembrie 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS						
Current accounts and deposits at banks	60,470	-	-	-	-	60,470
Accounts with the National Bank of Romania	1,344,829	10,000	-	-	-	1,354,829
Investment securities at fair value through profit and loss	21,130	-	-	-	-	21,130
Investment securities at fair value through other comprehensive income	118,712	22,380	55,642	421,269	106,371	724,374
Securities at amortized cost	1,464,703	150,896	104,767	469,457	629,152	2,818,975
Gross loans	2,588,517	3,831,789	5,852,356	675,710	56,882	13,005,254
Total assets	**5,598,361**	**4,015,065**	**6,012,765**	**1,566,436**	**792,405**	**17,985,032**
LIABILITIES						
Demand deposits from banks	33,196	-	-	-	-	33,196
Term deposits from banks	1,439,957	-	-	-	-	1,439,957
Demand deposits from customers	3,355,868	191,016	429,299	1,096,245	200,191	5,272,619
Term deposits from customers	2,072,220	2,004,046	1,733,530	105,560	8,221	5,923,577
Borrowings	933,054	2,325,018	-	-	-	3,258,072
Lease liabilities	1,011	36	1,759	48,782	11,720	63,308
Total liabilities	**7,835,306**	**4,520,116**	**2,164,588**	**1,250,587**	**220,132**	**15,990,729**
Derivatives and spot instruments - NET	521,639	(2,827)	7,862	(421,269)	(106,371)	(966)
Assets-Liabilities GAP interest rate sensitivity	(1,715,306)	(507,878)	3,856,039	(105,420)	465,902	1,993,337
Assets-Liabilities cumulative GAP interest rate sensitivity	**(1,715,306)**	**(2,223,184)**	**1,632,855**	**1,527,435**	**1,993,337**	

The following is a summary of the bank's interest rate gap position as at December 31, 2020:

31 decembrie 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
ASSETS						
Current accounts and deposits at banks	561,226	-	-	-	-	561,226
Accounts with the National Bank of Romania	1,698,185	-	-	-	-	1,698,185
Investment securities at fair value through profit and loss	19,436	-	-	-	-	19,436
Investment securities at fair value through other comprehensive income	12,757	-	-	546,156	166,891	725,804
Securities at amortized cost	-	27,069	52,409	491,470	-	570,948
Gross loans	1,858,430	3,334,126	4,946,362	498,678	48,604	10,686,200
Total assets	**4,150,034**	**3,361,195**	**4,998,771**	**1,536,304**	**215,495**	**14,261,799**
LIABILITIES						
Demand deposits from banks	18,934	-	-	-	-	18,934
Term deposits from banks	143,459	-	-	-	-	143,459
Demand deposits from customers	2,368,074	104,574	199,327	717,166	467,151	3,856,292
Term deposits from customers	2,182,182	1,737,696	1,658,787	62,298	13,394	5,654,357
Borrowings	5,699	3,092,648	-	-	-	3,098,347
Lease liabilities	155	101	1,761	46,283	8,047	56,347
Total liabilities	**4,718,503**	**4,935,019**	**1,859,875**	**825,747**	**488,592**	**12,827,736**
Instrumente derivate și spot - NET	630,079	21,250	58,311	(540,976)	(166,891)	1,773
Assets-Liabilities GAP interest rate sensitivity	61,610	(1,552,574)	3,197,207	169,581	(439,988)	1,435,836
Assets-Liabilities cumulative GAP interest rate sensitivity	**61,610**	**(1,490,964)**	**1,706,243**	**1,875,824**	**1,435,836**	

3.2 Market Risk Management

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

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

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

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

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

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

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3.2.1 Interest Rate Risk (Trading book)

The interest rate risk refers to the fluctuation in the value of financial instruments included in the trading book due to the changes in the level of market interest rates.

Limits are approved for trading on interest rate sensitive instruments such as bonds issued by the Romanian Government, interest rate swaps, FX swaps, Money Market deposits and placements. The adequate assessment and monitoring of the resulting interest rate risk is ensured by the set-up of a limits system and the use of appropriate risk management systems.

The bank established the following types of limits: bond position limit, bond maturity limit, Value at Risk (VaR) limit, Basis Point Value limits (per currency and for Total), stop-loss limits and liquidity limits. These limits are monitored using the Kondor+ and Market Risk Portal systems.

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

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

3.2.2 Currency risk

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

The bank may trade and take positions in the followings currencies: EUR, USD, GBP, CHF, CAD, JPY, HUF, AUD, SEK, DKK, PLN, NOK and CZK.
The open foreign exchange currency position is managed continuously on an automatic basis within the Kondor+ system according to the internal rules and also considering the NBR regulations.

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

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

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

The following tables present for December 31, 2021 and December 31, 2020 the Trading Book VaR, as well as the sensitivity of the exposure to interest rate in the form of the Basis Point Value related to the Trading Book.

VaR (amounts in RON)	December 31, 2021	December 31, 2020
Foreign Exchange Position	12,138	5,333
Money Market and Fixed Income Instruments	9,729	16,611
Total Trading Book	15,042	13,254

Basis Point Value (amounts in RON)	December 31, 2021	December 31, 2020
Money Market and Fixed Income Instruments	600	210

Separate statement of cash flows for the period ended december 31, 2021

The following is a summary of the bank's exposure towards currency risk as at December 31, 2021 and December 31, 2020 (amounts in thousand RON equivalent):

December 31, 2021

Currency	Assets	Liabilities and equity	Net position of balance sheet	Net position of off-balance sheet	Total	Gains/(losses) incurred for a change of +1% in currency exchange rate	Gains/(losses) incurred for a change of -1% in currency exchange rate
EUR	4,352,996	5,181,110	(828,114)	858,972	30,858	309	(309)
USD	316,091	408,222	(92,131)	95,496	3,365	34	(34)
CHF	226,055	39,857	186,198	(201,184)	(14,986)	(150)	150
HUF	1,534,711	584,517	950,194	(946,089)	4,105	41	(41)
OTHER	82,805	36,274	46,531	(54,459)	(7,928)	(79)	79
Total	**6,512,658**	**6,249,980**	**262,678**	**(247,264)**	**15,414**	**155**	**(155)**

December 31, 2020

Currency	Assets	Liabilities and equity	Net position of balance sheet	Net position of off-balance sheet	Total	Gains/(losses) incurred for a change of +1% in currency exchange rate	Gains/(losses) incurred for a change of -1% in currency exchange rate
EUR	4,904,595	4,007,995	896,600	(915,327)	(18,727)	(187)	187
USD	298,001	451,071	(153,070)	160,163	7,093	71	(71)
CHF	290,797	52,400	238,397	(248,569)	(10,172)	(102)	102
HUF	78,845	465,735	(386,890)	389,235	2,345	23	(23)
OTHER	189,745	29,712	160,033	(167,593)	(7,560)	(76)	76
Total	**5,761,983**	**5,006,913**	**755,070**	**(782,091)**	**(27,021)**	**(271)**	**271**

The assets and liabilities split by currencies in RON equivalent amounts, as of December 31, 2021, is presented below:

December 31, 2021

	EUR	USD	CHF	HUF	Other CCY	Total other CCY	RON	Total
ASSETS								
Cash	127,267	42,800	15,732	60,862	78,673	325,334	226,527	551,861
Current accounts and deposits at banks	4,209	5,891	1,496	1,549	2,987	16,132	44,338	60,470
Accounts with the National bank of Romania	676,210	-	-	-	-	676,210	678,619	1,354,829
Loans and advances to banks	193	-	2	4	1,120	1,319	612	1,931
Derivatives	1,148	-	-	-	-	1,148	17,063	18,211
Derivatives hedge accounting	-	-	-	-	-	-	-	-
Investment securities at fair value through profit and loss	3,096	12,328	-	-	-	15,424	5,706	21,130
Investment securities at fair value through other comprehensive income	539,378	179,779	-	-	-	719,157	5,217	724,374
Securities at amortized cost	266,806	-	-	1,472,295	-	1,739,101	1,079,874	2,818,975
Loans and advances to customers, net	2,726,697	75,034	208,748	-	-	3,010,479	9,376,016	12,386,495
Investment in Associates and Subsidiaries	-	-	-	-	-	-	46,558	46,558
Right-of-use assets	-	-	-	-	-	-	61,717	61,717
Deffered tax asset	-	-	-	-	-	-	14,648	14,648
Other assets, net	7,992	259	77	1	25	8,354	145,447	153,801
Total assets	**4,352,996**	**316,091**	**226,055**	**1,534,711**	**82,805**	**6,512,658**	**11,702,342**	**18,215,000**
LIABILITIES								
Due to Banks	1,137,928	56,821	-	261	-	1,195,010	278,143	1,473,153
Demand deposits from banks	(135)	-	-	261	-	126	33,070	33,196
Term deposits from banks	1,138,063	56,821	-	-	-	1,194,884	245,073	1,439,957
Derivatives	1,148	-	-	-	-	1,148	18,490	19,638
Derivatives hedge accounting	26,795	4,778	-	-	-	31,573	-	31,573
Due to customers	3,229,882	333,094	20,771	583,984	35,782	4,203,513	6,992,683	11,196,196
Demand deposits from customers	1,436,611	134,453	17,048	302,998	17,498	1,908,608	3,364,011	5,272,619
Term deposits from customers	1,793,271	198,641	3,723	280,986	18,284	2,294,905	3,628,672	5,923,577
Borrowings	672,951	-	-	-	1	672,952	2,585,120	3,258,072
Lease liabilities	62,080	137	-	-	-	62,217	1,091	63,308
Provisions	16,440	849	18,576	31	-	35,896	80,466	116,362
Deffered tax liabilities	-	-	-	-	-	-	9,933	9,933
Other financial liabilities	33,886	12,543	510	241	491	47,671	187,448	235,119
Total liabilities	**5,181,110**	**408,222**	**39,857**	**584,517**	**36,274**	**6,249,980**	**10,153,374**	**16,403,354**
Net Assets / Liabilities	**(828,114)**	**(92,131)**	**186,198**	**950,194**	**46,531**	**262,678**	**1,548,968**	**1,811,646**

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

December 31, 2020	EUR	USD	CHF	HUF	Other CCY	Total other CCY	RON	Total
ASSETS								
Cash	97,439	46,028	14,908	78,004	110,516	346,895	185,899	532,794
Current accounts and deposits at banks	426,532	4,163	7,272	813	6,894	445,674	115,552	561,226
Accounts with the National Bank of Romania	1,193,482	-	-	-	-	1,193,482	504,703	1,698,185
Loans and advances to banks	215	-	1	4	72,324	72,544	4,108	76,652
Derivatives	2,636	-	-	-	-	2,636	11,309	13,945
Derivatives hedge accounting	-	-	-	-	-	-	-	-
Investment securities at fair value through profit and loss	2,816	11,475	-	-	-	14,291	5,145	19,436
Investment securities at fair value through other comprehensive income	550,369	170,175	-	-	-	720,544	5,260	725,804
Securities at amortized cost	-	-	-	-	-	-	570,948	570,948
Loans and advances to customers, net	2,627,777	65,753	268,124	-	-	2,961,654	7,225,107	10,186,761
Investment in Associates and Subsidiaries	-	-	-	-	-	-	46,558	46,558
Right-of-use assets	-	-	-	-	-	-	55,114	55,114
Deffered tax asset	-	-	-	-	-	-	25,173	25,173
Other assets, net	3,329	407	492	24	11	4,263	86,361	90,624
Total assets	**4,904,595**	**298,001**	**290,797**	**78,845**	**189,745**	**5,761,983**	**8,841,237**	**14,603,220**
LIABILITIES								
Due to Banks	-	73,372	-	272	-	73,644	88,749	162,393
Demand deposits from banks	-	-	-	272	-	272	18,662	18,934
Term deposits from banks	-	73,372	-	-	-	73,372	70,087	143,459
Derivatives	2,636	-	-	-	-	2,636	10,707	13,343
Derivatives hedge accounting	40,533	8,342	-	-	-	48,875	-	48,875
Due to customers	2,479,653	366,095	23,379	465,391	29,642	3,364,160	6,146,489	9,510,649
Demand deposits from customers	962,314	198,647	20,847	315,973	14,965	1,512,746	2,343,546	3,856,292
Term deposits from customers	1,517,339	167,448	2,532	149,418	14,677	1,851,414	3,802,943	5,654,357
Borrowings	1,392,678	-	-	-	1	1,392,679	1,705,668	3,098,347
Lease liabilities	55,235	136	-	-	-	55,371	976	56,347
Provisions	18,338	318	28,240	8	-	46,904	97,690	144,594
Deffered tax liabilities	-	-	-	-	-	-	9,060	9,060
Other financial liabilities	18,922	2,808	781	64	69	22,644	163,232	185,876
Total liabilities	**4,007,995**	**451,071**	**52,400**	**465,735**	**29,712**	**5,006,913**	**8,222,571**	**13,229,484**
Net Assets / Liabilities	**896,600**	**(153,070)**	**238,397**	**(386,890)**	**160,033**	**755,070**	**618,666**	**1,373,736**

3.2.3 Equity Risk

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

OTP BANK Romania's policy regarding equity risk management is not to have open positions on equity instruments. During 2021, the bank did not hold trading positions on equity instruments.

The only bank holdings of shares are represented by VISA and we appreciate that the level of equity risk to which we are exposed is not material.

3.3 Credit Risk Management

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

The bank's main objective regarding credit risk management was to maintain the portfolio quality by monitoring the evolution of a set of indicators which are detailed in the Risk Strategy for 2021.

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

- Developing a diversified portfolio, the performance of which does not excessively depend on the changes in the position of any particular sector, geographical region or debtor group, that ensures stable profitability on the long run;
- Increasing the profitability of the credit products;
- Credit approval and keeping assumable risks within limits;
- Increasing the capacity to collect overdue receivables;
- Maintaining the solvency indicator within normal limits so that the capital requirement for credit risk is not increasing excessively;
- Maintaining the portfolio quality by monitoring the evolution of a set of indicators which is detailed in Risk Strategy 2021.

The bank's strategy regarding credit risk management includes:

- Ensuring the soundness of the newly originated loan portfolio in a macro environment with a high level of uncertainty. As response to COVID -19 expected negative effect on the economy, the bank has adjusted its credit policies by implementing temporary restrictions to mitigate arisen risks. The bank will continue to adapt its policies accordingly.
- Maintaining an adequate quality level of the existing loan portfolio and ensuring a suitable provision coverage. The bank will continue to assign priority to managing past due loans by making efforts to enable customers in arrears to return to the routine of making regular repayments. In 2021, the bank continued to asses and monitor for a relevant period the loans exposures that had benefited from moratoriums.
- Follow the NPE strategy and reach the NPL% targets. No doubt the emergency of COVID 19 and its systemic impact, has brought additional insecurity and pressure in respect to the achievement of the bank's plan to reduce the NPL stock. Nevertheless, the bank will undertake all possibly planned actions in order reach the NPE % target and the planned values for the non-performing loans rate at the level of each segment.
- Monitoring of credit risk. With a view to monitoring the credit risk appetite, the bank operates a control system, which covers the regulatory instruments, the risk parameters of the products and the reporting system.
- Reviewing the transactional models. All behavioural scorecards applied for Private Individual segment were redeveloped during 2021 and implemented on December 2021. These updates mainly reflect the impact of the new default definition. In order to improve the credit risk management framework during 2021 there were developed models for optimizing the process of collecting outstanding, which are scheduled for implementation during the period March – June 2022.

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

Regarding converted loans, the OTP BANK Group approved the conversion program as a commercial offer for all the clients with loans in Swiss francs, justified by the social and legal environment. The program started on 9th of December 2015 and was addressed to all the

10,500 customers with mortgage loans in CHF, offered by OTP BANK Romania.

The conversion program was designed and applied in a special environment that affected the entire banking sector in Romania an also other countries and addressed a large portion of the costumers. In the present legislative environment it can be assimilated with a private moratoria (as was defined by EBA especially for the COVID 19). The conversion was available to all the clients who had delays of up to 90 days in the payment of monthly instalments, registered at the time of conversion.

Impaired exposures resulting from converted loans are presented in Stage 3 and those for which there are no signs of impairment are presented in Stage 2, with lifetime ECL.

3.3.1 Impaired assets

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

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

The breakdown below presents all loans splitted by risk concentration by product for retail customers and by industry for legal entities, is as follows:

December 31, 2021	Stage 1	Stage2	Stage3			
	collective	collective	collective	Individual	POCI	TOTAL
PERSOANE FIZICE	**5.297.472**	**968.881**	**60.115**	**15.006**	**44.759**	**6.386.233**
Credite de consum	892.502	168.969	27.440	37	36	1.088.984
Credite ipotecare	4.404.970	799.912	32.675	14.969	44.723	5.297.249
PERSOANE JURIDICE	**5.147.549**	**718.798**	**778**	**125.931**	**7.206**	**6.000.262**
Imobiliare și construcții	1.315.274	216.205	159	28.631	1.572	1.561.841
Comerț și finanțe	1.375.456	94.904	14	13.625	5.634	1.489.633
Producție	568.669	203.536	8	29.357	-	801.570
Servicii	768.762	129.486	239	34.877	-	933.364
Agricultura și silvicultura	844.743	40.513	258	7.675	-	893.189
Transport și comunicații	268.700	27.504	100	9.818	-	306.122
Alte sectoare	5.945	6.650	-	1.948	-	14.543
Total expunere netă	**10.445.021**	**1.687.679**	**60.893**	**140.937**	**51.965**	**12.386.495**

Stage 2 includes the converted loans in net amount of 451,495 thousand RON, which may have been disclosed as POCI loans and for which lifetime ECL is computed.

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December 31, 2020	Stage 1	Stage2	Stage3			
	collective	collective	collective	Individual	POCI	TOTAL
RETAIL	**4.803.573**	**583.982**	**25.792**	**17.939**	**47.156**	**5.478.442**
Consumer loans	823.366	87.851	6.230	36	57	917.540
Mortgage	3.980.207	496.131	19.562	17.903	47.099	4.560.902
LEGAL ENTITIES	**3.919.893**	**621.462**	**231**	**156.122**	**10.611**	**4.708.319**
Real estate and construction	1.046.038	227.809	-	9.137	4.399	1.287.383
Trade and finance	1.001.763	35.925	226	16.042	6.212	1.060.168
Manufacturing	527.769	81.818	-	46.115	-	655.702
Services	438.489	202.526	-	71.426	-	712.441
Agriculture and forestry	697.091	61.871	-	5.675	-	764.637
Transportation and communications	197.914	2.462	-	7.679	-	208.055
Other sectors	10.829	9.051	5	48	-	19.933
Total net exposure	**8.723.466**	**1.205.444**	**26.023**	**174.061**	**57.767**	**10.186.761**

3.3.2 Collaterals received from customers

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

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

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

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

Types of collaterals received for the loan portfolio (Market value, capped to the covered exposure)	December 31, 2021	December 31, 20210
Cash collaterals	86,283	63,197
Bank guarantees and cash sureties	160,845	64,907
Guarantees from public administration	6,011	6,270
Revenue assignment	199,958	218,968
Assignment of other receivables	136,843	172,111
Registration of pledge for stock	978,711	906,838
Mortgages	8,916,444	8,038,162
Other	1,295,050	828,216
Securities - other securities	184,412	221,696
Total	**11,964,557**	**10,520,365**

Regarding the methodology of using collateral when establishing individual provisions, in order to calculate the cash flow from guarantees, the assigned value of liquidation of the guarantee will be used.
Liquidation value is the value of the guarantee at which, in the event of non-repayment, it can be used immediately or in a relatively short period of time and which includes all costs related to liquidation.
In order to estimate the recoveries for collateralized assets (future cash flows from collateral realization), the Collateral value, efficiency factor (EF), time to collection (t) and collateral collection costs (RC) should be estimated.

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

- term for which collateral has been pledged,
- nominal / established collateral value (based on loan agreement),
- value from last collateral valuation (internal or external),
- actual collateral value pledged to the bank based on the agreement and all available and relevant information regarding the collateral (e.g. first liens)

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

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

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

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

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

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

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

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

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

In the table below is detailed the portfolio classified based on provision and client type along the collateral market and liquidation values covering those portfolios.

Provision type	Client type	Stage	Exposure December 31, 2021	Provision December 31, 2021	Collateral market value, capped to the covered exposure	Collateral liquidation value, capped to the covered exposure	Exposure-Collateral liquidation value
Colective	Individual	1	5,321,752	(24,280)	4,401,605	3,624,413	1,697,340
		2	1,090,499	(99,736)	846,781	716,748	373,751
		3	155,721	(92,290)	68,846	57,188	98,533
	Legal entity	1	5,231,657	(84,107)	3,972,648	2,850,640	2,381,017
		2	779,502	(59,633)	669,380	549,282	230,220
		3	2,177	(1,398)	1,365	796	1,382
Individual	Individual	3	52,664	(18,100)	45,746	34,655	18,009
	Legal entity	3	362,955	(230,891)	272,991	166,732	196,223
Total			**12,996,928**	**(610,435)**	**10,279,362**	**8,000,454**	**4,996,474**

Provision type	Client type	Stage	Exposure December 31, 2021	Provision December 31, 2021	Collateral market value, capped to the covered exposure	Collateral liquidation value, capped to the covered exposure	Exposure-Collateral liquidation value
Colective	Individual	1	4,826,560	(23,075)	3,983,296	3,297,697	1,528,863
		2	650,043	(41,580)	503,922	387,417	262,627
		3	73,319	(45,001)	48,071	36,948	31,620
	Legal entity	1	3,986,810	(66,918)	3,313,300	2,579,192	1,407,618
		2	714,455	(87,541)	669,331	567,162	147,294
		3	542	(310)	512	293	249
Individual	Individual	3	68,954	(30,867)	54,451	38,820	30,134
	Legal entity	3	365,428	(204,147)	292,211	192,033	173,395
Total			**10,686,111**	**(499,439)**	**8,865,092**	**7,099,561**	**3,581,799**

3.3.3 Foreclosed collaterals

Collaterals repossessed through foreclosure / legal proceedings are initialy classified as inventories. When the bank decides to use these collaterals for rent, they are reclassified as investment property.

The movement related to these assets, is presented below:

a) Net book value of assets held for sale (inventories)

The net value of these inventories increased during the period, reaching 3,263 thousand as of December 31, 2021 (2,999 thousand as of December 31, 2020). These assets are presented in the Statement of Financial Position as Other Assets (Note 21).

Year	Opening balance	Additions	Depreciation	Impairment	Closing balance
2021	2,999	1,797	(1,779)	246	3,263
2020	2,380	2,688	(2,324)	255	2,999

Separate statement of cash flows for the period ended december 31, 2021

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

Movements related to these assets during 2021 and 2020 respectively are presented below. The carrying value of investment property:

Year	Opening balance	Additions	Depreciation	Impairment	Closing balance
2021	1,254	-	(246)	-	1,008
2020	1,500	-	(246)	-	1,254

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

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

3.3.4.1 Quality of loan portolio (current and overdue)

The breakdown below presents all loans splitted by days of delay for retail customers and legal entities, is as follows:

December 31, 2021	Stage 1	Stage2	Stage3			
	Collective	Collective	Collective	Individual	POCI	TOTAL
RETAIL	**5,297,472**	**968,881**	**60,115**	**15,006**	**44,759**	**6,386,233**
within maturity	5,179,114	767,133	5,431	5,293	30,394	5,987,365
0 - 15 days	88,831	108,210	2,603	144	5,590	205,378
16 - 30 days	29,527	51,602	2,536	1,565	956	86,186
31 - 60 days	-	30,393	7,573	1,663	3,374	43,003
61 - 90 days	-	10,507	9,537	2,002	1,485	23,531
91 - 180 days	-	1,032	12,856	889	1,904	16,681
more than 180 days	-	4	19,579	3,450	1,056	24,089
LEGAL ENTITIES	**5,147,549**	**718,798**	**778**	**125,931**	**7,206**	**6,000,262**
within maturity	5,138,073	711,379	257	93,424	5,568	5,948,701
0 - 15 days	5,111	2,977	-	3,544	-	11,632
16 - 30 days	4,365	2,405	100	2,534	-	9,404
31 - 60 days	-	1,782	14	1,156	-	2,952
61 - 90 days	-	255	239	592	-	1,086
91 - 180 days	-	-	168	5,556	1,291	7,015
more than 180 days	-	-	-	19,125	347	19,472
Total net exposure	**10,445,021**	**1,687,679**	**60,893**	**140,937**	**51,965**	**12,386,495**

Stage 2 includes the converted loans in net amount of RON 451,495 thousand, which may have been disclosed as POCI loans and for which lifetime ECL is computed.

3.3.4.1 Quality of loan portolio (current and overdue)

The breakdown below presents all loans splitted by days of delay for retail customers and legal entities, is as follows:

December 31, 2020	Stage 1	Stage2	Stage3			
	Collective	Collective	Collective	Individual	POCI	TOTAL
RETAIL	**4,803,573**	**583,982**	**25,792**	**17,939**	**47,156**	**5,478,442**
within maturity	4,670,829	458,068	5,125	9,022	34,780	5,177,824
0 - 15 days	98,035	57,254	1,228	194	3,191	159,902
16 - 30 days	34,709	26,210	387	884	1,840	64,030
31 - 60 days	-	32,069	1,772	2,014	1,356	37,211
61 - 90 days	-	10,353	3,472	1,165	1,592	16,582
91 - 180 days	-	28	10,761	1,689	1,994	14,472
more than 180 days	-	-	3,047	2,971	2,403	8,421
LEGAL ENTITIES	**3,919,893**	**621,462**	**231**	**156,122**	**10,611**	**4,708,319**
within maturity	3,911,693	609,243	-	91,659	10,213	4,622,808
0 - 15 days	7,157	1,238	-	386	-	8,781
16 - 30 days	1,043	8,004	226	2,872	-	12,145
31 - 60 days	-	2,400	-	2,150	-	4,550
61 - 90 days	-	577	5	494	-	1,076
91 - 180 days	-	-	-	1,139	-	1,139
more than 180 days	-	-	-	57,422	398	57,820
Total net exposure	**8,723,466**	**1,205,444**	**26,023**	**174,061**	**57,767**	**10,186,761**

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

3.3.4.2 Quality of overdue loans

The table bellow shows the net loans exposures which are past due acordingly to the bank IFRS provision methodology by product for retail customers and by industry for legal entities:

	Stage 1	Stage2		Stage3				POCI			
December 31, 2021	up to 30 days	up to 30 days	up to 90 days	over 90 days	up to 30 days	up to 90 days	over 90 days	up to 30 days	up to 90 days	over 90 days	TOTAL
RETAIL	**118,358**	**159,812**	**40,900**	**1,036**	**6,846**	**20,776**	**36,775**	**6,546**	**4,859**	**2,960**	**398,868**
Consumer loans	15,313	41,998	7,661	210	1,648	4,351	20,315	3	-	-	91,499
Mortgage	103,045	117,814	33,239	826	5,198	16,425	16,460	6,543	4,859	2,960	307,369
LEGAL ENTITIES	**9,476**	**5,381**	**2,038**	**-**	**6,179**	**2,001**	**24,848**	**-**	**-**	**1,638**	**51,561**
Real estate and construction	1,124	538	45	-	276	20	4,994	-	-	1,573	8,570
Trade and finance	4,052	1,707	70	-	5,803	1,217	4,325	-	-	65	17,239
Manufacturing	316	1,724	492	-	-	408	7,637	-	-	-	10,577
Services	1,041	200	345	-	-	273	3,173	-	-	-	5,032
Agriculture and forestry	1,435	16	1,042	-	-	-	4,204	-	-	-	6,697
Transportation and communications	1,389	1,074	13	-	100	83	504	-	-	-	3,163
Other sectors	119	122	31	-	-	-	11	-	-	-	283
Total net exposure	**127,834**	**165,193**	**42,938**	**1,036**	**13,025**	**22,777**	**61,623**	**6,546**	**4,859**	**4,598**	**450,429**

Stage 2 includes the converted loans in net amount of RON 451,495 thousand, which may have been disclosed as POCI loans and for which lifetime ECL is computed.

	Stage 1	Stage2			Stage3			POCI			
December 31, 2021	up to 30 days	up to 30 days	up to 90 days	over 90 days	up to 30 days	up to 90 days	over 90 days	up to 30 days	up to 90 days	over 90 days	TOTAL
RETAIL	**132,744**	**83,463**	**42,422**	**29**	**2,693**	**8,424**	**18,467**	**4,546**	**3,586**	**4,244**	**300,618**
Consumer loans	25,246	25,111	11,540	29	265	718	4,908	-	-	14	67,831
Mortgage	107,498	58,352	30,882	-	2,428	7,706	13,559	4,546	3,586	4,230	232,787
LEGAL ENTITIES	**8,200**	**9,243**	**2,976**	**-**	**3,484**	**2,649**	**58,561**	**-**	**-**	**398**	**85,511**
Real estate and construction	754	730	110	-	1,015	597	3,998	-	-	303	7,507
Trade and finance	2,098	840	271	-	371	861	13,524	-	-	95	18,060
Manufacturing	255	114	459	-	44	450	17,573	-	-	-	18,895
Services	136	408	746	-	255	664	19,608	-	-	-	21,817
Agriculture and forestry	1,757	7,048	751	-	1,799	57	3,405	-	-	-	14,817
Transportation and communications	3,053	85	565	-	-	15	453	-	-	-	4,171
Other sectors	147	18	74	-	-	5	-	-	-	-	244
Total net exposure	**140,944**	**92,706**	**45,398**	**29**	**6,177**	**11,073**	**77,028**	**4,546**	**3,586**	**4,642**	**386,129**

3.3.4.3 Quality of loans by internal credit rating

The bank implemented in 2021 a internal credit rating grades - OTP Group Master Scale - defines a functional relationship between PD estimates and a rating grade, where "PD" denotes the expected one year default rate of a given observation.

Rating	Low bound <= PD	PD < High bound	Class
1	0%	0.27%	Low risk (Prime)
2	0.27%	0.54%	
3	0.54%	0.93%	
4	0.93%	1.56%	
5	1.56%	2.62%	Medium risk (Near- prime)
6	2.62%	4.36%	
7	4.36%	8.07%	
8	8.07%	19.78%	High Risk (Sub-prime)
9	19.78%	100.00%	

The impact in loan losses allowance of the increase/decrease by +/-10 percent of the probability of default and loss given default for collective assessment as of December 31 ,2021 is presented below:

Loan portfolio / Impact	PD increase by 10%	PD decrease by 10%	LGD increase by 10%	LGD decrease by 10%
Individuals	**12,460**	**-12,460**	**21,263**	**-21,263**
Credit cards and overdraft	135	-135	251	-251
Consumer loans	6,587	-6,587	11,827	-11,827
Mortgage loans	5,738	-5,738	9,186	-9,186
Legal entities	**18,928**	**-18,928**	**19,142**	**-19,142**
SMEs	6,583	-6,583	6,795	-6,795
Large Corporate	12,344	-12,344	12,346	-12,346

The breakdown below presents all loans splitted by internal rating grade for legal entities and retail customers by product, is as follows:

Legal entities		Gross carrying amount					ECL				
Internal rating grade	12 month Basel PD range	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Performing		**5,108,607**	**778,374**	**-**	**1,129**	**5,888,110**	**82,853**	**59,576**	**-**	**57**	**142,486**
Low risk (1-4)	0.00%-1.56%	1,968,458	124,593	-	2	**2,093,053**	26,657	5,593	-	-	**32,250**
Medium risk (5-7)	1.56%-8.07%	3,038,087	425,588	-	-	**3,463,675**	50,903	27,868	-	-	**78,771**
High Risk (8-9)	8.07%-100%	102,062	228,193	-	1,127	**331,382**	5,293	26,115	-	57	**31,465**
Non performing	100%	**-**	**-**	**353,953**	**11,179**	**365,132**	**-**	**-**	**227,245**	**5,044**	**232,289**
No rating		**123,049**	**-**	**-**	**-**	**123,049**	**1,254**	**-**	**-**	**-**	**1,254**
Total		**5,231,656**	**778,374**	**353,953**	**12,308**	**6,376,291**	**84,107**	**59,576**	**227,245**	**5,101**	**376,029**
Coverage ratio		**1.6%**	**7.7%**	**64.2%**	**41.4%**	**5.9%**					

Consumer		Valoarea contabilă brută					ECL				
Internal rating grade	12 month Basel PD range	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Performing		**912,383**	**215,836**	**-**	**25**	**1,128,244**	**19,891**	**46,868**	**-**	**-**	**66,759**
Low risk (1-4)	0.00%-1.56%	646,876	2,874	-	22	**649,772**	13,647	1,216	-	-	**14,863**
Medium risk (5-7)	1.56%-8.07%	261,776	116,646	-	-	**378,422**	5,827	23,989	-	-	**29,816**
High Risk (8-9)	8.07%-100%	3,731	96,316	-	3	**100,050**	417	21,663	-	-	**22,080**
Non performing	100%	**-**	**-**	**82,933**	**39**	**82,972**	**-**	**-**	**55,457**	**27**	**55,484**
No rating		**11**	**2**	**-**	**-**	**13**	**1**	**1**	**-**	**-**	**2**
Total		**912,394**	**215,838**	**82,933**	**64**	**1,211,229**	**19,892**	**46,869**	**55,457**	**27**	**122,245**
Coverage ratio		**2.2%**	**21.7%**	**66.9%**	**42.2%**	**10.1%**					

Residential mortgages		Valoarea contabilă brută					ECL				
Internal rating grade	12 month Basel PD range	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Performing		**4,408,927**	**851,584**	**-**	**22,744**	**5,283,255**	**4,390**	**51,971**	**-**	**884**	**57,245**
Low risk (1-4)	0.00%-1.56%	4,141,662	525,862	-	12,622	**4,680,146**	4,015	31,229	-	436	**35,680**
Medium risk (5-7)	1.56%-8.07%	260,577	227,070	-	5,159	**492,806**	272	13,469	-	213	**13,954**
High Risk (8-9)	8.07%-100%	6,688	98,652	-	4,963	**110,303**	103	7,273	-	235	**7,611**
Non performing	100%	**-**	**-**	**91,293**	**34,120**	**125,413**	**-**	**-**	**43,649**	**11,257**	**54,906**
No rating		**436**	**309**	**-**	**-**	**745**	**-**	**13**	**-**	**-**	**13**
Total		**4,409,363**	**851,893**	**91,293**	**56,864**	**5,409,413**	**4,390**	**51,984**	**43,649**	**12,141**	**112,164**
Coverage ratio		**0.1%**	**6.1%**	**47.8%**	**21.4%**	**2.1%**					

Stage 2 includes the converted loans in gros amount of RON 479,720 thousand, ECL RON 28,225 thousand, which may have been disclosed as POCI loans and for which lifetime ECL is computed.

Separate statement of cash flows for the period ended december 31, 2021

In the following table are presented the amounts of guarantees and commitments splitted based on the internal rating grade as of December 31, 2021:

December 31, 2021		December 31, 2021					December 31, 2021				
Internal rating grade	12 month Basel PD range	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Performing		**2,491,343**	**206,415**	**-**	**69**	**2,697,827**	**37,828**	**8,327**	**-**	**1**	**46,156**
Low risk (1-4)	0.00%-1.56%	1,078,587	3,479	-	57	**1,082,123**	16,329	95	-	1	**16,425**
Medium risk (5-7)	1.56%-8.07%	1,378,742	156,167	-	-	**1,534,909**	20,656	5,947	-	-	**26,603**
High Risk (8-9)	8.07%-100%	34,014	46,769	-	12	**80,795**	843	2,285	-	-	**3,128**
Non performing	100%	**-**	**-**	**78,942**	**2**	**78,944**	**-**	**-**	**7,923**	**1**	**7,924**
No rating		**56,843**	**-**	**-**	**-**	**56,843**	**480**	**-**	**-**	**-**	**480**
Total		**2,548,186**	**206,415**	**78,942**	**71**	**2,833,614**	**38,308**	**8,327**	**7,923**	**2**	**54,560**
Coverage ratio		**1.5%**	**4.0%**	**10.0%**	**2.8%**	**1.9%**					

3.3.5 Analysis of restructured loans and receivables, gross

Restructured loans, in gross amount of RON 387,424 thousand as of December 2021 (RON 310,183 thousand as of December 31, 2020), represent loans for which the repayment terms have been rescheduled based on an agreement between the bank and its clients in order to avoid early overdue payments. The commercial negotiations implemented by the bank do not diminish the Net present value of the loans with more than 1 percent and these modifications are not recognized by the bank.

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

	December 31, 2021		December 31, 2020	
	Gross loans	Provision	Gross loans	Provision
Retail loans within maturity	61,708	(13,937)	41,204	(12,877)
Overdue up to 15 days	12,178	(2,515)	1,834	(813)
Overdue from 16 to 30 days	4,916	(897)	1,464	(393)
Overdue from 31 to 60 days	5,637	(2,278)	2,236	(1,437)
Overdue from 61 to 90 days	3,981	(2,170)	1,979	(1,208)
Overdue from 91 to 180 days	1,943	(1,176)	2,175	(1,332)
More than 180 days	11,313	(8,465)	13,349	(10,331)
Retail loans - TOTAL	**101,676**	**(31,438)**	**64,241**	**(28,391)**
SME loans within maturity	41,520	(11,126)	25,912	(5,774)
Overdue up to 15 days	5,164	(2,837)	1,083	(350)
Overdue from 16 to 30 days	2,672	(793)	69	(2)
Overdue from 31 to 60 days	892	(386)	2,578	(401)
Overdue from 61 to 90 days	2,007	(1,307)	525	(162)
Overdue from 91 to 180 days	1,875	(124)	615	(233)
More than 180 days	22,234	(17,233)	24,040	(14,717)
SME loans - TOTAL	**76,364**	**(33,806)**	**54,822**	**(21,639)**
Corporate loans within maturity	97,010	(20,003)	92,019	(13,462)
Overdue up to 15 days	25,387	(14,240)	8,235	(1,382)
Overdue from 16 to 30 days	-	-	2,156	(357)
Overdue from 31 to 60 days	-	-	-	-
Overdue from 61 to 90 days	-	-	-	-
Overdue from 91 to 180 days	407	(4)	643	(49)
More than 180 days	86,580	(77,084)	88,067	(78,403)
Corporate loans - TOTAL	**209,384**	**(111,331)**	**191,120**	**(93,653)**
TOTAL	**387,424**	**(176,575)**	**310,183**	**(143,683)**

The table below shows the evolution by stages of the restructured loans outstanding at the end of the reporting period December 31, 2021 compared to December 31, 2020.

Client category	Stage Dec 2020	Stage Dec 2021	Gross loans	Provision
Individuals	1	2	22,079	(3,181)
		3	1,776	(911)
	2	2	30,824	(3,804)
		3	3,412	(1,665)
	3	2	3,186	(421)
		3	38,974	(21,093)
	new loans 2021	2	1,058	(326)
		3	366	(38)
Individuals Total			**101,675**	**(31,439)**
Legal entities	1	2	8,663	(2,294)
		3	2,069	(1,708)
	2	2	52,077	(10,153)
		3	11,995	(4,603)
	3	3	180,312	(117,511)
		2	5,768	(657)
	new loans 2021	3	24,865	(8,211)
Persoane juridice Total			**285,749**	**(145,137)**
TOTAL			**387,424**	**(176,576)**

The table below shows the evolution by stages of the restructured loans outstanding at the end of the reporting period December 31, 2020 compared to December 31, 2019.

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

3.3.6 Concentration of credit risk to counterparties – other banks

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

	December 31, 2021			December 31, 2020		
	Amounts in thousands RON equiv.	**ECL**	**Moody's Rating for counterparty's country of origin**	**Amounts in thousands RON equiv.**	**ECL**	**Moody's Rating for counterparty's country of origin**
Libra Internet Bank SA	20,001	370	Baa3	-	-	Baa3
Credit Europe Bank (Romania) S.A.	15,001	177	Baa3	15,501	-	Baa3
Banca Comerciala Intesa Sanpaolo Romania SA	10,011	129	Baa3	-	-	Baa3
JP Morgan Chase Bank National Association	5,179	10	Aaa	2,261	-	Aaa
Banca Comercială Română S.A.	3,894	15	Baa3	6,593	-	Baa3
Commerzbank AG	3,316	13	Aaa	5,384	-	Aaa
OTP Bank PLC	1,305	3	Baa3	4,412	-	Baa3
Credit Suisse (Schweiz) AG	809	3	Aaa	4,637	-	Aaa
Lloyds Bank PLC	712	3	Aa2	844	-	Aa2
Deutsche Bank AG	326	2	Aaa	3,852	-	Aaa
Danske Bank A/S	240	1	Aaa	-	-	Aaa
Skandinaviska Enskilda Banken AB (PUBL) Stockholm	224	-	Aaa	432	-	Aaa
Mizuho Bank LTD	134	-	A1	101	-	A1
Danske Bank Aktieselskab	42	-	Aaa	980	-	Aaa
PKO Bank Polski S.A.	2	-	A2	38	-	A2
Raiffeisen Bank International AG	-	-	Aa1	155,821	2	Aa1
CEC Bank S.A.	-	-	Baa3	137,394	-	Baa3
Unicredit Bank AG (Hypovereinsbank)	-	-	Aaa	73,041	-	Aaa
Intesa Sanpaolo SPA, HO	-	-	Baa3	73,041	-	Baa3
Citibank Europe PLC Dublin Suc. Romania	-	-	Baa3	50,002	-	Baa3
Garanti Bank SA	-	-	Baa3	14,608	-	Baa3
Banca de Export-Import a României Eximbank SA	-	-	Baa3	12,292	-	Baa3
TOTAL	**61,196**	**726**		**561,234**	**2**	

3.3.7 COVID- 19

Moratoriums:

In order to support customers whose financial situation was affected by the COVID-19 pandemic and to limit the adverse effects of the health crisis on loan portfolios, OTP BANK ROMANIA continued to offering during 2021 the possibility to postpone the repayment of due rates both by applying the legislative moratorium, based on GEO 227/2021 as well as by implementing non-legislative moratoriums in compliance with the provisions of EBA Guide 02/2020 on legislative and non-legislative moratoriums applied to the payment of loans in the context of the COVID-19 crisis and following the extension of the validity period of the ARB Code on loans payment moratorium in the context of the COVID-19 pandemic until March 31, 2021.

The payment postponement period could not exceed 9 months in total, including the periods previously applied based on legislative and/or non-legislative moratoriums.

Yet, the quality of loan portfolios and especially those that benefited from the suspension of payments has been a constant concern for the bank.

The bank continued to apply the action plan developed in 2020 in order to identify customers with potential difficulties in meeting payment obligations after the end of the moratorium period and to monitor the payment behavior of loans ever having benefited a moratorium.

Also, the bank continued to apply the measures taken in 2020 concerning the appropriate IFRS 9 classification of the loan portfolio in question and recognition of impairment adjustments to cover expected losses:

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

The main methodological changes concerning IFRS9 provisioning introduced in 2020 as a result of the effects produced by the COVID-19 pandemic and having effects until the annual review from December 2021 were the following:

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

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

	Number of obligors	Gross carrying amount				
		Total	Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria	
					<= 3 months	> 3 months
Loans and advances for which moratorium was offered	33,486	4,140,990			-	-
Loans and advances subject to moratorium (granted)	23,197	2,064,520	1,137,373	2,064,520	-	-
of which: Households		1,435,945	623,626	1,435,945	-	-
of which: Collateralised by residential immovable property		1,253,079	531,334	1,253,079	-	-
of which: Non-financial corporations		606,298	491,470	606,298	-	-
of which: Small and Medium-sized Enterprises		575,598	472,186	575,598	-	-
of which: Collateralised by commercial immovable property		532,071	439,868	532,071	-	-

As at December 31, 2021 the bank has no loans and advances subject to EBA-compliant moratoria (legislative and nonlegislative) caused by COVID-19 crisis.

Government aid programs

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

The Business Division offers comprehensive financial solutions for private individuals, self-employed entrepreneurs, small and medium enterprises (SMEs) and large corporate. Our priority is to offer the most efficient financial solutions available, according to the real needs. Our aim is to convert simple relationships into strong, fruitful partnerships, based on trust. With an approach defined by responsibility, sustainable performance and commitment to a better understanding of our custom-

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ers' needs, OTP BANK ROMANIA is a reliable partner in providing best quality financial services for its customers:

- In June 2021, **OTP BANK ROMANIA become a partner bank by concluding the Convention with the Ministry of Economy, Entrepreneurship and Tourism, for the support measures instituted by the Government Emergency Ordinance no. 224/2020 regarding the grants for the HoReCa companies, respectively in the fields of tourism, public food service and event organization, whose activity was affected in the context of the COVID-19 pandemic, within the context of the crisis caused by COVID-19.** Therefore, we have opened dedicated accounts (with zero commissions for receipts / payments in RON for inter / intrabank transactions, except for commissions with third parties (ex: Transfond; NBR), for the amounts in the grant accounts) and distributed the funds for the eligible companies and private entrepreneurs according to the conditions of the program.

- In order to sustain the business environment and mainly the businesses affected by the pandemics, **we have implemented the solutions as per the Government Emergency Order no. 37/2020, with all the subsequent amendments.** Customers with ongoing loans, whose income was directly or indirectly affected by the situation generated by the COVID-19 pandemic, had the possibility to request rates deferral for a period between 1 and 9 months, in accordance with Government Emergency Ordinance no. 227/2020 for the amendment and completion of GEO 37/2020 on the granting of facilities for loans granted by non-banking financial institutions to certain categories of debtors.

Overview of newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis - the template provide information on the number of obligors and gross carrying amount of these loans from the start of the crisis until December 31,2021.

		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	1,560,828	41,367	829,588	20,040
of which: Households	570,761			15,438
of which: Collateralised by residential immovable property	555,920			15,080
of which: Non-financial corporations	980,541	530	821,816	4,601
of which: Small and Medium-sized Enterprises	879,713			1,812
of which: Collateralised by commercial immovable property	69,609			633

3.4 Liquidity Risk Management

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

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

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

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

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

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

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

During 2021 the bank obtained financing from the OTP Group in total of RON 500 million and extended the maturity of another RON 700 million in advance to support the lending activity, as well as with the aim of improving the liquidity coverage indicator (LCR). To reblance liquidity by currency EUR 75 million Group funding were replaced with RON 375 million Group funding. Shorter term MM deposits were used to cover shorter term variations in loan-deposits gap. During the reported period, the bank has met the regulatory requirements of the all liquidity indicators, including LCR and Net Stable Fundin Ratio (NSFR).

As of December 31, 2021 the aggregate value for stand-by credit facilities contracted with the parent bank with purposes of use in a liquidity crisis (and unused at December 31, 2021) represent EUR 95 million.

The following tables show an analysis of financial assets and liabilities according to their remaining maturities, reflecting the remaining period between the balance sheet date and the repayment schedule in case of assets and contractual maturity date in case of liabilities (as of December 31, 2021 and December 31, 2020).

For liquidity risk purposes, each undrawn irrevocable loan commitment is included in the first time bucket taking into account the possibility to drown down at any time. The value of the undrawn irrevocable loan commitment is RON 2,224,742 as of December 31, 2021 (RON 2,064,833 as of December 2020).

For financial guarantee contracts, the maximum amount of the guarantee is allocated to the first bucket taking into account the period in which the guarantee could be called. The value of the financial guarantee contracts is RON 608,872 as of December 31, 2021 (RON 546,259 as of December 2020).

December 31, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	No fixed maturity	Total
ASSETS							
Cash	551,861	-	-	-	-	-	551,861
Current accounts and deposits at banks	50,459	10,011	-	-	-	-	60,470
Accounts with the National Bank of Romania	1,354,829	-	-	-	-	-	1,354,829
Loans and advances to banks	1,931	-	-	-	-	-	1,931
Derivatives	18,211	-	-	-	-	-	18,211
Derivatives hedge accounting	-	-	-	-	-	-	-
Investment securities at fair value through profit and loss	-	-	-	-	-	21,130	21,130
Investment securities at fair value through other comprehensive income	104,778	22,380	55,642	421,269	106,371	13,934	724,374
Securities amortised cost	1,472,295	150,050	104,180	466,825	625,625	-	2,818,975
Loans and advances to customers, net	282,206	629,385	2,225,757	2,547,112	6,702,035	-	12,386,495
Investment in Associates and Subsidiaries	-	-	-	-	-	46,558	46,558
Other assets	-	-	-	-	-	153,801	153,801
Total assets	**3,836,570**	**811,826**	**2,385,579**	**3,435,206**	**7,434,031**	**235,423**	**18,138,635**
LIABILITIES							
Due to Banks	473,522	999,631	-	-	-	-	1,473,153
- Demand deposits from banks	33,196	-	-	-	-	-	33,196
- Term deposits from banks	440,326	999,631	-	-	-	-	1,439,957
Derivatives *	19,638	-	-	-	-	-	19,638
Derivatives hedge accounting *	31,573	-	-	-	-	-	31,573
Due to customers	7,056,174	2,204,196	1,790,398	120,533	24,895	-	11,196,196
- Demand deposits from customers	5,272,619	-	-	-	-	-	5,272,619
- Term deposits from customers	1,783,555	2,204,196	1,790,398	120,533	24,895	-	5,923,577
Borrowings	197,929	-	-	2,682,790	377,353	-	3,258,072
Lease liabilities	955	36	1,759	48,782	11,720	56	63,308
Provisions	-	-	-	-	-	116,362	116,362
Other financial liabilities	235,119	-	-	-	-	-	235,119
Total liabilities	**8,014,910**	**3,203,863**	**1,792,157**	**2,852,105**	**413,968**	**116,418**	**16,393,421**
Net liquidity GAP	**(4,178,340)**	**(2,392,037)**	**593,422**	**583,101**	**7,020,063**	**119,005**	

Derivatives * - gross settlement values
All amount are presented bases on undiscounted cash flows.

December 31, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	No fixed maturity	Total
ASSETS							
Cash	532,794	-	-	-	-	-	532,794
Current accounts and deposits at banks	561,226	-	-	-	-	-	561,226
Accounts with the National Bank of Romania	1,698,185	-	-	-	-	-	1,698,185
Loans and advances to banks	76,652	-	-	-	-	-	76,652
Derivatives	13,945	-	-	-	-	-	13,945
Derivatives hedge accounting	-	-	-	-	-	-	-
Investment securities at fair value through profit and loss	-	-	-	-	-	19,436	19,436
Investment securities at fair value through other comprehensive income	-	-	-	546,156	166,891	12,757	725,804
Securities amortised cost	-	30,832	51,864	488,252	-	-	570,948
Loans and advances to customers, net	211,978	631,427	1,793,586	1,772,978	5,776,792	-	10,186,761
Investment in Associates and Subsidiaries	-	-	-	-	-	46,558	46,558
Other assets	-	-	-	-	-	90,624	90,624
Total assets	**3,094,780**	**662,259**	**1,845,450**	**2,807,386**	**5,943,683**	**169,375**	**14,522,933**
LIABILITIES							
Due to Banks	162,393	-	-	-	-	-	162,393
- Demand deposits from banks	18,934	-	-	-	-	-	18,934
- Term deposits from banks	143,459	-	-	-	-	-	143,459
Derivatives *	13,343	-	-	-	-	-	13,343
Derivatives hedge accounting *	48,875	-	-	-	-	-	48,875
Due to customers	5,958,508	1,732,853	1,722,880	66,985	29,423	-	9,510,649
- Demand deposits from customers	3,856,292	-	-	-	-	-	3,856,292
- Term deposits from customers	2,102,216	1,732,853	1,722,880	66,985	29,423	-	5,654,357
Borrowings	365,214	-	-	2,611,397	121,736	-	3,098,347
Lease liabilities	109	101	1,761	46,283	8,047	46	56,347
Provisions	-	-	-	-	-	144,594	144,594
Other financial liabilities	185,876	-	-	-	-	-	185,876
Total liabilities	**6,734,318**	**1,732,954**	**1,724,641**	**2,724,665**	**159,206**	**144,640**	**13,220,424**
Net liquidity GAP	**(3,639,538)**	**(1,070,695)**	**120,809**	**82,721**	**5,784,477**	**24,735**	

All amount are presented bases on undiscounted cash flows.

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

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3.5 Operational Risk

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

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

Operational risks are identified in two ways:

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

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

The **mid-term strategy** for operational risk management is based on:

- increased focus on defining risk mitigating measures and execution monitoring of such, on the improvement of the control environment by way of closer cooperation with partner areas engaged in risk management and control but also by assessing 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 by:
  - monthly and quarterly reports regarding the operational risk events identified within the bank and their evolution;
  - monthly and quarterly reports regarding the evolution of key risk indicators;
  - quarterly reports on the measures taken by the bank to return key critical risk indicators to a normal level;
  - quarterly monitoring of the operational risk / model risk / conduct risk / ICT risk profiles/outsourced activities risk;
  - yearly report regarding the risks identified following the risk self-assessment performed with the cooperation of the process owners and the quality of the existing controls;
  - quarterly reports regarding the implementation status of the action plans established following the risk self-assessment;
  - yearly report regarding the results of the crisis scenarios analysis.

Specific/distinct operational risks to which the bank is exposed:

a/ **Legal risks** under the scope of operational risk are primarily identified as exposures to conduct risk related in particular to miss-selling of products, in both retail and wholesale markets. Legal risks materialized in **litigations with consumers** are caused by the abusive clauses existing in secured loan contracts concluded by the bank until 2010 that are operational risk events with high frequency and moderate impact. Legal risks materialized in **litigations with legal entities** are based on the bank's breach of loan contracts, being considered operational risk events with low frequency and high potential impact.

b/ **Compliance risk -** current or future negative risk impact on profits, own funds or liquidity, which may lead to significant financial losses or which may damage reputation of a credit institution as a result of a breach of or non-compliance with the legal and regulatory framework, agreements, practices or recommended practices or ethical standards its activities. Compliance risk includes risks related to the general compliance framework and associated activities and the risk associated to activities to prevent money laundering and combating terrorism financing. The compliance function, as 2nd level control function, identifies, assesses and measures the compliance risk, performs controlling and monitoring actions and issues specific reports regarding the deficiencies identified and the related corrective actions for compliance risk management within the bank. Compliance risk is also calculated and evaluated by the Risk Administration Directorate based on the Bank's Risk Strategy, compliance risk representing a significant risk, a component of the bank's general risk profile.

c/**Risk derived from outsourced activities** can materialize in operational losses or unrealized incomes and consequent poten-

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tial reputation damage for the bank due to its ongoing and/or prospective operations performed by third parties on its behalf.
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, ensuring at least the same quality level for the performed activity as previously, when the activity was performed by the bank;
• ensuring the protection of confidential information, processing this information and keeping banking secrecy by the external provider;
• eliminating / transferring certain outsourced activity related risks to the supplier.
The management of the risks associated to outsourced activities is regulated within specific procedures and the plans for unexpected situations in case services are no longer supplied by the external suppliers within "Business Continuity Plan".

d/ Information and communication technology (ICT) and security risks: 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 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.

e/ **Conduct risk** is managed within the bank by building an effective culture that supports behaviours and practices centred on fair treatment of consumers and by adopting a comprehensive system of norms, policies and procedures with the aim to avoid/handle improper providing of financial services to customers.
Within the operational risk management framework, the conduct risk is addressed by:

- continuous collection of the losses generated by conduct risk in the bank's operational losses database;
- evaluation of losses with high impact and reduced 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 OTP Bank Plc. requirements.

f/ **Model risk** derives from the wide range of model types the bank uses for regulatory and managerial purposes. Model risk is managed by establishing an adequate control framework and it is coordinated and reported within the operational risk management. The bank performs annually a models inventory that contains complete information regarding the implemented models. The identified models are classified based on their complexity, business impact and materiality in 3 categories, for each category being established a different set of control requirements.

The bank uses the following tools for model risk management, in line with OTP Group requirements:

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

3.6 Reputational risk

Reputational risk may occur in all organizational units within the bank, affecting not only the unit where the reputational risk event occurred, but the entire bank. From this perspective, the identification of potential reputational risk exposures is the responsibility of every employee of the bank.

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/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 customers.

Reputational risk management is performed as follows:

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

3.7 Capital adequacy and regulatory requirements

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

In 2021, the bank monitored the development of requirements for regulatory capital and prepared reports on the required levels of the bank's regulatory capital on a monthly basis. These reports have been submitted periodically to the National Bank of Romania

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and to the Management Board meetings for periodical analysis.

The bank complied with the minimum capital adequacy ratio set by the common decision of the supervisory authorities (National Bank of Romania and the Hungarian National Bank) as of December 31, 2021 as well as of December 31, 2020.

The Council of the European Union has approved the regulation regards transitional arrangement for mitigating the impact of the introduction of IFRS 9 on own funds, (Regulation EU 2017/2395). The regulation contains the detailed description, how banks may take into account the IFRS 9 provision impact in their regulatory capital, and in RWA calculation, in that case when the application of IFRS 9 caused significant decrease in the Common Equity Tier 1 capital. OTP BANK ROMANIA, like all banks in OTP Group, decided to apply this transitional mitigation effect in their own funds calculation after January 1, 2018.

	December 31, 2021	December 31, 2020
CET		
Share capital		
Retained earnings	2,322,004	1,872,004
Other CET1 elements	(344,764)	(331,238)
Other intangible assets	73,281	66,823
Other transitional adjustments (IFRS 9)	(22,300)	(56,790)
Alte ajustări tranzitorii (IFRS 9)	175,137	150,084
Tier 2		
Deductions	-	-
Own Funds	**2,203,359**	**1,700,882**
Own funds requirements for:		
Credit Risk	701,890	590,980
Market Risk	408	300
CVA	554	407
Operational Risk	88,807	81,132
OWN FUNDS REQUIREMENTS	**791,658**	**672,819**
CET1 Capital ratio	22.27%	20.22%
T1 Capital ratio	22.27%	20.22%
Total capital ratio	**22.27%**	**20.22%**

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the bank's Financial Assets and Liabilities

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

Management's assessment of fair values

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

Discount rates

The discount rates used are determined on the basis of market prices. For each currency it is constructed with a zero coupon yield curve derived from the instruments considered to be the most representative of the currency and maturity.

Hold-to-Collect Financial Investments

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

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

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

Government debt securities are financial instruments issued by sovereign governments and include both longterm bonds and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification. When active market prices are not available, the bank uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate future index levels and extrapolating yields outside the range of active market trading, in which instances the bank classifies those securities as Level 2. The bank does not have Level 3

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government securities where valuation inputs would be unobservable.

Loans

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

The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available.

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

- **Short term financial assets and liabilities,** defined as those with remaining maturities of 90 days or less - the fair value approximates their carrying amounts due to their short term maturity. The following instruments were considered predominantly short-term: on the asset side, cash, current account and deposits at banks, accounts with NBR and on the liability side demand deposits from banks and demand deposits from customers as well as certain term deposits from customers.
- **Investment securities at fair value through profit and loss** – this category includes unlisted securities and other investments. The fair value of these instruments is determined by a series of methods based on available data and their reliability, as well as by the factors specific to the actions to be assessed. Based on professional judgment, one of the methods will be selected: investment valuation using the Discounted Cash Flow („DCF") method, benchmarking based on market multiples, other indicators that can be taken into account during the assessment, other indicators specific to sectoral features. The bank owns fund units registered as equity instruments. The revaluation operation is executed on a monthly basis based on the UNAV(Unitary net assets value) communicated by the fund manager. The fair value is the number of units owned by the fund * the corresponding UNAV.
- **Investment securities at fair value through other comprehensive income – treasury bills -** The fair value of each transaction will be calculated as Nominal value * the Bid Clean price expressed in percent (relative to the revaluation date) plus the coupon accumulated up to the revaluation date.
- **Loans and advances to customers, net** - the fair value of loans is established using the current market prices for the loan products. The fair value is determined as the present value of future cash flows.
- **Loans and advances to bank**s - The fair value of amounts due from banks is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral level 2 of the fair value estimate. Provisions are not taken into consideration when calculating fair values.
- **Borrowings and deposits from customers** granted attracted at variable interest rates - the fair value of long-term loan contracts is determined as the present value of future cash flows using the zero coupon yield curves and the intragroup financing margins valid at the valuation date. The bank classified the fair value of group borrowings in level 2 in the context of the reliability of the fair market value considering that OTP Bank Plc. is a listed company.
- **Amounts due to Banks and Deposits from the National Bank of Romania and Other Banks and Amounts due to Customers** The fair value of term deposits payable on demand represents the carrying value of amounts payable on demand as at the statement of financial position date.

  The fair value of term deposits will be determined using the interest rates in the standard offer of the bank. In this sense, deposits will be grouped into maturity bands depending on their residual maturity. For each maturity band it will be set the standard interest rate applicable for the middle of the interval by linear interpolation. Using the determined interest rate, the fair value of term deposits will be calculated as the present value of cash flows.

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

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

Lines of the balance sheet	Carrying Amount		Fair Value	
	December 31, 2021	December 31, 20210	December 31, 2021	December 31, 20210
FINANCIAL ASSETS				
Cash	551,861	532,794	551,861	532,794
Current accounts and deposits at Banks	60,470	561,226	60,470	561,226
Accounts with the National Bank of Romania	1,354,829	1,698,185	1,354,829	1,698,185
Loans and advances to customers, net	12,386,495	10,186,761	12,627,256	10,295,265
Loans and advances to banks	1,931	76,652	1,931	76,652
Investment securities at fair value through profit and loss	21,130	19,436	21,130	19,436
Investment securities at fair value through other comprehensive income	724,374	725,804	724,374	725,804
Securities held-to-maturity	2,818,975	570,948	2,748,140	570,948
Derivatives	18,211	13,945	18,211	13,945
Derivatives hedge accounting	-	-	-	-
FINANCIAL LIABILITIES				
Demand deposits from banks	33,196	18,934	33,196	18,934
Term deposits from banks	1,439,957	143,459	1,439,957	143,459
Demand deposits from customers	5,272,619	3,856,292	5,272,619	3,856,292
Term deposits from customers	5,923,577	5,654,357	5,948,857	5,691,005
Borrowings	3,258,072	3,098,347	3,258,867	3,067,445
Derivatives	19,638	13,343	19,638	13,343
Derivatives hedge accounting	31,573	48,875	31,573	48,875

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

- Level 1: quoted market price in an active market for an identical instrument;
- Level 2: valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Level 2 instruments include investment securities at fair value through profit and loss and OCI that cannot directly be quoted on the market (e.g. corporate bonds) and derivates, with standard features and common maturities, whose value can be retrieved or derived from market data;
- Level 3: valuation techniques which are not based on observable inputs.

				December 31, 2021
	Level 1	**Level 2**	**Level 3**	**TOTAL**
Investment securities at fair value through profit and loss	-	21,130	-	21,130
Investment securities at fair value through other comprehensive income	-	724,374	-	724,374
Derivative financial instruments	-	18,211	-	18,211
Forward transactions	-	98	-	98
Fx swap	-	16,965	-	16,965
Interest rate swaps	-	1,148	-	1,148
Currency options	-	-	-	-
Derivatives hedge accounting	-	-	-	-
Total Financial Assets measured at fair value	**-**	**763,715**	**-**	**763,715**

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

Financial assets for which fair value is disclosed

				December 31, 2021
	Level 1	**Level 2**	**Level 3**	**TOTAL**
Cash	551,861	-	-	551,861
Current accounts and deposits at banks	60,470	-	-	60,470
Accounts with the National Bank of Romania	1,354,829	-	-	1,354,829
Securities amortised cost	-	2,748,140	-	2,748,140
Loans and advances to banks	-	1,931	-	1,931
Loans and advances to customers, net	-	-	12,627,256	12,627,256
Total financial assets for which fair value is disclosed	**1,967,160**	**2,750,071**	**12,627,256**	**17,344,487**

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Financial assets for which fair value is disclosed

				December 31, 2020
	Level 1	**Level 2**	**Level 3**	**TOTAL**
Cash	532,794	-	-	532,794
Current accounts and deposits at banks	561,226	-	-	561,226
Accounts with the National Bank of Romania	1,698,185	-	-	1,698,185
Securities amortised cost	-	570,948	-	570,948
Loans and advances to banks	-	76,652	-	76,652
Loans and advances to customers, net	-	-	10,295,265	10,295,265
Total financial assets for which fair value is disclosed	**2,792,205**	**647,600**	**10,295,265**	**13,735,070**

Financial liabilities measured at fair value

				December 31, 2020
	Level 1	**Level 2**	**Level 3**	**TOTAL**
Derivative financial instruments	-	19,638	-	19,638
Forward transactions	-	27	-	27
Fx swap	-	18,463	-	18,463
Interest rate swaps	-	1,148	-	1,148
Currency options	-	-	-	-
Derivatives hedge accounting	-	31,573	-	31,573
Interest rate swaps	-	31,573	-	31,573
Total financial liabilities measured at fair value	**-**	**51,211**	**-**	**51,211**

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

Financial liabilities for which fair value is disclosed

				December 31, 2021
	Level 1	**Level 2**	**Level 3**	**TOTAL**
Due to Banks	1,473,153	-	-	1,473,153
Due to customers	-	11,221,476	-	11,221,476
Borrowings	-	3,258,867	-	3,258,867
Total financial liabilities for which fair value is disclosed	**1,473,153**	**14,480,343**	**-**	**15,953,496**

				December 31, 2020
	Level 1	**Level 2**	**Level 3**	**TOTAL**
Due to Banks	162,393	-	-	162,393
Due to customers	-	9,547,297	-	9,547,297
Borrowings	-	3,067,445	-	3,067,445
Total Financial Liabilities for which fair value is disclosed	**162,393**	**12,614,742**	**-**	**12,777,135**

Separate statement of cash flows for the period ended december 31, 2021

5. NET INTEREST INCOME

	December 31, 2021	December 31, 2020
Interest on loans and advances to customers	560,540	549,047
Total interest on loans	**560,540**	**549,047**
Deposits and accounts with other banks	1,284	2,178
Demand deposits and accounts with the Central Bank	1,740	1,149
Total interest on deposits with banks	**3,024**	**3,327**
Reverse repo agreements	9,665	3,889
Interest on treasury securities, net	48,152	33,676
Total interest income	**621,381**	**589,939**
INTEREST EXPENSE		
Term deposits	(78,998)	(82,702)
Demand deposits	(3,924)	(3,422)
Total interest on customers' deposits	**(82,922)**	**(86,124)**
Interest expense on accounts and deposits with other banks	(4,810)	(7,453)
Interest on other borrowed funds	(61,660)	(60,070)
Interest expense on lease liabilities	(615)	(631)
Total interest expense	**(150,007)**	**(154,278)**
Net interest income	**471,374**	**435,661**

Interest on loans includes interest on non-performing loans, in amount of RON 15,165, for the year ended December 31, 2021 (RON 16,605 for the year ended December 31, 2020).

Interest on loans increased in 2021, in accordance with the increase of the loans' portfolio, the gross exposure from 2021 is larger by RON 2,319 milion.

The interest expense decrease from 2021 has been generated by the diminis of the interest rates on local financial market.

6. FEES AND COMMISSIONS INCOME AND EXPENSES

Fees and commissions income	December 31, 2021	December 31, 2020
Fees and commissions related to lending	18,196	19,317
Deposit and account maintenance fees and commissions	27,913	22,071
Fees and commissions related to the issued bank cards	16,825	13,322
Fees related to cash withdrawal	14,523	10,674
Fees and commissions related to fund management	4,313	2,982
Fees related to cards accepting activities	21,364	13,498
Commissions related to payments services	4,152	3,285
Other	1,195	1,199
Fees and commissions from contracts with customers	**90,284**	**67,031**
Total	**108,480**	**86,348**

Fees and commissions expense	December 31, 2021	December 31, 2020
Fees and commissions related to issued bank cards	(20,360)	(16,264)
Interchange fees	(18,865)	(12,465)
Fees and commissions related to deposits	(3,710)	(3,108)
Cash withdrawal transaction fees	(120)	(91)
Other	(14,870)	(7,832)
Total fees and commissions expense	**(57,925)**	**(39,760)**
Net profit from fees and commissions	**50,555**	**46,588**

Fee and commission income is in amount of RON 108,4 million (increased by 26% compared to 2020) and fee and commission expenses are in amount of RON 57,9 million (increased by 46% compared to 2020).

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

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

- **fees related to standard banking services- deposit and account maintenance fees and commissions**
  This applies to a wide range of standard banking services, related fees (SMS alert, OTP Direkt monthly fee, opening current accounts, escrow accounts, material guarantees account and closing accountsetc.) Such fees are treated as one-off fees related

Separate statement of cash flows for the period ended december 31, 2021

to specific service that is provided by the bank and therefore accounted when the service is provided, but also can be charged monthly for the services provided in the previous month.

- **fees and commission related to the issued bank cards**
  The bank provides a variety of bank cards to its customers, for which different fees are charged.
  Transaction-based fees are charged when the transaction takes place:
  In case of transaction-based fees (e.g. cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount.

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

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

- **fees and commission related to cards accepting activities**
  These commissions are perceived for each transactions performed with the card at the merchant, but is perceived from the merchant, not from the cardholder

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

- **other fees for financial services**
  Fees that are not significant in the bank total income are included in Other fees category. Such fees are safe lease, special procedure fee, fee of a copy of document, issuing comfort letters, etc.
  Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., cash management fee). Fees for ad hoc services are charged immediately after the service obligation were met, usually in a fixed amount.

7. IMPAIRMENT LOSSES

	Note	December 31, 2021	December 31, 2020
Allowance for loans receivable	17	(394,240)	(379,590)
Release of provisions for loans receivable	17	259,914	239,375
Impairment losses on loans and advances to customers		**(134,326)**	**(140,215)**
Impairment losses on other assets	17		
(Impairment losses) / Release Provisions for litigation risk and CHF loan conversion		56,073	(2,210)
(Impairment losses) / Release on other Off BS commitments		(70)	(16,727)
(Impairment losses) / Release of provision for advances to customers		(5,515)	(1,117)
(Impairment losses) / Release of provision for deposits at banks		(1,252)	-
(Impairment losses) / Release Provisions for inventory		(8,695)	(3,357)
(Impairment losses) / Release Provisions for fixed assets		-	18
(Impairment losses) / Release Provision on Investment property		246	255
(Impairment losses) / Release Operational risk provisions		(26,248)	(3,903)
(Impairment losses) / Release from sold receivables		3,297	2,457
Total (Impairment losses) / Release on other assets provisions		**17,836**	**(24,584)**
Total Impairment losses on loans and other assets		**(116,490)**	**(164,799)**

Impairment losses decreased from RON 164.8 million to RON 116,4 million (29% decrease) as a result of the release of the provisions for litigation risk and annual review of provisioning parameters.

8. TRADING INCOME

	December 31, 2021	December 31, 2020
Net foreign exchange income	86,211	67,061
Net foreign exchange income related to derivatives	3,082	24,728
Total trading income	**89,293**	**91,789**

9. PERSONNEL EXPENSES

The value representing "Salaries" at the end of 2021 and 2020 contains also management contracts. At December 31, 2021, the expense with the management contracts was RON 7,486 (RON 6,374 as at December 31, 2020).

	December 31, 2021	December 31, 2020
Salaries	(249,991)	(207,775)
Social insurance contributions	(6,205)	(5,778)
Other employee benefits	(10,544)	(7,553)
Salaries	**(266,740)**	**(221,106)**

Share-based payment reserve represents the increase in the equity due to the goods or services where received by the bank in an equity-settled share-based payment transaction, valued at the fair value of the goods or services received. These shares are issued by the Parent Bank. The value of the Share-based payment presented in Other equity is RON 6,794 at December, 2021. The amount recognised in Personnel expenses in 2021 is RON 694,000.

10. OPERATIONAL EXPENSES

	December 31, 2021	December 31, 2020
Rent and utilities expenses*	(6,420)	(5,760)
Insurance premiums	(5,654)	(4,568)
Fees for experts and services**	(15,556)	(13,670)
Cards related expenses	(11,737)	(9,037)
Advertising	(24,047)	(22,837)
Taxes***	(24,814)	(16,387)
Other administrative expenses	(74,236)	(66,402)
Total	**(162,464)**	**(138,661)**

* The amount for 2021 and 2020 contains just the rent for low value assets.

** Fees for experts and services include the fees paid by the bank to the statutory audit firm and other companies from their group: audit of statutory financial statements and group reporting package of the bank: RON 1,979 (December 31, 2020: RON 1,534 this amount are not including non audit services).

*** The annual contribution to Guarantee Scheme and Resolution Fund for 2021 were RON 20,714 compared with RON 12,324 in 2020.

**** The main categories included in the category Other administrative expenses are presented bellow:

	December 31, 2021	December 31, 2020
Maintenance and Repair Expenses - Software	(18,350)	(15,227)
Maintenance and Repair Expenses - IT equipment	(6,737)	(6,452)
Maintenance and repair expenses - ATM / Epos	(3,635)	(2,990)
Maintenance and repair expenses - Security system	(3,458)	(2,456)
Maintenance and repair expenses - Buildings, other fixed assets	(1,962)	(2,027)
Telephony/Data Expenses	(4,938)	(3,935)
Consumable material expenses	(2,458)	(5,529)
Expenses for guarding and protecting the bank	(1,935)	(2,637)
Cash processing/transportation services(values)	(9,390)	(6,853)
Document storage services	(3,441)	(1,693)
Total	**(56,304)**	**(49,799)**

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11. OTHER INCOME AND OTHER EXPENSES

	December 31, 2021	December 31, 2020
Other operating income *	8,645	7,917
Other income from loans	5,062	4,578
Insurance intermediation fee	2,267	2,218
Other non-banking services	837	666
Rent and utilities income	499	457
Total other income	**17,310**	**15,759**
Other operating expenses **	(9,989)	(9,536)
Total other expense	**(9,989)**	**(9,536)**
Total, net	**7,321**	**6,223**

* Other operating income – the main positions in this category are: cash collection services from customers (RON 3,577), revenue relating to movable and immovable property from debt extension (RON 2,941);

** Other operating expenses – the main positions in this category are: sponsorship expenses (RON 1,945), PRIZES, raffle expenses (RON 1,947), tracking / execution expenses (RON 1,311), disputes expenses (RON 3,316).

12. CASH AND CASH EQUIVALENT

	December 31, 2021			December 31, 2020		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Cash	162,721	325,334	488,055	107,280	346,895	454,175
Cash in ATM	63,806	-	63,806	78,619	-	78,619
Total	**226,527**	**325,334**	**551,861**	**185,899**	**346,895**	**532,794**

For purposes of the statement of cash flows, the bank considers cash on hand and current accounts at banks as cash and cash equivalents as follows:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	551,861	532,794
Current accounts and deposits at banks	60,470	561,226
Cash at the National Bank of Romania	1,354,829	1,698,185
	1,967,160	**2,792,205**
mai puțin rezerva obligatorie la Banca Națională a României	(773,379)	(661,446)
Total numerar și echivalente de numerar	**1,193,781**	**2,130,759**

Separate statement of cash flows for the period ended december 31, 2021

13. CURRENT ACCOUNTS AND DEPOSITS AT BANKS

	December 31, 2021			December 31, 2020		
	RON	FCY	Total	RON	FCY	Total
Current accounts at banks	35,002	16,183	51,185	65,502	443,426	508,928
Deposits at banks	10,011	-	10,011	50,050	2,250	52,300
Total	**45,013**	**16,183**	**61,196**	**115,552**	**445,676**	**561,228**
Impairment losses for banks	(675)	(51)	(726)	-	(2)	(2)
Total	**44,338**	**16,132**	**60,470**	**115,552**	**445,674**	**561,226**

The bank's placements as at December 31, 2021 (as well as at December 31, 2020) are free of any obligation or commitment (not pledged).

The interest rates received by OTP BANK ROMANIA S.A. for current accounts and deposits at banks as at the reporting dates were the following:

	December 31, 2021		December 31, 2020	
	RON	FCY	RON	FCY
Current accounts with banks	0.00%	0.00%	0.00%	0.00%
Deposits at banks	2.35% - 2.75%	0.00%	0% - 2.1%	(0.25)% - (0.95)%

Currents accounts with banks are not bearing interest.

Placement with other banks represent short term excess liquidity placed on the money market.

14. ACCOUNTS WITH THE NATIONAL BANK OF ROMANIA (NBR)

	December 31, 2021			December 31, 2020		
	RON	FCY	Total	RON	FCY	Total
Current accounts	678,620	677,401	1,356,021	504,703	1,193,482	1,698,185
Impairment losses for NBR	-	(1,192)	(1,192)	-	-	-
Total	**678,620**	**676,209**	**1,354,829**	**504,703**	**1,193,482**	**1,698,185**

The National Bank of Romania ("NBR") requires Romanian commercial banks to maintain certain reserves ("mandatory reserve") computed in accordance with specific regulations by applying a percentage to the average balance of other borrowed funds (deposits from clients and borrowings) on a definite period of time and whose withdrawal are restricted. For the application period December 24, 2021 – January 23, 2022, the minimum mandatory reserve was determined at the level of RON 773,379 (December 31, 2020: RON 661,446).

As of December 31, 2021, the reserve was set up at the following rates:
- **RON:** 8% of the borrowed funds in local currency (December 31, 2020: 8%);
- **Foreign currency:** 5% of the borrowed funds in other than local currency (December 31, 2020: 5%).

The interest rate paid by the National Bank of Romania for minimum mandatory reserve as of December 31, 2021 was as follows:
- **RON**: 0.13% (December 31, 2020: 0.10%)
- **EUR**: 0.00% (December 31, 2020: 0.00%)

15. SECURITIES AT AMORTIZED COST

Treasury securities represent financial instruments hold to collect (treasury certificates), issued by the Romanian Ministry of Finance.

The bank holds treasury securities issued by the Romanian Ministry of Finance as of December 31, 2021 stand for RON 1,354,059 (RON 570,948 as of December 31, 2020). In December, 2021 the bank acquired treasury securities issued by the National Bank of Hungary, valued at the reporting date at RON 1,472,295.

On December 31, 2021, we have securities with residual maturity less than 1 year in amount of RON 1,749,226 (securities for December 31, 2020 with residual maturity less than 1 year in amount of RON 80,871) and securities with residual maturity greater than 1 year in amount of RON 1,077,342 (securities for December 31, 2020 with residual maturity greater than 1 year in amount of RON 481,414).The treasury bonds are unencumbered and at the immediate disposal of the bank as of December 31, 2021 and December 31, 2020. In accordance with IFRS 9 expected credit loss model, treasury bonds are classified as stage 1 at 31 December 2021 and 31 December 2020.

Moody's ratings available for Romania as of December 31, 2021 were as follows:
- Local currency: Baa3
- Foreign currency: Baa3

The structure of bonds and other fixed-yield securities as of December 31, 2021 and December 31, 2020 was the following:

	December 31, 2021	December 31, 2020
Fixed rate Bonds, gross amount	2,801,075	562,231
Accrued interest	25,493	12,481
Loss allowance on securities at amortized cost	(7,593)	(3,764)
Net value of securities at amortizezd cost	**2,818,975**	**570,948**

16. LOANS AND ADVANCES TO BANKS

The loans and advances to banks presented below as of December 31, 2021 are cash in transit amounts to be received from banks.

	December 31, 2021	December 31, 2020
Loans and advances to banks	1,931	76,652
- from with Reverse Repo	-	-
Total loans and advances to banks	**1,931**	**76,652**

17. LOANS AND ADVANCES TO CUSTOMERS

a) Structure of loans (gross and net amounts)

The item "Loans and advances to customers, net" includes all financial assets which are not classified as "Financial assets at fair value through profit or loss", "Securities at amortised cost" and has the following structure:

	December 31, 2021	December 31, 2020
Loans, gross *	13,005,254	10,686,200
Impairment losses on loans **	(618,759)	(499,439)
Loans, net	**12,386,495**	**10,186,761**

* includes POCI category. At December 31, 2021, the POCI financial assets had a net exposure of RON 69,234 (RON 57,766 as of December 31, 2020).

** includes unwinding amounts. At December 31, 2021, the unwinding value is RON 9,964 (RON 9,847 as at December 31, 2020).

b) Structure of loans by currency (gross and net amounts)

	December 31, 2021			December 31, 2020		
Structure by currency	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Loans, gross	9,785,718	3,219,536	13,005,254	7,501,251	3,184,949	10,686,200
Impairment losses on loans and advances to customers	(409,702)	(209,057)	(618,759)	(276,144)	(223,295)	(499,439)
Total loans and advances to customers, net	**9,376,016**	**3,010,479**	**12,386,495**	**7,225,107**	**2,961,654**	**10,186,761**

c) Structure of loans by type of customer (net amounts)

	December 31, 2021			
	Total loans	**RON**	**FCY**	**%**
Legal entities	6,000,262	4,052,420	1,947,842	48.44%
Individuals	6,386,233	5,323,596	1,062,637	51.56%
Total loans and advances to customers, net	**12,386,495**	**9,376,016**	**3,010,479**	**100%**

	December 31, 2020			
	Total loans	**RON**	**FCY**	**%**
Legal entities	4,708,319	2,982,330	1,725,989	46.22%
Individuals	5,478,442	4,242,777	1,235,665	53.78%
Total loans and advances to customers, net	**10,186,761**	**7,225,107**	**2,961,654**	**100%**

Separate statement of cash flows for the period ended december 31, 2021

d) Concentration by sector for legal entities and by product for individuals

Structura după valute	December 31, 2021	%	December 31, 2020	%
RETAIL	**6,386,233**	**52%**	**5,478,442**	**54%**
Consumer loans	1,088,984	9%	917,540	9%
Mortgage	5,297,249	43%	4,560,902	45%
CORPORATE	**6,000,262**	**48%**	**4,708,319**	**46%**
Real estate and construction	1,561,841	13%	1,287,383	13%
Trade and finance	1,489,633	12%	1,060,168	10%
Manufacturing	801,570	6%	655,702	6%
Services	933,364	8%	712,441	7%
Agriculture and forestry	893,189	7%	764,637	8%
Transportation and communications	306,122	2%	208,055	2%
Other sectors	14,543	0%	19,933	0%
Total loans and advances to customers, net	**12,386,495**	**100%**	**10,186,761**	**100%**

e) Impairment allowance movement

	December 31, 2021				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 st January 2021	**8,813,459**	**1,333,781**	**461,177**	**77,783**	**10,686,200**
Transfers to Stage 1	173,375	(170,159)	(3,216)	-	-
Transfers to Stage 2	(817,528)	831,592	(14,064)	-	-
Transfers to Stage 3	(96,099)	(120,952)	217,051	-	-
New financial assets originated or purchased	4,528,241	344,374	60,858	2,693	4,936,166
Assets derecognised or fully repaid (excluding receivables write offs)	-	-	-	-	-
Write-off	-	-	(16,298)	(1,167)	(17,465)
Other changes including repayments, FX impact	(2,048,036)	(372,531)	(169,005)	(10,075)	(2,599,647)
Gross carrying amount as at December 31, 2021	**10,553,412**	**1,846,105**	**536,503**	**69,234**	**13,005,254**
Impairment allowance as at 1 st January 2021	**89,993**	**128,337**	**261,092**	**20,017**	**499,439**
Transfers to Stage 1	17,791	(16,622)	(1,169)	-	-
Transfers to Stage 2	(6,417)	13,482	(7,065)	-	-
Transfers to Stage 3	(1,804)	(17,856)	19,660	-	-
Increases due to change in credit risk	10,121	86,896	152,212	12,914	262,143
Decreases due to change in credit risk	(55,465)	(102,970)	(88,491)	(12,987)	(259,913)
New financial assets originated or purchased	64,089	43,459	21,924	-	129,472
Financial assets that have been derecognized	-	-	-	-	-
Write-offs	-	-	(16,213)	(866)	(17,079)
Other changes including FX impact	(9,920)	23,702	(7,276)	(1,809)	4,697
Impairment allowance as at December 31, 2021	**108,388**	**158,428**	**334,674**	**17,269**	**618,759**

Stage 2 includes the converted loans in gros amount of RON 479,720 thousand, ECL RON 28,225 thousand, which may have been disclosed as POCI loans and for which lifetime ECL is computed.

Separate statement of cash flows for the period ended december 31, 2021

	December 31, 2020				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 st January 2020	**8,249,332**	**745,656**	**507,259**	**86,383**	**9,588,630**
Transfers to Stage 1	88,383	(83,551)	(4,832)		-
Transfers to Stage 2	(696,395)	711,632	(15,237)		-
Transfers to Stage 3	(49,599)	(60,897)	110,496		-
New financial assets originated or purchased	3,007,913	134,852	16,167	1,967	3,160,899
Assets derecognised or fully repaid (excluding receivables write offs)	-	-	(71,736)	(1,569)	(73,305)
Write-off	-	-	(51,214)	(29,212)	(80,426)
Other changes including repayments, FX impact	(1,786,175)	(113,911)	(29,725)	20,214	(1,909,598)
Gross carrying amount as at December 31, 2020	**8,813,459**	**1,333,781**	**461,177**	**77,783**	**10,686,200**

Impairment allowance as at 1 st January 2020	**104,962**	**48,965**	**271,245**	**24,958**	**450,130**
Transfers to Stage 1	10,297	(7,741)	(2,556)		-
Transfers to Stage 2	(10,433)	20,048	(9,615)		-
Transfers to Stage 3	(893)	(5,036)	5,929		-
Increases due to change in credit risk	28,710	130,316	150,343	11,030	320,399
Decreases due to change in credit risk	(82,782)	(64,572)	(79,507)	(12,514)	(239,375)
New financial assets originated or purchased	38,219	14,171	5,685	-	58,075
Financial assets that have been derecognized			(43,526)	(1,231)	(44,757)
Write-offs	-	-	(51,214)	(4,174)	(55,388)
Other changes including FX impact	1,913	(7,814)	14,308	1,948	10,355
Impairment allowance as at December 31, 2020	**89,993**	**128,337**	**261,092**	**20,017**	**499,439**

18. PROPERTY, EQUIPMENT, INTANGIBLE AND LEASES

18.1 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

During 2021 the values of disposals of tangible assets are the folowings (in thousand RON):

Land and Buildings	Furniture and Equipment	Vehicles	Computers
3,071	2,766	121	3,042

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construction in progress	Other intangibles	Total
Gross book value January 1, 2021	**182,796**	**94,121**	**15,328**	**49,794**	**342,039**	**12,961**	**145,006**	**500,006**
Additions	14,164	16,426	729	5,800	37,119	95,776	123,632	256,527
Disposals	(3,191)	(3,057)	(121)	(3,042)	(9,411)	(98,215)	(96,311)	(203,937)
Gross book value December 31, 2021	**193,769**	**107,490**	**15,936**	**52,552**	**369,747**	**10,522**	**172,327**	**552,596**
Accumulated depreciation January 1, 2021	**(83,874)**	**(61,976)**	**(5,307)**	**(21,952)**	**(173,109)**	**-**	**(88,216)**	**(261,325)**
Depreciation charge for 1 year period ended December 31, 2021	(8,134)	(7,701)	(2,468)	(9,052)	(27,355)	-	(24,079)	(51,434)
Accumulated depreciation of disposals	2,363	2,691	97	3,037	8,188	-	130	8,318
Accumulated depreciation December 31, 2021	**(89,645)**	**(66,986)**	**(7,678)**	**(27,967)**	**(192,276)**	**-**	**(112,165)**	**(304,441)**
Net book value December 31, 2021	**104,124**	**40,504**	**8,258**	**24,585**	**177,471**	**10,522**	**60,162**	**248,155**
Gross book value January 1, 2020	**178,591**	**85,313**	**12,514**	**38,990**	**315,408**	**17,946**	**121,307**	**454,661**
Additions	8,217	14,069	5,610	20,382	48,278	129,717	115,132	293,127
Disposals	(4,012)	(5,261)	(2,796)	(9,578)	(21,647)	(134,702)	(91,433)	(247,782)
Gross book value December 31, 2020	**182,796**	**94,121**	**15,328**	**49,794**	**342,039**	**12,961**	**145,006**	**500,006**
Accumulated depreciation January 1, 2020	**(75,743)**	**(59,205)**	**(4,531)**	**(20,898)**	**(160,377)**	**-**	**(72,914)**	**(233,291)**
Depreciation charge for 1 year period ended December 31, 2020	(10,100)	(5,867)	(2,141)	(7,064)	(25,172)	-	(15,307)	(40,479)
Accumulated depreciation of disposals	1,969	3,096	1,365	6,010	12,440	-	5	12,445
Accumulated depreciation December 31, 2020	**(83,874)**	**(61,976)**	**(5,307)**	**(21,952)**	**(173,109)**	**-**	**(88,216)**	**(261,325)**
Net book value December 31, 2020	**98,922**	**32,145**	**10,021**	**27,842**	**168,930**	**12,961**	**56,790**	**238,681**

18.2 LEASES

The bank entered into 14 variable interest contracts, which are linked to the index of consumer prices for Romania or for EU.

18.2.1 Right-of-use assets

	Property	Equipment	Total
Net book value January 1, 2021	**54,009**	**1,105**	**55,114**
Additions	29,244	-	29,244
Disposals	(1,199)	-	(1,199)
Depreciation charge	(21,209)	(233)	(21,442)
Net book value December 31, 2021	**60,845**	**872**	**61,717**

	Imobile	Echipamente	Total
Net book value January 1t, 2020	**41,807**	**1,144**	**42,951**
Additions	35,739	191	35,930
Disposals	(2,555)	-	(2,555)
Depreciation charge	(20,982)	(230)	(21,212)
Net book value December 31, 2020	**54,009**	**1,105**	**55,114**

18.2.2 Lease liabilities

The carrying amounts of lease liabilities and the movements during the period are as follows:

	2021	2020
As of January 1	**56,347**	**44,189**
Additions	29,224	30,938
Accretion of interest	614	632
Payments	(22,877)	(19,412)
As of December 31	**63,308**	**56,347**

The maturity analysis of lease liabilities are disclosed bellow:

	December 31, 2021	December 31, 2020
Maturity analysis - discounted contractual cashflows		
Less than one year	2,806	2,018
One to five years	48,782	46,283
More than five years	11,720	8,046
Lease liabilities included in the statement of financial position	**63,308**	**56,347**

	December 31, 2021	December 31, 2020
Amounts recognised in profit or loss		
Interest on lease liabilities	(614)	(632)
Losses from changes of cash flows - lease liabilities	1	-
Expenses related to short term leases	(1,125)	(1,271)
Total	**(1,738)**	**(1,903)**

Separate statement of cash flows for the period ended december 31, 2021

19. INVESTMENT SECURITIES

Investments in securities represent quoted and unquoted investment securities classified in the following categories as a result of applying IFRS 9:

a) Investment securities mandatorily measured at fair value through profit and loss

Amounts in RON	December 31, 2021	December 31, 2020
VISA INC. - C shares	7,136	6,709
FDI OTP Dinamic	3,096	2,816
OTP Premium Return	3,044	2,719
OTP Real Estate & Construction	2,661	2,426
OTP Dollar Bond	5,193	4,766
Total	**21,130**	**19,436**

The bank holds investments in fund units of OTP Premium Return, OTP Real Estate & Construction, OTP Bond Dollar, FDI OTP Dinamic and Visa INC sharea.

b)Investment securities measured at fair value through other comprehensive income

Debt instruments securities measured at FVOCI	December 31, 2021	December 31, 2020
Romania Ministry of Finance	375,205	380,996
Poland Ministry of Finance	116,449	110,481
Slovenia Ministry of Finance	50,505	48,015
Spanish Ministry of Finance	163,145	168,375
Bucharest City Hall	5,137	5,180
Total gross carrying amount	**710,441**	**713,047**
Impairment allowance	**(2,862)**	**(3,296)**
Total Net amount	**707,579**	**709,751**

Equity investments, securities designated at FVOCI	December 31, 2021	December 31, 2020
Equity shares	13,853	12,677
Society for WorldWide Interbank Financial Telecomunication	240	222
OTP Asset Management Romania S.A.	789	776
MASTERCARD	4,680	4,219
VISA INC. - A shares	8,146	7,460
Other investments	80	80
Total	**13,933**	**12,757**

Separate statement of cash flows for the period ended december 31, 2021

The bank calculated for the debt instruments measured at FVOCI an impairment allowance in amount of RON ~2.9 milion classified as Stage 1 and presented in the Separate statement of financial position on "Accumulated deficit and reserves".

The bank designated certain investments shown in the table above as equity securities at FVOCI. The FVOCI designation was made because the investment are expected to be held on long term.

Shares in MasterCard

The bank owns a number of 2,980 shares, with a cost value amounting to USD 0,03. According with the provisions of IFRS9, this type of asset is held at fair value through other comprehensive income, therefore the fair value of these shares are in amount of RON 4,680 milion on December 31, 2021.

Share in VISA Europe LTD.

OTP Group received a number of 1,268 Visa C preferred shares during the year 2016. These securities were classified as available-for-sale instruments under IAS 39.

From January 1, 2018 – under IFRS 9 – the bank made the irrevocable decision to measure these securities on fair value through other comprehensive income. The Group reviewed its decision during 2020, and reconsidered the classification of Visa Series C preferred shares due to the reason that there are variabilities in conversion ratio, so these securities do not meet the equity classification requirements of IAS 32.

These securities have been recognized as non trading securities mandatorily measured on fair value through profit or loss (mandatorily FVTPL) since June 30, 2020. The value of Visa C preferred shares is RON 7,136 on December 31, 2021.

Visa Inc. is required to partially convert Visa C Preferred shares into tradable Visa shares. In this context a Conversion Adjustment of 6,829 took effect on November 29, 2021 and at the same time Visa Inc. issued to each holder of Series C Preferred stock whole shares of Series A Preferred shares, equal to the Conversion Adjustment divided by 100. The bank received a number of 86 VISA A preferred shares, in amount of RON 8,146 on December 31, 2021.

Other companies within OTP Groups

Right to Education Foundation was registered and incorporated on December 23, 2013 by Decision General Meeting of Shareholders of October 2013. Bank Foundation was created with the support and experience gained in 20 years of activity of the Foundation Fay, on education pupils and students. The project aims to develop a new dimension and approach in Romania, Bank acting as support for education by creating an institutional and organizational framework.

20. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES

		Gross book value	Percentage owned
	December 31, 2021	December 31, 2020	December 31, 2021
OTP Advisor SRL	4,498	4,498	100%
OTP Consulting Romania SRL	210	210	75%
OTP Leasing IFN Romania SA	11,713	11,713	60%
OTP Factoring SRL	34,513	34,513	100%
Total Gross Value	**50,934**	**50,934**	
OTP Advisor SRL	(4,376)	(4,376)	
Total impairment	**(4,376)**	**(4,376)**	
Total net value	**46,558**	**46,558**	

OTP Leasing Romania IFN S.A. provides leasing for cars and equipment, operating on the market since August 2007. OTP BANK ROMANIA acquired 60% of the share capital of OTP Leasing Romania, taking shares from the majority shareholder Merkantil Bank Hungary. Both companies are part of the same OTP Bank Plc. Hungary. The registered office of OTP Leasing Romania IFN S.A. is located on Nicolae G. Caramfil Street, no. 71-73, floor 5, District 1, Bucharest.

The value of investment in **OTP Advisors SRL** on December 31, 2021 was RON 4,498, for which the bank booked an impairment of RON 4,376. OTP Advisors offers direct sales for bank lending products. The registered office of OTP Advisors LLC is located at the following address: Matei Voievod Str. No. 40, Bucharest.

OTP Consulting Romania SRL provides support for foreign investments in Romania and advice for local authorities and small and medium sized companies in accessing EU funds and implementation of projects. The gross value of investment in OTP Consulting Romania SRL has not changed during 2021 compared to 2020.
The registered office of OTP Consulting Romania SRL is located at: Dacia Blvd., no. 83, Bucharest.

During December 2019, the bank increased the participation in the company OTP Factoring SRL, and became the sole shareholder of it. The main reasons of this decision are the following:

- the entire collection flow, from the soft collection to the hard one, will be controlled and directed by a single entity in Romania, having the best know-how of the dynamic of local environment;
- the nature of the activity will be more straightforward, close to all operative decisions;
- the increase of the flexibility and speed in decision making;
- the feedback of the entire collection flow to the origination can be more direct and useful ones including also the Factoring's covered period;
- the local standards and legal expectations can be better met since the involvement of bank's departments will be more adequate based on the governance principles (internal audit, compliance etc.).

The registered office of OTP Factoring SRL is located at: Nicolae G. Caramfil Street, no. 71-73, floor 4, District 1, Bucharest.

21. OTHER ASSETS

	December 31, 2021	December 31, 2020
Settlement accounts *	68,076	43,730
Sundry debtors **	55,975	21,913
Prepayments	9,077	7,319
Collaterals	4,040	2,457
Tax receivables	9,871	8,486
Tangible assets classified as held for sale	3,263	2,999
Inventory	1,850	1,784
Deferred income	1,615	1,418
Advances for tangible & intangible assets	19	513
Personnel receivables	15	5
Total	**153,801**	**90,624**

* The amount from "Settlement accounts" class mainly represent transit amounts from promissory notes acceptance and transactions from POS. The amounts are settled against clients' accounts in the next days following the reporting period. On January 31, 2021 the value of the Settlement accounts is RON 6,109 and represents promissory notes with settlement until April 2021. The value of cash in transit to be settled on account of customers is in amount of RON 9,969.

**Sundry debtors – contains the amount representing receivable amount from OTP Bank Plc. in connection with the National Agency of Fiscal Administration (ANAF) litigation. Please see note 28.

22. LIABILITIES DUE TO BANKS

	December 31, 2021			December 31, 2020		
	RON	FCY	Total	RON	FCY	Total
Demand deposits from banks	33,070	126	33,196	18,662	272	18,934
Term deposits from banks	245,073	1,194,884	1,439,957	70,087	73,372	143,459
Total	**278,143**	**1,195,010**	**1,473,153**	**88,749**	**73,644**	**162,393**

23. LIABILITIES DUE TO CUSTOMERS

	December 31, 2021			December 31, 2020		
	RON	FCY	Total	RON	FCY	Total
Customers' current accounts	3,364,011	1,908,608	5,272,619	2,343,457	1,512,746	3,856,203
Deposits from customers	3,628,672	2,294,905	5,923,577	3,802,943	1,851,414	5,654,357
Total	**6,992,683**	**4,203,513**	**11,196,196**	**6,146,400**	**3,364,160**	**9,510,560**

From the current acounts amounts, a percentage of 46% are held by retail customers, and 54% by legal entities. From the deposits from customers amounts, a percentage of 63% are held by retail customers, and 37% by legal entities. According to the currency and amount deposited by the clients. The bank pays interest rates in the following ranges:

Term deposits	December 31, 2021	December 31, 2020
RON	0.00% - 4.00%	0.00% - 4.30%
EUR	0.00% - 1.40%	0.00% - 1.40%
USD	0.00% - 1.30%	0.00% - 1.75%
CHF	0.00% - 0.00%	0.00% - 0.00%
HUF	0.00% - 0.40%	0.00% - 0.25%
GBP	0.25% - 0.40%	0.00% - 0.40%

Saving deposits	December 31, 2021	December 31, 2020
RON	0.00% - 5.00%	0.00% - 5.00%
EUR	(0.65)% - 0.91%	0.00% - 0.96%
USD	0.00% - 0.60%	0.00% - 0.60%
CHF	0.00% - 0.25%	0.00% - 0.25%
HUF	0.00% - 0.10%	0.00% - 0.10%
GBP	0.00% - 0.25%	0.00% - 0.25%

24. BORROWINGS

The parent company will continue to provide to the bank any financial support that might be necessary to comply with the central bank's regulatory requirements.

	December 31, 2021	December 31, 2020
OTP FINANCING MALTA COMPANY LTD. *	3,258,072	3,098,347
Total	**3,258,072**	**3,098,347**

* The maturity structure of the deposits taken from OTP Financing Malta LTD is as follows:

Maturity Date	Amount in thousand RON	Amount in thousand CCY	Valuta
January 7, 2022	197,924	40,000	EUR
October 31, 2023	262,249	53,000	EUR
December 27, 2023	212,768	43,000	EUR
November 20, 2024	250,000	250,000	RON
March 26, 2025	250,000	250,000	RON
June 30, 2025	250,000	250,000	RON
November 21, 2025	250,000	250,000	RON
May 29, 2026	150,000	150,000	RON
August 31, 2026	300,000	300,000	RON
August 31, 2026	200,000	200,000	RON
September 30, 2026	200,000	200,000	RON
November 20, 2026	250,000	250,000	RON
November 30, 2026	100,000	100,000	RON
December 31, 2026	375,000	375,000	RON

25. DERIVATIVES

The fair value of the derivative financial instruments is included in "Derivatives". Changes in their fair value that do not qualify for hedge accounting are recognized in the income statement lines "Trading income, net".

The financial derivative instruments at nominal value and fair value as at December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021			December 31, 2020		
	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Cross currency interest rate derivatives	29,489	98	27	250,052	2,636	2,636
Short term currency instruments	7,098,141	18,113	19,611	5,030,296	11,309	10,707
Total	**7,127,630**	**18,211**	**19,638**	**5,280,348**	**13,945**	**13,343**

26. DERIVATIVES ASSETS/LIABILITIES DESIGNATED AS HEDGING INSTRUMENTS

	December 31, 2021			December 31, 2020		
	Less than 1 year	1 - 5 years	More than 5 years	Less than 1 year	1 - 5 years	More than 5 years
Hedge of Euro notes	168,893	389,248	98,962	-	483,634	150,951

The bank uses interest rates swaps to hedge the interest rate risks arising from treasury bills and bonds. The fair values of derivatives designated as fair value hedge are:

	December 31, 2021			December 31, 2020		
	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Interest Rate Swap Hedging	657,103	-	31,573	634,585	-	48,875
Total	**657,103**	**-**	**31,573**	**634,585**	**-**	**48,875**

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In order to improve yield and maintain a low credit exposure, the bank purchased long duration EUR denominated Romanian Government Bonds (up to 8 years).

As the bonds are only available as fixed interest rate and the bank does not have fixed interest rates liabilities of similar maturities, in order to avoid EUR interest rate risk, the bank hedged the interest rate risk from the bonds purchase.
The bank employed assets swaps against EURIBOR 3M – a customized interest swap to match all the details of the bonds – allowing the bank to transform the yield of the bonds into a floating rate against EURIBOR 3M. In order to minimize counterparty credit risk and corresponding credit valuation adjustments the bank entered in the hedge with OTP Bank Plc. (Group member – no CVA).

The bank will retain only the credit and liquidity risk of the bond, hedging funding and interest rate risk.

Year		Changes in fair value used for calculation of hedge inefectiveness	Inefectiveness recognized in profit or loss
2021	Derivatives assets held for risk management	214	-
2020	Derivatives assets held for risk management	(5,210)	-

Year	Acumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge inefectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets			
2021	(14,357)	Investment securities at fair value through other comprehensive income	214	-
2020	7,020		(5,210)	-

27. PROVISIONS

	December 31, 2021	December 31, 2020
Payment in kind (i)	3,407	5,385
Financial guarantees (ii)	14,165	14,621
Loans commitments (ii)	40,395	39,567
Loans commitments for banks	6	-
Other provisions, out of which	58,389	85,021
Litigations (iii)	28,693	83,859
Assigment of loans	596	596
Other risks(iv)	29,100	566
Total	**116,362**	**144,594**

(i) The provision related to payment in kind represents the risk that can arise from potential notification endangerment related to conversion of loans. The additional provision was calculated as the difference between the provision calculated on an individual approach and the provision weighted with notification probability calculated according to the internal methodology.

(ii)For off balance sheet commitments, provisions are calculated by multiplying net exposure (gross exposure minus collateral value) with historical loss rates specific for each risk category, further adjusted with the credit conversion factor. The credit conversion factor rep-

Separate statement of cash flows for the period ended december 31, 2021

resents the bank's expectations of the respective loan commitment to become a balance sheet exposure over its expected life.

(iii)The provisions for litigations are compose of:
- 3 legal disputes in amount of RON 11,876
- provisions for abusive clauses inloans agreements signed between bank and clients RON 12,573
- potential litigation cases RON 3,302

The nature of provisions for litigation represents legal disputes. Expected timing of outflows for litigations cannot be appreciated, depending on various factors. Given the complexity and inherent uncertainties related to the outcome of possible scenario regarding the provision for litigation, the bank estimates needed may differ from actual obligation resulting from the completion of such legal disputes in future periods.

(iv) The provisions included in the line Other risks comprised operational risk and a provision in amount of RON 28,4 milion related to fraude suspiciouse transactions of a client. The bank denounced these transactions to police.

(v)In the period November 2019 – April 2021, ANAF conducted a control at banking level. Following the mission, according to the tax inspection report, ANAF claims that the assignment of receivables to affiliates were reclassified in financing operations. Thus, the fiscal loss of the bank was reduced by RON 100 million and an additional tax on income obtained by non-residents in the amount of RON 31,9 million was established.

The bank did not agree initially with the findings and in the contestation submitted, the bank presented a number of arguments regarding the economic substance of assignment of receivables transactions, disagreeing with claimed reclassification. Furthermore, the bank initiated actions to challenge in court the tax inspection report issued by ANAF, the deadline being March 28, 2022.

In order to avoid accruing of further penalty interest and costs, the bank has paid the amount imposed by the tax authorities, but contested the Tax Decision, as such the amount being registered as a tax deposit constituted in favor of ANAF.

At the same time, considering the reclassification/qualifications made by the tax authority, and considering the opinions issued by the tax advisers and by the law firm that represent the bank in a the litigation against the tax authority of RON 31,9 million, the bank assessed that it is more likely that a court decision would be unfavourable to the Bbank than to have a favourable court decision. As a result, the bank recognised in 2021 a provision in amount of RON 31,9 million and based on this, the tax deposit was presented net of the provision amount recognised.

The bank received from OTP Bank Plc. a „Promise for payment" for the same amount of RON 31.9 million for the case the bank will not win the appeal in the Bucharest Court of Appeal. The amount of reimursement was recognied in „other asset" caption.

The movements in the provisions during 2021 and 2020 were the following:

2021	Beginning of period	Increase	Reversals	FX differences	End of period
Payment in kind	5,385	414	(2,608)	216	3,407
Financial guarantees	14,621	71,331	(70,697)	(1,090)	14,165
Loans commitments	39,567	16,803	(17,372)	1,397	40,395
Loans commitments banks	-	6	-	-	6
Litigations	83,859	2,078	(58,241)	997	28,693
Assigment of loans	596	-	-	-	596
Other risks	596	28,534	-	-	29,100
Total	**144,594**	**119,166**	**(148,918)**	**1,520**	**116,362**

2020	Beginning of period	Increase	Reversals	FX differences	End of period
Payment in kind	-	5,921	(518)	(18)	5,385
Financial guarantees	10,578	56,319	(43,898)	(8,378)	14,621
Loans commitments	26,731	12,421	(8,116)	8,531	39,567
Litigations	81,208	8,731	(6,535)	455	83,859
Assigment of loans	748	-	(152)	-	596
Other risks	2,774	319	(2,532)	5	566
Total	**122,039**	**83,711**	**(61,751)**	**595**	**144,594**

28. INCOME TAX

As of December 31, 2021 the bank computed the deferred tax using the legal tax rate of 16% (2020: 16%). The method for estimating the tax loss used is to offset future profits. Starting with this date, the bank expects to be able to use the tax loss carried forward up to limit of the future profits expected for the next 5 years.

The bank didn't pay corporate income tax, using the tax losses carried forward from previous years.

Expenses with the income tax comprise:

	December 31, 2021	December 31, 2020
Deferred tax release / (charge) to profit and loss	10,577	3,526
Total income tax release / (charge) to profit and loss	**10,577**	**3,526**

The deferred tax liability as of December 31, 2021 is presented as follows:

	Temporary difference	Tax effect	Other elements of the overall result (expenses)/income
Revaluation reserve for tangible and intangible assets	51,087	8,174	(605)
Deferred tax liability as of December 31, 2021 - Fair-value adjustment of assets at fair value through OCI	11,495	1,839	(215)
Deferred tax liability as of December 31, 2021		**10,013**	**(820)**

The deferred tax asset as of December 31, 2021 is presented as follows:

Description temporary difference	Temporary difference	Tax effect	P&L account (expenses)/ income
Difference in depreciation between tax and accounting base for tangible and intangible assets	501	80	(52)
Deferred tax asset at December 31, 2021, as a result of the carried forward tax loss, limited to the future estimated profits	-	-	(3,077)
Deferred tax due to provisions for other risks	88,145	14,103	(7,131)
Deferred tax due to provisions for the conversion project & DIP	3,407	545	(317)
Deferred tax asset as of December 31, 2021		**14,728**	**(10,577)**
Net of deffered tax as of December 31, 2021			**4,715**

The total carried forward tax loss is presented as follows:	December 31, 2021	December 31, 2020
Statutory net profit for the current period (a)	**(9.344)**	**2.378**
Non-taxable income (b)	(230,049)	(101,536)
Non-deductible expenses (c)	240,639	137,040
Other elements similar to Income (d)	-	34,940
Other elements similar to expenses (e)	(1,479)	-
Legal reserve (f)	(62)	-
Fiscal profit / (loss) of current year (a+b+c+d+e+f)	**(295)**	**72,822**

Tax loss reported by OTP BANK ROMANIA	(59,019)	**(131,841)**
Unused fiscal loss	59,019	-
Total carried forward fiscal loss (fiscal result + tax losses)	**(295)**	**(59,019)**

Fiscal loss carried forward - previous years	Year of ulilization/ expiring	(59,019)	(131,841)
Fiscal loss carried forward 2013	2020		(28,277)
Fiscal loss carried forward 2014	2021	(59,019)	(103,564)

Separate statement of cash flows for the period ended december 31, 2021

	December 31, 2021	December 31, 2020
Profit before income tax	**1,233**	**(1,147)**
Income tax (16%)	197	-
Fiscal credit	-	-
Adjustment in respect of assigned receivables	-	5,287
Adjustment in respect of current income tax of prior years	-	(11,652)
Non-deductible elements	36,252	21,642
Non-taxable elements	(36,251)	(15,397)
Expense from income tax at effective tax rate	**199**	**(120)**
Effective tax rate	**16.16%**	**10.45%**
Deferred tax expense	(14,060)	(1,777)
Deferred tax income	3,483	5,303
Income tax expense	**(10,577)**	**3,526**

29. OTHER LIABILITIES

ALTE DATORII	December 31, 2021	December 31, 2020
Other due amounts from transactions with non-banking clients	66,349	71,061
Accrued Expenses	26,890	26,942
Other due amounts from interbank transactions	27,529	19,033
Sundry creditors	47,256	15,520
Unearned income	14,791	11,889
Current taxes	11,461	11,181
Other due amounts to employees	38,177	27,641
Others	2,666	2,609
Total	**235,119**	**185,876**

In the category of "Other due amounts from interbank transactions" are included transit operations related to payment orders or other interbanking transactions and in "Other due amounts from transactions with non-banking clients", there are transit amounts due to clients. On January 31, 2021 the value of the Settlement accounts is RON 17,829 and represents promissory notes with settlement until April (RON 6,106), factoring activity for clients (RON 10,043) and recoveries for loans in dispute (RON 684,000).

Separate statement of cash flows for the period ended december 31, 2021

30. SHARE CAPITAL

	December 31, 2021	December 31, 2020
Share capital as of January 1	**1,829,253**	**1,829,253**
Increase of share capital during the period	450,000	-
Share capital at the end of the period	**2,279,253**	**1,829,253**
Effect of hyperinflation until December 31, 2003	42,751	42,751
Share capital under IFRS	**2,322,004**	**1,872,004**

In 2021, share capital increase of OTP BANK ROMANIA S.A. with the amount of RON 450,000,240 by subscribed and paid cash contribution of shareholder OTP Bank Plc.
The reasons of capital increase were:

- EU regulation and IFRS 9 mitigation effect;
- excess from the current capital increase will be used for the current activity.

As of December 31, 2021 the bank's share capital amounted RON 2,322,004 and consisted of 9,496,889 registered ordinary shares with face value of RON 240 per share. All of the shares are ordinary shares and no special rights are attached to them. Voting rights per share are equivalent to the face value per share.

As of December 31, 2021, the bank's entire share capital was registered at the Commercial Register and fully paid in.

31. OFF BALANCE SHEET FINANCIAL COMMITMENTS

Issued guarantees and letters of credit

The bank issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to that arising from granting of loans. In the event of a claim on the bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the bank.
All letters of credit issued by the bank are collateralized. As of December 31, 2021 and December 31, 2020 the probability of material loss arising in connection with letters of credit is considered to be remote and accordingly no provision has been established.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and stand by letters of credit which represent irrevocable assurances that the bank will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risk as loans.

Documentary and commercial letters of credit which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions are collateralized and because of this carry a lower risk.

Credit commitments

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit the bank is potentially exposed to loss an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest since it results from the possibility of unused portions of loan authorizations being drawn by the customer and, secondly from these drawings, subsequently not being repaid as due.

The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements since many of these commitments will expire or terminate without being funded.

The aggregate amounts of outstanding guarantees, commitments and other off balance sheet items as of December 31, 2021 and December 31, 2020 are the following:

2021	Total out of which	Corporate	SME	Individuals
Loan commitments				
Stage 1	2,010,547	730,028	1,163,429	117,090
Stage 2	158,572	86,698	71,170	704
Stage 3	55,623	51,323	3,796	504
Gross amount	**2,224,742**	**868,049**	**1,238,395**	**118,298**
Stage 1	(29,657)	(13,214)	(15,890)	(553)
Stage 2	(6,263)	(2,615)	(3,564)	(84)
Stage 3	(4,475)	(3,545)	(699)	(231)
Allowance for impairment	**(40,395)**	**(19,374)**	**(20,153)**	**(868)**
Carrying amount	**2,184,347**	**848,675**	**1,218,242**	**117,430**
Guarantee issued				
Stage 1	537,640	361,879	175,314	447
Stage 2	47,912	27,960	19,952	-
Stage 3	23,320	22,898	422	-
Gross amount	**608,872**	**412,737**	**195,688**	**447**
Stage 1	(8,651)	(6,332)	(2,318)	(1)
Stage 2	(2,065)	(1,118)	(947)	-
Stage 3	(3,449)	(3,416)	(33)	-
Allowance for impairment	**(14,165)**	**(10,866)**	**(3,298)**	**(1)**
Carrying amount	**594,707**	**401,871**	**192,390**	**446**
Total Off balance	2,833,614	1,280,786	1,434,083	118,745
Total allowance Off balance	(54,560)	(30,240)	(23,451)	(869)

2020	Total out of which	Corporate	SME	Individuals
Loan commitments				
Stage 1	1,971,388	1,315,394	576,810	79,184
Stage 2	77,596	26,274	50,554	768
Stage 3	15,849	15,422	202	225
Gross amount	**2,064,833**	**1,357,090**	**627,566**	**80,177**
Stage 1	(29,575)	(21,295)	(7,876)	(404)
Stage 2	(6,539)	(922)	(5,538)	(79)
Stage 3	(3,453)	(3,251)	(108)	(94)
Allowance for impairment	**(39,567)**	**(25,468)**	**(13,522)**	**(577)**
Carrying amount	**2,025,266**	**1,331,622**	**614,044**	**79,600**
Guarantee issued				
Stage 1	517,099	336,904	180,195	-
Stage 2	19,874	11,836	8,038	-
Stage 3	9,286	9,244	42	-
Gross amount	**546,259**	**357,984**	**188,275**	**-**
Stage 1	(9,156)	(6,389)	(2,767)	-
Stage 2	(1,858)	(854)	(1,004)	-
Stage 3	(3,607)	(3,603)	(4)	-
Allowance for impairment	**(14,621)**	**(10,846)**	**(3,775)**	**-**
Carrying amount	**531,638**	**347,138**	**184,500**	**-**
Total Off balance	2,611,092	1,715,074	815,841	80,177
Total allowance Off balance	(54,188)	(36,314)	(17,297)	(577)

32. CONCENTRATION OF ASSETS DUE BY GOVERNMENT AND HELD WITH THE CENTRAL BANK

The assets due by Government and the Central Bank are as follows:

	December 31, 2021	December 31, 2020
Amounts with the National Bank of Romania (Note 14)	1,356,021	1,698,185
Treasury Bills (Note 15 and 19)	3,529,416	1,283,995
Total	**4,885,437**	**2,982,180**

33. RELATED PARTIES

The bank enters into transactions with related parties which are members of OTP Group in the normal course of the business. All related party transactions were made under substantially similar terms including interest rates and collateral requirements as those prevailing for similar transactions with unrelated parties. The most significant transactions represent time deposits loans and the respective interest and fees received/paid.

The volume of related party transactions outstanding balances and related expense and income for the periods ended December 31, 2021 and December 31, 2020 are presented below:

	Management		Parent company		Subsidiary		Associates		Other Related parties	
	Dec 21	Dec 20	Dec 21	Dec 20	Dec 21	Dec 20	Dec 21	Dec 20	Dec 21	Dec 20
Assets										
Due from other banks	-	-	1,305	4,412	-	-	-	-	-	-
Fair Value of Derivatives Financial Instruments	-	-	10,909	2,523	98	-	-	-	531	1,105
Loans and advances to customers, net	1,306	5,648	-	0	857	2,089	88	87	-	-
Investment in Associates and Subsidiaries	-	-	-	-	46,703	46,749	574	574	-	-
Other assets (receivable values for the sold loans)	2	-	32,557	0	52	634	283	198	-	-
Total assets	**1,308**	**5,648**	**44,771**	**6,935**	**47,710**	**49,472**	**945**	**859**	**531**	**1,105**
Liabilities										
Due to other banks	-	-	1,009,640	20,556	-	-	-	-	16,279	4,790
Fair Value of Derivatives Financial Instruments	-	-	42,318	51,301	27	-	-	-	-	-
Due to customers	2,423	5,700	-	-	73,035	24,617	1,267	1,075	3,263,075	3,107,394
Other liabilities	-	-	3,497	332	-	-	-	-	2	2
Total liabilities	**2,423**	**5,700**	**1,055,455**	**72,189**	**73,062**	**24,617**	**1,267**	**1,075**	**3,279,356**	**3,112,186**
Income statement items										
Interest and Commission income	4	14	24,062	16,661	179	231	3,010	2,233	400	805
Interest and Commission expenses	(3)	(6)	(21,321)	(19,038)	(463)	(500)	(1)	(3)	(61,665)	(60,109)
Other income	-	-	-	-	-	-	-	-	-	-
Other expenses			(277)	(143)	-	-	-	-	-	-
Net income from the sale of loans	-	-	-	-	-	(4,863)	-	-	-	-
Net income from derivatives transactions			17,438	-	474	-	-	-	(953)	1,527
Total income statements items	**1**	**8**	**19,902**	**(2,520)**	**190**	**(5,132)**	**3,009**	**2,230**	**(62,218)**	**(57,777)**
Other commitments	**42**	**64**	**-**	**-**	**12,906**	**11,910**	**-**	**-**	**561**	**552**
Off-balance sheet commitments	**42**	**64**	**-**	**-**	**12,906**	**11,910**	**-**	**-**	**561**	**552**

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the bank, directly or indirectly, including any director (whether executive or otherwise) of the bank.

The cumulated short term, long term and termination benefits granted to directors and other members of key management during periods ended December 31, 2021 and December 31, 2020 were as follows:

	December 31, 2021	December 31, 2020
Salary for key management personnel	4,949	4,099
Short-term and long-term benefits	12,668	11,183
Total benefits for key management personnel	**17,617**	**15,282**

34. ENCUMBERED ASSETS

As of December 31, 2021 and December 31, 2020 the bank didn't hold any encumbered assets.

35. CONTINGENT LIABILITIES

On December 31, 2021 (and also at the time of issuance of this report) the bank was involved in several litigations. Complaints against the bank are received after normal business conducted by the bank. Bank management believes that debt, if any, from such complaints do not have a material adverse effect on the financial position or results of future operations conducted by the bank.

Separate statement of cash flows for the period ended december 31, 2021

36. SUBSEQUENT EVENTS

In second part of February a conflict was started by Russia in Ukraine. Furthermore, the EU, USA, UK and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and companies, frozen a significant part of the Russian central bank assets as well as personal sanctions against a number of individuals.

The above already led to significant volatility in financial markets including exchange rates. As well it is expected that these events affect the activities in various sectors, supply chain, and could result in further increases in energy, commodities and food prices.

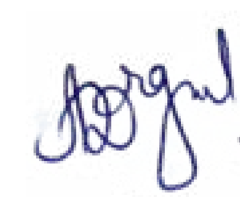
The bank does not have direct exposures to related parties, customers or suppliers from Russia, Ukraine and Belarus.

The bank assessment is that these are non-adjusting events taking place after the end of the current reporting period and do not require any adjustment on the 2021 financial statements. The quantitative effect of these events on future periods cannot be estimated at the moment with a sufficient degree of confidence. Currently, the bank's management is analyzing the possible impact of the changing micro- and macroeconomic conditions on the bank's financial position and results of operations for future periods.

These separate financial statements have been authorized for issue by the management on the 18th of March, 2022.

Gyula Fatér,
Chairman of the Management
Board and CEO

Mara Cristea,
Member of the Management
Board and Deputy CEO



OTP BANK ROMANIA S.A.
MANAGEMENT BOARD REPORT
CONCERNING THE YEAR ENDED DECEMBER 31, 2021

OTP Bank Romania (the Bank) is a subsidiary of OTP Bank, the largest independent banking group in Central and Eastern Europe, with operations in countries such as Hungary, Bulgaria, Croatia, Romania, Russia, Ukraine, Slovakia, Moldova, Montenegro and Serbia. Active on the Romanian banking market since 2005, OTP Bank has set itself the target to become a powerful, universal bank, offering complete services for both individuals and corporate customers.

Following the conclusion of the sale and purchase of shares of Commercial Bank ROBANK SA in July 2004, all shares of the Bank have been acquired by OTP Group in Hungary. Initially Robank Commercial Bank S.A. was registered with the Trade Register under number J40/10296/1995, based in Bucharest, Unirii Blvd. 59, district 3, and received authorization to operate from the National Bank of Romania under letter no. VII/G/185 in December 1995.

In July 2005 the Bank's name changed from RoBank Romania S.A. to OTP Bank Romania S.A. Starting from March 2005, the new head office of OTP Bank Romania S.A. was established in 66-68 Buzesti St., District 1, Bucharest.

With the aim of increasing its position of Romanian banking market, in 2015 OTP Bank Romania SA completed the acquisition of Millennium Bank SA shares from Banco Comercial Portugues S.A. and Millennium BCP Participacoes SGPS, Sociedade Unipessoal LDA.

The Bank operates through its registered Head Office and network of branches comprising 97 units out of which 65 branches and 32 agencies.

The shareholders' structure at December 31, 2021 was as follows:

Shareholder	Ownership (%)	No. of shares	Amount (RON)
1. OTP Bank Plc.	99.9999578809439%	9,496,885	2,279,252,400
2. Merkantil Bank zrt.	0.0000421190561%	4	960
Total	**100%**	**9,496,889**	**2,279,253,360**

The financial information for the period ended as at December 31, 2021 and comparative data for the period ended as at December 31, 2020 have been prepared in accordance with Order 27/2010 approving the Accounting Regulations compliant with International Financial Reporting Standards applicable to credit institutions, issued by the National Bank of Romania and in accordance with International Financial Reporting standards ("IFRS") as adopted by the European Union (EU).

Management Board Report for the year ended December 31st, 2021

Economic environment

Last year brought a decent rebound in the Romanian economy. Based on the flash figure, annual GDP growth turned out at 5.6%, after the 3.7% fall in 2020. However, within year growth was uneven, while the first half of the year brought QoQ growth rates around 1-1.5%, in H2 the economy rather stagnated in QoQ terms. Consequently, while up to Q2 Romania was among the best performing countries in the region, by 2021Q4 it fell behind. The key question is what could have explained the weakening performance?

On the one hand Romania's Q3 output performance was already held back by global supply chain problems in the industrial sector. Second, construction output fell in the second half of the year. Finally, but probably the most importantly, given the low level of vaccinations, the economy was set-back by severe delta pandemic wave, which held back service sector activity. At the same time, the agricultural sector could have posted value added growth around 30-35% in H2 on account of a record grain harvest.

Based on available data for Q1-Q3, out of the 7.2% cumulative GDP growth on the sectoral side, market services gave the biggest contribution to economic growth. This latter component increased by 9.8% and giving a growth contribution of 6.2%. This mostly occurred as the services sector returned closer to normal functioning after severe lockdowns in 2020, albeit weakened in Q4. Construction stagnated, while industry grew by 7.3%, giving a growth contribution of 1.6%. The relatively decent growth of the industrial sector could be explained mostly by H1 performance, when similarly to the service sector base effects dominated, while in Q3 supply chain problems have started to take their toll. Agriculture added 1.3 ppts to growth by a 21.5% increase, mostly in Q3.

On the expenditure side, there is more uncertainty about the decomposition as change in inventories gave the biggest growth contribution (11.4%), only followed by household consumption expenditure, which grew by 7.1% (growth contribution 7.4%). At the same time net export had a similar, but negative contribution (-11.6%) as inventories. Growth of gross capital formation stood at 5.5% and contributing to economic growth by 1.7 ppts. Overall, the expenditure side picture suggests, that household consumption after 2020 lockdowns has practically recovered, while the large increase in inventories partly reflects the good agricultural season but given its magnitude also uncertainties regarding the expenditure side decomposition.

Employment has recovered from the covid crisis, and wage growth stabilized around 6-6.5% in H2. However rising inflation led to fall in real wages in October-December. Although they were increasing, labour market tightness indicators stood still below precovid levels in Q3.

2021 was the year, when supportive policies had started to be gradually withdrawn as the sharp rise in inflation and increasing financing costs have made policy makers to realize that the economy operates close to full capacity.

On the one hand the budget deficit declined, the available 2021 cash deficit stood at 6.8%, 0.3 ppts below plans, despite somewhat increasing expenditures during the year, on account higher-than-expected revenues. The ESA based budget deficit could end up the year at 7.1% of GDP, which could imply end year debt level slightly above 50% of GDP.

Monetary policy has started rate hikes in October and raised the key rate by 50 bps in two steps on account inflation surprises and an increasing global yield environment, given the announcement of tapering by the Federal Reserve.

Probably, the sharp inflation increase was the biggest negative story of last year. Starting at 2.1% in December 2020, inflation practically uninterruptedly increased to 8.2% by December 2021. All components of inflation increased, however most importantly non-food goods inflation sped-up from 2.7% to 10.2%. Food inflation gained momentum from 3.2% to 7.2%, service sector inflation strengthened from 2.7% to 5.7%. Out of the 6.1 ppts increase in headline inflation (from December to December), 4.9 ppts was related to fuel (+2.6 ppts) and heating energy (+2.4 ppts) inflation. Consequently, core inflation items were less responsible for the inflation increase: the HICP ex food and energy inflation strengthened from 2.5 to 3.4%.

The external position of the country continued to deteriorate, the current account deficit amounted to 7% of GDP in 2021, up from 5.1% in 2020 and 4.9% in 2019. The increase was partly driven by higher energy prices, and by increasing domestic demand, while exports were held back by global supply chain problems. Nevertheless due to the substantial inflow of EU funds, the actual external deficit from the financing side stood, lower at -5.3% of GDP.

The EUR / RON rate ended in 2021 at 4.95, up from 4,87 at end 2020. The 1.6% depreciation was in line with the tendency of previous year. The weakening occurred in two waves (April and September), in the latter case related to political uncertainty after the junior coalition partner withdrawn itself from the government.

In 2021, the growth of the stock of non-government (household and corporate) loans sped-up substantially to 14%, compared with a 5.5% increase in 2020 and the 6.6% in 2019, supported by the rebound in economic activity, the low interest rate environment and government guarantee programs. Growth of household loans increased to 9.4% from 4.8%, driven mainly by higher consumer loan growth (5,7% vs. -1.9% in 2020), while mortgage loan growth gained momentum less steeply (11.8% in 2020 vs. 9.9% in 2020). The share of credits in RON rose further, at household loans it reached 83% from 79% a year ago, while in corporate loans it rose to almost 65% from 62% in 2020. At the same time, non-performing loans declined mildly to 3.7% by 2021Q3 from 4.1% a year before.

NBR data showed that the profitability of the sector improved up to Q3 on an annual basis, with the ROE index reaching 13.6% compared to ~10% in 2020. At the same time, the capital adequacy ratio remained at around a solid 23%.

Key economic indicators*		2020	2021
Real GDP	%	-3.7	5.6
Final consumption of households	%		
Consumption expenditure of households*	%	-5.0	6.5
Consumption of public administrations*	%	1.6	-2.2
Gross fixed capital formation*	%	7.1	4.5
Export of goods and services*	%	-9.7	11.5
Import of goods and services*	%	-5.8	14.1
Consumer prices	% average	2.6	5.0
* Budget balance	% from GDP	-9.4	-7.1
* Public debt	% from GDP	47.4	50.2
* Current account	% from GDP	-5.1	-7.0
Monetary policy interest rate	% average	1.85	1.35
Monetary policy interest rate	% end of period	1.50	1.75
EUR / RON	average	4.84	4.92
EUR / RON	end of period	4.87	4.95
Nominal GDP*	billion RON	1055.5	1160.0
Unemployment	%	4.9	5.4
Nominal wage growth	%	6.7	7.1
Real wage growth	%	4.0	2.0
Nominal GDP	billion EUR	218.20	235.73

* Data are from the February 2022 flash GDP release
** 2020 data are based on the latest quarterly publication, from January 2021, while 2021 figures are our nowcast. Government consumption is the sum of collective and individual consumption.
Sources: INS, BNR, OTP Research

Summary of OTP Bank Romania's result:

Highlights

- Despite the challenges brought by the COVID 19 pandemic in the economic environment, the Bank continued to finance the real economy, being among the banks that grew the financing of legal entities. The market share of loans to legal entities climbed from 3.83% (31 December 2020) to 3.96%, while the market share of deposits and current accounts from legal entities slightly went down from 3.22% (31 December 2020) to 3.19% (31 December 2021);
- The Bank has been an active player on the market for mortgage loans, which remained the most dynamic segment within the retail portfolio, growing its market share from 4.19% (31 December 2020) to 4.58% (31 December 2021);
- Customer deposits continued to be on focus with the aim of further strengthening the funding base, the market share for deposits increasing from 1.98% (31 December 2020) to 2.09% (31 December 2021);
- Solid capital position, with capital adequacy ratio of 22.27% (the Bank standalone).

Statement of Financial Position of OTP Bank Romania S.A.

RON thousand	December 31, 2021	December 31, 2020	Variation %
ASSETS			
Cash and cash equivalents	551,861	532,794	4%
Current accounts and deposits at banks	60,470	561,226	-89%
Accounts with the National Bank of Romania	1,354,829	1,698,185	-20%
Loans and advances to banks	1,931	76,652	-97%
Derivatives	18,211	13,945	31%
Investment securities at fair value through profit and loss	21,130	19,436	9%
Investment securities at fair value through other comprehensive income	724,374	725,804	0%
Securities at amortized cost	2,818,975	570,948	394%
Loans and advances to customers, net	12,386,495	10,186,761	22%
Investment in Associates and Subsidiaries	46,558	46,558	0%
Property and equipment	187,993	181,891	3%
Intangible assets	60,162	56,790	6%
Right-of-use assets	61,717	55,114	12%
Investment property	1,008	1,254	-20%
Deferred tax assets	14,648	25,173	-42%
Other assets	153,801	90,624	70%
Total assets	**18,464,163**	**14,843,154**	**24%**
LIABILITIES			
Due to Banks	1,473,153	162,393	807%
Derivatives	19,638	13,343	47%
Derivatives – Hedging Accounting	31,573	48,875	-35%
Due to customers	11,196,196	9,510,649	18%
Borrowings	3,258,072	3,098,347	5%
Lease liabilities	63,308	56,347	12%
Provisions	116,362	144,594	-20%
Deferred tax liabilities	9,933	9,060	10%
Other financial liabilities	235,119	185,876	26%
Total liabilities	**16,403,354**	**13,229,484**	**24%**
SHAREHOLDERS' EQUITY			
Share capital			
Share capital, nominal	2,279,253	1,829,253	25%
Share capital inflation effect	42,751	42,751	0%
Total share capital	2,322,004	1,872,004	24%
Other equity	6,794	-	100%
Accumulated deficit and reserves	(267,989)	(258,333)	4%
Total shareholders' equity	**2,060,809**	**1,613,671**	**28%**
Total liabilities and shareholders' equity	**18,464,163**	**14,843,155**	**24%**

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Numerarul și echivalentele de numerar

Cash and cash equivalents increased by 4% compared to December 31, 2020, their weight in the total assets decreasing from 3.59% to 2.99%. As at December 31, 2021 they amounted to RON 551.8 million, out of which RON 226.5 million are in local currency. The caption includes **cash in hand and ATMs.**

Current accounts and deposits at banks amount to RON 60.47 million (decreased by 89%). This item includes **Nostro accounts** (RON 16.13 million), **on demand deposits at other credit institutions** (RON 34.34 million) and **term deposits at other credit institutions** (RON 10 million).

Accounts with the National Bank of Romania are in amount of RON 1,354 million and represents amounts in current accounts and minimum compulsory reserves. The reserves are computed as a percentage to the daily average outstanding of deposits from banking and non-banking customers, for each period of one month. For the application period December 24, 2021 – January 23, 2022, the minimum mandatory reserve was determined at the level of 773,379 thousand RON (December 31, 2020: 661,446 thousand RON).

Investment securities at fair value through other comprehensive income no significant changes registered in 2021, and includes bonds issued by: **Ministry Of Finance of Romania** (RON 375 million), **Ministry Of Finance of Poland** (RON 116.4 million), **Ministry Of Finance of Slovenia** (RON 50.5 million), **Ministry Of Finance of Spain** (RON 163.3 million) and **Municipal Bucharest City Hall** (RON 5.1 million).

Similarly to its portfolio of securities held to maturity, the Bank invested in a diversified range of RON and foreign-denominated portofolios and strengthened its liquidity position through having a higher share of liquid assets in its balance sheet. Based on availability of securities in the market and their return and maturity, the Bank also purchases securities issued by other EU countries.

Other investment securities at fair value through other comprehensive income in amount of RON 13.9 million at December 31, 2021 comprises: investment in **VISA** (RON 8.15 million), **MasterCard** (RON 4.7 million), **OTP Asset Management SAI SA** (RON 0.79 million), **SWIFT** (RON 240 thousand), **"Dreptul la Educatie" Foundation** (RON 80 thousand), **Aloha Buzz SRL** (RON 0.01 thousand), **Favo Consultanta SRL** (RON 0.01 thousand) and **Tezaur Cont SRL** (RON 0.01 thousand).

Other investments measured at fair value through profit and loss account include unit funds held by the Bank in: **OTP Premium Return** (RON 3 million), **OTP Dollar Bond** (RON 5.1 milion), **FDI OTP Dinamic** (RON 3 million), **OTP Real Estate** & Construction (RON 2.7 million) and **VISA** (RON 7.1 million).

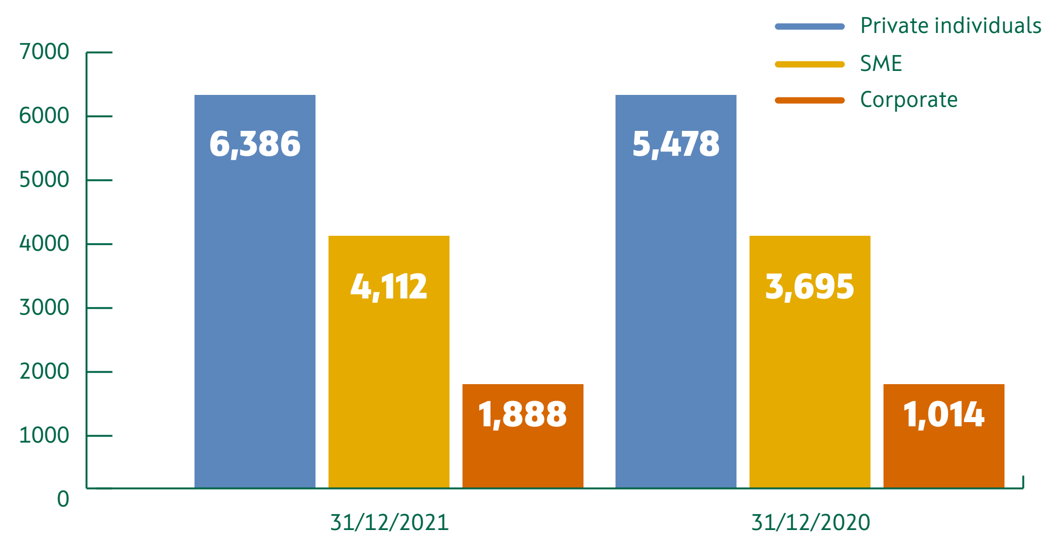
Securities held to maturity at amortised cost, in amount of RON 2,818.9 million as at December 31, 2021 includes securities issued by Ministry of Finance and National Bank of Hungary. The treasury bonds are unencumbered and at the immediate disposal of the Bank. The Bank has increased in portfolio of securities, as part of its liquidity management and diversification of assets.

Derivatives (assets) are in amount of RON 18.2 million at December 31, 2021. This caption includes the debit balances of the accounts where the fair value of forward contract is recognized (debit balances represent positive differences when derivatives contracts are evaluated).
Loans and advances to customers, net are in amount of RON 12,386.5 million at December 31, 2021 and presents the following structure:

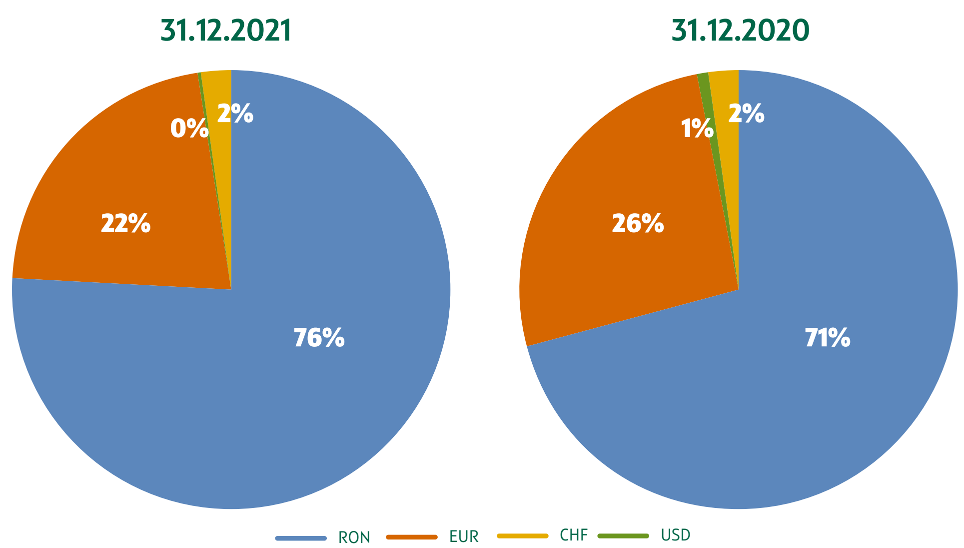
Loans and advances to customers, net are in amount of RON 12,386.5 million at December 31, 2021 and presents the following structure:

- Private individuals – RON 6,386 million (RON 5,478 million at December 31, 2020)
- SME – RON 4,112 million (RON 3,695 million at December 31, 2020)
- Corporate – RON 1,888 million (RON 1,014 million at December 31, 2020).

Net loans by customer type



Net loans by currency



Investment in Associates and Subsidiaries represent in high weight the Bank's equity investment in **OTP Factoring SRL** (RON 34.5 million), and **OTP Leasing Romania SA** in amount of RON 11.7 million. No changes regarding investments in associates were registered in 2021.

During December 2019, the Bank increased the participation in the company **OTP Factoring SRL**, and became the sole shareholder of it. The main reasons of this decision are the following:

- the entire collection flow, from the soft collection to the hard one, will be controlled and directed by a single entity in Romania, having the best know-how of the dynamic of local environment;
- the nature of the activity will be more straightforward, close to all operative decisions;
- the increase of the flexibility and speed in decision making;
- the feedback of the entire collection flow to the origination can be more direct and useful ones including also the Factoring's covered period;
- the local standards and legal expectations can be better met since the involvement of Bank's departments will be more adequate based on the governance principles (internal audit, compliance etc.).

The other equity investments are in **OTP Consulting Romania SRL** in amount of RON 210 thousand and **OTP Advisors SRL** of RON 4.5 million gross value for which an impairment in amount of 4.3 million was recognised.

Property and Equipment are in amount of RON 187.9 million as at December 31, 2021 (RON 181.9 million at 31 December 2020). Tangible assets are recognized using the revaluation method. The bank performed in 2021 the test of depreciation of land and buildings internally.

Intangible assets increased by 6% compared to the previous year's balance, having a value of RON 60.1 million at December 31, 2021, the bank invested in increasing efficiency of the activities through automation. During 2021 the Bank increased its spending for capital expenditure and investments, supporting its growth strategy. The investments are related to business initiatives and digitalization, as well as compliance with regulatory measures.

Starting with 2019, the Bank adopted the new standard regarding "Leases" – IFRS16. IFRS16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer - "lessee" and the supplier - "lessor". This standard requires lessees to recognize most leases in the financial statements. The bank recognises right-of-use asset and lease liabilities at the lease commencement date. At December 2021 the value of right-of-use assets is RON 61.7 million (December 2020, RON 55.1 million).

Investment property, net amounts to RON 1 million and contains foreclosed real-estate, formerly collateral for loans granted to customers.

Other assets, net are in amount of RON 153.8 million at December 31, 2021 and represent amounts in transit / settlement: RON 68.1 million (RON 43.7 million as at December 31, 2020), sundry debtors: RON 55.9 million (RON 21.9 million as at December 31, 2020), prepayments: RON 9 million (RON 7.3 million as at December 31, 2020), deferred income RON 1.6 million (RON 1.4 million as at December 31, 2020), advances to personnel, tax receivables, advances for tangible and intangible assets, inventory, collateral received RON 16.4 million (RON 13.2 million as at December 31, 2020). The Bank owns as at 31 December 2021 fixed assets and disposal groups, classified as held for sale amounting to RON 3.2 million (RON 3 million as at December 31, 2020), representing the stock of buildings from the foreclosures, which are put on sale.

Liabilities due to banks have registered a significant increase over last year and are in amount of RON 1,473 million and comprised: Loro accounts (RON 33.1 million), demand deposits and term deposits (RON 1,440 million).

The Bank enjoys the full and substantial support of the Group, both for funding its balance sheet growth and its capital and liquidity position. The Bank's aim remains to increase its share of financing from customer deposits and current account but it also relies on group funding.

Derivatives (liabilities) in amount of RON 19.6 million at December 31, 2021 (December 31, 2020 RON 13.3 million) represent negative fair value of derivatives. Value of hedging derivatives is of RON 31.6 million for 2021 (RON 48.9 million for 2020).

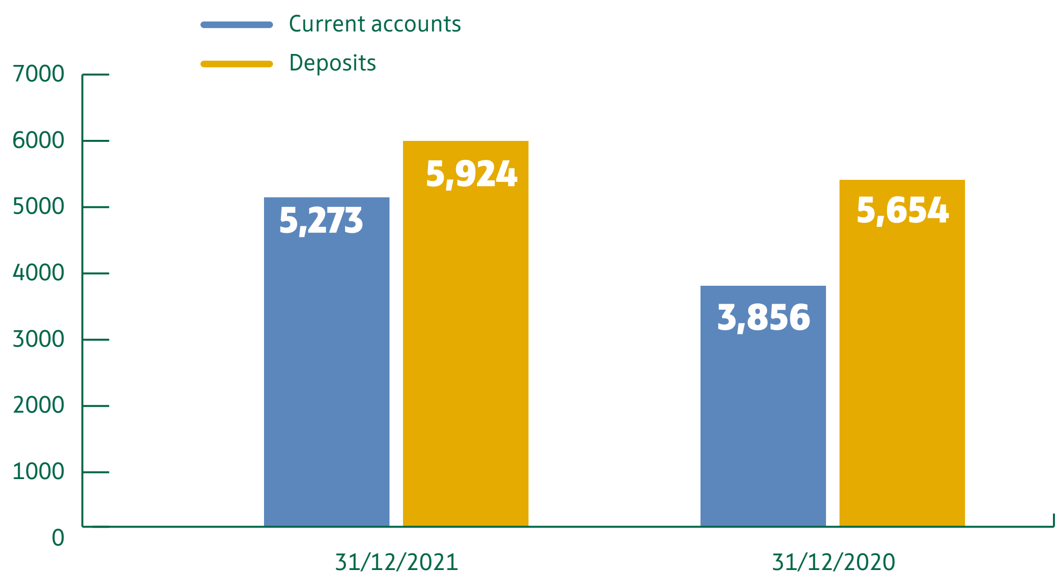
Liabilities due to customers presents the following structure:

- current accounts – RON 4,705 million (RON 3,502 million at December 31, 2020)
- demand deposits – RON 568 million (RON 354 million at December 31, 2020)
- term deposits – RON 5,748 million (RON 5,508 million at December 31, 2020)
- collateral deposits – RON 176 million (RON 146 million at December 31, 2020)

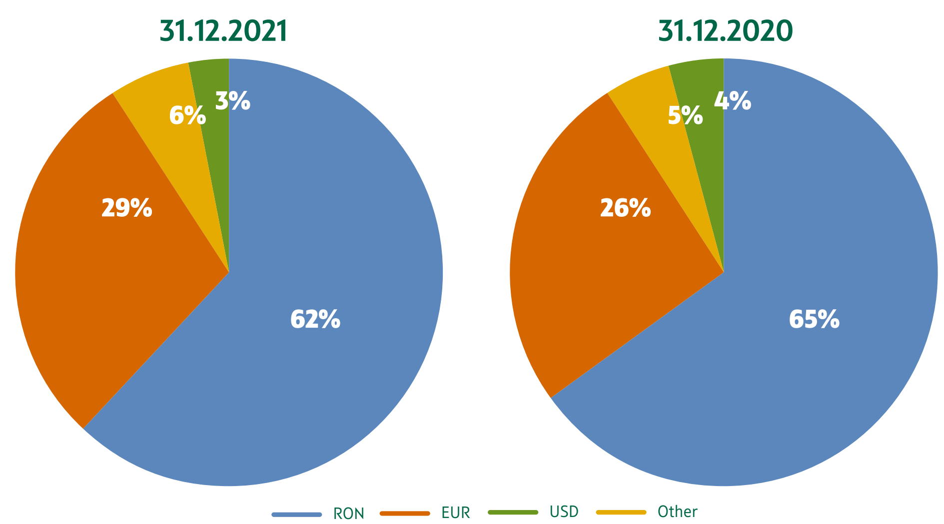
Within deposits are included Accrued and amortized amounts.

During 2021, as part of its efforts to improve its liquidity and funding position, the Bank has stepped up its efforts to attract new customers and new funds. On one side, it ran a promotional campaign with attractive interest rate for RON Term Deposits of Private Individuals. On the other side, it ran marketing campaigns promoting its liability products.

Deposits from customers by type of deposit



Deposits from customers by currency



Borrowings are in amount of RON 3,3 billions at December 31, 2021, the entire amount being withdrawn from OTP Financing Malta Company LTD.

Provisions increased in 2021 by 20%. The provisions for loan commitments, financial guarantees and other commitments given are in amount of RON 54.6 million (RON 54.2 million at December 31, 2020), provisions for litigation are in amount of RON 28.7 million (RON 83.9 million at December 31, 2020), provisions for payment in kind RON 3.4 million and other provisions risks are in amount of RON 29.7 million. The provisions included in the line Other risks comprised operational risk and a provision related to fraude suspiciouse transactions of a client. The Bank denounced these transactions to police.

The variation on provisions for litigations have been influenced by a relase in 2021 of existing provision, in total amount of RON 46.8 million, based on the opinion of the lawyers issued in 2021 for the ongoing litigations.

Other liabilities are in amount of RON 235 million as at December 31, 2021 and include amounts from **transitory accounts** RON 93.9 million, **allowances and salaries** - RON 38.1 million, **various contributions to the state budget** of RON 11.4 million, **sundry creditors** of RON 47.3 million, **deferred income** - RON 14.8 million and **expenses to be paid** - RON 29.5 million.

Shareholders' equity is RON 2,060 million, from which:

- Share capital RON 2,279.2 million;
- Share capital inflation effect: RON 42.8 million;
- Revaluation reserves for fixed assets, net: RON 42.9 million;
- Revaluation reserves for securities at fair value through other comprehensive income: RON 0.8 million;
- Other reserves: RON (0.4) million;
- Other equity: RON 6.7 million;
- Retained earnings RON: (301.9) million;
- Current year's loss of RON (9.3) million.

Separate Income Statement of OTP Bank Romania S.A.

RON thousand	Year ended December 31, 2021	Year ended December 31, 2020	Variation %
Interest Income	621,381	589,939	5%
Interest Expense	(150,007)	(154,278)	-3%
Net interest income	**471,374**	**435,661**	**8%**
Fee and commission income	108,480	86,348	26%
Fee and commission expense	(57,925)	(39,760)	46%
Net fee and commission income	**50,555**	**46,588**	**9%**
Impairment losses	**(116,490)**	**(164,799)**	**-29%**
Net interest, fee and commission income after impairment losses	**405,439**	**317,450**	**28%**
Trading income, net	89,293	91,789	-3%
Gains or losses on financial assets and liabilities designated as at fair value through profit or loss - net	1,339	8,115	-83%
Gains or losses on financial assets and liabilities designated as at fair value through other comprehensive income	500	(2,557)	-120%
Other operating income	17.310	15.759	10%
Total income from financial operations	**108,442**	**113,106**	**-4%**
Total operating revenues	**513,881**	**430,556**	**19%**
Salaries and related expenses	(266,740)	(221,106)	21%
Other administrative expenses	(162,464)	(138,661)	17%
Depreciation of tangible and Intangible assets	(73,455)	(62,690)	18%
Other operating expenses	(9,989)	(9,536)	5%
Total non-interest expense	**(512,648)**	**(431,703)**	**19%**
Profit / (Loss) before income taxes	**1,233**	**(1,147)**	
Deferred tax income	(10,577)	3,526	-
Net loss / profit for the period	**(9,344)**	**2,379**	
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	3,780	(1,814)	
Schimbarea netă a valorii juste a activelor financiare prin alte venituri globale	1.177	(6.800)	
Related tax for above positions	(820)	2,193	
Total items that will not be reclassified to profit or loss	**4,137**	**(6,421)**	
Items that may be reclassified to profit or loss			
Net change in fair value of financial assets through other comprehensive income	(268)	(2,519)	
Total items that may be reclassified to profit or loss	**(268)**	**(2,519)**	
Other comprehensive income, net of tax	**3,869**	**(8,940)**	
Total rezultat global aferent exercițiului financiar, după impozitare	**(5.475)**	**(6.561)**	
Câștig / pierdere pe acțiune ordinară	**(0,98)**	**0,31**	

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The Income Statement of the bank for the period ended as at December 31, 2021, is as follows:

Interest income increased by **5%,** mainly linked to:

- loans of RON 560.5 million (RON 549.1 million in 2020),
- placements with other credit institutions and Central Bank RON 3 million (RON 3.5 million in 2020)
- securities and reverse repo agreements RON 57.8 million (RON 37.6 million in 2020).

Interest expenses decrease by **3%.** The structure of Interest expenses is as follows:

- RON 82.9 million from customers' deposits (RON 86.1 million as at December 31, 2020)
- RON 61.6 million from borrowings (RON 60.1 million as at December 31, 2020)
- RON 4.8 million are related to deposits from banks (RON 7.5 million as at December 31, 2020).

Fee and commission income is in amount of RON 108.4 million (increased by 26% compared to 2020) and **fee and commission expenses** are in amount of RON 57.9 million (increased by 46% compared to 2020).

Impairment losses decreased from RON 164.8 million to RON 116.4 million (29% decrease) as a result of the release of the provisions for litigation risk and annual review of provisioning parameters.

Trading income, net decreased by 3%, from 91.7 million in 2020 to RON 89.2 million in 2021. This item contains **net result from derivatives, concluded mostly** with the parent-company and the net result from **the revaluation of the open currency position.**

Other operating income is in amount of RON 17.3 million. These incomes include **fees for non-banking services** – RON 0.8 million, incomes from insurance intermediation activity – RON 2.2 million, **other operating income** – RON 8.6 million, **other income and fees related to the loans** – RON 5 million and others.

Salaries and related expense are of RON 266.7 million at December 31, 2021, increased by 21% compared to the previous year (RON 221.1 million).
Salary costs were driven up by market conditions, more staff and sales results. The growth of average salaries from the period 2016-2020, both in the private and especially the public sector, has put pressure on the bank's cost. In order to retain and acquire staff, the Bank had to stay competitive and offer wages in line with the market. In 2021 the higher staff costs were result of the organic growth strategy, which led to an increase in the number of employees.
The additional staff was driven by business needs but as well by the need to cover operational gap in head-office staff, in order to sustain the organizational growth project.

Other administrative expenses are in amount of RON 162.4 million at December 31, 2021, increased by 17% compared to the previous year (RON 138.6 million in 2020).

Depreciation of tangible and intangible assets is of RON 73.4 million at December 31, 2021, comparing to RON 62.4 million in 2020.

Other operating expenses are in amount of RON 9.9 million (RON 9.5 million in 2020). These include: **fines and penalties** of RON 0.04 million, **sponsorship expenses** of RON 1.9 million, **expenses representing prizes, sales competitions** of RON 1.9 million, **disputes/legal cases** of RON 3.3 million and **other expenses** of RON 5.4 million.

Risk management within OTP Bank Romania S.A.

The main risks that the Bank faces include:

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

Other risks managed by the bank are reputational risk, risk due to outsourced activities, compliance risk (general compliance and ML/FT), conduct risk, model risk, ITC and security risks.

Credit Risk Management

The credit risk is associated with the loans granted by the Bank, being the current or prospective risk to negatively influence the earnings and capital arising from an obligor's failure to meet the terms of any contract with the credit institution or its failure to perform as agreed .

The Bank's main objective regarding credit risk management was to maintain the portfolio quality by monitoring the evolution of a set of indicators which are detailed in the Risk Strategy for 2021.
As part of the overall credit risk management, the credit concentration risk is actively managed using standard tools (e.g. analysis, assessment, setting of internal limits, reporting and use of risk mitigation techniques as appropriate). The Bank aims not to take any excessive credit concentration risk. Credit concentration risk management procedures cover individual counterparties as well as economically connected groups, selected industry sectors and collateral providers. The system of internal limits is established such that the Bank complies with regulatory limits set in respect of concentration risk.

The Bank' s mid-term strategy in respect to credit risk management consists in channelling resources to achieve the following objectives:

- Designing an analytical and modelling framework capable of supporting the accurate definition of the Bank's risk profile, improving the predictive power of risk models and applying fast-response, sufficiently prudent risk management solutions capable of reacting to market movements;
- Implement a new Decision Engine solution aiming to improve and streamline the lending flow for Private Individual and Micro clients;
- Streamlined data processes – leverage the usage of internal data for risk management analytics through extension of current DWH and implementation on advanced analytical tools (SAS, OLAP, Python, Tableau);
- Supporting the market growth plan of retail lending by fine-tuning the segment-specific risk management toolkit and testing, on a continuous basis, new segments and new appraisal rules;
- Adjusting to the dynamically changing market environment by providing sufficient space for building up an appropriately diversified portfolio with healthy dynamics and quality that ensures stable profitability on the long run;
- Ensuring that adequate reserves are available to cover potential losses while the capital provides sufficient reserves for unexpected losses;
- Creating an efficient monitoring and reaction framework regarding the risk related to the lending activity in order to ensure the maintenance of the credit risk profile within the level of the risk appetite assumed;

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- Ensuring adequate NPE management;
- Ensuring there is consistency and coherence between the Bank's Risk Strategy, NPE Strategy and ICAAP.

On short term, the top key priorities for credit risk management are:

- Ensuring the soundness of the newly originated loan portfolio in a macro environment with a high level of uncertainty. As response to COVID -19 expected negative effect on the economy, the Bank has adjusted its credit policies by implementing temporary restrictions to mitigate arisen risks. The Bank will continue to adapt its policies accordingly.
- Maintaining an adequate quality level of the existing loan portfolio and ensuring a suitable provision coverage. The Bank will continue to assign priority to managing past due loans by making efforts to enable customers in arrears to return to the routine of making regular repayments. In 2021, the Bank continued to asses and monitor for a relevant period the loans exposures that had benefited from moratoriums.
- Follow the NPE strategy and reach the NPL% targets. No doubt the emergency of COVID 19 and its systemic impact, has brought additional insecurity and pressure in respect to the achievement of the Bank's plan to reduce the NPL stock. Nevertheless, the Bank will undertake all possibly planned actions in order reach the NPE % target and the planned values for the non-performing loans rate at the level of each segment.
- Monitoring of credit risk. With a view to monitoring the credit risk appetite, the Bank operates a control system, which covers the regulatory instruments, the risk parameters of the products and the reporting system:
  - Monthly & quarterly reports on Credit Policies risk indicators
  - Quarterly monitoring of credit risk profile
  - Quarterly monitoring of level of portfolio concentration against the limits established within the Internal Norm on Concentration Risk
  - Monthly monitoring of vintage rates
  - Monthly overview of the legal entities and private individuals portfolio developments
  - Weekly monitoring of portfolio movements
  - Monthly monitoring of the portfolio quality post moratorium period

  The Bank regularly re-assesses all credit exposures that have already been specif cally provided for, as well as all credit exposures that appear on watch-list and which are classified as individually si nificant.
- Reviewing the transactional models. All behavioural scorecards applied for Private Individual segment were redeveloped during 2021 and implemented on December 2021. These updates mainly reflect the impact of the new default definition. In order to improve the credit risk management framework during 2021 there were developed models for optimizing the process of collecting outstanding, which are scheduled for implementation during the period March – June 2022.

Risk IT developments

- Initiate software up-grade for the underwriting systems (part of BPM implementation)
- Implement predefined credit risk reports within DWH dedicated layer
- Expanding the use of SAS within the credit risk management area
- Expanding the use of SAS Tableau, a data visualization tool, within the credit risk management area

Bank portfolio sensitivity to interest rate risk

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

In 2021 the Bank concentrated on local currency loans and the weight of fixed interest loans increased for consumer loans. On liabilities side, the bank maintained the maturity structure for client deposits.

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

In assessing the interest rate risk for the banking portfolio, the Bank uses maturity analysis until the next financial assets and liabilities restoration, maturity analysis and stress test scenarios, to estimate the possible effects of interest rate changes on profits, and on the economic value of the Bank.

The methodology used for measuring the impact of an interest rate shock in the economic value of the Bank is the standardized one from the NBR Reg. No. 5/2013 with further amendments, adjusted for optionality risk. At 31st December 2021, with adjustments to take into account the risk of option for loans and deposits, the Bank had a low exposure to the interest rate risk on banking book, 3.22% of own funds (1.43% as of December 2020). The increase in the calculated value was mainly due to the increase in the bonds portfolio.

During 2021 the exposure to the interest rate risk on banking book had a stable level, within the medium-low risk appetite.

Managing the market risk

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

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

In view of limiting potential losses due to market risk exposure, the bank manages market risk exposure by means of a set of limits, which shall be set annually and updated periodically according to market conditions, in compliance with a prudent policy, based on the experience of OTP Bank Plc Hungary.
The limits are established according to the potential loss and the value of the Bank's regulatory capital. Market risk limits are set up by OTP Bank Plc. Hungary and are managed in Market Risk Portal system.

Interest Rate Risk (Trading book)

The interest rate risk refers to the fluctuation in the value of financial instruments included in the trading book due to the changes in the

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level of market interest rates.

The purpose of the Bank in market risk management is to ensure adequate management in line with trading activities, implementation of procedures, models, and monitoring and control of trading activities.

Limits are approved for trading with financial instruments sensitive to interest rate risk such as bonds issued by the Romanian Government, interest rate swaps, foreign exchange swaps, deposits and money market placements have been approved. Appropriate assessment and monitoring of the resulting interest rate risk are ensured by implementing a system of limits and the use of appropriate risk management systems.

The Bank has set the following types of limits: bond position limit, bond maturity limit, VaR limit, Basis Point Value limits (per currencies and for Total), stop-loss limits and liquidity limits. These limits are monitored using Kondor+ and Market Risk Portal systems.

Managing the foreign currency risk

Currency risk is the risk of loss resulting from changes in the level of exchange rates on the market.
The currency fluctuations induce the risk of losses in value in respect of net monetary assets.

The Bank manages its exposure to movements in exchange rates by permanently adjusting its assets and liabilities mix, based on the market movements in exchange rates. The exposure is daily monitored by Operational and Market Risk Department.

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

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

The bank sets net FX open position limits (per currency and for total), stop-loss limits and Value at Risk (VaR) limits which are monitored on a daily basis by the Operational and Market Risk Department using the Market Risk Portal system.
The Value at Risk indicator (VaR) estimates the potential loss over a certain period for a certain degree of confidence. The Bank uses a VaR based on historical data (using exponential average methodology to determine the observed weighted profit and loss weights) which allows for easy aggregation of risk factors and VaR values for trading departments, thus enabling VaR to be calculated at the Treasury level.

Liquidity Risk Management

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

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

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

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

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

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

Following recommendations made by the National Bank of Romania in the previous year the bank has maintained a level of quick liquidity above 30% for the entire year. Liquidity indicators (regulatory and internal) where complied with during the year. The bank's liquidity risk profile objective of medium-low was maintained permanently.

At December 31, 2021 the aggregate value for stand-by credit facilities contracted with the parent bank with purposes of use in a liquidity crisis (and unused at December 31, 2021) represent 95 million EUR.

Operational risk management

The Bank has an operational risk management framework that includes policies and procedures for identifying, measuring / evaluating, analysing, monitoring and managing / controlling operational risk. Policies and procedures are appropriate to the size, nature and complexity of the Bank's activities and are adjusted periodically according to the operational risk profile of the bank and in line with external market developments.

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 **mid-term strategy for operational risk** management is based on:

- increased focus on defining risk mitigating measures and execution monitoring of such, on the improvement of the control environment by way of closer cooperation with partner areas engaged in risk management and control but also by assessing 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 by:
- monthly and quarterly reports regarding the operational risk events identified within the bank and their evolution;
- monthly and quarterly reports regarding the evolution of key risk indicators;
- quarterly reports on the measures taken by the bank to return key critical risk indicators to a normal level;
- quarterly monitoring of the operational risk / model risk / conduct risk / ICT risk profiles/outsourced activities risk;
- yearly report regarding the risks identified following the risk self-assessment performed with the cooperation of the process owners and the quality of the existing controls;
- quarterly reports regarding the implementation status of the action plans established following the risk self-assessment;
- yearly report regarding the results of the crisis scenarios analysis.

Capital management within OTP Bank Romania S.A.

The Bank manages its capital with the objective of maintaining a strong capital base to support its business activities and to meet capital regulatory requirements in the current period and going forward. The Bank's capital level planning process is based on a regular capital structure analysis and a forecast, which takes into account future capital requirements generated by increasing business volumes and future risks as expected by the Bank. This analysis principally leads to adjustments of the level of the Bank's dividend pay-out (if it's the case), identification of future capital needs and maintenance of a balanced capital composition.

Derivative Financial Instruments

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

Derivative financial instruments are accounted for on a trade date basis and at subsequent reporting dates are revaluated at fair value. The fair value of derivatives is determined using valuation techniques consisting of updating future cash flow estimates with a rate derived from the market yield curve and the exchange rate conversions resulting from the use of the NBR rates valid on the day of the calculation. The fair values of derivative transactions are calculated individually.

Management's assessment of fair values

Where the fair value of financial instruments cannot be derived from active market, the Bank establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Deciding on the model inputs requires professional judgment.

Business model

- **Current business model**

Core business model considerations:

Products	The Bank provides retail and commercial banking services to companies (micro, SME and corporate clients) and private individuals (retail clients). These include: accounts opening, attracting deposits, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, bank guarantees and letter of credits, internet and mobile banking. The Bank's focus is on the provision of products and services which are enabled by technology and customer centric processes, reducing the waiting time. In terms of lending products, the largest portfolios are represented by mortgage loans followed by project loans (residential and non-residential) and working capital loans. Overall in terms of volumes the loans to household ranked first, followed by company deposits, company loans, and household deposits. Overall the Bank provides a comprehensive range of both banking and investment products.

Clients	The Bank targets all key segments (Retail, Micro & SME, Large Corporate). The customer segments defined by the Bank are the following:
	- Private individuals
	- Legal entities:
	  - Micro
	  - Commercial (MSE)
	  - Large Corporate (MLE)
	The largest segment is represented by private individuals followed by the Corporate segment.

Distribution channels	• Branch network – the Bank has a footprint that covers main cities, driven by retaining value and providing a sustainable platform for growth, together with offering high level standard services to our customers. • Digital channels as a part of the Bank's strategy regarding the development and enhance of sales.
Funding	• Sound shareholder funding. • Active management of funding to ensure the liquidity planning and shift to better pricing.
Risk appetite	• Focus on segments and products with strong and stable returns. • Prudent capital and liquidity buffers.

Balance Sheet

Gross loans represent about third quarter of total assets, while liquid assets (cash, NBR placements, securities) represent approx. 20% in total assets. Overall, the standalone bank maintained the 9th position and constantly grew its market share , in line with its business strategy and the Apollo Growth program.

Liquid assets

The Bank maintained sound bases of liquid assets which enabled it to have a strong liquidity position as reflected by the level of LCR.

Funding

In terms of liabilities, deposits from customers increased continuously with positive impact on the Loans to deposits ratio which has constantly improved.
Overall funding from Group was generally maintained to support business activities. Liquidity can be also covered using short term MM funding from OTP Bank Plc..

Solvency

Capital ratios were at comfortable levels, with the Capital Adequacy ratio ("CAR") at 22.27%, well above the applicable limits with additional share capital received from the Group to support business plans. Overall, the Bank remained within budgeted levels, continuing to maintain stable capital buffers in excess of its regulatory obligations and in line with the development of its RWA.

Overall financial performance considerations

In terms of assets and equity profitability, OBR Group reached its annual targets enabling the Bank to maintain a sound capital basis as a prerequisite for continuing the implementation of its business strategy.

Income stream

The breakdown of the total income structure places net interest income as the main driver; the interest income structure comes from interest from loans.

Moreover, more than half of income structure of OBR Group is generated by the consumer loans portfolio

The net fee income has been largely based on fees charged for non-risk products ('deposits fees' such as payment fees, cash management fees, fees for packages/ bundles of products).

Other main sources of income consist in net results from fx deals and revaluation of OCP.

In the uncertainty raised by the COVID-19 pandemic, risk cost values suffered an increase in last years.

Key success factors and vulnerabilities

In terms of success factors and vulnerabilities, the Bank's current business model is enabled by the following:

	Strengths	Weaknesses
Internal factors	• **Apollo project** has increased operational efficiency in the Bank as well as customer experience which is a key focus of the Bank as a main differentiator when everyone is betting on digitalization and technology • **Professional team** - Skilled people and good professionals in all areas • Fair and transparent approach in building partnerships • Proven track record for portfolio growth • Project Finance expertise • **Strong capital position** of the Bank and its group allowing also inorganic growth • **Strong communication and marketing campaigns** aimed at positioning the Bank as a modern client-oriented financial services provider - building the local franchise is returning favorable results and there is further growth potential • Low business and operational dependence on third party providers (outsourcing) • The Bank strengthened its KYC & AML/ CFT framework in the last 2 years ensuring better internal controls and acceptance criteria for clients limiting its risk exposure	• **Staffing and wages:** tight labor market with increasing competitiveness due also to the increase of the IT sector in Romania, with direct impact in maintaining the required level of staffing on an on-going basis • Continued **need to invest in technology** and further develop internal systems and tools to enable further efficiency and customer experience requires both allocation of human resources to projects and funds. • **Complex regulatory projects** requiring expert skills which must be recruited

	Opportunities	Threats
External factors	• The economic development may be driven by the following sectors: mainly the ones supported by EU funds and AGRO business • Customers are more selective in financial services partner in terms of image, availability of services and customer experience with the sales staff while the Bank positions itself towards attracting this type of customers specifically • Cross selling with Group members • Acquisition of loan portfolios from banks exiting the Romanian market following the competitive pressure • New business opportunities arising from sustainability plans at EU level and new emerging information on clients following ESG disclosures implementation with the potential to further enhance client selection	• **Political uncertainties / slow governmental measures** taken to sustain the companies affected by the pandemic and unpredictable tax and legal environment • **High regulatory pressures** in various areas (large number of new requirements) and especially in the are of KYC/ AML/ CFT where also inherent risk (sophistication of client approaches) and supervision intensifies • **Increased competition** for both risk and non-risk products and pressure on pricing / margins from the market given the full market focus on building up portfolios, supported also by changes in customer behaviors induced by the COVID-19 pandemic restrictions • **Climate risks** both at local and international level may impact supply chains with repercussion on the loan portfolio and increased competitiveness of the green/ sustainable market following top players declaring their strategies in this direction. • Uncertainties regarding the COVID-19 pandemic continues to put pressure on the business environment with both direct and indirect impact on the Bank • Inflationist pressures which are starting to arise across EU and other market pressures such as energy market prices.

Risk appetite

The business strategy and Apollo program are expected to generate operational efficiency and improved process management that should help to further reduce operational, conduct, strategic and reputational risk profiles and help keep them within the risk appetite targeted by the Bank.

Moreover, there are no expectations based on the prevailing policies and strategies with regards to an increase in the AML&CFT risk profile, considering target clients/ mix of products/ distribution channels or types of transactions available to clients. Moreover, in line with market developments, the Bank performs regular risk assessments to ensure that its internal controls remain adequate and effective in maintain risk profile within the risk appetite thresholds.

In order to meet maintain adequate liquidity reserves and to meet internal and regulatory indicators the banks uses a mix of client and group funding. Group funding is available to support any short or long term funding requirement to meet liquidity targets and to support balance sheet growth. At the same time the bank makes efforts to grow customer deposits.

The bank monitors a series of indicators thru the liquidity risk profile, early warning indicators, and other specific liquidity indicators. The indicators monitor balance sheet structure and evolutions, funding concentration, regulatory and internal liquidity indicators.

Business model viability

Considering the past years' financial performance, the Bank has good prospects of generating stable and sound returns over the following period considering at least the following key premises:

- **large portfolio of mortgage exposures** which have lower credit risk and higher revenue stability.
- investment in selecting and building **relationships with corporate clients** which have sound businesses (as observed also following the initial COVID-19 effects).
- continuous **focus on increasing the portfolio while maintaining a medium risk profile** facilitated by improved credit risk tools such as credit scoring models, monitoring tools, training and sound incentive schemes for its sales staff.

Nevertheless, the business model returns are aligned and further supported by the following considerations:

- A **stable cost of equity** in accordance with strategic objectives set by its majority shareholder; overall Otp Bank Plc.'s objective being to maintain a stable and profitable business activity in Romania over the long term, hence the need to increase the Bank's market share and provide a basis for a higher revenue base.
- the **funding mix** concentrates on group sources which are stable and put lower pressure on the Bank in terms of pricing predictability and customer funding considering also the objective of the Bank to fully serve its customers and provide the best customer experience i.e. also in terms of available products. Considering the long term growth plans of the Bank, its funding structure (including equity funding) provides a stable basis for development with lower volatility and mismatches by reference to its business strategy.
- Overall the Bank's **risk appetite** is medium and the business strategy further supports meeting the desired risk appetite considering the lower pressure of the Bank in terms of funding, high emphasis in processes optimisation and efficiency increase lowering operational risks and reducing costs on the medium and long term. From a business perspective, the mix

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of products and clients envisaged is in line with other market participants in Romania (balanced portfolio PI vs. legal entities), straight forward lending products and connected saving and payment services, digitalisation of client processes and financial education through dedicated programs and training for the Bank's sales staff.

Conclusions

The business model and strategy are assessed as posing low level of risk to the viability of the Bank.

- The Bank generates strong and stable returns which are acceptable given its risk appetite and funding structure.
- There are no significant asset concentrations or unsustainable concentrated sources of income.
- The Bank faces some competitive pressure on its products/services given that all the players are focused on increasing their portfolios and client base, but the Bank is well positioned based on the results of the Apollo project to withstand pressures.
- Financial forecasts are drawn up on the basis of plausible assumptions about the future business environment given its alignment with observed results of the Apollo project and current materialisation of COVID-19 pandemic effects.
- Strategic plans are appropriate given the current business model and management execution capabilities as demonstrated by the Bank's development in the last 3 years both in terms of business and internal organisation and efficiency.

Communities

Corporate social responsibility is for OTP Bank Romania an integral part of running a successful company, which is why we have stepped up our efforts to make a difference while growing the business, our team and branch network. We were very aware that the actions we take during these challenging times would have a lasting impact, so we have made sure that our company would play a positive role in the lives of employees, customers and community.

In 2021, our bank continued to demonstrate a strong connection to the principles of sustainability, with a focus on restarting the economy and supporting the community.

Sponsorship policy

OTP Bank Romania strongly believes in the power of communities and invests in their well-being through sponsorships. With any sponsorship, we aim to activate it in support of our business and brand while driving deeper engagement with the community in which we serve.
We ensured that CSR funds were allocated to priority areas such as:

Education

OTP Bank Romania Foundation is the most important pillar of social responsibility of OTP Bank, assuming its role of becoming one of the main pylons of educational transformation in Romania.

During 2021, approximately 1.000 people benefited from the various educational programs launched by OTP Bank Romania Foundation, thus confirming its new strategic orientation as a content creator.

On the strategic partnerships direction is the national digital educational program "Online Lesson", developed together with the Federation of Free Trade Unions in Education (FSLI), which addresses the didactic personnel from the pre-university system that has activities of teaching/ leadership and guidance. During 2021, more than 500 teachers participated in the training sessions.

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Also in 2021, OTP Bank Romania Foundation was involved, as a content creator, in designing a leadership and communication program that aims, on one hand, to build a strong leader profile for candidates on management positions in schools and, on the other hand, to improve communication between the FSLI leaders and school directors. The program, the result of a strategic partnership between the Foundation and the Federation of Free Trade Unions in Education (FSLI), was launched last year by organizing two learning sessions for trainers, followed by two more workshops.

Another significant achievement is the launching of the „Neuroscience in the classroom" program, developed by Mind Architect, OTP Bank Romania Foundation and other partner organizations, with the support of the Ministry of Education. The program is dedicated to both teachers and students in primary, secondary, high school and university, and aims to introduce in schools the subject of self-knowledge based on neuroscience and psychology applied in everyday life, with the help of support materials for teachers. In 2021, 3,000 teachers signed up on the project's digital platform to be able to participate directly in the implementation of the program in schools.

The year 2021 also marked the beginning of the second project with European funding, "Manager in action", in which OTP Bank Romania Foundation assumed both the role of leader and that of content creator. Thus, a complex educational product has been developed for the students of the faculties with economic profile and that responds to their needs to put into practice the theoretical information acquired during the university courses. Also, the program adresses the students' managerial skills development, be it from an entrepreneurial perspective or that of working within a business corporation. Apart from the Foundation, partners in the project are the Bucharest Academy of Economic Studies and the Romanian Association of Management Consultants (AMCOR). The objective of the program is to organize internships for 284 economics students.
Other premiere for the Foundation's activity in 2021 was the organization and hosting of the first Erasmus project. The objective of the project was to identify and test two methods of promoting financial education. The project took place in September of last year and brought together 18 participants from six countries.

The financial education program for adults, "Fitness Financiar", continued in 2021, with approximately 500 people interested in acquiring responsible financial behaviour that participated in the 49 sessions. The two directions of action are, on one hand, to promote this program among colleagues within the OTP Group, and, on the other hand, to the employees of legal entities working with OTP Bank Romania.

Sports

OTP Bank Romania is pleased to partner with a variety of sports teams, helping to bring excitement to our customers across the country.

Local communities

Bringing communities together, ultimately making them more cohesive and inclusive is in line with our legacy commitments. This is the reason why we have developed partnerships with various associations and NGOs, by supporting various festivals and events, which involve, among other things, the involvement of young people, linking us to our inherited commitment to inspire and improve the skills of the next generation.

Social

At the social level, OTP Bank Romania has sponsored various organizations that support categories of people in difficult situations such as:
- Victims of domestic violence. Five families supported by the Touched Romania Association received meals on the occasion of the Easter Holidays;
- Marginalized children. In December 2021, OTP Bank was a partner in Good Deeds Auction Campaign, thus supporting the Red Cross in their project to improve the social, school and, last but not least, emotional situation of as many marginalized children and young people as possible.

Campaigns with donations

OTP Bank Romania encourages charitable giving generally in order to support the most vulnerable and create a more socially just society. Employees from OTP Bank Romania and all the subsidiaries were involved in the following campaigns with donations:
"Letters for Santa Claus" - 262 presents for children in need;
"Back to school" - 130 backpacks for disadvantaged children in rural areas;
"Rural library" - 300 books donated for a rural library;
"Internal volunteering campaign for Children's Day" - presents for 233 children from marginalized areas of Romania;
"Internal volunteering campaign for the Easter Holidays" - presents for 212 children;
"Spring sweatshirt campaign" - presents for 70 children from disadvantaged areas.

Promoting gender equality

With continuous focus from the company on internally promotion of gender equality, OTP Bank Romania initiated, in September 2021, GirlPower, the bank's complex mentorship program dedicated to women, led by the two most powerful women in OTP Bank Romania. The objective of the program was to develop pathways and generate professional opportunities for young women, aged 18-26, who want to develop their knowledge and professional skills.
At the end of the six-months mentorship program, in 2022, the finalists will receive a scholarship and will have the chance to choose, together with their mentor, a professional training program, a course, master, or specialized studies, worth the scholarship granted by OTP Bank Romania.

OTP Bank Romania has made decisions aligned with its principles and this shows, especially in sensitive times like these, that the bank`s character and values are authentic.

Environment

At the Group level, Involving sustainability experts, conducting regular benchmarking analyses, ESG assessments and monitoring the development trends in the sector on a continuous basis, it been understood and incorporated the sustainability context. In 2021 the Group prepared and disclosed a materiality analysis concerning environmentally sustainable economic activities. The Group established the ESG Steering Committee and, besides other programmes, finished the formulation of the ESG strategy with direct applicability to subsidiary.

The Bank strives to operate its offices in an environmentally friendly way. Reducing our energy, water, paper consumption is also important for saving costs.
The Bank electricity supplier ensures that a significant ratio of our consumption derives from renewable resources.

Business travel is a significant portion of our environmental impact. At the same time, the Bank used the video conference infrastructure to the full and whenever possible.

Because of digitalization program, several paperless initiatives were maintained in 2021:

- post mail is replaced by e-mail as much as possible both in internal and external communication;
- the Bank introduced an IT solution for scanning and electronic archiving;
- the Bank has implemented solutions for streamlining the operational activity by using the extracts received from the inter-bank transfer system provider in electronic format
- the e-products eliminate the use of paper in the processes.

Besides the headquarters, Bucharest branches are involved in centralized waste paper collection.

Employees

Bank is aware of the importance of its staff in its success and in achieving its mission.
The Bank started the implementation of the organizational development program and the main objectives of the program are:

- drive performance
- adopt agile way of working
- process improvement
- understanding customer needs
- shape a collaboration culture
- to communicate more efficiently
- to build a learning culture
- to improve employee wellbeing

Within the framework of the organizational development program, the Bank placed great emphasis on trainings, especially, on the improvement of communication skills, collaboration, understanding customer needs, conflict management, performance management and also offered access to individual psychotherapy sessions to support our employees mentally due to Covid related problems.

We continued the **OTP New Leaders** program for new managers. It had the benefits of developing managerial skills, aligning management practices at the level of the organization and the new agile way of working, and increasing the quality of management actions.

Essential Conversation in People Management Program that had two modules, **Conflict Management** and **Performance Management** addressed to all managers and directors. This program helped them understand the mechanisms and behaviours involved in a conflict as well as conflict management. The webinar series provided practical tips and suggestions to help managers develop the ability to provide feedback and set goals effectively.

Process Communication Model program in which managers and directors participated. Through this program, employees learned techniques for using adaptive communication skills and learned how to build strong engagement across the organization by applying effective management and increasing operational effectiveness.
We organized **Lean Six Sigma Yellow Belt** course sessions for all colleagues. Through these sessions, the participants learned how to improve a process.

We continued the series of **Customer Centricity** and **Customer Care** courses for all employees in which they learned various techniques to better understand customer needs.

As a result of the **Work Smart, not Hard program**, we organized courses for head office employees through which they learned strategies that helped them analyse and prioritize daily activities.

New Ways of Working Program - as a result of the transition to Apollo 3.0, in the process of transforming our organization into an agile way of working, we began training support staff. So in 2021, we organized a series of trainings for employees from Human Resources Directorate, Compliance Directorate, Legal Directorate, and Retail Risk Advanced Modelling and Analyses Directorate.

The training programs they participated in were: **Understanding Design Thinking, Agile way of working – adopting agile mind-set and practice**, and **Understanding Lean Methodology**. We also organized a series of trainings on the new way of working and the new agile context for employees working in Omni channel Tribe and Customer Care Hub.
Psychotherapy sessions for all those who needed and also a series of **workshops held by a psychotherapist.** The main topics addressed were: relationship management with and between children, in the work from home situation, couple relationship in the work from home situation, burnout and the need for control, fears associated with the current context and anxiety and depression - reactions of the current context.
Self-management while working from home - these interactive workshops helped our colleagues to develop and acquire skills to manage the current situation, to be as flexible and productive as possible even from home.

The average number of training hours per employee was 26.1 hours.
Number and percentage of employees based on diversity criteria in 2021 are presented bellow:

Sex	Baby Boomers	Gen X	Gen X	Gen Z	Total	Baby Boomers %	Gen X %	Gen y %	Gen Z %
Female	14	210	776	145	1.145	1%	13%	47%	9%
Male	11	117	338	40	505	1%	7%	20%	2%
Total	**25**	**327**	**1.114**	**184**	**1.650**			**100%**	

Baby Boomers age between 75 - 56
Gen X – age between 55 - 46
Gen Y – age between 45 - 26
Gen Z – below 25 years

The employee fluctuation in 2021 were as follows:

IN	OUT	Fluctuation
447	383	21,51%

The number of employees who have benefited from parental leave in 2021 was 67: 65 females and 2 males.
In 2021 the Bank registered one work accident.

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Human Rights

The Bank is committed to maintain and improve the systems and processes that enable it to ensure respect for human rights in the operations and management of human resources, its supply chain and its products and services.

The commitments of OTP Bank S.A. regarding human rights are guided by the following conventions, standards and initiatives:

- Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights;
- Fundamental Conventions of the International Labour Organization, aimed in particular at eliminating forced labour and child labour, discrimination in work, and freedom of association and effective recognition of the right to collective negotiation;
- United Nations Guidelines on Business and Human Rights;
- OECD guidelines for multinational enterprises;

The Bank is determined to act with integrity and in accordance with the applicable laws in all its activities.

One notable example is the Code of Conduct, where OTP is committed to respect human rights and the rules set by the International Labour Organization. The same applies to the policies and processes developed by OTP Bank SA in relation to its obligations to combat money laundering, terrorism and corruption.

According to HR internal regulations any direct or indirect discrimination against any employee, based on criteria of sex, sexual orientation, genetic characteristics, age, nationality, race, color, ethnicity, language, religion, political choice, social status, disability, situation or family responsibility, etc, is prohibited.

The OBR employees' complaints regarding harassment and discrimination at work place are investigated and solved by the Bank, in accordance with the provisions of **Internal norm regarding the prevention and combating discrimination and harassment at the workplace and removing any form of dignity violation** and Internal rules of **OTP Bank Romania employees.**

During 2021 were revised additional internal regulation regarding equal opportunities between women and men are integrated and were revised.

Internal norm regarding the prevention and combating discrimination and harassment at the workplace and removing any form of dignity violation regulate the necessary measures in the field of relations between the Bank and the staff, as well as those between employees, in a manner that eliminates any form of harassment at workplace, discrimination or violation of dignity, as well as the means of solving such complaints and sanctioning those responsible.

According to Internal rules of OTP Bank Romania employees, any type of behavior based on a criterion of discrimination, which has as its purpose or effect the damage of a person's dignity and leads to the creation of an intimidating, hostile, degrading, humiliating or offensive environment, represents a serious disciplinary violation, being able to be sanctioned with the disciplinary termination of the individual employment contract.

During 2021 the Bank has not identified any type of cases related to: discrimination against any employee, based on criteria of sex, sexual orientation, genetic characteristics, age, nationality, race, color, ethnicity, language, religion, political choice, social status, disability, situation or family responsibility.

Corruption and bribery prevention

The desire to maintain an adequate and safe internal control environment and the need to protect bank's reputation has determined OTP Bank Romania SA to treat corruption and bribery prevention as a top priority.

No employee or any other empowered person shall ever offer, promise or pay, neither accept any valuable assets, with the purpose to influence public clerks or other persons or to obtain an unfair business advantage.

Offering gifts is often part of local culture and traditions, that is why offering gifts in business affairs and in relation to clients might preserve good reputation and enable business cooperation. Usual gifts for business purposes may be offered and accepted within strictly internally regulated limits. Nevertheless, employees are forbidden to offer or accept gifts in such circumstances that might be interpreted as influencing business decision or as bribery.

Business decisions are always taken according to bank's interests and never to favour the personal relationship that can be developed based on the granted gifts or other facilities. Bank's employees are also forbidden to offer – on their labour relationship – any financial or nonfinancial support to any political party, organization, member of representative thereof.

During 2021 the Bank has not identified any type of corruption or bribery.

Bank's objectives for 2022

The Bank pursues its medium term strategy, focused on delivering value to customers through professional excellence, focusing on digitalization and sustainable growth, in line with Apollo program, but it takes into consideration the 6 months' delay because of the pandemic.

The goals of the strategy are to improve shareholders' value and improve profitability and profit, through efficiency and growth, by its own forces, organically.

The growth of the Bank is to be achieved by increasing the number of active customers, who are generating revenues, with special attention to home-bank customers.

Appealing to customers, the Bank targets a higher penetration of internet and mobile banking, a higher usage of online channels for sales, in an overall effort to augment digitalization. The Bank will also rely on direct sales agents, a flexible and mobile sales force.

One of the main strategic objective is to continue increase the loan market share. The Bank will optimize its lending processes and re-designed the flows; will invest in software dedicated to customer relationship management and business & processes management.
Lending to legal entities will continue to address their short and long term needs, developing new agro products and participating in the government programs aimed to help the legal entities facing difficulties due to COVID-19 pandemic.

In line with market conditions, the Bank will balance new funding from the customers versus the Group, so as to achieve both short-term pricing and long-term sustainability.

Another strategic objective of the Bank is to continue product innovation, in a highly competitive market.
Focusing on deposits collection, the Bank will offer targeted products, balancing its need for liquidity and stable funding, with the customer

needs for pricing and availability.

The Bank will also target its resources, with focus on its employees, and will continue to maintain an adequately motivated and trained staff, properly managed so as to deliver sales and quality targets.

Subsequent events

In second part of February a conflict was started by Russia in Ukraine. Furthermore, the EU, USA, UK and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and companies, frozen a significant part of the Russian central bank assets as well as personal sanctions against a number of individuals.

The above already led to significant volatility in financial markets including exchange rates. As well it is expected that these events affect the activities in various sectors, supply chain, and could result in further increases in energy, commodities and food prices.

The Bank does not have direct exposures to related parties, customers or suppliers from Russia, Ukraine and Belarus.

The Bank assessment is that these are non-adjusting events taking place after the end of the current reporting period and do not require any adjustment on the 2021 financial statements. The quantitative effect of these events on future periods cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Bank's management is analyzing the possible impact of the changing micro- and macroeconomic conditions on the Bank's financial position and results of operations for future periods.

Proposals

As a consequence of the above presented activity performed during the financial year 2021, OTP Bank Romania S.A.'s Management Board submits to the General Shareholders Meeting approval the following:

- Report of the Management Board regarding the development and performance of OTP BANK ROMANIA S.A.'s activities and its financial position for the financial year ended December 31, 2021;

- Discharging of the members of the Management Board from their duties related to 2021 financial year.

These separate financial statements have been authorized for issue by the management in of March 18, 2022.

Gyula Fatér,
Chairman of the Management
Board and CEO

Mara Cristea,
Member of the Management
Board and Deputy CEO

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of OTP Bank Romania S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of OTP Bank Romania S.A (the Bank) with official head office in 66-68 Buzesti Street, 1 District, Bucharest, Romania, identified by sole fiscal registration number RO7926069, which comprise the separate statement of financial position as at December 31, 2021, and the separate income statement, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Bank as at December 31, 2021, and of its separate financial performance and its separate cash flows for the year then ended in accordance with the National Bank of Romania Order no 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

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2

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

Key audit matter

Impairment of loans and advances to customers

The net carrying values of loans and advances to customers of 12,386,495 thousand RON represents a significant part (67.08%) of the total assets of the Bank as at 31 December 2021.

Management's assessment of impairment indications and determination of Expected Credit Loss (ECL) for loans and advances to customers is a complex process and involves significant judgement. Such an assessment is inherently uncertain, involving forecasting of future macroeconomic conditions in a number of scenarios, assessing the likelihood of such scenarios and their impact on ECL. It also involves assessment of Risk of Default, Loss Given Default and Exposure at Default by employing models based on series of historical data and quantitative techniques.

The impact of Covid-19 and related governments actions, including supply chain issues and price increases have affected the economic conditions in certain industries, increasing the uncertainty around macro-economic scenarios and weights. The unprecedented economic conditions have resulted also in certain limitations on the relevance of historical data in forecasting defaults and recovery rates and limits the ability of the statistical techniques to differentiate the impact between sectors. Such uncertainties and limitations, led to an increased complexity of the expected loss estimation and requires post model adjustment/ overlays.

The potential effect of the above items is that it has a high degree of estimation uncertainty, with a potential range of reasonable outcomes, significantly different than estimated impairment allowance. Notes 2.9.10, 3.3, 7 and 17 to the financial statements present more information on the estimation of impairment allowance for loans and advances to customers.

Due to the significance of loans and advances to customers, the uncertainties involved and related complexity of estimation techniques we consider the Impairment of loans and advances to customers a key audit matter.

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How our audit addressed the key audit matter

Our audit procedures included, among others, the assessment of the Bank's methodology regarding the identification of impairment, including for loans in CHF or converted CHF, and determination of expected credit losses, including determination of macroeconomic scenarios and their weight, staging criteria and the credit risk parameters models like Probability of Default, Loss Given Default and Exposure at Default.

We assessed the design and evaluated the operating effectiveness of internal controls over the monitoring the quality of loans and advances to customers, parameters' models, macroeconomic scenarios and related weights, post model adjustments/ overlays, expected credit loss calculation as well as controls over the quality of underlying data and relevant systems.

We also assessed the macroeconomic scenarios and related weights and examined the approach used in determination of the Covid 19 post-model adjustments/ overlay.

For the loss allowance of impaired loans assessed on an individual basis (stage 3), our evaluation was focused on the loans with the most significant potential impact on the financial statements and considered the key assumptions underlying the impairment identification and quantification such as estimated future cash flows, including the realizable value of collaterals and estimates of recovery on default. Our internal valuation experts were involved, as appropriate, in performing our audit procedures.

For expected credit losses for loans assessed in stage 1 or stage 2 we tested or recalculated key risk parameters' models by involving our credit risk specialists to reperform the modeling for a sample of parameters or build models and compared the results. We also tested staging respectively re-calculated expected credit losses.

We further assessed the adequacy of the Bank's disclosures in the financial statements regarding exposure to credit risk.

Key audit matter

Provisions for litigations and other risks

The carrying amount of provisions for litigations and other risks is in amounts of 57,793 thousand RON at Bank level.

The process for determining the provisions is an estimation process involving a high level of judgement, therefore there is an inherent risk that the existing provisions at year-end may significantly differ from the actual outflow of economic resources in subsequent years.

The main aspects for which the management exercised judgment in reaching a conclusion whether a provision is required or a contingent liability needs to be disclosed in the financial statements are related to disputes and litigations related to consumer protection issues in loan agreements, other claims or potential claims from clients and tax authorities audits and are further detailed in Note 2.21 and Note 27 to the financial statements. Given the inherent uncertainties with respect to the final outcome of such litigations and disputes with clients, management applies judgement in predicting the final outcome of such litigations and uses estimates in relation to determination of the provisions.

Provisions for litigation and other risks are significant to our audit because the assessment process is complex and judgmental.

How our audit addressed the key audit matter

Our audit procedures were focused on the judgments and estimates which could give rise to material misstatement or are potentially subject to management bias.

- We performed a detailed understanding of the Bank's process of identifying and determining the litigation provisions and the related documentation flow and assessed the design of the controls;
- We inspected Directorate and Supervisory Board's meeting minutes to obtain an understanding of all significant legal and other risks matters.
- We conducted discussions with management and more specifically with the Bank's legal department to understand the status of each litigation and Bank's assessment regarding the potential loss.
- We assessed the assumptions used by the Bank to estimate the amount of provisions.
- We examined the fact pattern for the current disputes and potential claims from customers, the Bank internal reports and correspondence with the Regulator and have assessed the adequacy of the provisions based on the Bank's assumptions.
- Our tax experts were involved for tax related topics, to assist us in the analysis and corroboration of the assumptions used in determining the provisions and contingent liabilities by considering the relevant legal requirements.
- We obtained written confirmations from the external legal counsels and compared their opinions with management's assumptions and assessment regarding the impact in the financial statements.

We also evaluated the adequacy of the Bank's disclosures in the financial statements regarding provisions for litigations and other risks.

Key audit matter

Information Technology (IT) systems relevant for financial reporting

A significant part of the Bank's operations and financial reporting process is reliant on IT systems involving automated processes and related general and application controls over the capture, storage and processing of data. An important component of this internal control system involves the existence of and adherence to appropriate user access and change management processes and controls. These controls are particularly important because they ensure that the access and changes to IT systems and data are made by authorized persons in an appropriate manner.

The IT environment of the Bank is complex with a significant number of interconnected systems and databases. Besides, the new way of working adopted in all areas of the Bank brings changes and further complexity.

Given the level of automation of the processes relevant for financial reporting and given the complexity of the IT environment of the Bank, a high proportion of the overall audit procedures was concentrated in this area. We therefore consider that this area represents a key audit matter.

How our audit addressed the key audit matter

We focused our audit procedures on those IT systems and related controls that are significant for the financial reporting process. As the audit procedures over the IT systems require specific expertise, we involved our IT specialists to assist us in performing the audit procedures.

Our audit included, among others, the following procedures:

- Understanding and assessing the overall IT control environment and the controls in place, including the ones over access to systems and data, and considering the context of work from home, as well as IT system changes. We tailored our audit approach based on the importance of the system for the financial reporting.
- We tested the operating effectiveness of controls over granting access rights to determine if only appropriate users had the ability to create, modify or delete user accounts for the relevant applications.
- We tested the operating effectiveness of controls around the development and changes of applications to determine whether these are appropriately authorized, tested and implemented.
- We assessed and tested the design and operating effectiveness of the application and IT-dependent controls in the processes relevant to our audit.

Other information

The other information comprises the Report of Directorate (which includes the Non Financial declaration), but does not include the financial statements and our auditors' report thereon. Management is responsible for the Other information.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the National Bank of Romania Order no 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
* Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
* Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Report of Directorate, we have read the Report of Directorate and report that:

a) in the Report of Directorate we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2021;
b) the Report of Directorate identified above includes, in all material respects, the required information according to the provisions of the National Bank of Romania Order no 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications, Annex 1 points 12-17 and 32-34 respectively;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2021, we have not identified information included in the Report of Directorate that contains a material misstatement of fact;

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Bank by the General Meeting of Shareholders on 3 March 2021 to audit the financial statements for the financial year end December 31, 2021. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 1 year, covering the financial period end December 31, 2021.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Bank, which we issued on 28 March 2022.

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Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Bank and we remain independent from the Bank in conducting the audit.
In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Bank.

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania
Registered in the electronic Public Register under No. FA77

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: Gherghescu Gelu
Registrul Public Electronic: AF1449

Name of the Auditor/ Partner: Gelu Gherghescu
Registered in the electronic Public Register under No. AF1449

Bucharest, Romania
30 March 2022

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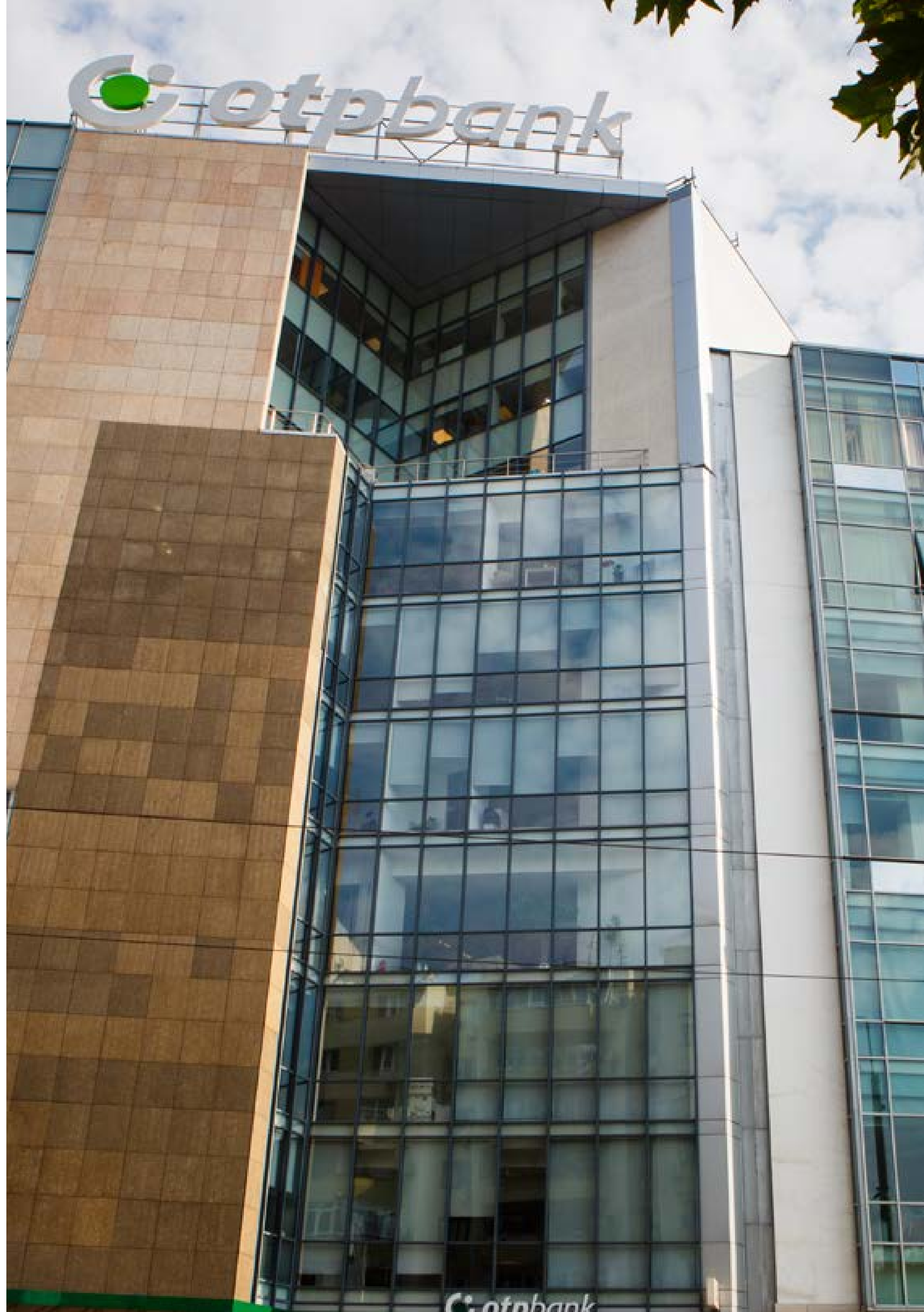


OTP Bank România S.A. Annual Report

Corporate Governance

2021

Supervisory Board

The Supervisory Board is the governing body of the Bank that ensures the supervisory function by exercising permanent control over the Management Board's activity and in terms of compliance with existing strategies and policies.

The Supervisory Board consists of 9 members, of which a Chairman and a Vice-Chairman. The Members of the Supervisory Board are appointed by the General Shareholders Meeting and subject to approval of the National Bank of Romania, in accordance with the legal framework in force.

ANTAL GYÖRGY KOVÁCS

Chairman of the Supervisory Board

Antal György Kovács graduated from Budapest University of Economics as a certified economist.

He started his career in banking in 1990 at K&H Bank Ltd. (KBC Group) where between 1993 and 1995 he worked as Branch Manager.

Antal György Kovács joined OTP Bank Plc. in 1995 as County Director for Somogy County and from 1997 he was responsible for Tolna County as well. Between 1998 and 2007 he served as Managing Director of the South-Transdanubian Region of OTP Bank Plc. Since July 2007, Antal György Kovács is Deputy CEO heading the Retail Division of OTP Bank Plc. and exercising professional supervision over the retail business lines of OTP Group's subsidiary banks.

He widened his professional knowledge at the training programs of the International Training Center for Bankers and the World Trade Institute. Between 2007 and 2012 he was Chairman of the Supervisory Board of OTP Banka Hrvatska and starting with December 12, 2012, Antal György Kovács serves as Chairman of the Supervisory Board of OTP Bank Romania S.A.

He is also Chairman of the Boards of Directors of OTP Mortgage Bank Ltd. and OTP Building Society Ltd., and Chairman of the Supervisory Boards of OTP Fund Management Ltd. and OTP Home Solutions Llc.

Between 2004 and 2016 he was a member of the Supervisory of Board of OTP Bank Plc. Antal György Kovács is a member of OTP Bank Plc.'s Board of Directors since April 2016.

JUDIT HANUSOVSZKY

Vice-Chairman of the Supervisory Board

Judit Hanusovszky graduated from Corvinus University of Budapest with specialization in Finance and Corporate Management. She also obtained a Certificate in Accountancy from Budapest Business School.

Judit Hanusovszky started her career at OTP Bank Hungary in 2003, as a Consultant at Strategic and Finance Division. Between June 2007 and July 2009, she worked first at Citibank, as Financial Head of card business, then became the CFO of Biggeorges Real Estate Financing Co. She returned to OTP in August 2009 and for 2 years she supported the work of the retail Deputy CEO as a professional assistant. Since September 2012, as the Retail Controlling Director - in agile operation as Senior Chapter Lead - she is responsible for the Retail Performance Management including Retail budgeting, KPI setting, the product's and sales channels' performance especially of the branch network, for the headcount capacity management, branch optimization and development based on profitability model. Judit Hanusovszky coordinates the implementation of Retail omnichannel strategy, and she is responsible for the renewal of the branch network infrastructure.

Judit Hanusovszky became member of the Supervisory Board of OTP Bank Romania S.A. at the end of 2015 and now she fulfills the Vice-Chairman position.

ENIKŐ ZSAKÓ

Member of the Supervisory Board

Enikő Zsakó has been Member of the Supervisory Board since December 2007. Between 2004 and 2007 she was Member of the Board of Directors of OTP Bank Romania S.A. Besides this position, Enikő Zsakó is also member of the Supervisory Board of PortfoLion Ltd. Hungary, chairwoman of the OTP Social Foundation, as well as member of the Audit Committee of OTP Bank Russia. She joined OTP Bank Plc. Internal Audit Directorate in 1993.

Between 2001 and 2007 she was the Leader of the IT audit area, while between 2007 and 2014 the Head of Bank Group Coordination, Analyzing and Methodology Department. In 2014 she was appointed Deputy Managing Director of the Internal Audit Directorate, being responsible especially for the coordination and supervision of the internal audit activities of the OTP Group members.

Enikő Zsakó graduated as Electrical Engineer at the Technical University of Cluj-Napoca, as Banking Consultant at the International Banking School in Budapest, and she obtained a postgraduate degree in Economics at the Budapest Business School, Finance and Accounting College. She has broadened her professional knowledge and has earned the designation of Certified Internal Auditor conferred by the Institute of Internal Auditors, and of Certified Information System Auditor granted by the Information Systems Audit and Control Association.

At the Hungarian Economic Association, Enikő Zsakó is the chairperson of the Audit Section since 2011 and member of the Supervisory Board since 2014.

ILDIKÓ PÁL-ANTAL

Member of the Supervisory Board

Ildikó Pál-Antal has been Member of the Supervisory Board and President of the Audit Committee since December 2014. She has relevant experience in management and also in the financial audit of several non-banking financial institutions of various sizes.

She graduated the Economic Sciences Faculty - Finance and Accounting Section - at Babeș-Bolyai University of Cluj-Napoca in 1988, had worked for a short period of time in the Romanian banking system, then as chief accountant and economic manager for commercial companies.

Since 2001 Ildikó Pál-Antal is the sole administrator of Consulta Carpatica SRL. The company offers a wide range of services such as: performing book-keeping, accounting expertise activities, financial audit, tax consultancy, business and management consultancy.

Ildikó Pál-Antal has obtained several professional qualifications: chartered accountant (1996), financial auditor (2001),

insolvency practitioner (2005), tax consultant (2007) and has been an active member of the respective professional bodies.

Furthermore, for over two decades, Ildikó Pál-Antal has been member of the Hungarian Economists' Association in Romania and one of the sponsors of the annual proffesional conferences held by this organization.

ATTILA VÉGH

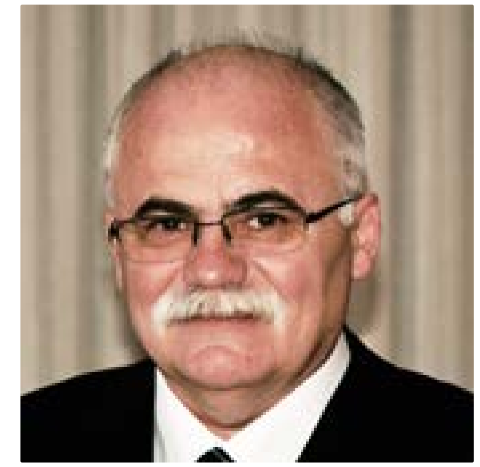
Member of the Supervisory Board

Attila Végh graduated in 1980 from Budapest, Karl Marx ("Corvinus") University of Economics – Finance Faculty as a certified economist. He started his career in banking in 1987 at Magyar Hitel Bank (ABN AMRO Bank Hungary) where until 1991 held several positions, respectively Head of Department of Economics, Head of Finance Department, Finance Director in the Liquidity Department and the position of Head of Institutional Development Directorate, Project Director.

Attila Végh consolidated his experience in the financial banking field occupying several positions, such as Corporate Lending Officer between 1980 and 1982, Banking Expert between 1982-1983, Deputy Head of Department between 1983 and 1986, respectively 1991-1992 the position of Project Manager, all of the above at the National Bank of Hungary.

Between 1992-1995, respectively 2001-2002, he developed knowledge in banking finance through the position of Banking Consultant and Project Team Leader at Digital Equipment Hungary Ltd., respectively Senior Manager at Deloitte & Touche Advisory & Management Consulting Ltd.
Also, he served as Executive Director at the National Bank of Hungary, where he was also a member of the Directorate from 1995 to 2001; between 2002 and 2005 he served as Executive Director and member of the Management Committee at Central European International Bank Ltd.

Attila Végh joined OTP Bank Plc. for the first time in 2002 as Advisor to the Deputy Chief Executive Officer, being responsible for managing several projects, including "Lending Systems Consolidation" and "URBIS- Integrated Banking Systems Implementation".



Between 2005 and 2009 he fulfilled within Central European International Bank Ltd. the positions of Head of Strategic Relationships Department and Head of Operation and Quality Management Department, while from 2009 to 2011 Attila Végh served as IT Compliance Officer, managing several development projects for IT services management.

The professional knowledge in the IT field have deepened by carrying out activities in the software industry and occupying between 2011 and 2013, respectively 2013-2015, the functions of Deputy Director and Program Manager within Loxon Solution Ltd., respectively the function of Software Development Manager and Project Manager at Statlogics Software Development Company Ltd. Starting with September 2017, Attila Végh has been Project Manager at OTP Bank Plc., where he participated in preparations for the merger and acquisition of the Romanian Bank (BROM) by OTP Bank Romania S.A. as a delegate from the mother company, within the IT and IT Security team.

Starting with November 2019, Attila Végh is a member of the Supervisory Board of OTP Bank Romania S.A.

TIBOR LÁSZLÓ CSONKA

Member of the Supervisory Board

Regarding his academic background, in 2002, Tibor László Csonka graduated at Szent István University, Faculty of Economics and Social Sciences.

He joined OTP Bank Hungary in 2002. Initially, he worked as a Corporate Relationship Manager of the Central Hungarian Region in Budapest and after a few months, in 2003, he became a Corporate Customer Relationship Manager at the Corporate Customer Relationship Department. In 2005, he became Corporate Customer Relationships Director of the North - Buda area. Between April 2007 and September 2008, Tibor László Csonka was the Sales Director of Budapest Region.

Between 2008 and 2011 he was the Deputy Managing Director of the South-Transdanubian Region. From April 2011 until 2014, he was the Senior Managing Director of the Micro and Small Enterprises Department.

Since May 2014, Tibor László Csonka has been leading the Corporate Directorate as a Senior Managing Director.

Besides these positions, since 2011, Tibor László Csonka is member of the Management

Board of Merkantil Bank Ltd. and untill 2019 vice president of the Budapest Chamber of Commerce and Industry. Tibor László Csonka holds the position of member of the Supervisory Board of OTP Bank Romania S.A. since December 2012.

GÁBOR SUDÁR

Member of the Supervisory Board

Gábor Sudár graduated from the Budapest Business School, College of Commerce in 1994 as a certified economist. After graduating, he attended several educational institutions, respectively in 1995 the Securities and Exchange Commission from Hungary, obtaining a degree in securities examinaion; in 1996 he attended the Budapest Stock Exchange and the Central European Training Center for Brokers and becoming a certified broker and in 2001 he attended the International Training Center for Bankers and Association of Hungarian Investment Fund and Asset Management Companies, obtaining a portfolio and mutual fund manager's degree.

He began his career in banking in 1997 at CA IB Fund Management Ltd. (Member of the HVB Group) where, from 1997 to 2002, he held the position of Associate Director in the Fund and Portfolio Management Department, while between 2002 and 2005 he served as Director (Executive Director) and member of the Board of Directors.

Gábor Sudár consolidated his experience in banking finance by holding various functions, including Customer Advisor between 1995 and 1997 within MKB Bank Ltd.

From 2005 to 2006, he served as Regional Manager at Cross Border Activity Consulting & IT Solutions Gmbh.

Between 2006 and 2013, he served as Head of the Department for Supervision of Capital Markets Firms.

Gábor Sudár developed his knowledge in the banking financial field through the position of Director, Credit Institutions Supervision Directorate at the National Bank of Hungary and through experience gained during 2014 where, within SG Advisory Budapest, he held the position of Owner and Managing Director.

Gábor Sudár joined for the first time OTP Bank Plc., where, between 2014 and 2018, he held the position of Compliance Director, governing compliance activity within the entire Banking Group (including national and foreign subsidiaries). From 2018 he worked as Regulatory Senior Manager for two years, with the main responsibilities of starting an effective corporate governance activity within the Banking Group and providing support for decision-making at the level of the Bank's Deputy Chief Executive Officer. Since October 2020 Gábor Sudár is acting as Head of Compliance and Regulation at Merkantil Bank, member of OTP Group.

From the end of 2019, Gábor Sudár is a member of the Supervisory Board of OTP Bank Romania S.A.

EDINA BERLINGER

Member of the Supervisory Board

Edina Berlinger is part of the Supervisory Board of OTP Bank Romania S.A. as an independent member from March 2021.

Holder of a master's degree in economics awarded by the University of Economic Sciences and Public Administration in Budapest, she completed her doctoral studies at the same university in 2004 obtaining, with the qualification summa cum laude, the title of Doctor of Philosophy.

For a period of one year from March 2009 she was a Member of the Board of Trustees of the Alapítvány a Pénzügyi Kultúra Fejlesztéséért (Foundation for the Development of a Financial Culture) where she ensured the general supervision of the Foundation's activity.

Continuing in the same professional area, from 2010 she has been the Chairman of the Board of Trustees within the Befektetések és Vállalati Pénzügyi Tanszék Alapitványa (Foundation for the Department of Finance) by supervising the overall work of the foundation, including the overview of the annual reports, strategic planning, and also project management such as the implementation of a financial laboratory within Corvinus University in Budapest, the organization of annual international conferences on the liquidity of financial markets, and the implementation of support programs for disadvantaged students.

In 2018 she was the Chairman of the Supervisory Board within the MagNet Bank MagNet Magyar Közösségi Zrt where she supervised the Bank's activity being involved in the approvals of the annual report and remuneration policies, on the one hand, and in the implementation of the legislation regarding GDPR or money laundering, on the other hand.

For a period of approximately 2 years, starting with January 2005, she held the position of Senior Research Fellow at Collegium Budapest, Institute for Advanced Studies where she participated in the research and publication on the following topics: joint model of student loans and pension savings, financing need of income contingent student loan schemes, and design and implementation of student loan systems in Hungary, Bulgaria and Albania.

Her activity in the research field continues with her appointment as a Senior researcher within the Center for Economic and Regional Studies – Game Theory Research Group where she was involved in research and publication activity in areas such as state subsidies and moral risk in corporate financial services, non-performing mortgages, risk appetite.

She is a professor and Head of the Finance Department at Corvinus University in Budapest, where she successfully combines, for more than 27 years, teaching activities in areas such as Investment, Risk Management, and Corporate Finance with research activities on financial inclusion, systemic risk, credit risk, and risk management.

FERENC BERSZÁN

Member of the Supervisory Board

Ferenc Berszán started his career in banking in 1995 at ING Bank Hungary, where, between 1995 and 1997, he held the position of Risk Analyst, then Account Manager, being responsible for managing the accounts of clients of large corporations, especially in electronics, telecommunications and IT industries. From 1997 to 2001, he held the position of Head of Central Operations at Budapest Bank (GE Capital Hungary) and was responsible for the centrally supported core servicing processes such as account opening, customer service and collections. Between 2001-2003, he worked for a Venture Capital Fund as Deputy Managing Director of the Hungarian Innovative Technologies Fund (HITF, part of the US enterprise funds investing in early stage technology firms in Hungary).

Ferenc Berszán consolidated his experience in the banking financial field, holding from February 2005 to March 2018 several positions within Raiffeisen Bank International AG, respectively: from 2005 to 2010 he was Head of Consumer Banking, then he held the position of Head of the Small Business, Premium and Private Banking (2010 - 2015) and from 2016 to 2018 he was Head of Consumer and Small Business Banking. During his time at Raiffeisen Bank International, he was also a member of the Group Credit Committee and the Group ALCO (Assets and Liabilities Committee).

Besides large universal banks, Ferenc Berszán was also working with several fintech companies such as "Yeaz!" in the Netherlands (fully digital SME lending company, CRO, CFO, June 2020-December 2021) and CityCash (a fully digital consumer lending company in Ukraine, CEO, June 2021 - February 2022).

Starting with July 2020, Ferenc Berszán joined OTP Bank Romania S.A. as an independent member of the Supervisory Board, being also the Chairman of the Nomination Committee and a member of the Risk Management Committee.

Ferenc Berszán holds an M.Sc. degree in electrical engineering (1992) and an M.B.A. degree - Technical University of Budapest, Heriot Watt Ubinersity in Edinburgh (1994).

Management Board

The Management Board ensures the management function within the Bank, through the fulfillment of all the necessary and useful actions for the achievement of the Bank's business objectives, except for those reserved by law to the Supervisory Board and the General Meeting of Shareholders.

The Management Board consists of Chairman and the other 4 members. The Supervisory Board may appoint, if necessary, a Vice-Chairman of the Management Board, from the Deputy Chief Executive Officer of the Bank. The Chairman of the Management Board is the Chief Executive Officer.

The members of the Management Board are appointed by the Supervisory Board and start performing their responsabilities after obtaining the prior approval of the National Bank of Romania, in compliance with the legal framework in force.

Also, the Management Board is responsible for overseeing the investments of the Bank and its Subsidiaries in its position of local investment committee, together with the group-wide competent bodies, having the competencies established in the regulations in force both internally, as well as at group level.

GYULA FATÉR

Chairman of the Management Board and CEO

Gyula Fatér, has been Chairman of the Management Board and CEO of OTP Bank Romania since June 2019. Starting with November 2018, and until June 2019, he took over the position of Advisor of the CEO, after joining OTP Bank Romania.

Gyula Fatér has over 28 years of international banking experience, and he successfully led from start-ups to top Central and Eastern European banks. He had high performances in a wide spectrum of banking areas, as retail banking, asset management business strategy, capital markets.

Between 1992 and 2000, he was CEO of Europool Investment Fund Management, and in 2000 he joined the Budapest Bank Group as CEO of Budapest Fund Management, which he held until 2014.

Between 2006 and 2009 Gyula Fatér was also a regional wealth management leader at GE Money Bank, responsible for the regional oversight of eight countries, and since 2009 he worked in the retail banking management at Budapest Bank. He has been a member of the Board of Directors of Budapest Bank for more than 10 years. For 4 years, he was Head of Consumer at the same Bank. Gyula Fatér started his mandate with focus on accelerating the Bank's growth, further strengthening the group's market position in the country.

Gyula Fatér has a master's degree in Economics, accomplished in 1990 at the Karl Marx University of Economy Sciences - currently, Budapest Corvinus University.

CONSTANTIN MAREȘ

Member of the Management Board and Deputy Chief Executive Officer, Coordinator of Digital Division

Constantin Mareș took over the position of Member of the Management Board and Deputy Chief Executive Officer Coordinator of Digital Division within OTP Bank Romania S.A. starting with November 2021. Graduated and licensed in 1996 of the Faculty of Cybernetics, Statistics and Economic Informatics – Economic Informatics Department within the Bucharest Academy of Economic Studies, he attended between 1997-2006 a series of training and improvement courses both in the banking field and in fields such as leadership, management, communication and presentation.

In 2003 he successfully obtained an Executive MBA in Business Administration – Global Management Program within Asebuss Bucharest in cooperation with the University of Washington Business School and Kennesaw State University.

Constantin Mareș has been working in the banking field since 1996, holding the quality of Specialized Referent of the Capital Markets Directorate within Bancorex –Romanian Bank of Foreign Trade S.A. For 2 years, he ensured the monitoring of investment opportunities and the analysis of existing portfolios and participates in the development of internal procedures for the capital market field.

Between 1998 and 2006 he gained additional experience within ING Bank N.V Amsterdam, Bucharest Branch – IT Directorate, occupying several positions such as IT Specialist, Application Development Team Coordinator, Deputy Director and Director, thus reaching to coordinate the IT activity for all business lines, to ensure the implementation of process/quality management programs based on international standards in the field of ITIL, CoBIT and CMM, as well as to coordinate both the implementation of IT solutions in the new business lines and the process of developing strategies, policies and procedures in the IT field.

In 2007 he takes over the coordination of the IT Directorate within Millennium Bank S.A. as Director of Banca Millennium S.A. As a result of the obtained results and the proven perseverance, he was appointed in 2012 as Member of the Management Committee and Executive Director Coordinator of the operational area and in 2013 Member of the Management Committee and Executive Director, coordinator of the business area for legal entities and collection.

Subsequently, starting with 2015, he joins OTP Bank Romania S.A. team, occupying, in the first phase, the position of Consultant of the Chief Executive Officer for 3 years. During this period, he ensured the organization and management of standing and ad-hoc committees, by drawing up and monitoring the action plans of these committees and also by organizing and coordinating strategic projects, such as: the program launched for the

conversion of loans in Swiss francs and the program for improving the customer experience by implementing Customer Relationship Management, Business Process Management and Document Management System solutions.

From 2018 until his appointment as Member of the Management Board and Deputy Chief Executive Officer Coordinator of Digital Division, Constantin Mareș contributed to the organization by occupying the position of Executive Director professional coordinator of the IT area, processes and project management and transformation where he successfully coordinated activities of the The Transformation Office Directorate, the Project and Process Management Directorate, the IT Services Delivery Directorate, the IT Solutions Delivery Directorate and the IT Governance and Control Department. Throughout this process he is also involved in the Apollo organic growth program that he coordinates and supervises.

MARA CRISTEA

Member of the Management Board and Deputy CEO, Coordinator of Finance and Planning Division

Mara Cristea has been a Member of the Management Board and Deputy CEO, Head of Finance and Planning Division of OTP Bank Romania S.A. since October 2016. Mara Cristea is a highly skilled professional with vast knowledge in the financial and banking area, especially in the strategic planning and controlling, regulatory reporting and operations. Proactivity, asertivity, determination and empathy are some of the main features that describe her personality.

Regarding her professional life, Mara Cristea has an experienced banking career. She started as an accountant at Elisabeta Palace in 1990, followed by a long and full of achievements career in the banking domain.

Her banking journey began in the first established private Bank in Romania, namely Banca Comercială "Ion Țiriac". In April 2006 she took over the position as Director of Financial Accounting Division at Volksbank Romania S.A. and afterwards, starting July 2015, joined OTP Bank Romania S.A. as Director of Accounting, making a significant contribution to the success of the integration process of OTP Bank Romania with Millennium Bank

In terms of academic background, Mara Cristea has graduated from the Romanian – American University from Bucharest, Romania, with a degree in Finance and Banking. She is also a member of the Chamber of Fiscal Consultants in Romania since 2007 and a member of the Chamber of Financial Auditors in Romania since 2010.

In her personal life, Mara Cristea's hobbies include mountain skiing and hiking and a great passion for the romanian folk costume and ancestor traditions.

ROXANA MARIA HIDAN

Member of the Management Board and Deputy CEO, Coordinator of Business Division

Roxana Hidan is the Deputy Chief Executive Officer of OTP Bank Romania with 21 years of experience of in banking. She is member of Management Board of OTB Bank Romania since July 2019. Starting 2021 she is in charge with the newly established Business Division of the Bank, meaning retail, micro, SMEs, corporate, cards, global markets, private banking and investments services. She previously led the Retail Division as Deputy CEO.

During the 17 years with OTP Bank Romania, she dedicated time and passion to develop the business line for SMEs, constantly promoted a business culture with an open approach towards the customer and had key roles in the transformation stages or acquisition processes of the Bank.

Academically, Roxana Hidan graduated from the Executive MBA program (2012-2014) of Advanced Global Management at IE Business School in Madrid and the Global Management program (GMP24) at Harvard Business School in 2018. She is also alumna of these prestigious institution of education and member of the Global Alumni Advisory Board of IE Business School.

ZOLTÁN BALÁZS

Member of the Management Board and Deputy CEO, Coordinator of Lending & Risk Management Division

Zoltán Balázs has been a Member of the Management Board and Deputy CEO, Head of the Lending & Risk Management Division within OTP Bank Romania since October 2020. His journey at OTP Bank Romania began in February 2020, when he held the position of Advisor to the CEO, implementing and coordinating strategic projects and ensuring internal communication by preparing for the CRO role.

Zoltán Balázs holds and MBA degree in Banking&Entreprenuership from Case Western Reserve University in Clevelenad, USA and also a Master Degree in Banking&Finance from College of Finance and Accountancy in Budapest, Hungary. As professional experience, Zoltán Balázs worked, over time, in various multinational companies in the Central and Eastern European region, such as Hungary, Romania and Austria. He started his career in banking in 2000 K&H Bank (KBC Group) in controlling and later moved to Real Estate and Structured Finance, then continued in this field at Erste Bank Hungary.

Between 2009-2012 he worked at the Hungarian subsidiary of of Bayerische Landesbank as Risk Underwriting Executive Director for Corporate.
From 2012 until joining OTP Group he worked again with Erste Group mainly in Hungary and Romania as the CEO or Erste Real Estate Ltd. from Hungary and also as a Director in RE and Corporate sales.

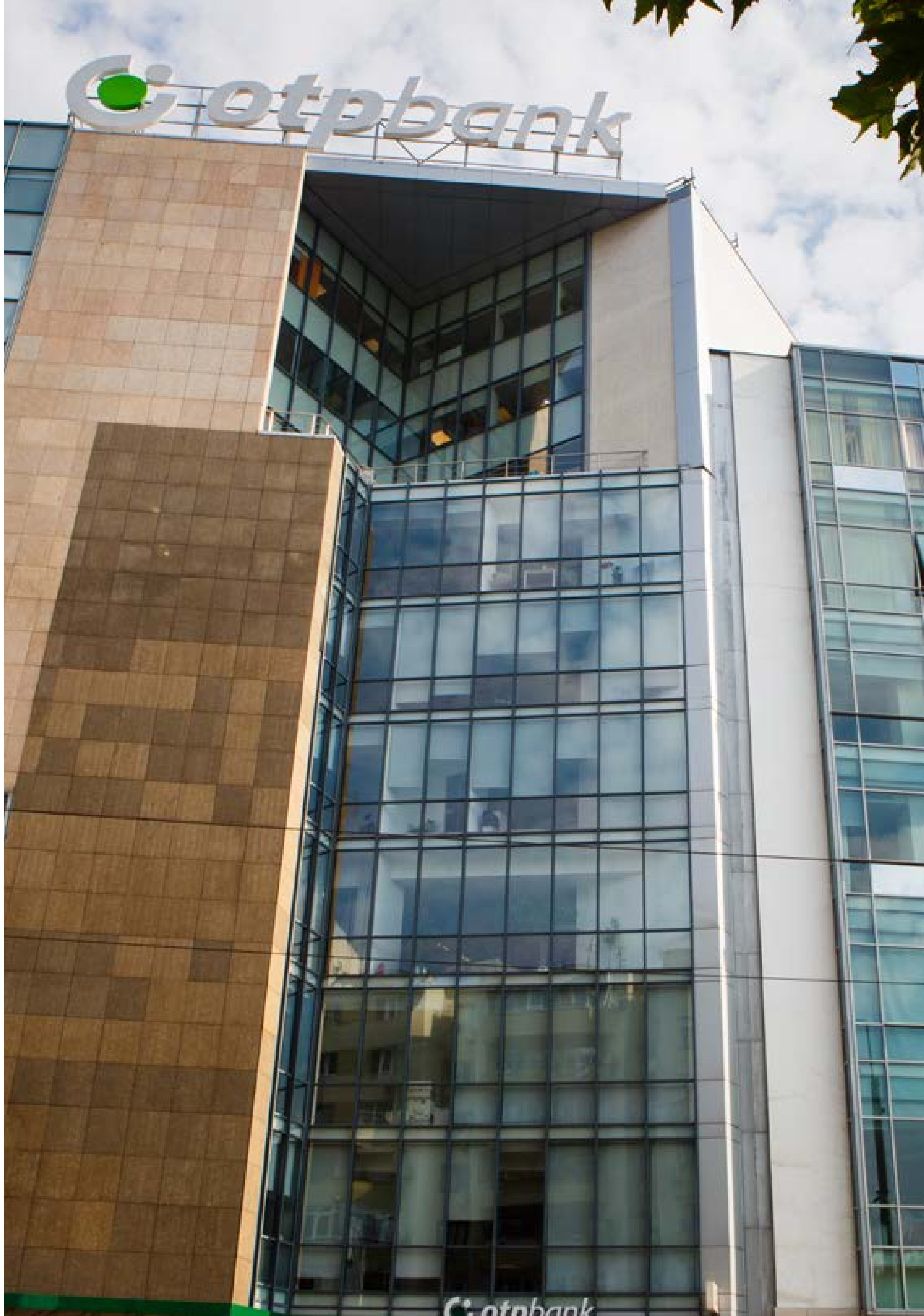
IOAN-DRAGOȘ MIRICĂ

Member of the Management Board and Deputy CEO, Coordinator of Corporate Banking Division

Ioan-Dragoș Mirică has been Member of the Management Board and Deputy CEO, Corporate Banking in OTP Bank Romania from February 2013 until May 27th, 2021. Starting with 2008, Ioan-Dragoș Mirică took the assignment to manage the activity of the corporate business line, after joining OTP Bank Romania as Director of Large Corporate Directorate, in May 2006.

Ioan-Dragoș Mirică is a highly skilled financial professional with extensive experience in banking and financial institutions, negotiations, business and people management, analytical budgeting activity and financial appraisal. He employs excellent planning skills to ensure consistent, continuous and efficient operations.

With respect to the educational background, Ioan-Dragoș Mirică graduated the University Pierre Mendes, Grenoble, France, in 1993 having his Bachelor degree in Business Administration. In 1996, he also graduated the Academy of Economic Studies, Bucharest, the Faculty of Economic Studies in Foreign Languages, French Department, obtaining his Bachelor`s Degree in Business Administration, Finance and Banking. During his career, Ioan-Dragoș Mirică held senior administrative and professional positions in several banks acting in Romania, such as UniCredit Bank and BRD-Société Générale and he was involved in business advisory as well.



OTP Bank România S.A. Raport Anual

Corporate social responsibility

2021

CORPORATE SOCIAL RESPONSIBILITY

For OTP BANK ROMANIA, Corporate Social Responsibility is a business philosophy integrated into the business strategy and influences the decisions taken in many aspects of the company's life. The Bank is part of the society and understands the social and environmental impact it has on the communities to which it belongs.

All sustainable development actions and interactions with partners aim to generate positive effects in the economy and society, meeting the present needs without compromising the ability of future generations to satisfy their own needs. Sustainable development implies economic growth, together with the protection of society and environmental quality.
OTP BANK ROMANIA supports consistent education because it is the most efficient method of development and provides the tools needed for change towards sustainability. Raising awareness of the importance of education is a fundamental pillar without which the company cannot guarantee the survival or success of a business.
In 2021, OTP BANK ROMANIA started the analisys of all implications to build an accurate, effective ESG strategy, in line with the Group's vision, wisely and deeply engaging the company's portfolio.

The OTP BANK ROMANIA ESG strategy will focus on **three key pillars: product, planet, people,** described in **3 areas of responsibilities:**

1. Responsible provider: aiming to finance gradual transition to a low-carbon economy and building a sustainable future offer of balanced financing options. This strategic direction is not only growing green credit portfolio but also continuing to invest in digital products and service channels, while keeping available traditional branches services for the clients' categories that cannot use advanced digital tools.

2. Responsible employer: aiming to develop active ESG management practices in governance model and further invest in employee well-being and development, inclusion, diversity and employee engagement.

3. Responsible social actor: by setting ambitious environmental goals in terms of in-house ecology including reduction of GHG emission from own operations. Develop a positive social impact not only via responsible products and channels offering but also continuing CSR activities through OTP BANK ROMANIA Foundation's educational project thus creating shared value that is both measurable and makes recognizable contribution to society and UN Sustainable Development Goals.

The most important projects of 2021

1. Mentorship program Girl Power

With continuous focus from the company on internally promotion of gender equality, OTP BANK ROMANIA initiates in 2021 GirlPower, the Bank's complex mentorship program dedicated to women, led by Roxana Hidan, Deputy General Manager, Business Division, and Mara Cristea, Deputy General Manager, Finance and Planning Division. The objective of the program is to develop pathways and generate professional opportunities for young women, aged 18-26, who want to develop their knowledge and professional skills.

At the end of the six-months mentorship program, the finalists will receive a scholarship worth 3,000 euros each and will have the chance to choose, together with her mentor, a professional training program, a course, master, or specialized studies, worth the scholarship granted by OTP BANK ROMANIA. The courses will be paid directly by the financial institution.

2. MindArchitect podcast

OTP Bank Romania supports, for the second year in a row, the Mind Architect podcast, based on neuroscience and psychology applied in everyday life. The collaboration, that began in 2020, is growing toward the creation of personal and professional development content based on neuroscience, aiming at one of the main objectives of OTP Bank Romania's ESG strategy, that is to invest in partnerships that generate valuable educational content.

3. OTP Sport program

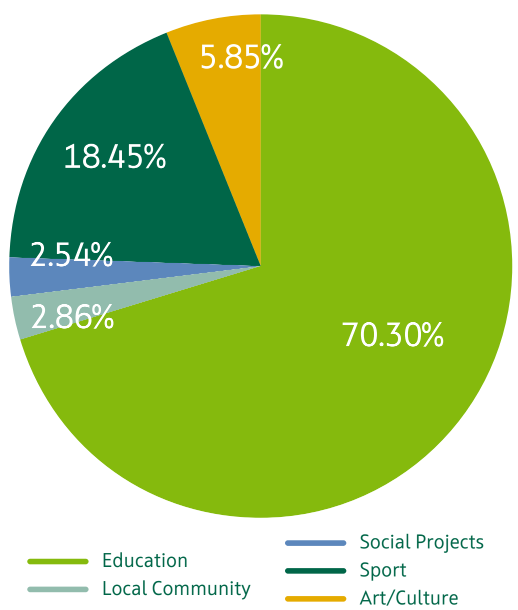
OTP BANK ROMANIA continued the sponsorship initiatives developed and implemented under the umbrella of the OTP Sport Program, through which we promote sports organizations, competitions and leisure activities that involve physical and mental endurance, concentration, tactical skills and teamwork.

4. Sponsorship activity

In 2021, OTP BANK ROMANIA sponsored the activities of 16 associations or institutions in various fields: education (70,3%), sport (18,45%), local community (2,86%), art/culture (2,85%) and social projects (2,54%).

Distribution of the budget by type of sponsorship:

The three most important areas of sponsorship were education, health and sports, where we strengthened long-term relationships.



The main organizations and projects supported in 2021 were:

- **OTP Bank Romania Foundation:** support for maintenance, the daily activity of the foundation and OK Center;
- **Red Cross Romania:** participation in the fundraising campaign in order to support disadvantaged children in the Valea Jiului;
- **Romania Banking Association:** Communication and public relations consulting services performed by ARB for the benefit of the banking system within the Right to Banking educational project.
- **Sepsi O.S.K Sports Club Association:** support for the Sepsi OSK football team, in order to participate in the 1st Football League of Romania.

5. The Right to Education Foundation

OTP Bank Romania aims to contribute to the development of a responsible and healthy financial behavior both among the young generation and among adults, the OTP Bank Romania Foundation being the institution that coordinates and implements the financial education activities of the Bank. Also, the Foundation is a creator of quality educational content in the NGO environment in Romania, in various areas of learning, from digital education, to communication, leadership, emotional intelligence, vocational guidance, etc.

„Financial Fitness" Programme

The financial education program Financial Fitness has consolidated its important position in the portfolio of educational programs of the OTP Bank Romania Foundation, not only because it is aimed for adults, but especially because it has the role of contributing, concretely, to the acquisition of a responsible financial attitude.

The financial fitness sessions were attended by approximately 500 participants, including colleagues from OTP Group. The financial fitness trainings took place online for most of last year, and in this new context, the participants' interest was mainly centered around the ideas and principles of responsible management of financial resources, an attitude all the more necessary in a difficult period.

„Online Lesson" Project

On the strategic partnerships direction is the national digital educational program "Online Lesson", developed together with the Federation of Free Trade Unions in Education (FSLI), which addresses the didactic personnel from the pre-university system that has activities of teaching/ leadership, guidance and control. The program aims to develop the digital abilities with immediate applicability in the design, implementation, evaluation and improvement of the online lessons. During 2021, more than 500 teachers participated in the training sessions. Currently, the sessions that started at the end of last year are in full rollout.

„Communication and Leadership" Programme

Also in 2021, the OTP Bank Romania Foundation was involved, as a content creator, in designing a communication and leadership program that aims, on one hand, to build a leader profile for candidates on management positions in schools and, on the other hand, to improve communication within schools. The program, the result of a strategic partnership between the Foundation and the Federation of Free Trade Unions (FSLI), was launched last year by organizing two learning sessions for trainers, followed by two more workshops. The goal of the program is to train 620 leaders this year.

„Neuroscience in the classroom" Program

Another achievement is the launching of the „Neuroscience in the classroom" program, developed by OTP Bank Romania Foundation, Mind Architect and other partner organizations, with the support of the Ministry of Education. The program is dedicated to both teachers and students in primary, secondary, high school and university, and aims to introduce in schools the subject of self-knowledge based on neuroscience and psychology applied in everyday life, with the help of support materials for teachers. Last year, 3,000 teachers signed up on the project's digital platform to be able to participate directly in the implementation of the program in schools.

„Manager in Action" POCU Project

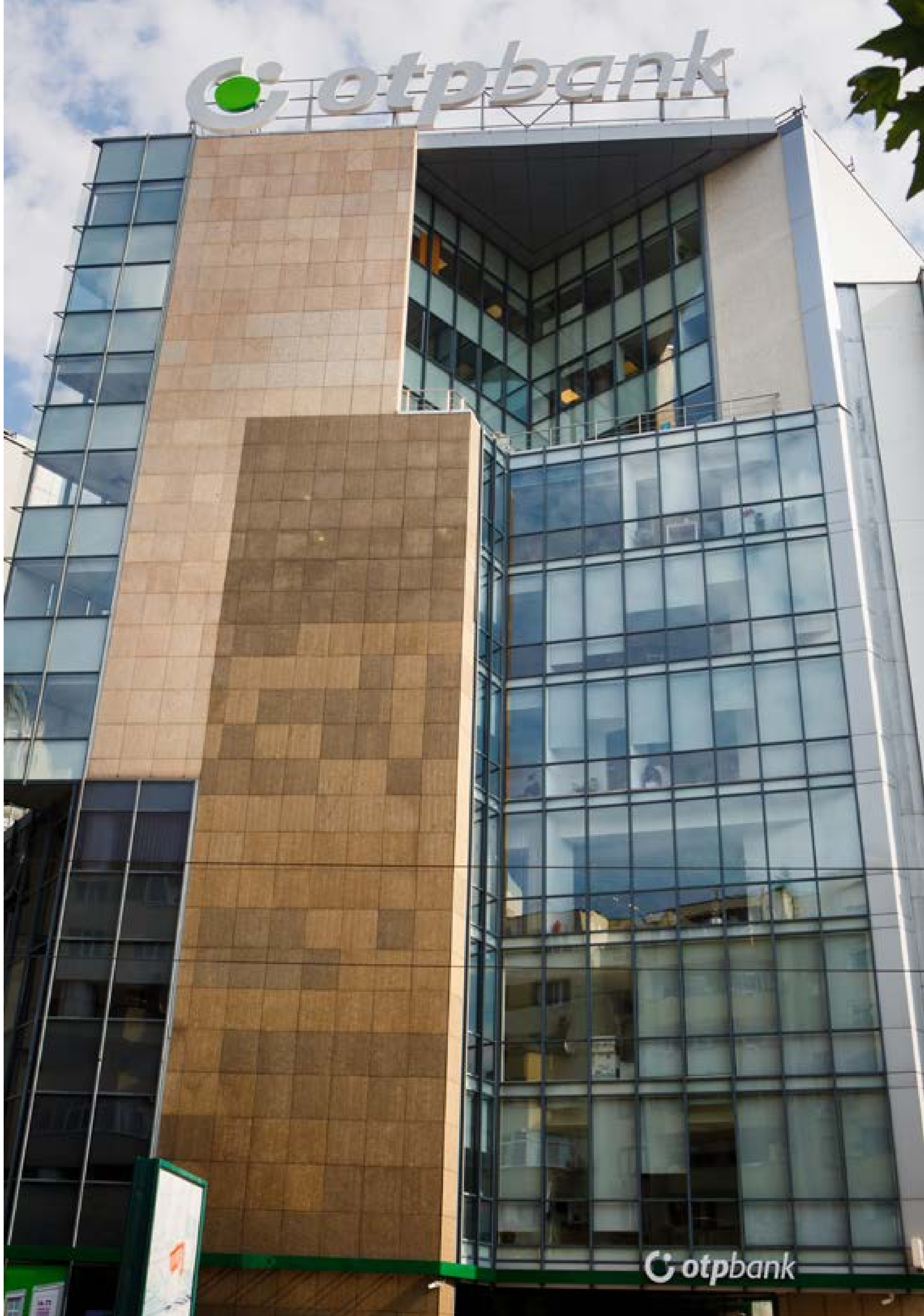
The year 2021 also marked the beginning of the first project with European funding, "Manager in action", in which the OTP Bank Romania Foundation assumed both the role of leader and that of content creator. Thus, a complex educational product has been developed for the students of the faculties with economic profile and that responds to their needs to put into practice the theoretical information acquired during the university courses. Apart from the Foundation, partners in the project are the Bucharest Academy of Economic Studies and the Romanian Association of Management Consultants (AMCOR). The objective of the program is to organize internships for 284 economics students.

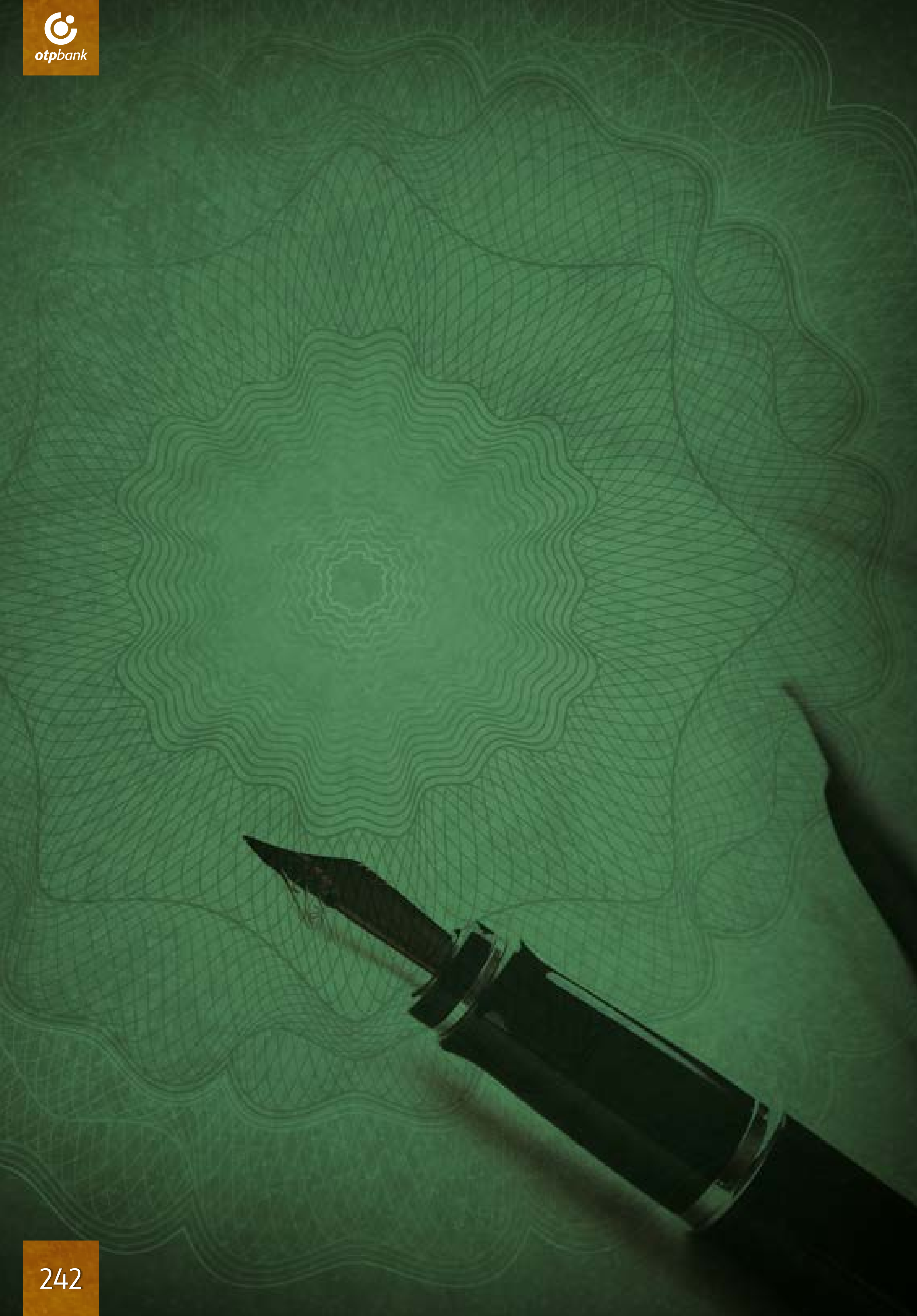
„Incubator of Financial Influencers" Erasmus Project

Another premiere for the Foundation's activity in 2021 was the organization and hosting of an Erasmus project. The objective of the project was to identify and test two methods of promoting financial education. The project took place in September of last year and brought together 18 participants from six countries.

Volunteering activities

In 2021, the Foundation rolled out 6 internal volunteer initiatives in collaboration with other partner charity foundations that support the education of disadvantaged children in poor communities or in social care systems. The campaigns consisted in donations of school supplies, books and clothing as well as suplying books to a library from a rural community.





Compliance Function

2021

Compliance Function

The compliance function is one of the three independent control functions within OTP BANK ROMANIA and, during 2021, its performance was ensured by the Compliance Directorate.

The Compliance Directorate is subordinated to the OTP BANK ROMANIA Chief Executive Officer and its independence is ensured by direct reporting to the OTP BANK ROMANIA Management Board and Supervisory Board. The Compliance Directorate regularly reports to OTP Bank Plc. and to the Audit and the Risk Management Committees as well, on its activity and associated risks identified.

The Compliance Directorate's objective is to ensure the bank's compliance with legal and regulatory frameworks, standards of professional ethics and conduct, as well as to develop a compliance culture within the institution.

Compliance Directorate organizational structure

During June 2021, Compliance Directorate was reorganized in 3 departments instead of 5 (currently, 1 in KYC/AML/CFT area, 1 in GC area - including financial investment services - and 1 in Data Protection area).:

- **General Compliance Department**
  - o General Compliance Regulations and Advice Compartment
  - o General Compliance Monitoring and Control Compartment
  - o Conflicts of interests, Ethics and Anti-corruption
  - o Investment Services Compartment
- **Data Protection Department**
  - o Data Protection Regulations and Advice Compartment
  - o Control and Monitoring System Compartment
- **KYC & AML/CFT Department**
  - o KYC Advise Compartment
  - o Internal Regulations KYC/AML/CFT & International Sanctions Compartment
  - o On-site Control Compartment
  - o Off-site Control Sanctions Compartment
  - o AML & CFT Monitoring Compartment
  - o International Sanctions Implementation Compartment

The reorganization's main purpose was to address bank needs adequately on compliance topics, by clearer definition and proper segregation of specific activities performed in KYC / AML / CFT area and better activities management at department level.

Compliance function's main attributions within the bank are:

· Manages compliance risk following the identification and assessment of the risk in order to maintain an acceptable level, according to the Bank Risk Strategy.
· Reports on compliance and KYC & AML/CFT risk calculated based on risk indicators applicable to all specific aria to OTP BANK ROMANIA Management and to OTP Bank Plc. and communicate with the Bank's risk management function regarding compliance risk and its management.
· Providing reports to OTP Bank Plc. and management bodies in line with OTP Bank Plc. standards and internal regulations.
· Provides consultancy to the bank's Management regarding the measures to be taken to ensure compliance with legal and regulatory framework and with applicable standards.
· Ensure, verification and controls through a well-defined and structured compliance monitoring program of the application method of the relevant policies and procedures, in order to ensure the bank's compliance with the legal and regulatory framework and recommends improvement measures /corrective actions both punctual and at the bank level.
· Verifies, in close collaboration with the risk management function and the legal function, if products/services/regulations comply with legal and regulatory framework and supervisory requirements.
· Ensures the measures assumed within the Action Plans issued following reports, orders or letters of recommendation issued by the Supervisory Authority (National Bank of Romania), specific to each managed activity, are fully and within the deadlines implemented.
· Assess the possible impact of any changes in the legal and regulatory framework on the credit institution activities and the compliance framework.
· Develops, assists in the development, implements and monitors appropriate policies, procedures and other documents such as compliance policy (ensuring of its observance), Code of ethics and practical guidelines for the bank's staff in order to ensure permanent compliance of bank activity with the specific legal and regulatory framework and internal regulations.
· Elaborates compliance training materials and tests based on them, in order to develop the organizational compliance culture.
· Actively participates, on behalf of OTP BANK ROMANIA, within specialized commissions of the Romanian Association of Banks (RAB) and other committees and entities that analyze the evolution of the regulatory framework with impact in the compliance area.
· Communicates with the Supervisory Authority and other authorities in order to perform specific tasks.
· Through the Data Protection Department, exercises guidance, coordination, control and monitoring of the unitary application of legislation with regards to protection of individuals when it comes to personal data processing and the free circulation of such data within the bank. Data Protection Department is coordinated by the Data Protection Officer (DPO) - Department Manager, subordinated to the Executive Director of Compliance Directorate, with a direct line of reporting to the Bank's Management Board and Supervisory Board;
· Establishes an Annual Compliance Plan to ensure that the implemented procedures and control measures are adequate, including measures to verify the implementation of the developed internal regulations and to evaluate their effectiveness, including by means of Internal and External Audit;
· Develops and assesses the issued policies, norms and procedures for the management of the Bank's KYC process and for the management of ML/FT risk;
· Administers the activity carried out for ML/FT risk management, ensuring an internal regulatory framework harmonized with the

sector's legal requirements, by implementing effective monitoring and control processes and systems.

Compliance fundamental principles as well as the main direction of activity within compliance area are highlighted within **Compliance Policy of OTP BANK ROMANIA** and the **OTP BANK ROMANIA Compliance Strategy.**

These principles aim to establish, facilitate and support the bank's proper, legal, safe and prudent operation, through strategic objectives based on industry best practices.

Based on the Compliance Policy of OTP BANK ROMANIA, including personal data protection aspects, the bank has developed regulations and established the necessary tools for policy implementation, considering the bank's activity and size complexity, as well as the applicable national, European and international regulations, aligned with OTP Bank Plc.'s own policy.

Regarding personal data protection, it is specifically stipulated that the non-observance of Personal Data Privacy Policy may affect the subjects' rights also leading to significant financial and reputational losses for OTP BANK ROMANIA and to possible disciplinary consequences for responsible bank employees.

The Compliance Directorate also manages the **Code of Ethics of OTP BANK ROMANIA,** which establishes fundamental values, principles and rules, based on which the bank's Management and all employees act and fulfill their tasks, contributing to the achievement of business objectives.

- The general principles underlying the Code of Ethics of OTP BANK ROMANIA reflect corporate governance standards, values of moral and professional integrity, good business relationships based on sharing common values and rules of conduct governing inter-human relations, compliance with specific banking financial legislation, avoidance and combating of conflicts of interests and corruption, preserving confidentiality, transparency and prudent approach related to performed activities.
- The bank has implemented adequate communication channels (whistleblowing) to facilitate the report of inappropriate behavior that may arise in connection with customers, suppliers or bank staff and to encourage the presentation in good faith of any situations of non-compliance with the Code of Ethics of OTP BANK ROMANIA

To prevent conflicts of interests, the bank has implemented mechanisms for early identification, monitoring and management of situations that may trigger potential conflicts of interests, analyzing the areas with such risk potential - personal recruitment, family relationships, interests in companies, involvement in associations/federations/ foundations, collaboration with suppliers or intermediaries, additional legal employment relationships, publicly exposed person, at the local or national level etc. - as well as procedures that stipulates existence of information flow barriers and responsibility segregation for the employees.

Considering the investment services provided by the bank, the Policy on conflicts of interests in the activity of investment services was revised in 2021. This includes special provisions regarding the identification and management of situations that may lead to conflicts of interest regarding the investment services provided by the bank, particularly the role of ensuring that the clients' interests in providing these services are not affected by employees' interests, the bank or third parties. The policy also considers conflicts of interest that may constitute market abuse, prohibitions on insider dealing, insider dealing, unauthorized disclosure of insider trading and market manipulation.

OTP BANK ROMANIA developed and implemented mechanisms and systems to contribute to the compliance with legal provisions and internal regulations incidental to the field of **combating money laundering and terrorist financing** and to ensure a KYC process adapted to the business model that allows the identification of customers associated risks and the applying appropriate KYC measures.

- to ensure an effective know-your-customer process, the bank implemented the risk-based approach, applying customer due diligence correlated with the ML/FT risk associated to customers, both in terms of their characteristics and in terms of purchased products and services.
- in this respect, the bank displays enhanced due diligence towards the categories of customers with higher degree of risk from a ML/FT risk perspective, categories identified according to the risk factors defined within the internal regulatory framework.

In order to comply with specific legislation and applicable regulations in the AML/CFT field and that of international sanctions, OTP BANK ROMANIA implemented procedures adapted to the business model adopted by the bank, correlated with the risk strategy and the business strategy, approved by the

bank's management, and intended to be a real support for ML/FT risk management.

Responsibilities of Compliance Directorate:
- identification of applicable regulatory requirements
- development of internal regulations on performing activity for the purpose of preventing and combating money laundering
- regularly checking the way regulatory requirements are effectively integrated into bank systems and within the internal regulatory framework developed and implemented within the bank.
- The bank's staff is involved in the process of preventing and combating money laundering, according to the approved authority limits and as per the attributions established within the bank's Internal Organizational Rules.
  Thus, the responsibilities regarding customer due diligence and ML/FT risk assessment associated to customers, transactions and the entire activity reside with all bank staff, as per the established limits, structured according to the three lines of defense principles.
- In this respect, Compliance Directorate provides advice to both territorial units and Head Office entities, in order to identify the ML/FT risk elements, and with respect to the observance of international sanctioning regimes imposed, all with the purpose of:
- unitary implementation of provisions applicable in the field;
- limiting reputational and/or financial impact generated by compliance/reputational/operational risks to which the bank may be exposed.
- With regard to personnel recruitment strategy, at OTP BANK ROMANIA, specific standards within the internal regulations are set for hiring staff with responsibilities in the KYC/AML/CFT area, standards that ensure an adequate selection process versus specific requirements related to compliance function.

The observance of sanctioning regimes imposed at international level is a permanent concern for the bank, considering the global political and economic context, while compliance with trade embargoes and economic sanctions is also a priority.

Aspects regarding international sanctions are important as they may increase the level of risk associated with bank activity in relationship to customers.

At OTP BANK ROMANIA level, enforcing commercial embargoes and economic sanctions represents a priority.

For this purpose, policies, norms, procedures and workflows regulating the activity and specific attributions of the employees are issued and implemented, while the activity is supported by the implemented IT solutions. By using them, the bank ensures continuous updating of information regarding the persons and entities upon which international sanctions have been imposed at international level - periodical adequate checks are performed to ensure compliance with newest issued sanctions.

Furthermore, in order to support the KYC/AML/CFT processes and to apply the requirements set out by the Group, projects to improve the implemented systems, so that the ML/FT risk management process is adequate and efficient, are initiated on an ongoing basis.

The Compliance Directorate elaborates, according to the personnel training strategy, approved by the bank's management, training programs for ensuring the training of persons with responsibilities in the application of the provisions set out within the KYC norms, so as to ensure that they know the legal requirements, the mandatory responsibilities according to the KYC internal norms, the risks to which the institution is exposed according to its own risk assessment. Such programs aim to raise awareness of the consequences of employees' non-fulfillment of such responsibilities and their implications for the institution and the persons concerned, in the case of risk manifesting, and that they have the capacity to recognize suspicious indicators to operations that may be related to money laundering or terrorist financing.