OTP Bank
Annual Report

otpbank

2022

Summary

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

The general course of 2022 was marked by the direct and indirect impact of the war in Ukraine and by multiple economic uncertainties in the European economic landscape. The post-pandemic economic recovery continued in 2022, with a pace that decelerated in convergence with the Eurozone, causing disruptions in various sectors. This situation, coupled with the increase in the cost of raw materials and energy, quickly raised the level of inflation across Europe, an aspect that had effects in the 11 countries where OTP Group is present and in the activity of our more than 16 million customers.

Nevertheless, the Group's activity continued to grow, both organically, through consistent investments and large-scale projects aimed at developing operational and customer service capacity, as well as through acquisitions. Consequently, OTP Group recorded a consolidated net profit of EUR 862 million (HUF 347 billion/RON 4,291 million) last year, down from the 2021 result of EUR 1.27 billion. This significant decrease of 24% is attributed to the rapid increase in negative adjustment elements, and was also accompanied by positive developments, such as improved cost efficiency and portfolio quality, with an increase in the volume of fx-adjusted performing loans of 15%. This figure excludes the volumes from Russia and Ukraine but includes the recent acquisition in Albania.

The regional expansion of the group reached significant milestones in 2022, through multiple acquisitions. Thus, OTP Group acquired Alpha Bank Albania and initiated the integration process with OTP Bank Albania, becoming the fifth bank in terms of assets in this market. We also signed a sales and purchase agreement for Uzbekistan's Ipoteka Bank as a first step of the recently started privatization process, and (in 2023) we also received the approval of the Slovenian Competition Protection Agency for the acquisition of Nova KBM, which will substantially contribute to strengthening the group's results.

In Romania, last year's results demonstrate the resilience of OTP Bank's strategy for developing and consolidating its local operations. The transformation of recent years, adapting to a flexible organizational structure, the business process redesign, and the direct involvement we have in the local economy supported the bank's strong revenue growth and operational profitability.

Thus, in 2022, the bank reported an adjusted net profit after taxation of HUF 3.1 billion (RON 34.6 million), a decrease by 40% compared to the previous year's result. The overall results were affected by the risk cost increase, given that throughout the year risk costs nearly tripled and at the beginning of 2022 one-time provisions were established in connection with an operational risk event.

Operational consolidation and the ability to adapt supported OTP Bank Romania in 2022, enabling the bank to offer optimal banking products and services, mitigating the shock of the general context, and achieving solid results. In the lending area, the volume of performing loans increased by 10% due to the intense activity in the Corporate, SME and leasing sectors. The bank's capital adequacy ratio reached 22.16% from 22.54% at the end of the previous year. OTP Bank Romania further consolidated its position in the top 10 local based on assets.

OTP Bank Romania remained engaged in the local consolidation process, by optimizing the developments of previous years with a focus on the product portfolio, the national network, and the digital service area, ensuring the consistent financing of Romanian businesses through its own programs and national financing programs.

The bank actively supported the saving activity of Romanian households and corporations, by offering products tailored to their current needs, resulting in an 11% increase in customer deposits. The net loans/deposits indicator decreased by 10pp, reaching 117% at the end of last year.

2022 also saw progress in the development of the ESG culture, which includes environmental, social and governance factors, as well as specific knowledge development. Within the projects dedicated to the community and the local public, the OTP Charity Tour cycling charity event was created, focusing on sustainability and a strong social cause. Additionally, the Jiul without Plastic program was implemented, aiming to have a positive impact on the environment.

Furthermore, financial education continued to be a key focus, and approximately 1,000 individuals benefited from various educational programs launched by the OTP Bank Romania Foundation last year. This further reinforced the organization's strategic orientation and confirmed its role as a content creator. Among the initiatives implemented in 2022 by the Foundation were the "Financial Fitness" program and the "Ușor Financiar" Podcast, the financial education program for students in Miercurea Ciuc, the "startAware" and "Online Lesson" programs for students, as well as the "Manager in Action" program aimed at developing entrepreneurial skills.

Therefore, 2022 was a year dedicated to consolidating results and the local position for OTP Bank Romania, with positive developments in key business areas, despite obstacles arising from the international and geopolitical context, as well as macroeconomic fluctuations. We overcame these challenges with determination and care for our business and teams. Our operational development and adaptability helped us offer an optimal range of banking products and services in 2022, mitigating the impact of the overall context, with consecutive increases across all types of costs.

Antal György Kovács,
Chairman of the Supervisory Board

Financial Highlights

2022

Financial Highlights

MAIN FINANCIAL INDICATORS OF OTP GROUP

Main components of the adjusted Statement of recognised income, in HUF million	2021	2022	Y/Y
Consolidated profit after tax	456,428	347,081	-24%
Adjustments (total)	-40,474	-245,466	506%
Consolidated adjusted profit after tax	496,902	592,547	19%
Pre-tax profit	587,853	690,022	17%
Operating profit	660,391	868,487	32%
Total income	1,313,124	1,656,571	26%
Net interest income	884,012	1,093,579	24%
Net fees and commissions	325,548	397,118	22%
Other net non-interest income	103,563	165,874	60%
Operating expenses	-652,733	-788,084	21%
Total risk costs	-72,538	-178,465	146%
Provision for possible loan losses (adj.) without the revaluation of FX provisions	-46,006	-135,231	194%
Other cost of risk	-26,532	-43,234	63%
One off items	-	-	
Corporate taxes	-90,951	-97,475	7%
Main components of the adjusted balance sheet, closing balances in HUF million	**2021**	**2022**	**Y/Y**
Total assets	27,553,384	32,804,210	19%
Placements with other banks and securities	1,584,860	1,351,081	-15%
Total customer loans and advances (net)	15,743,922	18,640,624	18%
Total customer loans (net, FX adjusted)	16,655,367	18,640,624	12%
Total customer loans and advances (gross)	16,634,454	19,643,558	18%
Total customer loans (gross, FX adjusted)	17,610,471	19,643,558	12%
Performing (Stage 1+2) customer loans (gross, FX-adjusted)	16,675,058	18,674,389	12%
Allowances for possible loan losses	-890,532	-1,002,933	13%
Allowances for possible loan losses (FX adjusted)	-955,104	-1,002,933	5%
Hitelintézetekkelés állammal szembeni kötelezettségek	1,608,533	1,517,349	-6%
Total customer deposits	21,068,644	25,188,805	20%
Total customer deposits (FX-adjusted)	22,173,249	25,188,805	14%
Issued securities	436,325	870,682	100%
Subordinated loans	278,334	301,984	8%
Total shareholders' equity	3,036,766	3,322,312	9%
Indicators based on adjusted earnings	**2021**	**2022**	**Y/Y**
ROE (from profit after tax)	17.0%	11.0%	-6.0%p
ROE (from adjusted profit after tax)	18.5%	18.8%	0.3%p
ROA (from adjusted profit after tax)	2.0%	1.9%	-0.1%p
Operating profit margin	2.62%	2.78%	0.16%p
Total income margin	5.21%	5.31%	0.10%p
Net interest margin	3.51%	3.51%	0.00%p
Net fee and commission margin	1.29%	1.27%	-0.02%
Net other non-interest income margin	0.41%	0.53%	0.12%
Cost-to-asset ratio	2.59%	2.53%	-0.06%p
Cost/income ratio	49.7%	47.6%	-2.1%p
Provision for impairment on loan losses-to-average gross loans ratio	0.30%	0.73%	0.42%p
Total risk cost-to-asset ratio	0.29%	0.57%	0.28%p
Effective tax rate	15.5%	14.1%	-1.3%p
Net loan/(deposit+retail bond) ratio	75%	74%	-1%
Net loan/(deposit+retail bond) ratio (FX-adjusted)	75%	74%	-1%p
Gross loan/deposit ratio	79%	78%	-1%
Gross loan/deposit ratio (FX adjusted)	79%	78%	-1%
Leverage (Shareholder's Equity/Total Assets)	11.0%	10.1%	-0.9%
Leverage (Total Assets/Shareholder's Equity)	9,1x	9,9x	
Capital adequacy ratio (consolidated, IFRS) - Basel3	19.1%	17.5%	-1.6%p
Tier1 ratio - Basel3	17.5%	16.1%	-1.5%p
Common Equity Tier 1 ('CET1') ratio - Basel3	17.5%	16.1%	-1.5%p

Share Data	2021	2022	Y/Y
EPS base (HUF) (from after tax profit)	1,739	1,289	-26%
EPS diluted (HUF) (from profit after tax)	1,738	1,288	-26%
EPS base (HUF) (from adjusted profit after tax)	1,896	2,204	16%
EPS diluted (HUF) (from adjusted profit after tax)	1,896	2,204	16%
Closing price (HUF)	16,600	10,110	-39%
Highest closing price (HUF)	19,400	18,600	-4%
Lowest closing price (HUF)	12,920	7,854	-39%
Market Capitalization (HUF billion)	4,648	2,831	-39%
Market Capitalization (EUR billion)	12.6	7.1	-44%
Book Value Per Share (HUF)	10,846	11,865	9%
Tangible Book Value Per Share (HUF)	10,190	11,257	10%
Price/Book Value	1.5	0.9	-44%
Price/Tangible Book Value	1.6	0.9	-45%
P/E (trailing, from profit after tax)	10.2	8.2	-20%
P/E (trailing, from adjusted profit after tax)	9.4	4.8	-49%
Average daily turnover (EUR million)	22	24	7%
Average daily turnover (million share)	0.5	0.8	69%

Financial Highlights

MAIN FINANCIAL INDICATORS OF OTP BANK ROMANIA SA

Main components of the Statement of recognised income in RON million	2021	2022	Y-o-Y
Profit after tax	-9,3	68,9	
Pre-tax profit	1,2	72,8	5902%
Operating profit	117,7	251,5	214%
Total income	630,4	810,5	129%
Net interest income	471,4	636,9	135%
Net fees and commissions	50,6	47,8	94%
Other net non-interest income	108,4	125,8	116%
Operating expenses	-512,6	-558,9	109%
Total risk cost	-116,5	-178,8	153%
Corporate taxes	-10,6	-3,8	36%
Principalele componente ale bilanțului - închiderea soldurilor - în milioane RON	**2021**	**2022**	**Y-o-Y**
Total assets	18,464	19,878	108%
Total customer loans (net)	12,386	13,503	109%
Total customer loans (gross)	13,005	14,217	109%
Allowances for possible loan losses	-619	-714	115%
Total customer deposits	**11,196**	**12,432**	**111%**
Issued securities	-	-	0%
Subordinated loans	-	-	0%
Total shareholders' equity	2,061	2,131	103%
Indicatori calculați pe baza rezultatului realizat %	**2021**	**2022**	**Y-o-Y**
ROE (from net earnings)	-0.5%	3.3%	3.8%p
ROA (from net earnings)	-0.1%	0.4%	0.4%p
Operating profit margin	0.6%	1.3%	0.6%p
Total income margin	3.8%	4.2%	0.4%p
Net interest margin	2.8%	3.3%	0.5%p
Cost-to-asset ratio	3.1%	2.9%	-0.2%p
Cost/income ratio	81%	69%	-12.4%p
Risk cost to average gross loans	1.0%	1.3%	0.3%p
Total risk cost-to-asset ratio	0.7%	0.9%	0.2%p
Effective tax rate	858%	5%	-853%p
Net loan/deposit ratio	111%	109%	-2.0%p
Capital adequacy ratio (IFRS)-Basel3	22.3%	22.5%	0.2%p
Tier ratio - Basel3	22.3%	22.5%	0.2%p
Common Equity Tier 1 (CET1) ratio - Basel3	22.3%	22.5%	0.2%p

MACROECONOMIC AND FINANCIAL ENVIRONMENT

While 2022 was again a challenging year, the Romanian economy performed remarkably well, by posting a 4.7% GDP growth, after the 5.8% growth in 2021. At the same time inflation continued to accelerate and become broad based reaching almost 17% at the peak. Although the budgetary position improved compared to 2021, the current account deficit increased further, on account of higher energy prices and the widening output gap. Despite a large current account deficit, external debt to GDP could still decline, given a high inflow of EU funds and FDI and solid nominal GDP growth. Credit markets continued their uptick in the first half of the year, however H2 brought a sharp deceleration as credit demand fell on account of higher interest rate and increasing economic uncertainty related to sky high energy prices. As economic growth remained solid overall and the interest rate environment was supportive, the bank sector's profitability improved.

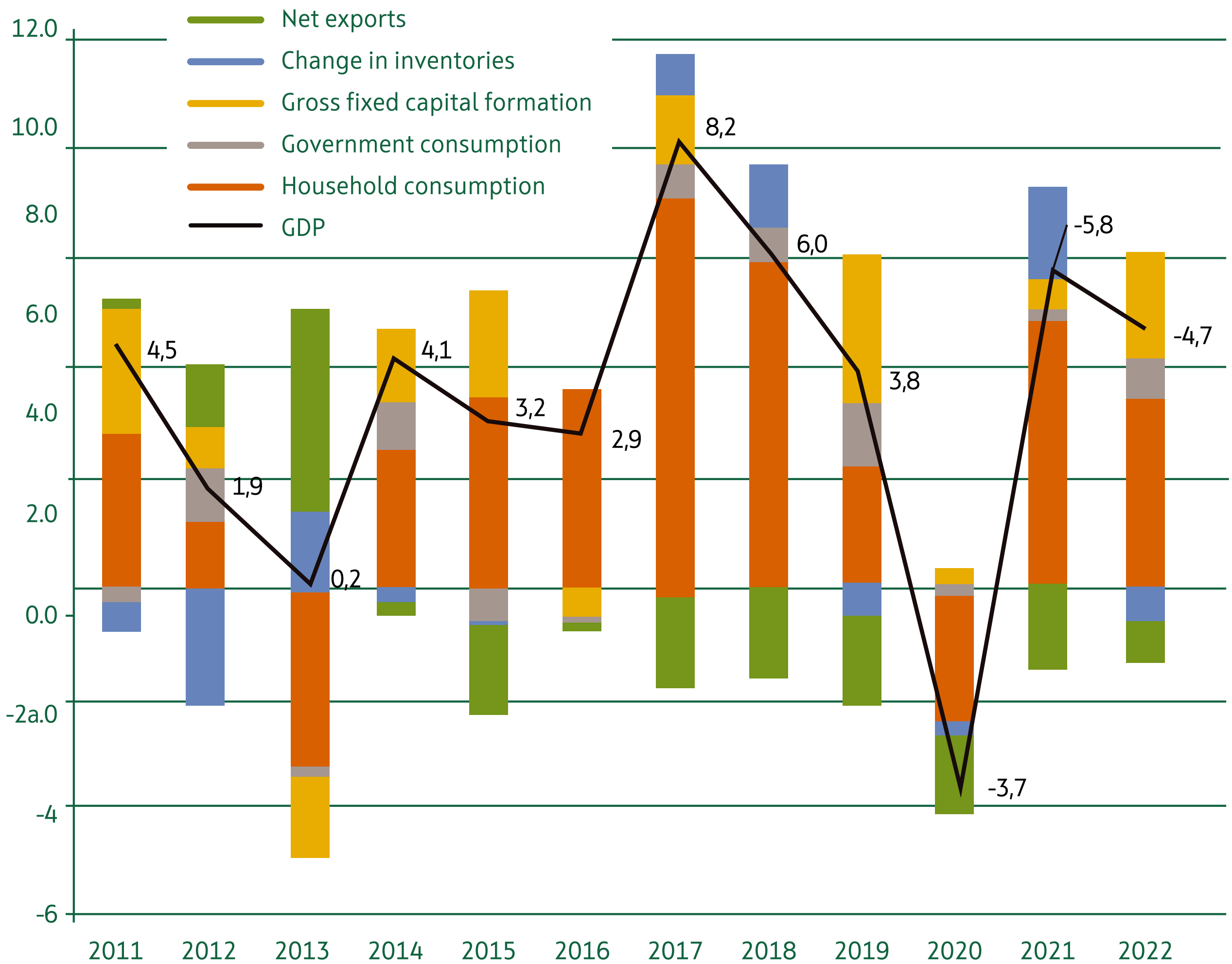
Last year the decent growth in the Romanian economy continued. Annual GDP growth turned out at 4.7%, some slowdown from the 5.8% growth in 2021. However, within year growth was uneven, the first half of the year brought stronger growth rates than the second half, as the sharp increase in energy prices and the associated economic uncertainty had some negative effects. While in Q1 GDP growth was 6.3% YoY, the pace slowed to 3.7% in Q3, to correct partially to 4.5% by Q4, also partly related to base effects.

In annual terms, on the sectoral side, almost all the growth came from market services (4.4 ppts), among which the otherwise small info communication performed remarkably well (1.3 ppt). Industry (-0.4 ppts) and agriculture (-0.5 ppts) added negatively, while construction (0.6) and government (0.2) gave a small positive stimulus. Construction grew at an annual rate of 8.2%, and its improvement in the growth contribution (1.1 ppts) compared to 2021 was the biggest sectoral improvement in economic activity. The solid improvement in the construction sector reflected a significant pick-up in non-residential, infrastructural investment from EU funding. The growth contribution of the info sector and other private services (excl. HORECA) also improved compared to 2021, while the rest sectors' growth contribution weakened.

On the expenditure side, the largest impetus was still coming from household consumption (3.4 ppts), nevertheless the contributions slowed compared to 2021 as real wages declined and lending slowed. Mirroring non-residential investment pick-up, gross fixed capital formation had a growth contribution of 1.9 ppts (up from 0.4 ppts in 2021). The contribution of net exports also improved slightly on the back of easing supply chain problems and lower energy consumption, however these were not enough to counteract the weakening effect of consumption and inventories (-0.6 ppts).

Employment kept expanding throughout the entire year nevertheless by the last quarter the growth rate slowed, plus survey indices and unfilled vacancies started to suggest a gradual, albeit moderate turn on the labour market. Wage growth has picked up sharply (Jan: 8.9%, Dec: 13.4%), however the annual average growth of 12.2% was not enough to offset full year inflation (13.7%), hence real wages declined by 1.4%.

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



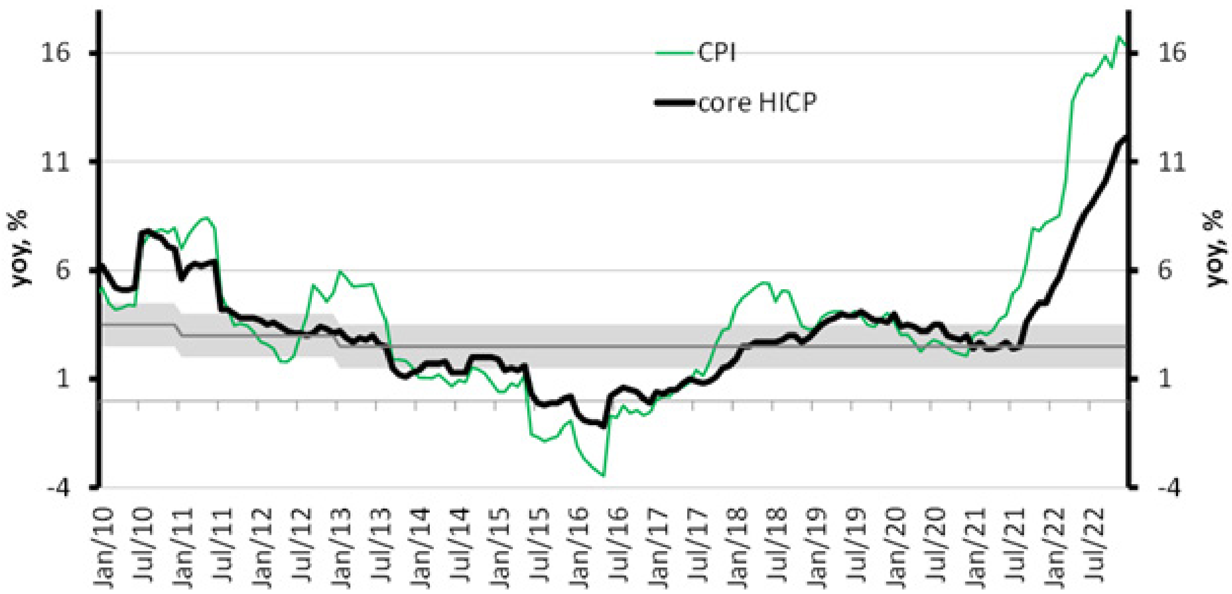
Sources: NIS, OTP Research

In 2022, **economic policies** were tightened during the entire year. On the one hand, the BNR reference rate was raised from 1.75% to 6.75% in 8 steps. Additionally, fiscal policy had also become tighter, the accrual-based budget deficit has declined from 7.1% to 6.2% of GDP. Public debt fell from 48.6 to 47.3% of GDP.

Just as in 2021, **the further sharp inflation increase** was still the biggest negative story of last year. Starting at 8.2% in December 2021, inflation practically uninterruptedly increased to 16.8% by November 2022, which was the peak, and the December figure came out at 16.4%. All components of inflation increased, however most importantly food inflation picked-up from 6.7% to 22% (Dec. to Dec.). Followed by household energy inflation (from 28.1 to 39.7%), while fuel inflation already fell sharply (from 22.4 to 12.4%). Non-energy goods inflation and service sector inflation gained momentum by 5-6 ppts, which reflected and increase in core inflation (as measured by HICP ex food, energy, and tobacco) picking up from 3.4% to 8.4%.

The **external position** of the country continued to deteriorate, the current account deficit amounted to 9.4% of GDP in 2022, up from 7.3% in 2021. The increase was mostly driven by higher energy prices, and by increasing domestic demand, while this was partially counteracted by higher exports on the back of easing global supply chain problems. However, while the current account deficit turned out to be high, due to the substantial inflow of EU funds and the high level of positive net errors and omissions, the actual external deficit from the financing side stood, lower at 5.6% of GDP. Furthermore, as FDI inflows were also significant and nominal GDP growth was solid, the **external debt** to GDP ratio of the country declined from close to 40% of GDP to 34.8% pf GDP (2021 vs 2022 end of period).

NBR POLICY RATE AND INFLATION (%)



Sources: NIS, NBR

The **EUR / RON** rate ended in 2022 at 4.94, practically at the same level as in 2021 as the BNR was trying to contain depreciation.
In 2022, the growth of the stock of non-government (household and corporate) loans slightly slowed to 12.1%, from 14.8% a year before. Corporate (nonfinancial + financial companies) loans were almost flat at 20.2%, from 20.7% a year before, while there was a visible slowdown in household loans, to 4.3%, from 9.7% at end 2021. The sharpest decline occurred with mortgage loans, to 5.4% from 12.9%, while consumer loans also weakened visibly (from 4.9% to 2.6%). However, the pace of growth was quite uneven within the year, while in H1 growth hardly changed, H2 brough sharp slowdown in all segments. This occurred partly due to lower demand in line with weaker growth outlook and higher cost of credit, but it also seems that banks tightened credit conditions amidst the extremely high natural gas price levels and recession fears.
The share of credits in RON rose further, albeit mildly in the household loan segment, where it reached 86% from 83% a year before, while in corporate loans it declined slightly to 59%, from 65%. At the same time, **non-performing loans** declined mildly to 2.8% by 2022Q3 from 3.4% at end-2021.
NBR data showed that the **profitability** of the sector improved up to Q3 on an annual basis, with the ROE index reaching 16.6% compared to 13.6% in 2021Q4. At the same time, the capital adequacy ratio slightly declined to 21.5%, from 23.3% in 2021Q4, as banks increased provisioning.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Business Results

2022

HISTORY OF OTP BANK ROMANIA

OTP BANK ROMANIA , subsidiary of OTP Group, is an integrated and self-financed provider of financial services, present on the Romanian banking market for 18 years. The company entered the financial-banking market by acquiring 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 launch 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 39 million Euros. Millennium Bank had almost 80 thousand customers and a network of 56 units and 58 ATMs, with a large share in Bucharest.

2015 was the year in which the acquisition was final, and the integration process was completed in November 2015. After the integration, OTP BANK ROMANIA 's market share increased by approximately 2% after assets. The total number of branches in Romania increased by 24 during 2015, and the new customer portfolio reached over 426,000 customers, increasing by 13% compared to the portfolio prior to the acquisition. Also in 2015, in December, OTP BANK ROMANIA launched a conversion program for mortgage loans in CHF. The program underlined the bank's desire to restore strong and healthy long-term relationships with its customers, constantly looking for those pragmatic solutions, adapted to the economic reality of the market. The program was continued in 2016, and over 70% of the bank's customers with loans in Swiss francs paid a lower rate from the moment they accepted the offer proposed by the bank. The offer initiated by the Bank represented a RON 425 million financial effort.

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

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

2018 marked the moment when OTP BANK ROMANIA managed to consolidate its position on the Romanian market, reaching the 9th place on the banking market, with a market share of 2.37% in September 2018, all through an organic growth. At the end of the year, OTP BANK ROMANIA had a team of specialists of 1,364 employees, registering an increase of 7% compared to the number of employees in 2017. During the same year, the team works with an extensive portfolio of over 358,000 customers.

In 2019 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 IMM Invest, where it has obtained two successive increases in the guaranteed ceiling.

2021 was for OTP BANK ROMANIA a year of constant growth in lending and savings activities on the main business lines, simultaneously with the implementation of the Apollo growth strategy and several organizational transformation programs. These results are also based on constant investments in digitization projects, with the Bank allocating annual funds worth 50 million RON for this direction. Improving customer centricity was one of the key objectives in 2021 as well, which is why OTP BANK ROMANIA constantly developed the infrastructure (digital and physical capabilities) and invested in the growth of teams, with 300 new hires. The final objective of the growth program is to achieve a 5% share of total bank loans. In 2021 the 4% threshold has already been reached.

2022 brought significant challenges due to the fast increasing interest rate environment. OTP Bank Romania defined ESG (Environmental, Social, Governance) Strategy considering OTP Group ESG Strategic directions, regulatory recommendations, NBR expectations, market opportunities and challenges, moved Apollo transformation strategy to the stage of consolidating local operations and to a growth model focused on several pillars, including profitability and attracting new deposits. This year's results included a 23% increase in total revenue, a 76% increase in operating profit. The main objective is to continue local development, with the balance between growth and profitability and focus on the national network, optimization of the digital sphere of services and consistent investment in the team.

OTP BANK ROMANIA APPROACH

OTP BANK ROMANIA has been present on the Romanian banking market for over 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, therefore our decisions are intended to support the development of the Bank on a local level and the strategic objectives of the group.

OTP BANK ROMANIA has grown organically since entering the local market, at the same time 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.

The local development of OTP BANK ROMANIA continued to follow this organic approach, being guided in the last four years by the direction drawn by the Apollo strategy. As a result, in 2022, the Bank recorded an asset value of 19,9 billion RON, which represents an annual growth of 8%, ranking 10th on the local market according to this indicator.

Considering the evolution and general macroeconomic context during 2022, with persistently high inflation, rising interest rates and a shift between lending and saving trends, OTP BANK ROMANIA has adapted the ongoing Apollo growth strategy, focusing on the attraction of new deposits and customers and the transition of the transformation strategy towards the consolidation stage.

Last year's results prove the resilience of the strategy, OTP BANK ROMANIA marking a solid increase in revenues and the operational profitability indicator. The bank continued to be a core financier for the local economy through direct or syndicated loans for a variety of projects in the commercial, real estate or energy sectors, as well as a solid partner for government guarantee programs. Thus, through IMM Invest, funds were distributed directly to local entrepreneurs, for the agricultural sector, financing and financial advice were offered to farmers and investors from the rural environment through the AGRO IMM Invest subprogram, and through the IMM Prod program, it actively supported the industrialization of the economy by ensuring liquidity and the financing of investments made by small and medium enterprises. OTP BANK ROMANIA also participated in the "New House" program, got involved in the Start-up Nation 2022 program and supported agribusiness entrepreneurs by granting grants for working capital based on Emergency Ordinance no. 61/2022 and the package of measures "Support for Romania".

The Bank continues to operate in a prudent and transparent manner and constantly innovates to offer an integrated range of best quality financial services. Thus, the Google Pay service for customers with Mastercard cards was introduced, the term deposit with advantageous interest "Fresh Cash" and a new payment solution for public transport was launched in partnership with Mastercard and Radcom.

The previous years' transformations meant adapting to a flexible organizational structure, redesigning business processes and new internal teams for a balanced development on all levels of involvement in the local economy. Thus, the Sustainability Department was established, which is responsible for the implementation process of the ESG strategy, and the activity of the Lending and Risk Management Division was strengthened by appointing a new leadership.

The Bank also remained committed to balanced development at the local level, with a focus on the national network, optimization of the digital sphere of services and consistent investments in the team.

New steps were also taken in the financial education area, so the OTP BANK ROMANIA Foundation intensified its activity and diversified the educational offer through new programs for youngsters and teachers and launched a social responsibility project through which it offers financial education courses to students from Miercurea Ciuc, in collaboration with the City Hall.

The Bank's success is based on the customers' trust built by understanding local and regional needs, but also on the employees' professionalism, supported in their professional development.

Plans

In 2022, the Bank continued its digital transformation projects and consolidated its position in the system by developing all business segments. We have adapted to the changes in the overall context and offered solid options for our customers, providing them with the tools to face the current context. We have also consolidated the progress made through our Apollo strategy in the banking sector, with gradual steps towards an organic development of our market position.

Within the local strategy, we are pursuing a balanced approach to developing the Bank's footprint, considering physical network and digital development. The progress of digital development has been quite rapid in recent years and has supported our previous growth. So, we have accumulated 44 key projects that have been delivered as part of our digital transformation, changing the customer experience, and increasing the efficiency of the process.

More than a year ago, we established the new Digital Division, which leads and is responsible for bringing OTP BANK ROMANIA's digital environment and banking solutions closer to the customer. This is a significant part of the Bank's regional growth plan and has a big impact on the overall business. Within this framework we have built and launched a full range of digital solutions, starting from the mobile banking app platform, support chatbots, complete digital payment solutions to online application procedures or taking out loans entirely online.

The relationship between the Bank and the customer has been strengthened through this approach, so that in 2022 we had a 35% increase in the number of users for the SmartBank (mobile banking) service and a 45% increase in the total value of transaction volumes recorded on digital channels.

In 2022, we also took new steps in the area of sustainability policies with the launch of the

Bank's ESG strategy, which focuses on three main areas: product, planet, people, to ensure best practices for our role as a responsible supplier, employer and social actor.
The work dedicated to the area of financial education and financial culture building has reached a new dimension. Thus, we were for the third consecutive year supporters of the Mind Architect podcast, for the creation of neuroscience-based personal and professional development content, following one of the main objectives of OTP BANK ROMANIA's ESG strategy, to invest in partnerships that generate valuable educational content.

OTP BANK ROMANIA Foundation has started new projects and inaugurated a new office in Miercurea Ciuc, in collaboration with the town hall, launching a social responsibility project offering courses and modules in economic and financial education to local students.

2023 and the following years will have to continue this progress, in the area of business and operational development for the evolution of OTP BANK ROMANIA's business dimension, through new projects and investments in team, technology and the application of sustainable growth principles.

OBJECTIVES

In 2022, we continued our local development strategy, consolidated our position in the banking system and remained in the top 10 banks in the local market considering the value of assets. At the same time, OTP BANK ROMANIA has already moved into the final stage of the 5-year growth program, marking optimal results for achieving the business target.

In the area of financial education, OTP BANK ROMANIA Foundation continued its activity as a creator of diverse educational content and started impactful projects at national level in cooperation with different organizations. In 2022, approximately 1000 people benefited from the various educational programs launched by OTP BANK ROMANIA Foundation, the organization thus strengthening its strategic orientation in its 8 years of activity, based on four major areas: financial education, children's education, career guidance and strategic partnerships with local associations and NGOs. Based on these premises, we will continue to be involved in the field of education, so that we can make a significant contribution to the collective effort to prepare not only the new generations, but also those who wish to acquire new skills so necessary today.

In the business area, we continue to pursue our market share target and are close to achieving it organically, through constant investments in recent years and by consolidating progress in transformation projects, from digitization to corporate culture and portfolio of banking products and services.

Our direction of development is also challenging, because having a customer-centric approach means we are always mindful of how banking needs and service usage are changing. It is the way we have helped fund the local economy in 2022 too, growing in a balanced way, growing our teams, and supporting our colleagues in their professional development. As a result, we made 300 new hires in various internal, network and operational roles. We will continue this work in 2022, along with all our internal learning, transformation, and operations optimisation programmes.

The trajectory for next year and the medium term remains within the lines of the strategy, and we are now a few steps away from our market share target. The way we will achieve this goal is through consolidation, paying close attention to how the local economy will perform, to internal and external risks, and making the most of all the operational footprint we have built so far, complemented by a growing portfolio of banking products.

The year 2022 has also transformed the entire financial market environment following the macroeconomic and geopolitical developments that have occurred, but the outlook for the year is encouraging so far, with a low but positive economic growth forecast.

STRATEGIC PROJECTS

The year 2022 represented, for OTP BANK ROMANIA, the period in which the identified benefits of implementing the Apollo strategic organic growth program began to be integrated throughout the entire organization, in order to support an agile transformation process constantly and organically, based on the adoption of agile mentality and practices, but also understanding the methods of streamlining the processes.

Thus, the Bank continued the strategy of the Apollo program, keeping the needs and

experience of the clients in the spotlight, focusing in parallel on the implementation of complex projects.

The results achieved during 2022 reflect the constant efforts of OTP BANK ROMANIA's employees to provide quality products and services to its customers, strengthening the relationship of mutual trust:

- Through the market studies carried out for OTP BANK ROMANIA by KANTAR Romania, at the end of 2022 the progress made by the Bank was:
  - 3rd place among the Romanian banks at the end of the year, for customer loyalty, according to the Net Promoter Score (NPS) methodology;
  - 5th place among the Romanian banks at the end of the year, for the quality of customer relations with the bank's products, according to the TRI*M Index methodology;
- Adapting the way employees work and collaborate, through OTP BANK ROMANIA's strategic transformation program, using agile and change management methodologies for IT and product development areas.

The main strategic projects for business development, process optimization and quality assurance of the services carried out during 2022 were:

- Improving the remote customer relationships and initiatives to streamline Internet and Mobile Banking tools, as well as the implementation of new digital flows for remote acquiring of individual and corporate customers, such as the OTP Credit Portal platform for brokers, which has proven the benefits of incremental

integration of modular solutions with the organisation's systems;
- Timely implementation of compliance initiatives with regulatory requirements;
- Continuing the implementation of IT developments on the Business Process Management (BPM) platform, having as main objective the streamlining of the business processes;
- Continuing the project for the implementation of the Data Warehouse, in order to ensure the data and information requirements necessary to run the daily operational activity and to facilitate business decision making;
- Implementation of the CRM solution for territorial units for the purpose of campaign management, lead and opportunity management and aggregation of customer information for a process focused on customer needs;
- Continuing the initiatives on reducing / eliminating non-sales activities performed at agencies level, improving bank processes, reducing the use of paper;
- Implementation of 6 new workflows to improve operational processes, based on RPA automation solution ("Robotic Process Automation").

At the same time, OTP BANK ROMANIA has made constant efforts to improve the quality of the working environment for employees, by implementing initiatives and measuring the impact generated, based on the organization's ambition to become a top employer on the Romanian financial market. Among the implemented or continued initiatives in 2022, it is worth pointing out:
- Providing psychological support for employees;
- Implementing of flexible and hybrid working mode;
- Implementing of the "no meetings Friday" program;
- Organizing of sports communities;
- Organizing a self-awareness and exercise program.

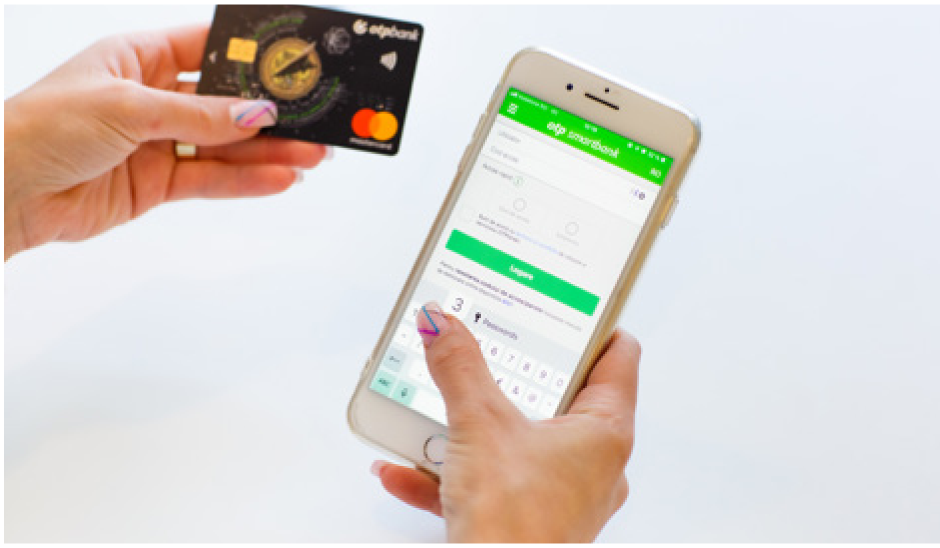
These actions resulted in a 100% participation rate and the annual survey conducted in 2022 revealed a significant 79% employee engagement score.

The Bank also conducted extensive research (internal and external) to better understand its Employer Branding image and determine the best strategies to improve it, to become a more attractive employer and to strengthen the internal culture.

According to the survey data, potential employees have OTP BANK ROMANIA on their Consideration list. Thus, the company's goal is to advance Desire and Application. The status at the end of 2021 was:
- Awareness 97.5%
- Consideration 14.7%
- Desire 8.2%

So, in 2022 we brought banking to a new level in a different way, with a focus on the growth of every employee. This is how we are building the new definition of banking, called #otpmindset. We have 4 pillars that underpin all our work:
- OTPeople: care, respect and effective team collaboration; fostering good relationships with line managers;
- Autonomy: diverse learning and development programs, the opportunity to come up with new ideas and think freely; encouraging employees to push their own boundaries, even when they fail;
- Fast business growth: solid business development plans, known to all employees;
- Diversity: we are all different and this makes us work better as a team.

#otpmindset is an Employer Branding philosophy, not just a hashtag, a chorus we use on every piece of material, an ever-open definition, a red thread of our professional life, an attribute of our organizational culture.



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;
- setting or changing the username used in the login process;
- 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;
- currency exchanges at an advantageous rate;
- currency exchanges at NBR rates for Privilege customers;
- 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 biometrisc;
- 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;
- setting or changing the username used in the login process;

- 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 (information)

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

Besides general information regarding OTP BANK ROMANIA, through OTPdirekt – Contact Center, customers can find out anything they want about the Bank's financial products and services, about the exchange rates, standard commissions, and many others. If a customer already has an OTP Bank account, then he can obtain specific information (private) regarding his financial status (accounts, deposits, credits, taxes, commissions, special offers etc.);

4. OTPdirekt – SMS/PUSH Alerts (information)

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 installments, loans interests, deposits that reach their maturity. Together with the alert sent on the mobile phone, the customers will also be notified through the alerts received on the Internet Banking interface;
- deposits maturity: this alert sends SMS/ PUSH notification three working days before the deposit maturity, regardless of type of deposit or its maturity option. The alert contains information regarding the amount of the deposit, the account alias, interest rate, maturity option and maturity date;
- garnishment alert: this alert is available for both individuals, legal entities and private entrepreneur clients and will be sent to client in the same day when the garnishment will be constituted, starting with 08:00 PM. The alert is detailed and offer information about: the amount of garnishment, type of garnishment, no. of file for the garnishment and exchange rate.

The number of OTPdirekt – Internet Banking, Mobile Banking and Contact Center contracts without SMS alerts, on December 31, 2022, was 30,324, divided as follows:

- private individuals: 19,125;
- legal entities: 11,199.

The number of OTPdirekt – Internet Banking, Mobile Banking and Contact Center contracts with SMS alerts, on December 31, 2022, was 183,553, divided as follows:

- private individuals: 166,267;
- legal entities: 17,286.

The number of OTPdirekt – SMS Alerts contracts, on December 31, 2022, was 30,630.

The number of SMS messages sent to the clients during 2022 was 29,339,80.

The number of calls to the Contact Center received in 2022 was 143,333.

The number of transactions through OTPdirekt – Contact Center was 0, and through OTPdirekt - Internet Banking and SmartBank – Mobile Banking 6,282,492.00 by the end of 2022.

During 2022 the SmartBank application was used by 135,139 clients.
The transaction volume through OTPdirekt – Contact Center was 0, and and through OTPdirekt - Internet Banking and SmartBank – Mobile Banking 17,549,437,059.69 EUR by the end of 2022.

BANK CARD BUSINESS

During 2022, the main activities were oriented towards increasing the cards portfolio, stimulate cards transactions and accelerate digitalization.

As of December 2022, the bankcard portfolio of OTP BANK ROMANIA increased with 10% compared to the previous year, reaching 366,000 cards. The debit cards segment represents 96%, while the credit cards segment stands for 4% out of the total cards' portfolio. During 2022, the new cards sales on Personal Individuals segment consisted mainly of salary, pension and junior cads, OTP Bank continuing its strategy of attracting new income transfer clients through a very competitive offer – the „Lejer package". Regarding the Legal Entities and assimilated categories, the new sales were oriented towards business debit cards, which can be acquired through a wide range of competitive packages.

The total volume of transactions performed with cards issued by OTP BANK ROMANIA in 2022 reached RON 6,053 million, which marked a stable increase of 30% compared to the previous year. Also, the volume of purchase transactions performed by the OTP bank cardholders reached RON 2,676 millions, with an increase of 43% compared to 2021.

The Mastercard cards issued by the Bank can be enrolled in the mobile payments apps Apple Pay (IoS), Google Pay or OTPay (Android) and can be easily used to perform purchases and cash withdrawals through mobile devices, speeding up the bank cards transactions.

The number of cards enrolled in the mobile payments apps increased with 75% in 2022, while the number of transactions performed through these apps increased with more than 100% compared to the previous year.

Currently, OTP BANK ROMANIA has one of the most comprehensive cards offer in the Romanian market, consisting of the following main products:

- Cards for Personal Individuals:
  Debit cards (RON&EUR):
    - Mastercard Flat
    - Mastercard Standard
    - Mastercard Gold
    - Mastercard Platinum
    - Visa Junior
    - VISA Classic Prestige

  - Credit cards (RON):
    - Mastercard Standard
    - Matercard Standard Dual
    - Mastercard Platinum
    - Mastercard OTP-MOL co-branded
    - Visa Clasic
    - Visa Gold

- Cards for Legal Entities and assimilated categories:
  - Debit cards (RON&EUR):
    - Visa Business
    - Visa Business Silver
    - Mastercard Corporate

  - Credit cards (RON)
    - Visa Business Silver

During 2022, OTP BANK ROMANIA expanded the cards acquiring business, the merchant POS network reaching 11,000 installed POSs, both in-store terminals and virtual terminals (e-commerce), which represented an increase of 19% compared to 2021. As of December 2022, the ATM network reached 154 ATMs, out of which 64% multifunctional machines.

OTP BANK ROMANIA has a broad offer of cards payments acceptance solutions, such as classic POSs (physical terminals), virtual POS (e-commerce), SoftPOS, which is an innovative solution which transforms a mobile phone or tablet with Android operating system into a contactless payment terminal. Also, the Bank offers UPOS or MPOS solutions that can be acquired based on the customer's needs.

Among the most important card related projects in 2022, cam be specified:

- Release the "digital card" functionality through which OTPdirekt users (Internet Banking and Smart Bank) can instantly view the complete details of their physical bank card: card number, expiry date, CVV/ CVC code; by using this functionality, customers can make simple and faster online payments or they can enrol their cards in the mobile payment applications Apple Pay, Google Pay or OTPay and start making payments or cash withdrawals without needing the physical card.

- Launch of the Mastercard Platinum debit card, which offers an attractive pricing and various premium advantages and benefits. It can be acquired with the Privilege Banking package, and it is dedicated to private banking clientele;

- Launch of the Google Pay mobile payments solutions for Mastercard cardholders, through which customers can easily perform payments or cash withdrawals without the need of the physical card;

- Continue the project of increasing the activation and usage rate of the Bank's debit cards and optimization of the debit bankcards portfolio through switching the cards usage from ATM withdrawals to POS purchases. In 2022, this project consisted of a national campaign, which ran during November – December and which was based on a lucky draw mechanism with attractive prizes;

- Relaxing the pricing conditions for the Visa Junior debit cards, issued in RON and EUR;

- Stimulate the credit cards usage and increase products awareness among customers, through a dedicated campaign with an attractive offer, respectively 12 instalments with zero interest worldwide. The campaign addressed both existing and new cardholders.

- Ensure the loyalty of existing customers and increase credit cards product attractiveness through a dedicated member get member campaign for existing credit cardholders.
- In partnership with RADCOM, Visa and Mastercard, OTP BANK ROMANIA made its contribution to help transit operators face their daily challenges, while offering comfort to users of public transport, by installing UPOS terminals in the public transport network, in 3 big cities in Romania: Brasov, Iasi and Constanta. Any citizen or even tourist can make instant contactless payments on buses with contactless cards, smartphones or smartwatches, simply and quickly.

INDIVIDUALS (LOANS)

In 2022, for the private individuals' segment, in the new market context, the war in Ukraine and increasing interest rates, OTP BANK ROMANIA has quickly adapted the strategy to increase the level of the self-financing, increase the number of active customers, improving the cross-sell rate and income generation. In accordance with the Government Ordinance no. 90/2022, in the period June - August 2022 OTP BANK ROMANIA continued to sustain the loan customers affected by pandemic situation and the effects of the armed conflict in Ukraine to have a good repayment behaviour for the instalments related to loans.

At the same time, OTP BANK ROMANIA continued the strategy to diversify the products and services offered, the selling channels, with increasing accent on digitalization, as an alternative to the traditional banking.

Like in previous years, customers continued to show interest in the Program "First House/New House", in 2022 the allocated ceiling being almost entirely used.

During 2022, we focused on increasing the number of active customers and attracted resources by organizing marketing campaigns, increasing the share of this indicators in evaluation of the sales force, target the customers with available funds, continuous revision of the interest rates applied on both resources and loans, correlated with market evolution and the bank's strategy.

Loans

During 2022, OTP BANK ROMANIA continuously offered lending solutions by adjusting the existing products to the market practice and to clients' needs and also through periodically updates of the pricing conditions for its lending offer for the customers.

From legislative perspective, beginning of 2022 year had a powerful influence on the individuals lending conditions for private individuals, from the implementation of new rules imposed by National Bank of Romania for the mortgage backed loans, by changing some conditions for granting refinancing loans on a longer tenor compared to the standard products tenor and also by offering solutions for instalment payment postponement through legislative moratoria, for the customers affected by the macroeconomic context.

Given the macro-economic uncertainty generated by the Ukraine war, followed by the rising interest rates and inflation, the bank has pro-actively applied preventive measures for the lending of private individuals in order to ensure a better quality of the repayment behaviour.

Depending on the loan purpose and the specific collateral required, individuals lending products of OTP BANK ROMANIA are divided in two main categories:
- housing loans, including New House;
- consumer loans.

1. Housing Loans

Mortgage loan for acquisition (ML).

The purpose of this loan is the full or partial acquisition of houses or flats and refinancing mortgage loans previously contracted from other banks. In 2022, the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lending activity was carried exclusively in RON, in line with market development. The minimum loan amount is 1,000 EUR (RON equivalent) and the maximum is 300,000 EUR (RON equivalent). The minimum granting period is of 6 months and the maximum 360 months. The collateral accepted is 1st rank mortgage on the purchased property and property insurance assigned in favour of OTP BANK ROMANIA.

In order to provide to its customers lending products that best suit their needs, in 2022, 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.
In the context of the accelerated growth of interest rates and inflation, the customer's preference shifted in the direction of lending solutions that ensure a higher predictability of the monthly obligations. Thus, more and more clients have opted for

fixed interest rates for the first few years or even for the entire lending period. Given the rising prices, not only for loans but for the entire range of products and services, customers have focused last year on refinancing current obligations, choosing solutions that reduce their financial effort on the short and medium term, rather than contracting new loans.

In the sustainability area (ESG), with the end of 2022 OTP BANK ROMANIA has started the centralized collection of information related to the energy efficiency in the case of mortgage loans granted to individuals, in order to monitor and report the energy efficiency for the financed buildings.

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 ROMANIA or to refinance at least one loan from another bank, decreased interest rate based on loan amount requested, possibility to choose between fix and variable interest rate etc). The maximum loan amount is 120,000 RON. For different loan amounts, for example:

- 50,000 RON or
- 75,000 RON/ 120,000 RON it is necessary to meet some predefined conditions.

In 2022, the Bank continued to offer to its customers PPI products that covers protection in case of decease, 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 ROMANIA's strategic objective remained to attract higher quality clientele, with income transfer, increased cross-sell potential and low-risk profile.

During 2022, the Bank efforts regarding the Personal loan without Mortgage concentrated on loans with fixed interest rate, considering the uncertainty generated by constant increase of interest rate indicators Robor and IRCC.

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

The limit for the overdraft facility is between 600 and 40,000 RON. 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 2022, the Bank continued the strategy to increase the number of customers having OTP BANK ROMANIA as main bank, especially through salary conventions customers.

SAVING PRODUCTS

- **Term Deposits**
- **Saving Account**
- **Junior Account**

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 ROMANIA 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 100 RON/USD/EUR/GBP 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 OTPdirek**t - 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 allows frequent deposits and withdrawals without losing the accumulated interest. Junior account is available in RON, EUR, USD and HUF. The interest rate is variable and is paid according to the value tranches. Thus, the higher the amount saved, the higher the interest received by the customer. Junior account types currently available at OTP BANK ROMANIA 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 attached to the account;
- **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.

INVESTMENT FUNDS

- **Investment Funds**
- **AST - Automatic Saving Tool**

Investment funds. OTP BANK ROMANIA 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 ROMANIA 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**

- **"Privilege Banking" Package**
- **OTP LejerPackage**
- **OTP pensionary Package**
- **Modular Structures**
- **OTP Express**

At the end of 2021, OTP BANK ROMANIA launched an exclusive package of products and services, the **"Privilege Banking" Package**, dedicated mainly to the customers in the Private Banking segment, through which customers have access to prestigious services and facilities carefully built and adapted to the requirements, in conditions of maximum confidentiality, security and efficiency.

„Privilege Banking" Package brings together several products and services: current accounts, debit cards, digital applications, including SMS Alerts - for the use of which a number of benefits are offered, such as: ZERO commission cash withdrawal in RON and foreign currencies, differentiated fees for payments in RON and foreign currencies, intra and interbanking payments. In addition, the package includes benefits applied to time deposits and credit products, as well as a preferential exchange rate for foreign exchange through the OTPdirekt service.

„Privilege Banking" Package is dedicated to the customers with financial assets greater than or equal to EUR 100,000. Therefore, the package price is 0 (ZERO) RON if in the month for which the commission is calculated, the customer has an average daily holding greater than or equal to EUR 100,000 (or equivalent).

Current Account can be opened in RON, EUR, USD, HUF, GBP, CHF, CAD, DKK, PLN, AUD, JPY, NOK or SEK The customer can attach a series of products or services to the current account: Overdraft, Debit Card, Direct Debit, OTPdirekt - Internet Banking, SmartBankand SMS Alerts.

Basic Account with Payment Services - an account that 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) 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.

OTP Lejer 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 was launched in November 2019 and includes many other ZERO commissions and discounts on using the same product or service but purchased separately from the OTP Lejer package.

If the customer inflows RON 1,200 or more in one of the accounts held with OTP BANK ROMANIA 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, e.g. 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 Pensioners package is a package of products and services that includes everything a senior client needs: a current account in RON, an optional Mastercard Flat debit card, free access to Internet Banking (OTPdirekt and SmartBank), SMS alerts (Account Control, Cotrol Card), free withdrawals from OTP BANK ROMANIA ATMs and two free withdrawals per month from other Romanian ATMs.

During the whole period that the client collects his/her pension at OTP BANK ROMANIA, he/she benefits from ZERO monthly subscription fee, otherwise, the cost of the OTP Pensioners package is 5 RON per month.

Moreover, customers benefit from up to 10% back on the money spent at the pharmacy, for 12 months from the date of contracting the package, and the amount received monthly is up to 30 RON/month, according to the Campaign Regulation. Those who want to save, benefit from a bonus of 0.2% p.p. on the deposit interest rate in RON.

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 ROMANIA 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.


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COMMERCIAL BANKING DIRECTORATE

In 2022, the Commercial business line recorded an increase with 12% of the total loans volume and with 9% of number of active clients, maintaining at the same time the complex approach of the cross-sell/ up-sell methods.

The year 2022 brought unexpected challenges and extraordinary circumstances for the business environment and the entire society, as we still faced global pandemics caused by the COVID-19 virus and the economic crisis generated by the armed conflict in Ukraine.

The Business Division offers comprehensive financial solutions for private individuals, self-employed entrepreneurs, small and medium enterprises 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:

· **In 2022, we continued to be a solid partner of the IMM Invest Program/ IMM INVEST PLUS Program, with all its components (IMM INVEST, AGRO IMM INVEST, IMM PROD, GARANT CONSTRUCT, INNOVATION)**, launched by the Romanian Government based on the Government Emergency Ordinance no. 24/2022 and based on the Government Emergency Ordinance no. 99/2022, taking into account the success of the program IMM INVEST (COVID 19 state aid scheme). 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 PLUS state aid scheme"** is a Government's program which has as object granting subsidies as state aid for the interests (without penalties or due interest), risk fee, administration fee and granting state guarantees for the loans contracted by small and medium enterprises and by small company with mid-market capitalization and by administrative territorial units, from banking institutions.

The **„IMM INVEST PLUS state aid scheme"** with all its components 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 25% of new loans sales in 2022 are granted within the IMM Invest/ IMM INVEST PLUS 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 "Spring Friday" campaign in April 2022 and „Black Friday" campaign in November 2022.** All the clients that registered in the dedicated landing page and met the criteria of the campaign could benefit of: the free of charge current accounts at the bank, Internet Banking for one user and Visa Business debit card, unlimited number of inter-banking payments in lei by Internet Banking and optionally, one 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.
- Given the current context of rising prices, including for food and utilities, directly or indirectly caused by the energy crisis and the war between Russia and Ukraine, 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. 90/2022, with all the subsequent amendments**. Customers with ongoing loans, whose income was affected by the situation generated by the current crisis, determined directly or indirectly by the energy crisis and the war between Russia and Ukraine, had the possibility to request rates deferral for a period between 1 and 9 months, in accordance with Government Emergency Ordinance no. 90/2022.
- At the same time, in 2022, besides the specific projects of the Commercial client category and measures taken to support the businesses through the difficult economic and social period, **we continued to place the agriculture at the center of the OTP BANK ROMANIA preoccupations**. In this respect, **starting with 08.04.2022, we launched a new agri product „Ceiling for financing agricultural crops"**, in order to become a top financial partner for Agro companies in Romania, since the farmers are becoming more and more familiar with this type of facility, easy to manage, the guarantees being similar to those used by input distributors (surety, promissory note, movable mortgage on insured crops), so this product offers easy access for farmers to inputs with better prices.
- **Starting with 25.10.2022, OBR launched the product "Triple SAPS prefinancing"**, in order to increase the number of Agri clients and loan portfolio and to simplify the pre-financing flow of the subsidies due to the fact that a single request and analysis will be made for three years pre-financing.

The new proposed product "Triple SAPS prefinancing" is in line with the Ministry of Agriculture and Rural Development strategy, in order to support the agri clients and that will significantly increase OBR image as Agri focused bank.

- In **June 2022, OTP BANK ROMANIA become a partner bank by concluding the addendum at the Convention with the Ministry of Economy,**

Entrepreneurship and Tourism, for the support measures instituted by the Government Emergency Ordinance no. 61/2022 regarding the grants from external non-reimbursable funds for the agro food sector. Therefore, we have opened dedicated accounts and distributed the funds for the eligible companies and private entrepreneurs according to the conditions of the program.

- **In the direction of increasing digitalization, in 2022 we launched a digital platform for 100% online Micro & SME onboarding - covering 10 packages of products and services.** Thus, in a fully online process, companies registered in the RomanianTrade Registry and having a unique shareholder, can perform, fully online, KYC to become OBR clients and open current accounts (in RON, EUR & HUF), business card, Internet Banking & POS (physical or softPOS or e-commerce).

We continued to align the products and services of OTP BANK ROMANIA S.A. dedicated to Commercial 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 July 2022, OTP BANK ROMANIA S.A. become a partner bank by concluding the Convention with the Ministry of Economy, Entrepreneurship and Tourism regarding the implementation of the National Programs for stimulating the establishment and development of the SMEs mentioned in article 25 ^ 1 LAW no. 346 of 14 July 2004.**

The main objective of the National Programs (Start-up Nation and Woman in Tech) is to stimulate the establishment and development of small and medium-sized enterprises and to improve their economic performance/ economic growth, based on digitalization, sustainable development, innovation and entrepreneurship, job creation etc.

Therefore for the program beneficiaries we started to open dedicated accounts and we will distribute the funds for the eligible companies and private entrepreneurs according to the conditions of the program. A bridge loan can also be granted for pre-financing these grants.

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 25 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: this is the first time OTP Private Banking was named the best private banking service provider within the Central and Eastern Europe region by the internationally renowned Global Finance Magazine. In the national awards category, OTP Private Banking was also presented with the Best Private Bank in Hungary award for the fifth year in a row.

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.

In 2022, Private Banking service was addressed to customers who invest more than EUR 100,000 in products offered by 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 benefits 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.

As a result, Private Banking clients' assets under management increased by approximately 58% compared to the reference year 2021.Consequently, there are good premises for further development and sustainable growth in the Private Banking segment.

LARGE CORPORATE DIRECTORATE

In 2022 Large Corporate Directorate continue the strategy of being an important contributor to the Bank's performance. As a reliable partner, Large Corporate team is constantly concerned with supporting the activity of its customers by providing end-to-end services for all their banking needs, developing and improving products and services or customised financing solutions that fully meet their current needs and those of business growth.

During the year 2022 we have explored for our Large corporate customers all of the opportunities from Governmental programs to agro financing and to syndicated loans in different economic sectors:

- Syndicated loans registered a significant increase, by 36% versus previous year, which confirmed the trust of clients and partner banks in the professionalism of our team of specialists, participating not only as agents but also as arrangers.
- Together with the partner institutions, we upheld the financing of the agribusiness sector by continuing to grant the product that represents a real support for the sector, the Loan for double pre-financing of the APIA SAPS subsidies, as well as other range of subsidy pre-financing products and dedicated investment loans for acquisition of land or equipment.
- Financing granted to a brand of strategic importance in the local energy sector that strengthens our role in supporting the local economy.

OTP BANK ROMANIA is committed to finance a fair and gradual transition to a low-carbon economy, while encouraging responsible behaviours and increasing the positive impact on society.

The Bank offers products that facilitate the transition to a sustainable economy and provide an opportunity to increase sustainable investment.

Therefore, an important factor that contributed to the increase in assets was the project financing line with an emphasis on supporting ecological projects, photovoltaic and wind parks, BREEAM accredited residential projects.

Our continuous efforts are aimed at implementing effective solutions in order to ensure our large corporate clients have a positive experience from the moment of onboarding to accessing our dedicated financial solutions and benefit from professional counselling of the experienced Relationship Managers. In order to support this segment of clients, we continue to align the products to the general digitalization trends. We focused on recalibrating the existing products and business flows in order to achieve our clients' expectations and consolidate the partnerships with our clients, built on a high level of professionalism, trust and respect.

Our offer of complete and complex range of cash management products and includes a high degree of customization depending on the need of each customer. Thus, in order to increase the quality and timely manner of servicing our customers, new and more digitized tailor made solutions and improvements for a series of large corporate customers were implemented:

- 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 ROMANIA in different currencies, was improved to be integrated in the Internet Banking platform, in order for clients to view the product and the consolidated balance.
- dedicated collection and direct debit solutions specific to certain utility and software providers through specific parameters according to their requirements, development of new communication channels for files exchanges between the bank and insurance companies, tailor-made solution for specific cross-border services MT101, MT940.

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

- being an active player in the Governmental programs mainly through IMM Invest / Agro IMM / Garant IMM Invest Programms, Eximbank Covid and Ukraine State Aid Programm, that ensured financial continuity for both investment and working capital financing schemes.
- continuing to offer during 2022 the possibility to postpone the repayment of due rates both by applying the legislative moratorium

In Large Corporate Directorate we believe our differentiators are our sector expertise and our people. We continued in 2022 to focus on deepening client relationships and growing the business with them.

In order to better understand our fundamental corporate clients' expectations and standard, to develop a more customer centric way of life, build competitive advantages, increase the loyalty of our clients and number of new clients, our Bank joined other subsidiaries in the delivery of the Group-wide Corporate CX survey on the local market. Its results confirmed the trust we enjoy among our clients, confirming the long-term partnership relations with us. At the same time, they validated the expectations of our clients in such a dynamic and challenging economic environment.

Regarding the financial results, the Large Corporate Directorate confirmed this year as well the valuable contribution to the bank's results despite the economic challenges of this year.

GLOBAL MARKETS

2022 did not lack in periods of volatility on the local and international financial markets. The main event generating extreme risk aversion was the war between Russia and Ukraine.

So, the EUR RON exchange rate started 2022 around 4,95, and was quite stable during the first part of the year, the trading range being around 100 pips. Summer was marked by an appreciation of the RON to about 4,82 against the EUR, followed by an evolution between 4,88 – 4,95 for the rest of the year.

In 2022 the volatility of interest rate instruments was quite high (yield of the 3M FX Swap derived rate varied between 3.50% p.a. and 12.50% p.a.), mainly due to the war in Ukraine. NBR constantly raised its monetary policy rate throughout 2022, from a rate of 2% in January, to 6.75% in November, in the context of an inflation figure much higher than the upper bound of the variation interval targeted by NBR (1.50% - 3.50%). The local bond market saw, in a similar manner, high volatility, the YTM of the 10Y bond moved in a range of 400 basis points.

GDP remained on an increasing trend, after the 5.90% advance in 2021. So, in 2022, GDP grew by 4.70% vs a year before, reaching a figure of 1410 billion RON. The current account deficit reached alarming levels, approximately 26 billion EUR, due to much higher imports in relation to exports.

Public Debt reached 667 billion RON at the end of 2022, dropping as a percentage in GDP to 47.20%, versus 48.9% in 2021.

After reaching 2.60% in 2020 and 8.20% in 2021, 2022 brought a sharp rising inflation to 16.37% at the end of the year.

The Government had as its main target sustaining the economy, the labor force, and measures of energy price control.

Although it was a year with significant events influencing the business environment, OTP BANK ROMANIA' s Global Markets still managed to ensure a proper, stable functioning and to reach and exceed the set revenue goals (133% versus target). This was mainly the result of a great performance in Global Markets Sales activity which, similarly to previous years, represented the growth engine of Global Markets revenues.

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

In 2022 too, we have successfully answered the requests coming from customers willing to hedge their FX exposures from business activity or interest rate exposures related to their long term loans, by offering them the hedging products they have requested.

Regarding Trading activity, we have continued to deliver very good results and managed to achieve 174% budget realization for the Fixed Income and Money Markets Desk, but also 103% for the Foreign Exchange Desk. Our purpose is to develop relationships with as many counterparties as possible and to consolidate our position as a well-known player in the local market.

These solid and beyond expectations results for 2022 have only been possible thanks to the constant hard work and dedication of each member of our Global Markets team proving high levels of professionalism.

OTP Leasing România IFN S.A.

OTP Leasing Romania (OLR), with over 15 years of experience in the market, offers financial leasing solutions to authorized individuals and legal entities for the purchase of cars, commercial vehicles or equipment tailored to each business sector. OTP Leasing Romania finances all business sectors, with a focus in industries such as transport, telecommunications, services, agricultural production, medical, and IT. Regarding the financing area, the companies with which OTP Leasing hail from areas of the country, Bucharest, Iasi, Cluj, Brasov, Timisoara being the predominant regions.

The company maintained an accelerated pace of financing in 2022 and achieved a solid financial performance, with increases in both customer portfolio and new financed volumes. The main sectors financed 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 platform upgrades and new IT applications for both customers and the team. All these investments are intended to transform the services dedicated to customers and make the applications available 24/7.

The digital projects started in the previous year, Webleasing and the online enrolment platform & electronic signature, continued to be a priority. Webleasing is a platform designed for internal teams (Sales, Sales Support, Approvals and Compliance) and partners of the company, enabling offers, verifications, and approvals to be carried out in a short time and with improvements on the user flow. It has maintained integrations with external platforms that allow instant responses for the corporate finance lease offer and approval workflow. 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.

OTP Leasing has invested in strategic partnerships, providing tailored financing solutions succeeding in making a significant contribution to the transition to a green environment, especially through the financing of electric and hybrid vehicles.
In 2022, OTP Leasing celebrated 15 years since its establishment on the local market and marked the moment by launching an anniversary podcast with customers, partners, team members and an employer branding campaign, with a focus on the OLR team.

The podcast about leasing and success stories was designed as a carousel of fresh ideas from the business world, seen through the eyes of entrepreneurs and specialists in the field. It contains a series of 5 mini-interviews through which listeners will find answers to the most common questions about leasing, what this type of financing means, what benefits local businesses have, but also how they have grown and what challenges companies have encountered during this period.

Through communication campaigns, 15

colleagues were the face of the company in the public materials promoted during the anniversary period, thus underlining the importance that the team has in the success and longevity of OTP Leasing.

OTP Consulting

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

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

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

The quality of its consultants is the cornerstone of the company`s ability to serve its clients, leading the company also in 2022 to a large number of successful projects.

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

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

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

The Project, prepared by OTP Consulting Romania for an agriculture company, was promoted as BEST PRACTICE by EBRD.
In 2022, 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 1,7 million Euro, 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. The 22 best business plans were selected for funding of max. 40,000 EUR. The aim of the project was to facilitate/support the return of Romanians from the diaspora back 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** was launched in partnership with the Chamber of Commerce of Romania and in order to support entrepreneurial initiatives to develop the economic environment and increase employment in the South Muntenia region.

New projects

During 2022, the company started the implementation of 3 new POCU projects with **social impact:**

- "**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;

- **"AIS – 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 2 million;

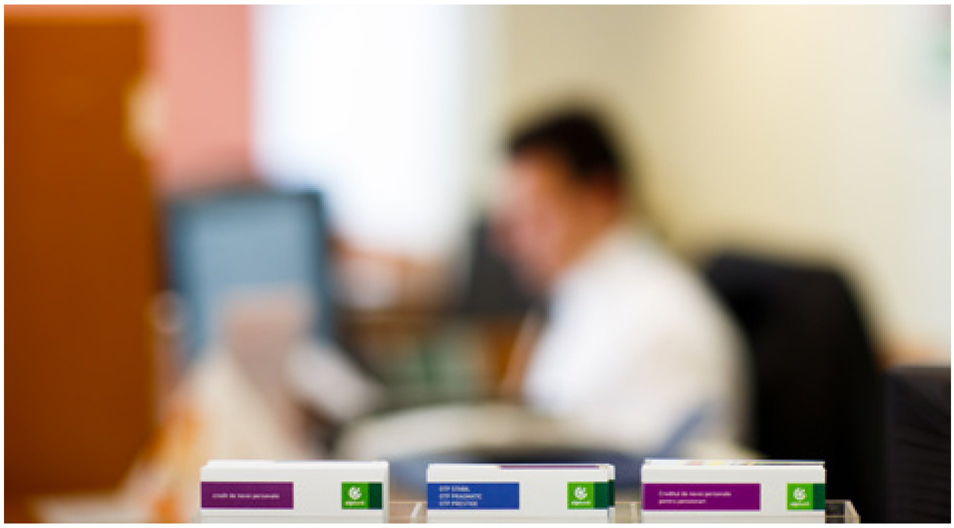
- **"SIA - Innovative students**, future entrepreneurs" The project lasts 30 months and aims to encourage entrepreneurship among students and generate 20 businesses in the 7 least developed regions of Romania and has a total budget of 2 million euros.

Also, during 2022, OTP Consulting Romania signed new consultancy contracts for the elaboration and management of projects 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 2022:

- **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 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 time OTP Broker Pensii Private S.R.L. managed the contracts of the private pension fund that was owned by OTP Bank Romania. 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 SRL.

In 2012, the company went through a rebranding process and became OTP Advisors S.R.L., a team of financial advisors focused on providing first class tailor made financial services for private individuals in Romania, focusing on loans.

The sole and later on the majority shareholder of OTP Advisors S.R.L. was OTP Bank Romania, member of OTP Group. In 2020, the ownership structure was changed and since 2020, October, OTP Bank became the unique shareholder of the Company.

The sales diversification continued as many new products of OTP Bank Romania were added to the sales palette (besides mortgage loans and personal loans with mortgage, accounts, packages for private individuals and credit packages, current account sales for SME and Micro). One strategic goal was to develop mortgage sales for surpassing personal loan sales. (90%+ of the Company's revenues come from sales intermediation of Personal Loan and Mortgage loans for private individuals account)

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

2020-2021 were years heavily influenced by the Covid pandemic. In the beginning of the lockdown period the activity almost annulled, but later sales bounced back and even surpassed former levels, due to changed customer behaviour.

2022 was an ambiguous year: first half was booming (still benefiting from the recovery after Covid and the owner's ambition for growing its market share). The economic climate, environment dramatically changed (worsened) by the 2nd semester. OTP Advisors S.R.L. suffered from market decrease (loan demand decreased heavily), significant interest rates growth and tightened lending conditions. The strategy was changed from growth to adaption (cost control and cut, streamlining - including staff). Efforts were made to slow down sales decrease of loans, deposit sales were introduced and customer acquisition for accounts was put into focus in accordance with the changed strategy of the unique shareholder. Internally, one major aim was to keep good (sales) staff and to prevent the deterioration of the sales network as much as possible, in preparation for better market conditions. The company tried to offset the revenue decrease of its sales force even at the price of "tolerating" losses.

In 2022, the share of OTP Advisors S.R.L. from the total sales of the Bank was really significant: 28.4% of personal loans and 20.5% of mortgage loans.

otp Asset Management

OTP Asset Management România SAI S.A.

OTP Asset Management Romania was founded in 2007, becoming operational in April 2008. In 2022, the company celebrated its 15th anniversary.

The company 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 515 million and has 14,256 individual and institutional clients. Through the products offered, clients can diversify their investment portfolio in a broad range of asset classes, such as: equities and bonds, in different sectors of activity such as energy, financial, IT&C, real-estate, capturing the opportunities from the financial markets, ESG investments that promote environmental and social characteristics, as well as T-bills or deposits. As part of the strategy to increase financial education among customers, the company continued to promote and implement automatic savings programs, these proving to be a good saving tool, especially in periods of financial market volatility.

OTP Asset Management Romania manages 11 open ended funds, as follows:

- OTP AvantisRO Class L and Class E (equity fund, RON, EUR);
- OTP Expert Class L and Class E (equity fund, RON, EUR);
- OTP Innovation Class L and Class E (equity fund, RON, EUR);
- 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 Obligațiuni Class R and Class I (bond fund, RON);
- OTP ComodisRO (short bond fund, RON).

In April 2022, OTP Asset Management Romania launched OTP Innovation, the first open ended fund designed and managed in Romania that promotes environmental and social characteristics (ESG) in accordance with the provisions of art. 8 of EU Reg 2088/2019. As an equity fund, OTP Innovation has exposure in companies that invest significantly in Research and Development (R&D) and is available to clients in lei and euro. In August, the company launched the euro class for the equity fund, OTP Expert, so customers can now invest in this fund also in euro, and lei, depending on the currency they have available. In 2022, OTP Asset Management Romania was authorized by the Financial Supervisory Authority to manage individual investment portfolios, thus offering clients the opportunity to hold customized, discretionary portfolios.

During the past 9 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).

During its 15 years of existence, the company has grown steadily, the centre of its preoccupation stands the customer and his needs, which is why, during this entire period, it has received recognition from stakeholders (professional associations, stock market, specialized press, authorities) through 20 awards for performance and innovation. All the more so in a post-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 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 version summary of the 2022 Business Report of the Board of Directors

MAIN FINANCIAL INDICATORS OF OTP BANK ROMANIA SA

Main components of P&L account in HUF million	2021	2022	Y-o-Y
Adjusted profit after tax	4,253	3,071	-28%
Income tax	-1,444	-649	-55%
Profit before income tax	5,697	3,720	-35%
Operating profit	8,937	17,384	95%
Total income	46,699	62,596	34%
Net interest income	36,270	53,560	48%
Net fees and commissions	4,143	4,743	14%
Other net non-interest income	6,285	4,293	-32%
Operating expenses	-37,762	-45,212	20%
Total provisions	-3,240	-13,663	322%
Provision for impairment on loan losses	-6,821	-11,094	63%
Other provision	3,581	-2,569	-172%
Main components of balance sheet closing balances in HUF million	**2021**	**2022**	**Y-o-Y**
Total assets	1,438,484	1,687,581	17%
Gross customer loans	1,035,400	1,228,254	19%
Gross customer loans (FX-adjusted)	1,124,925	1,228,254	9%
Stage 1+2 customer loans (FX-adjusted)	1,060,750	1,163,986	10%
Retail loans	544,295	565,119	4%
Corporate loans	465,996	535,591	15%
Leasing	50,460	63,276	25%
Allowances for possible loan losses	-54,780	-62,442	14%
Allowances for possible loan losses (FX-adjusted)	-59,721	-62,442	5%
Deposits from customers	830,717	998,452	20%
Deposits from customers (FX-adjusted)	899,056	998,452	11%
Retail deposits	474,446	593,046	25%
Corporate deposits	424,611	405,406	-5%
Liabilities to credit institutions	402,553	446,641	11%
Total shareholders' equity	164,914	181,206	10%
Loan Quality	**2021**	**2022**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	826,518	990,307	20%
Stage 1 loans under IFRS 9/gross customer loans	79.8%	80.6%	0.8%p
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.1%	0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	150,038	173,679	16%
Stage 2 loans under IFRS 9/gross customer loans	14.5%	14.1%	-0.4%p
Own coverage of Stage 2 loans under IFRS 9	8.4%	9.6%	1.2%p
Stage 3 loan volume under IFRS 9 (in HUF million)	58,844	64,268	9%
Stage 3 loans under IFRS 9/gross customer loans	5.7%	5.2%	-0.5%p
Own coverage of Stage 3 loans under IFRS 9	57.5%	54.1%	-3.4%p
Provision for impairment on loan losses/average gross loans	0.74%	0.93%	0.19%
90+ days past due loan volume (in HUF million)	35,921	37,091	3%
90+ days past due loans/gross customer loans	3.5%	3.0%	-0.4%p
Performance Indicators	**2021**	**2022**	**Y-o-Y**
ROA	0.3%	0.2%	-0.2%p
ROE	3.0%	1.8%	-1.3%p
Total income margin	3.75%	3.86%	0.11%p
Net interest margin	2.92%	3.31%	0.39%p
Operating costs / Average assets	3.04%	2.79%	-0.24%p
Cost/income ratio	80.9%	72.2%	-8.6%p
Net loans to deposits (FX-adjusted)	118%	117%	-2%p
FX rates (HUF)	**2021**	**2022**	**Y-o-Y**
HUF/RON (closing)	74.6	80.9	8%
HUF/RON (average)	72.8	79.4	9%

MAIN FINANCIAL INDICATORS OF DSK GROUP (BULGARIA)

Main components of P&L account in HUF million	2021	2022	Y-o-Y
Adjusted profit after tax	76,790	119,885	56%
Income tax	-8,454	-12,680	50%
Profit before income tax	85,244	132,565	56%
Operating profit	106,241	142,383	34%
Total income	178,470	230,834	29%
Net interest income	112,869	145,461	29%
Net fees and commissions	54,508	68,755	26%
Other net non-interest income	11,093	16,618	50%
Operating expenses	-72,230	-88,451	22%
Total provisions	-20,997	-9,819	-53%
Provision for impairment on loan losses	-18,938	-10,992	-42%
Other provision	-2,059	1,173	-157%
Main components of balance sheet closing balances in HUF million	**2021**	**2022**	**Y-o-Y**
Total assets	4,627,132	5,946,815	29%
Gross customer loans	2,922,886	3,584,751	23%
Gross customer loans (FX-adjusted)	3,171,029	3,584,751	13%
Stage 1+2 customer loans (FX-adjusted)	2,974,782	3,458,387	16%
Retail loans	1,745,525	2,003,486	15%
Corporate loans	1,006,603	1,176,069	17%
Leasing	222,654	278,832	25%
Allowances for possible loan losses	-193,180	-154,361	-20%
Allowances for possible loan losses (FX-adjusted)	-209,550	-154,361	-26%
Deposits from customers	3,785,300	4,893,078	29%
Deposits from customers (FX-adjusted)	4,117,637	4,893,078	19%
Retail deposits	3,633,302	4,012,224	10%
Corporate deposits	484,334	880,854	82%
Liabilities to credit institutions	86,606	152,193	76%
Total shareholders' equity	699,375	779,095	11%
Loan Quality	**2021**	**2022**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	2,454,806	3,177,291	29%
Stage 1 loans under IFRS 9/gross customer loans	84.0%	88.6%	4.6%p
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.1%	0.0%p
Stage 2 loan volume under IFRS 9 (in HUF million)	287,157	281,096	-2%
Stage 2 loans under IFRS 9/gross customer loans	9.8%	7.8%	-2.0%p
Own coverage of Stage 2 loans under IFRS 9	15.5%	16.0%	0.5%p
Stage 3 loan volume under IFRS 9 (in HUF million)	180,922	126,364	-30%
Stage 3 loans under IFRS 9/gross customer loans	6.2%	3.5%	-2.7%p
Own coverage of Stage 3 loans under IFRS 9	68.2%	60.2%	-8.0%p
Provision for impairment on loan losses/average gross loans	0.70%	0.33%	-0.38%p
90+ days past due loan volume (in HUF million)	114,362	65,240	-43%
90+ days past due loans/gross customer loans	3.9%	1.8%	-2.1%p
Performance Indicators	**2021**	**2022**	**Y-o-Y**
ROA	1.8%	2.3%	0.5%p
ROE	11.8%	16.7%	4.8%p
Total income margin	4.07%	4.41%	0.34%p
Net interest margin	2.58%	2.78%	0.20%p
Operating costs / Average assets	1.65%	1.69%	0.04%p
Cost/income ratio	40.5%	38.3%	-2.2%p
Net loans to deposits (FX-adjusted)	72%	70%	-2%p
FX rates (HUF)	**2021**	**2022**	**Y-o-Y**
HUF/BGN (closing)	188.7	204.6	8%
HUF/BGN (average)	183.3	200.1	9%

MAIN FINANCIAL INDICATORS OF OTP BANKA HRVATSKA (CROATIA)

Main components of P&L account in HUF million	2021	2022	Y-o-Y
Adjusted profit after tax	33,448	42,801	28%
Income tax	-7,618	-9,294	22%
Profit before income tax	41,065	52,095	27%
Operating profit	43,422	49,013	13%
Total income	88,736	102,042	15%
Net interest income	60,933	70,547	16%
Net fees and commissions	18,183	24,692	36%
Other net non-interest income	9,619	6,803	-29%
Operating expenses	-45,313	-53,029	17%
Total provisions	-2,357	3,082	-231%
Provision for impairment on loan losses	1,767	7,102	302%
Other provision	-4,124	-4,020	-3%
Main components of balance sheet closing balances in HUF million	**2021**	**2022**	**Y-o-Y**
Total assets	2,576,445	3,224,955	25%
Gross customer loans	1,811,376	2,263,825	25%
Gross customer loans (FX-adjusted)	1,962,890	2,263,825	15%
Stage 1+2 customer loans (FX-adjusted)	1,806,394	2,152,201	19%
Retail loans	948,625	1,075,342	13%
Corporate loans	732,670	928,717	27%
Leasing	125,100	148,142	18%
Allowances for possible loan losses	-109,575	-108,490	-1%
Allowances for possible loan losses (FX-adjusted)	-118,703	-108,490	-9%
Deposits from customers	1,899,671	2,381,977	25%
Deposits from customers (FX-adjusted)	2,065,327	2,381,977	15%
Retail deposits	1,541,549	1,777,094	15%
Corporate deposits	523,778	604,883	15%
Liabilities to credit institutions	228,733	337,047	47%
Total shareholders' equity	351,023	390,583	11%
Loan Quality	**2021**	**2022**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,448,458	1,886,633	30%
Stage 1 loans under IFRS 9/gross customer loans	80.0%	83.3%	3.4%p
Own coverage of Stage 1 loans under IFRS 9	0.6%	0.5%	0.0%p
Stage 2 loan volume under IFRS 9 (in HUF million)	218,754	265,568	21%
Stage 2 loans under IFRS 9/gross customer loans	12.1%	11.7%	-0.3%p
Own coverage of Stage 2 loans under IFRS 9	5.9%	7.3%	1.4%p
Stage 3 loan volume under IFRS 9 (in HUF million)	144,163	111,624	-23%
Stage 3 loans under IFRS 9/gross customer loans	8.0%	4.9%	-3.0%p
Own coverage of Stage 3 loans under IFRS 9	61.4%	70.6%	9.2%p
Provision for impairment on loan losses/average gross loans	-0.11%	-0.34%	-0.23%p
90+ days past due loan volume (in HUF million)	73,826	71,800	-3%
90+ days past due loans/gross customer loans	4.1%	3.2%	-0.9%p
Performance Indicators	**2021**	**2022**	**Y-o-Y**
ROA	1.4%	1.5%	0.1%p
ROE	10.0%	11.4%	1.4%p
Total income margin	3.73%	3.51%	-0.22%p
Net interest margin	2.56%	2.43%	-0.13%p
Operating costs / Average assets	1.90%	1.83%	-0.08%p
Cost/income ratio	51.1%	52.0%	0.9%p
Net loans to deposits (FX-adjusted)	89%	90%	1%p
FX rates (HUF)	**2021**	**2022**	**Y-o-Y**
HUF/HRK (closing)	49.1	53.1	8%
HUF/HRK (average)	47.6	49.7	4%

MAIN FINANCIAL INDICATORS OF OTP BANK SERBIA

Main components of P&L account in HUF million	2021	2022	Y-o-Y
Adjusted profit after tax	32,104	36,873	15%
Income tax	-3,610	-6,118	69%
Profit before income tax	35,714	42,991	20%
Operating profit	40,754	58,544	44%
Total income	83,494	104,524	25%
Net interest income	62,497	76,635	23%
Net fees and commissions	14,410	17,954	25%
Other net non-interest income	6,586	9,934	51%
Operating expenses	-42,740	-45,980	8%
Total provisions	-5,040	-15,553	209%
Provision for impairment on loan losses	-387	-14,422	
Other provision	-4,653	-1,131	-76%
Main components of balance sheet closing balances in HUF million	**2021**	**2022**	**Y-o-Y**
Total assets	2,224,715	2,708,993	22%
Gross customer loans	1,715,347	2,038,480	19%
Gross customer loans (FX-adjusted)	1,861,471	2,038,480	10%
Stage 1+2 customer loans (FX-adjusted)	1,807,788	1,986,879	10%
Retail loans	854,137	907,047	6%
Corporate loans	861,573	979,896	14%
Leasing	92,078	99,935	9%
Allowances for possible loan losses	-44,587	-62,386	40%
Allowances for possible loan losses (FX-adjusted)	-48,412	-62,386	29%
Deposits from customers	1,238,864	1,551,143	25%
Deposits from customers (FX-adjusted)	1,347,720	1,551,143	15%
Retail deposits	816,861	867,997	6%
Corporate deposits	530,860	683,146	29%
Liabilities to credit institutions	584,453	682,615	17%
Total shareholders' equity	306,630	358,120	17%
Loan Quality	**2021**	**2022**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,542,170	1,764,677	14%
Stage 1 loans under IFRS 9/gross customer loans	89.9%	86.6%	-3.3%p
Own coverage of Stage 1 loans under IFRS 9	0.7%	0.9%	0.2%p
Stage 2 loan volume under IFRS 9 (in HUF million)	123,754	222,202	80%
Stage 2 loans under IFRS 9/gross customer loans	7.2%	10.9%	3.7%p
Own coverage of Stage 2 loans under IFRS 9	6.1%	7.0%	0.9%p
Stage 3 loan volume under IFRS 9 (in HUF million)	49,423	51,601	4%
Stage 3 loans under IFRS 9/gross customer loans	2.9%	2.5%	-0.3%p
Own coverage of Stage 3 loans under IFRS 9	53.6%	59.8%	6.2%p
Provision for impairment on loan losses/average gross loans	0.02%	0.74%	0.71%p
90+ days past due loan volume (in HUF million)	33,405	34,516	3%
90+ days past due loans/gross customer loans	1.9%	1.7%	-0.3%p
Performance Indicators	**2021**	**2022**	**Y-o-Y**
ROA	1.6%	1.5%	-0.1%p
ROE	11.4%	10.9%	-0.5%p
Total income margin	4.07%	4.14%	0.06%p
Net interest margin	3.05%	3.03%	-0.02%p
Operating costs / Average assets	2.09%	1.82%	-0.27%p
Cost/income ratio	51.2%	44.0%	-7.2%p
Net loans to deposits (FX-adjusted)	135%	127%	-7%p
FX rates (HUF)	**2021**	**2022**	**Y-o-Y**
HUF/RSD (closing)	3.1	3.4	9%
HUF/RSD (average)	3.0	3.2	5%

MAIN FINANCIAL INDICATORS OF SKB BANKA (SLOVENIA)

Main components of P&L account in HUF million	2021	2022	Y-o-Y
Adjusted profit after tax	16,822	23,860	42%
Income tax	-3,838	-5,710	49%
Profit before income tax	20,660	29,570	43%
Operating profit	19,595	24,046	23%
Total income	42,354	51,403	21%
Net interest income	27,673	33,688	22%
Net fees and commissions	13,258	15,416	16%
Other net non-interest income	1,423	2,299	61%
Operating expenses	-22,759	-27,357	20%
Total provisions	1,065	5,523	419%
Provision for impairment on loan losses	1,819	7,048	287%
Other provision	-754	-1,525	102%
Main components of balance sheet closing balances in HUF million	**2021**	**2022**	**Y-o-Y**
Total assets	1,433,206	1,790,944	25%
Gross customer loans	984,605	1,204,641	22%
Gross customer loans (FX-adjusted)	1,068,248	1,204,641	13%
Stage 1+2 customer loans (FX-adjusted)	1,054,104	1,190,453	13%
Retail loans	516,522	552,741	7%
Corporate loans	356,531	451,536	27%
Leasing	181,051	186,177	3%
Allowances for possible loan losses	-16,271	-14,637	-10%
Allowances for possible loan losses (FX-adjusted)	-17,658	-14,637	-17%
Deposits from customers	1,213,698	1,466,625	21%
Deposits from customers (FX-adjusted)	1,318,022	1,466,625	11%
Retail deposits	972,768	1,053,881	8%
Corporate deposits	345,254	412,744	20%
Liabilities to credit institutions	15,565	68,172	338%
Total shareholders' equity	179,515	194,843	9%
Loan Quality	**2021**	**2022**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	846,646	1,062,588	26%
Stage 1 loans under IFRS 9/gross customer loans	86.0%	88.2%	2.2%p
Own coverage of Stage 1 loans under IFRS 9	0.3%	0.2%	-0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	124,932	127,866	2%
Stage 2 loans under IFRS 9/gross customer loans	12.7%	10.6%	-2.1%p
Own coverage of Stage 2 loans under IFRS 9	5.0%	2.4%	-2.6%p
Stage 3 loan volume under IFRS 9 (in HUF million)	13,027	14,188	9%
Stage 3 loans under IFRS 9/gross customer loans	1.3%	1.2%	-0.1%p
Own coverage of Stage 3 loans under IFRS 9	56.1%	68.4%	12.2%p
Provision for impairment on loan losses/average gross loans	-0.20%	-0.61%	-0.42%p
90+ days past due loan volume (in HUF million)	4,353	5,831	34%
90+ days past due loans/gross customer loans	0.4%	0.5%	0.0%p
Performance Indicators	**2021**	**2022**	**Y-o-Y**
ROA	1.2%	1.5%	0.3%p
ROE	10.0%	12.8%	2.8%p
Total income margin	3.13%	3.25%	0.12%p
Net interest margin	2.04%	2.13%	0.09%p
Operating costs / Average assets	1.68%	1.73%	0.05%p
Cost/income ratio	53.7%	53.2%	-0.5%p
Net loans to deposits (FX-adjusted)	80%	81%	1%p
FX rates (HUF)	**2021**	**2022**	**Y-o-Y**
HUF/EUR (closing)	369.0	400.3	8%
HUF/EUR (average)	358.5	384.9	7%

MAIN FINANCIAL INDICATORS OF OTP BANK UKRAINE

Main components of P&L account in HUF million	2021	2022	Y-o-Y
Adjusted profit after tax	39,024	-15,922	-141%
Income tax	-8,242	-2,718	-67%
Profit before income tax	47,266	-13,204	-128%
Operating profit	54,760	79,863	46%
Total income	83,567	110,805	33%
Net interest income	62,051	90,007	45%
Net fees and commissions	14,494	12,673	-13%
Other net non-interest income	7,022	8,125	16%
Operating expenses	-28,806	-30,943	7%
Total provisions	-7,494	-93,067	
Provision for impairment on loan losses	-5,827	-90,836	
Other provision	-1,667	-2,231	34%
Main components of balance sheet closing balances in HUF million	**2021**	**2022**	**Y-o-Y**
Total assets	983,557	1,048,713	7%
Gross customer loans	662,173	529,644	-20%
Gross customer loans (FX-adjusted)	633,775	529,644	-16%
Stage 1+2 customer loans (FX-adjusted)	594,212	433,520	-27%
Retail loans	99,019	48,530	-51%
Corporate loans	328,662	264,425	-20%
Leasing	166,531	120,565	-28%
Allowances for possible loan losses	-47,830	-115,754	142%
Allowances for possible loan losses (FX-adjusted)	-45,370	-115,754	155%
Deposits from customers	671,002	783,009	17%
Deposits from customers (FX-adjusted)	645,296	783,009	21%
Retail deposits	273,594	302,960	11%
Corporate deposits	371,702	480,049	29%
Liabilities to credit institutions	115,714	108,678	-6%
Total shareholders' equity	159,756	122,493	-23%
Loan Quality	**2021**	**2022**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	576,876	219,078	-62%
Stage 1 loans under IFRS 9/gross customer loans	87.1%	41.4%	-45.8%p
Own coverage of Stage 1 loans under IFRS 9	1.9%	2.1%	0.2%p
Stage 2 loan volume under IFRS 9 (in HUF million)	43,707	214,442	391%
Stage 2 loans under IFRS 9/gross customer loans	6.6%	40.5%	33.9%p
Own coverage of Stage 2 loans under IFRS 9	18.5%	18.1%	-0.4%p
Stage 3 loan volume under IFRS 9 (in HUF million)	41,590	96,124	131%
Stage 3 loans under IFRS 9/gross customer loans	6.3%	18.1%	11.9%p
Own coverage of Stage 3 loans under IFRS 9	69.6%	75.3%	5.7%p
Provision for impairment on loan losses/average gross loans	1.09%	14.01%	12.92%p
90+ days past due loan volume (in HUF million)	21,914	42,776	95%
90+ days past due loans/gross customer loans	3.3%	8.1%	4.8%p
Performance Indicators	**2021**	**2022**	**Y-o-Y**
ROA	4.7%	-1.6%	-6.3%p
ROE	28.8%	-12.4%	-41.1%p
Total income margin	10.06%	10.92%	0.86%p
Net interest margin	7.47%	8.87%	1.40%p
Operating costs / Average assets	3.5%	3.0%	-0.4%
Cost/income ratio	34.5%	27.9%	-6.5%p
Net loans to deposits (FX-adjusted)	91%	53%	-38%p
FX rates (HUF)	**2021**	**2022**	**Y-o-Y**
HUF/UAH (closing)	11.9	10.2	-14%
HUF/UAH (average)	11.1	11.5	3%

MAIN FINANCIAL INDICATORS OF OTP BANK RUSSIA

Main components of P&L account in HUF million	2021	2022	Y-o-Y
Adjusted profit after tax	37,624	42,548	13%
Income tax	-9,690	-3,632	-63%
Profit before income tax	47,313	46,179	-2%
Operating profit	62,368	98,137	57%
Total income	118,158	178,494	51%
Net interest income	91,364	118,004	29%
Net fees and commissions	25,728	35,251	37%
Other net non-interest income	1,066	25,239	
Operating expenses	-55,790	-80,357	44%
Total provisions	-15,055	-51,958	245%
Provision for impairment on loan losses	-13,075	-51,046	290%
Other provision	-1,979	-911	-54%
Main components of balance sheet closing balances in HUF million	**2021**	**2022**	**Y-o-Y**
Total assets	799,965	1,029,721	29%
Gross customer loans	753,373	784,958	4%
Gross customer loans (FX-adjusted)	891,162	784,958	-12%
Stage 1+2 customer loans (FX-adjusted)	789,349	661,999	-16%
Retail loans	642,680	624,932	-3%
Corporate loans	146,669	37,067	-75%
Leasing	-131,878	-173,105	31%
Allowances for possible loan losses	-155,970	-173,105	11%
Allowances for possible loan losses (FX-adjusted)	411,633	576,865	40%
Deposits from customers	484,763	576,865	19%
Deposits from customers (FX-adjusted)	362,735	341,554	-6%
Retail deposits	122,028	235,311	93%
Corporate deposits	85,485	49,774	-42%
Liabilities to credit institutions	8,842	8,264	-7%
Total shareholders' equity	240,724	306,304	27%
Loan Quality	**2021**	**2022**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	576,404	570,949	-1%
Stage 1 loans under IFRS 9/gross customer loans	76.5%	72.7%	-3.8%p
Own coverage of Stage 1 loans under IFRS 9	3.8%	5.1%	1.3%p
Stage 2 loan volume under IFRS 9 (in HUF million)	90,944	91,050	0%
Stage 2 loans under IFRS 9/gross customer loans	12.1%	11.6%	-0.5%p
Own coverage of Stage 2 loans under IFRS 9	31.1%	31.5%	0.4%p
Stage 3 loan volume under IFRS 9 (in HUF million)	86,025	122,959	43%
Stage 3 loans under IFRS 9/gross customer loans	11.4%	15.7%	4.2%p
Own coverage of Stage 3 loans under IFRS 9	95.1%	93.6%	-1.4%p
Provision for impairment on loan losses/average gross loans	2.05%	5.85%	3.81%p
90+ days past due loan volume (in HUF million)	87,550	122,953	40%
90+ days past due loans/gross customer loans	11.6%	15.7%	4.0%p
Performance Indicators	**2021**	**2022**	**Y-o-Y**
ROA	5.4%	3.9%	-1.6%p
ROE	18.2%	14.1%	-4.1%p
Total income margin	17.02%	16.23%	-0.79%p
Net interest margin	13.16%	10.73%	-2.43%p
Operating costs / Average assets	8.0%	7.3%	-0.7%
Cost/income ratio	47.2%	45.0%	-2.2%p
Net loans to deposits (FX-adjusted)	152%	106%	-46%p
FX rates (HUF)	**2021**	**2022**	**Y-o-Y**
HUF/RUB (closing)	4.4	5.2	18%
HUF/RUB (average)	4.1	5.7	38%

MAIN FINANCIAL INDICATORS OF CKB GROUP (MONTENEGRO)

Main components of P&L account in HUF million	2021	2022	Y-o-Y
Adjusted profit after tax	4,140	9,791	137%
Income tax	-817	-2,184	167%
Profit before income tax	4,957	11,975	142%
Operating profit	10,240	15,133	48%
Total income	22,046	28,816	31%
Net interest income	16,553	20,832	26%
Net fees and commissions	4,880	7,106	46%
Other net non-interest income	613	878	43%
Operating expenses	-11,805	-13,683	16%
Total provisions	-5,283	-3,158	-40%
Provision for impairment on loan losses	647	639	-1%
Other provision	-5,930	-3,797	-36%
Main components of balance sheet closing balances in HUF million	**2021**	**2022**	**Y-o-Y**
Total assets	513,522	664,395	29%
Gross customer loans	366,369	447,921	22%
Gross customer loans (FX-adjusted)	397,396	447,921	13%
Stage 1+2 customer loans (FX-adjusted)	369,636	425,934	15%
Retail loans	175,739	193,907	10%
Corporate loans	193,897	232,027	20%
Leasing	-23,504	-21,893	-7%
Allowances for possible loan losses	-25,495	-21,893	-14%
Allowances for possible loan losses (FX-adjusted)	386,572	524,479	36%
Deposits from customers	420,137	524,479	25%
Deposits from customers (FX-adjusted)	255,905	289,242	13%
Retail deposits	164,232	235,237	43%
Corporate deposits	19,698	12,443	-37%
Liabilities to credit institutions	82,029	99,131	21%
Total shareholders' equity	159,756	122,493	-23%
Loan Quality	**2021**	**2022**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	280,910	389,640	39%
Stage 1 loans under IFRS 9/gross customer loans	76.7%	87.0%	10.3%p
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.2%	0.2%p
Stage 2 loan volume under IFRS 9 (in HUF million)	59,866	36,294	-39%
Stage 2 loans under IFRS 9/gross customer loans	16.3%	8.1%	-8.2%p
Own coverage of Stage 2 loans under IFRS 9	6.5%	8.9%	2.4%p
Stage 3 loan volume under IFRS 9 (in HUF million)	25,593	21,987	-14%
Stage 3 loans under IFRS 9/gross customer loans	7.0%	4.9%	-2.1%p
Own coverage of Stage 3 loans under IFRS 9	66.0%	64.4%	-1.7%p
Provision for impairment on loan losses/average gross loans	-0.18%	-0.15%	0.03%p
90+ days past due loan volume (in HUF million)	16,472	13,330	-19%
90+ days past due loans/gross customer loans	4.5%	3.0%	-1.5%p
Performance Indicators	**2021**	**2022**	**Y-o-Y**
ROA	0.9%	1.6%	0.8%p
ROE	5.2%	10.9%	5.7%p
Total income margin	4.62%	4.84%	0.21%p
Net interest margin	3.47%	3.50%	0.02%p
Operating costs / Average assets	2.48%	2.30%	-0.18%p
Cost/income ratio	53.5%	47.5%	-6.1%p
Net loans to deposits (FX-adjusted)	89%	81%	-7%p
FX rates (HUF)	**2021**	**2022**	**Y-o-Y**
HUF/EUR (closing)	369.0	400.3	8%
HUF/EUR (average)	358.5	391.3	9%

MAIN FINANCIAL INDICATORS OF OTP BANK ALBANIA

Main components of P&L account in HUF million	2021	2022	Y-o-Y
Adjusted profit after tax	5,522	10,175	84%
Income tax	-986	-2,013	104%
Profit before income tax	6,508	12,188	87%
Operating profit	7,213	9,335	29%
Total income	13,398	20,232	51%
Net interest income	10,619	16,927	59%
Net fees and commissions	1,843	3,067	66%
Other net non-interest income	936	238	-75%
Operating expenses	-6,186	-10,896	76%
Total provisions	-705	2,852	-505%
Provision for impairment on loan losses	-880	2,505	-385%
Other provision	175	347	98%
Main components of balance sheet closing balances in HUF million	**2021**	**2022**	**Y-o-Y**
Total assets	350,848	635,364	81%
Gross customer loans	219,890	370,875	69%
Gross customer loans (FX-adjusted)	244,973	370,875	51%
Stage 1+2 customer loans (FX-adjusted)	236,959	352,632	49%
Retail loans	94,768	156,789	65%
Corporate loans	138,049	191,676	39%
Leasing	4,143	4,167	1%
Allowances for possible loan losses	-10,096	-16,208	61%
Allowances for possible loan losses (FX-adjusted)	-11,227	-16,208	44%
Deposits from customers	251,270	516,668	106%
Deposits from customers (FX-adjusted)	280,600	516,668	84%
Retail deposits	234,809	448,065	91%
Corporate deposits	45,790	68,603	50%
Liabilities to credit institutions	53,257	30,279	-43%
Total shareholders' equity	35,134	60,827	73%
Loan Quality	**2021**	**2022**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	191,308	318,215	66%
Stage 1 loans under IFRS 9/gross customer loans	87.0%	85.8%	-1.2%p
Own coverage of Stage 1 loans under IFRS 9	1.2%	1.0%	-0.3%p
Stage 2 loan volume under IFRS 9 (in HUF million)	21,391	34,417	61%
Stage 2 loans under IFRS 9/gross customer loans	9.7%	9.3%	-0.4%p
Own coverage of Stage 2 loans under IFRS 9	11.4%	9.4%	-2.1%p
Stage 3 loan volume under IFRS 9 (in HUF million)	7,190	18,243	154%
Stage 3 loans under IFRS 9/gross customer loans	3.3%	4.9%	1.6%p
Own coverage of Stage 3 loans under IFRS 9	73.3%	54.4%	-18.8%p
Provision for impairment on loan losses/average gross loans	0.46%	-0.83%	-1.30%p
90+ days past due loan volume (in HUF million)	3,624	11,050	205%
90+ days past due loans/gross customer loans	1.6%	3.0%	1.3%p
Performance Indicators	**2021**	**2022**	**Y-o-Y**
ROA	1.8%	2.0%	0.2%p
ROE	17.6%	21.1%	3.5%p
Total income margin	4.43%	4.07%	-0.37%p
Net interest margin	3.51%	3.40%	-0.11%p
Operating costs / Average assets	2.05%	2.19%	0.14%p
Cost/income ratio	46.2%	53.9%	7.7%p
Net loans to deposits (FX-adjusted)	83%	69%	-15%p
FX rates (HUF)	**2021**	**2022**	**Y-o-Y**
HUF/ALL (closing)	3.1	3.5	15%
HUF/ALL (average)	2.9	3.3	13%

MAIN FINANCIAL INDICATORS OF MOBIASBANCA (MOLDOVA)

Main components of P&L account in HUF million	2021	2022	Y-o-Y
Adjusted profit after tax	5,858	9,403	61%
Income tax	-802	-1,385	73%
Profit before income tax	6,660	10,788	62%
Operating profit	7,835	17,551	124%
Total income	15,271	27,830	82%
Net interest income	9,698	19,172	98%
Net fees and commissions	2,344	2,624	12%
Other net non-interest income	3,230	6,034	87%
Operating expenses	-7,437	-10,279	38%
Total provisions	-1,175	-6,763	476%
Provision for impairment on loan losses	-663	-5,895	789%
Other provision	-512	-868	70%
Main components of balance sheet closing balances in HUF million	**2021**	**2022**	**Y-o-Y**
Total assets	310,511	365,658	18%
Gross customer loans	166,573	171,412	3%
Gross customer loans (FX-adjusted)	179,402	171,412	-4%
Stage 1+2 customer loans (FX-adjusted)	176,102	166,679	-5%
Retail loans	96,830	83,388	-14%
Corporate loans	75,132	78,333	4%
Leasing	4,140	4,958	20%
Allowances for possible loan losses	-5,020	-11,177	123%
Allowances for possible loan losses (FX-adjusted)	-5,415	-11,177	106%
Deposits from customers	247,610	264,031	7%
Deposits from customers (FX-adjusted)	268,754	264,031	-2%
Retail deposits	173,744	177,022	2%
Corporate deposits	95,010	87,009	-8%
Liabilities to credit institutions	15,886	42,083	165%
Total shareholders' equity	42,701	53,430	25%
Loan Quality	**2021**	**2022**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	153,157	139,227	-9%
Stage 1 loans under IFRS 9/gross customer loans	91.9%	81.2%	-10.7%p
Own coverage of Stage 1 loans under IFRS 9	1.3%	2.3%	1.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	10,368	27,452	165%
Stage 2 loans under IFRS 9/gross customer loans	6.2%	16.0%	9.8%p
Own coverage of Stage 2 loans under IFRS 9	13.6%	18.3%	4.7%p
Stage 3 loan volume under IFRS 9 (in HUF million)	3,048	4,733	55%
Stage 3 loans under IFRS 9/gross customer loans	1.8%	2.8%	0.9%p
Own coverage of Stage 3 loans under IFRS 9	54.3%	61.3%	7.0%p
Provision for impairment on loan losses/average gross loans	0.46%	3.23%	2.77%p
90+ days past due loan volume (in HUF million)	2,164	3,158	46%
90+ days past due loans/gross customer loans	1.3%	1.8%	0.5%p
Performance Indicators	**2021**	**2022**	**Y-o-Y**
ROA	2.2%	2.7%	0.5%p
ROE	15.2%	19.3%	4.1%p
Total income margin	5.86%	8.05%	2.19%p
Net interest margin	3.72%	5.55%	1.83%p
Operating costs / Average assets	2.85%	2.97%	0.12%p
Cost/income ratio	48.7%	36.9%	-11.8%p
Net loans to deposits (FX-adjusted)	65%	61%	-4%p
FX rates (HUF)	**2021**	**2022**	**Y-o-Y**
HUF/MDL (closing)	18.4	19.6	7%
HUF/MDL (average)	17.2	19.7	15%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OTP Bank România S.A. Raport Anual

Financial Statements

2022

SEPARATE INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2022

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

	Note	Year ended December 31, 2022	Year ended December 31, 2021
Interest Income		1,112,508	621,381
Interest Expense		(475,585)	(150,007)
Net interest income	**5**	**636,923**	**471,374**
Fee and commission income		129,533	108,480
Fee and commission expense		(81,775)	(57,925)
Net fee and commission income	**6**	**47,758**	**50,555**
Impairment losses and provision expenses	**7**	**(178,768)**	**(116,490)**
Net interest, fee and commission income after impairment losses		**505,913**	**405,439**
Trading income, net	8	56,811	89,293
Gains or (losses) on financial instruments at fair value through profit or loss		(1,368)	1,339
Gains or (losses) on financial instruments at fair value through other comprehensive income		287	500
Dividend income		47,789	-
Other operating income	11	22,275	17,310
Total operating revenues		**631,707**	**513,881**
Salaries and related expenses	9	(287,070)	(266,740)
Other administrative expenses	10	(180,875)	(162,464)
Depreciation of tangible and intangible assets	18	(81,958)	(73,455)
Other operating expenses	11	(9,031)	(9,989)
Total non-interest expense		**-558,934**	**-512,648**
Profit before income taxes		**72,773**	**1,233**
Current tax expense	28	(4,521)	-
Deferred tax expense	28	688	(10,577)
Net Loss / Profit for the period for owners of the parent		**68,940**	**(9,344)**
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment		4,381	3,780
Net change in fair value of financial assets through other comprehensive income		50	1,177
Related tax for above positions		(58)	(820)
Total items that will not be reclassified to profit or loss		**4,373**	**4,137**
Items that may be reclassified to profit or loss			
Net change in fair value of financial assets through other comprehensive income		(4,345)	(268)
Total items that may be reclassified to profit or loss		**(4,345)**	**(268)**
Other comprehensive income, net of tax		**28**	**3,869**
Total comprehensive income for the reporting period for owners of the parent		**68,968**	**(5,475)**
Basic and diluted earnings per ordinary share	**30**	**7.26**	**(0.98)**

These separate financial statements have been authorized for issue by the management in 22nd of March, 2023.

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	December 31, 2022	December 31, 2021
ASSETS			
Cash and cash equivalents	12	603,828	551,861
Current accounts and deposits at banks	13	84,412	63,289
Accounts with the National Bank of Romania	14	1,052,202	1,354,829
Loans and advances to banks	16	5,793	1,931
Derivatives	25	48,828	18,211
Derivatives hedge accounting	26	17,391	-
Investment securities at fair value through profit and loss	19	15,717	21,130
Investment securities at fair value through other comprehensive income	19	501,525	724,374
Securities at amortized cost	15	3,527,219	2,818,975
Loans and advances to customers	17	13,503,413	12,386,495
Investment in Associates and Subsidiaries	20	49,557	46,558
Property and equipment	18	183,723	187,993
Intangible assets	18	55,489	60,162
Right-of-use assets	18	66,587	61,717
Investment property		762	1,008
Deferred tax assets	28	5,344	4,715
Other assets	21,3,3,3	155,871	150,982
Total assets		**19,877,661**	**18,454,230**
LIABILITIES			
Due to Banks	22	554,809	1,473,153
Derivatives	25	95,307	19,638
Derivatives hedge accounting	26	957	31,573
Due to customers	23	12,431,745	11,196,196
Borrowings	24	4,178,881	3,258,072
Lease liabilities	18	67,920	63,308
Provisions	27	113,953	116,362
Current tax liabilitie	28	4,521	-
Other financial liabilities	29	298,681	235,119
Total liabilities		**17,746,774**	**16,393,421**
SHAREHOLDERS' EQUITY			
Share capital, nominal	30	2,279,253	2,279,253
Share capital inflation effect		42,751	42,751
Total share capital		**2,322,004**	2,322,004
Other equity	9	7,126	6,794
Accumulated deficit and reserves		(198,243)	(267,989)
Total shareholders' equity		**2,130,887**	**2,060,809**
Total liabilities and shareholders' equity		**19,877,661**	**18.454.230**

These separate financial statements have been authorized for issue by the management in 22nd of March, 2023.

Gyula Fatér,
Chairman of the Management
Board and CEO

Mara Cristea,
Member of the Management
Board and Deputy CEO

SEPARATE INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2022

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

	Note	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from operating activities:			
Profit before taxes		**68,940**	**(9,344)**
Adjustments for non-cash items:			
Depreciation expense	18	81,958	73,209
Impairment losses on loans and advances to customers	7	185,636	134,325
Provisions on sundry transactions	7	(6,868)	1,355
Other adjustments	27	2,402	(21,859)
Income tax paid	28	4,521	-
Valuation of derivative transactions	25, 26	(2,955)	(15,273)
Total adjustments for non-cash items		**264,694**	**171,757**
Net profit adjusted for non-cash items		**333,634**	**162,413**
Changes in operating assets and liabilities:			
Increase of cash at National Bank of Romania	12	(123,020)	(111,933)
Increase of loans and advances to customers	7,14	(1,302,599)	(2,334,070)
Increase of loans and advances to banks	16	(3,862)	74,721
Increase of other assets	21	(2,849)	(51,762)
Increase of demand deposits	22,23	(734,327)	1,430,589
Increase of term deposits	22,23	1,051,532	1,565,718
Increase of other liabilities	29	68,240	52,267
Total changes in operating assets and liabilities		**(1,046,887)**	**625,530**
Net cash provided by operating activities		**(713,253)**	**787,943**
Cash flows from investing activities:			
Purchase of investments at fair value through other comprehensive income	19	219,196	2,124
Purchase of investments at amortized cost	15	(2,432,274)	(2,328,844)
Investments at amortized cost that reached maturity	15	1,723,733	80,817
Purchase of investments at fair value through profit and loss	19	5,413	(1,694)
Purchase of tangible and intangible assets, net	18	(50,343)	(60,376)
Payments for increase in share capital of subsidiaries	21	(2,999)	-
Net cash used in investing activities		**(537,274)**	**(2,307,973)**
Cash flows from financing activities:			
Increase of borrowings	24	920,809	159,725
Payment of lease liabilities	18	(22,839)	(23,854)
Proceeds from issue of shares	30	-	450,000
Net cash provided by financing activities		**897,970**	**585,871**
Net increase in cash and cash equivalents		**(352,557)**	**(934,159)**
Cash and cash equivalents at beginning of period	**12**	**1,196,600**	**2,130,759**
Cash and cash equivalents at end of period	**12**	**844,043**	**1,196,600**

Cash-flow from operating activities includes:		
	2022	**2021**
Interest received	1,051,999	619,104
Interest paid	(422,470)	(147,762)

These separate financial statements have been authorized for issue by the management in 22nd of March, 2023.

Gyula Fatér,
Chairman of the Management
Board and CEO

Mara Cristea,
Member of the Management
Board and Deputy CEO

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2022

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

	Share Capital	Share capital reserves	Other equity	Reevaluation reserves	Other comprehensive income	Retained earnings	Total
Balance as of December 31, 2021	**2,279,253**	**42,751**	**6,794**	**42,914**	**836**	**(311,739)**	**2,060,809**
Effect of changes in accounting policies	-	-	332	-	-	-	332
Net income, recognized directly in equity	-	-	-	-	-	-	-
Net loss for the period ended December 31, 2022	-	-	-	-	-	68,940	68,940
Net reserve from revaluation of tangible assets	-	-	-	-	-	778	778
Changes in Other comprehensive income	-	-	-	3,680	558	(4,210)	28
Increase in share capital	-	-	-	-	-	-	-
Balance as of December 31, 2022	**2,279,253**	**42,751**	**7,126**	**46,594**	**1,394**	**(246,231)**	**2,130,887**

	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, 2022	-	-	-	-	-	(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**

These separate financial statements have been authorized for issue by the management in 22nd of March 2023.

Gyula Fatér,
Chairman of the Management
Board and CEO

Mara Cristea,
Member of the Management
Board and Deputy CEO

1 GENERAL OVERVIEW ON THE BANK AND ITS OPERATIONS

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

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

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

The Bank's Cod LEI identification number is 5299003TM0P7W8DNUF61.

The Bank's tax identification number is RO 7926069.

Members of Statutory and Supervisory Boards 31 December 2022:

Management Board:

Gyula Fatér	Chairman of the Management Board and CEO
Luca Rogojanu	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 Statutory and Supervisory Boards as at 31 December 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

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 other Bank's 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 18 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.

OBR ESG (Environmental, Social, Governance) Strategy was defined in 2022 considering OTP Group ESG Strategic directions, regulatory recommendations, NBR expectations, market opportunities and challenges. OTP BANK ROMANIA, trough ESG strategy is committed to finance a fair and gradual transition to a low-carbon economy, while encouraging responsible behaviors and increasing the positive impact on society. Based on materiality assessment perfomed by OTP Group amongst stakeholders, applicable to OBR also, all ESG factors appeared as relevant and were grouped under 3 materiality strategic Pillars:
• Responsible Provider
• Responsible Employer
• Responsible Social Actor that is detailed at the Management Board Report Non-Financial/ Sustainability.

We continued to be a solid partner of the IMM Invest Program/IMM INVEST PLUS Program, with all its components (IMM INVEST, AGRO IMM INVEST, IMM PROD, GARANT CONSTRUCT, INNOVATION) and at the same time, in 2022, besides the specific projects and measures taken to support the businesses through the difficult economic and social period (caused by the COVID-19 virus and the economic crisis generated by the armed conflict in Ukraine), in the direction of increasing digitalization, in 2022 we launched a digital platform for 100% online Micro & SME onboarding - covering 10 packages of products and services.

The Bank has also contributed to agribusiness projects and we continued to place the agriculture at the center of the OTP BANK ROMANIA preoccupations, by launching a new agri product „Ceiling for financing agricultural crops", in order to become a top financial partner for Agro companies in Romania. We also launched the product "Triple SAPS prefinancing", in order to increase the number of Agri clients and loan portfolio and to simplify the pre-financing flow of the subsidies due to the fact that a single request and analysis will be made for three years pre-financing.

In 2022, OTP BANK ROMANIA become a partner bank by concluding the Convention with the Ministry of Economy, Entrepreneurship and Tourism regarding the implementation of the National Programs for stimulating the establishment and development of the SMEs mentioned in article 25 ^ 1 LAW no. 346 of 14 July 2004.

The main objective of the National Programs (Start-up Nation and Woman in Tech) is to stimulate the establishment and development of small and medium-sized enterprises and to improve their economic performance/ economic growth, based on digitalization, sustainable development, innovation and entrepreneurship, job creation.

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.

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

As on December 31, 2022 and December 31,2021, the shareholders' structure of the Bank was as follows:

December 31, 2022

Numele acționarilor	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**

31 decembrie 2021

Numele acționarilor	Procentaj de deținere	Număr de acțiuni	Suma (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 organizational structure and number of employees

As at 31 December 2022 and 31 December 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 31 December 2022 was 1,878 (31 December 2021: 1,791). The average number of employees during 2022 was 1,842 (1,780 in 2021).

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 on December 31, 2022 and comparative data for the period ended as on December 31, 2021 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 on December 31, 2022 and the comparative data for the period ended as on December 31, 2021 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 2022 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 accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Group/Company as of 1 January 2022:

- **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 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations** (Amendments) update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment** (Amendments) prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- **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. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- **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 Illustrative Examples accompanying IFRS

16 Leases
The amendments had no material impact on the financial statements of the Bank.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.
The amendments had no material 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:

- **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, if they do not result from a correction of prior period error. 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. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases

and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. 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.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU.

- **Amendment in 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**
  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. The amendments have not yet been endorsed by the EU.

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.

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)

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

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 on December 31, 2022, which is expected to be made available to the public on www.otpbank.hu., starting with April 2023.

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 on December 31, 2022	5.0289	4.6346	4.9474	1,2354
The exchange rate on December 31, 2021	4.7884	4.3707	4.9481	1,3391

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.
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 the Bank 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 for derivatives, 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 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.

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 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 OTPH Group approach. The identification of default status is 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 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)

If the characteristics of the deal does not change significantly and the Bank does not consider it as a derecognition, the inclusion in depreciation stages will be done based on the full history of the deal (relative triggers).
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. 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 subsegment in collective analysis.

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

a / For legal entities
- Business line: Corporate, SME, Municipalities

b / For individuals
- Instrument type:
  - o Mortgage or Personal loan secured by mortgage
  - o Currency
  - o Consumer cash loan
  - o Credit cards
  - o 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 the 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.

Considering the global phenomenon associated with the inflation rate and its significance at the microeconomic level, in a context burdened by many uncertainties caused by the outbreak of the war in Ukraine, but also by the energy crisis that appeared as a side effect of geopolitical tensions, the inflation rate is a key element to be taken into account in the models implemented by the bank.

Thus, the Bank investigated the inflation as a potential macro variable that could be incorporated into the macro model. Summarizing the findings of this separate analysis on the impacts of the inflation on the portfolio quality carried out in the fall of 2022:

- The investigation of the macro model from the point of view of the increasing inflation gives comforting results as for almost each product in the Group there are real macroeconomic variables applied that are able to manage the negative impact coming from the changing inflational surroundings. This is because in case the increase in inflation exceeds the increase in nominal macroeconomic variables, the real variables would have their impact on the default probabilities anyway.
- Investigating the period prior to inflation increase is essential, given the increase in real wages could significantly improve the stress absorbing ability of customers who applied earlier for a loan.
- The sensitivity of the customers to the indirect impact of inflation increase could significantly vary depending on their wages, or their ability to increase their wages. Also the cost structure plays an important role (PTI ratio), the extent of the disposable income and the amount of their wealth.
- Drawing the conclusion of the above two points, increase in risk could primarily arise in case of those portfolios where the granting of the loan has happened recently with high PTI ratios and low wages (tight financial indicators in case or corporations).
- The indirect negative impacts could manifest, if the introduced fiscal and monetary policy measures evoke an economic slow-down. This is captured through the macro model is use, where it is managed with the help of the forward-looking change in macroeconomic variables (GDP, consumption, investment rate, employment rate etc.) together with the applied scenario wights.
- The negative impact of the rapidly growing inflation could appear on customer level given their everyday spending (other than debt service) is going to increase, which is the case for corporations as well regarding their operational costs. This negative impact is going to lead to higher default rates only if it is not accompanied by an increase in wages for customers, or in revenue for corporations.

To summarize, an increase in inflation rate might have a negative impact on solvency, but it can also be influenced by numerous factors, all of which are well managed by the current macro model.

Compared to last year, the scenario estimate module has been changed by eliminating the methodology of technical scenarios and the mechanism for determining the relative weights of various scenarios, because it was introduced the forward-looking component. An important objective of the impairment assessment requirements of the IFRS9 methodology is to recognize expected losses from all financial instruments for which there has been registered a significant increase in credit risk since initial recognition, taking into consideration all relevant available information and historical accuracy, including those based on expectations about the economy's future evolution. The forward-looking component is based on assumptions about the economy's future evolutions, which aids in making predictions and forecasts about future business situations.

OTP Bank is considering the IFRS9 methodology and implement in the model the calculation of the expected loss based on the assumptions regarding the macroeconomic framework, by including in the model various scenarios regarding the evolution of the economy. Also, the Bank has established various long-term macroeconomic scenarios. Each scenario shows a different trajectory of GDP and has a different weight in the model. The final weights of the scenarios are based on the decision of the OTPH Reserve Committee. In 2022 was introduced the linearized Vasicek Model as a simplified option for estimating the distribution of PDs associated with risk categories.

Furthermore, to acomodate a more risk sensitive portfolio segmentation regarding risk categories it was implemented the usage of ratings of group-wide masterscale model instead of the previously applied DPD categories. The formation of the homogenous groups based on rating categories is thus a more risk sensitive categorization.

Since a more complex analysis of the migration of customers from the rating categories they belonged to was desired, the linearized Vasicek model was implemented, where the distance to economy (DTE) describes the macro conditions, and the distance to default (DTD) stands for the portfolio quality, and a linear relation was assumed between DTE and DTD. This estimation could be performed on risk bucket level, thus the linearized Vasicek-model provides a more granular estimation of macro sensitivity.

Economic indicator called „DTE" (distance to economy) indicates the general macro state of the economy of a given country. The indicator is calculated for all macro variables, and of course it can be different in case of different macro variables at the same time, because in the economy the variables can fluctuate differently. It can be calculated based on the following formula: subtracting the mean of the time series of actual data from a given variable, then dividing it by the standard deviation of the actual data series.

DTE shows how close or how far the period under investigation is from the reference value, which is the average state of the variable. This is a value representing how well an economy is doing as of the observation period compared to the average.
If the DTE for a certain variable is 0, this would mean that the variable of the observation period is exactly the same as the average of the whole time series.

DTE can be calculated for all the macro variables from the bank's model.
Economic indicator called „DTD" (distance to default) is calculated by modelling DTE indicator. DTD gives information about default rate of the given period. The relationship

between these two indicators can be modelled with the application of linear regression, where the regressor is the DTE series based on the actual macro variables and the dependent variable is the DTD series of the observed default rate time series.

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

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

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

The origin of macroeconomic scenarios is always the forecasting scenario, 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 scenario: the optimistic scenario (20%), forecasting scenario (60%) and stres scenarios (20%)

- 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 OTPHQ.

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

The expected loss on loans is calculated on the basis of the amortized cost and the actual value based on the effective interest rate (EIR) of estimated future cash flows (voluntary and collateralised).

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

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

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

Liquidation value is collateral value which, in the event of default, can be capitalized immediately or within a relatively short time span and which includes all liquidation costs. Both estimates of future cash flows (operational and derived from collateralisation) should include the negative component of expected cost estimates (eg valuation of real estate collateral, legal representation, security, etc.).

In order to meet the potential financial crisis generated by the Covid pandemic, the bank has adjusted the provisioning methodology for the end of 2020.

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 Work-out Department, 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 Operational & Market Risk Department.

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. For exposures towards a central bank in the country's local currency, the Bank considers the risk of default as expressly low, given that the central bank has the ability to print money within the framework of monetary policy. Consequently, the Bank may decide to classify the impairment for these exposures as immaterial and not to register it.

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

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

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 2022 by an independent valuator (ANEVAR member), the fair value being determined based on market values and where market values could not be determined, the independent valuator estimated fair value using an income or a depreciated replacement cost approach. The fair values of the buildings were booked as of end of December 2022. As at December 2022, the fair value was RON 103,525 thousand consider level 2 hierarchy. A impairment test was performed in December 2022 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

The Bank applies for intangible assets the revaluation model as accounting policy. After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses. For the purpose of revaluations under this Standard, fair value shall be measured by reference to an active market. They represent licenses and software applications acquired by the Bank.

The useful life period was reviewed starting with 2021:

Category	Useful life (years)
Software	5
Licences (9yrs) from international organizations	9
Licence (5yrs)	5

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".
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) 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 2022.

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 implemented 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% (2021: 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 milion) 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 registered within the Bank, considering the CHF and EUR loan contracts with clauses potentially considered abusive. In this case, the applied methodolgy is based on the use of parameters obtained according to the history of the litigations on abusive clauses lost by the Bank, respectively according to the history of refunds made by 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).

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 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.

As the characteristics of the economic environment of Romania indicate that hyperinflation has ceased, effective from 1st of January 2004 the Bank no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 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.

- **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.

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 ESG risks, 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. Capital & Asset and Liability 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.

C. Strategy, Controlling and MIS Directorate

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 Credits Committee is a permanent committee, subordinate to the Bank's Board of Directors, which has the authority to take decisions on matters within its competence, as well as to submit proposals to the Bank's Board of Directors, 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 competencies detailed within the Rules of Procedures of the Committees of the Management Board and Matrix 2 of the present 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 2022, 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 2022, the Bank had a low exposure to the interest rate risk on banking book, 4.34% of own funds (3.26% as of December 2021). The increase mainly resulted after putting in place a more conservative estimation of the average duration of current accounts and is also due to the increase in the volume of mortgage loans with fixed interest rate for the first 5 years.
During 2022, the exposure to the interest rate risk on banking book had a stable level not exceeding a 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, 2022				December 31, 2021			
	CHF	EUR	RON	USD	CHF	EUR	RON	USD
Consumer	n.a	n.a	9.07	n.a	n.a	11.62	9.35	n.a
Personal loans with mortgage	4.81	4.79	7.52	4.73	4.70	4.37	5.43	4.73
Housing	4.48	4.12	5.54	4.32	4.48	3.88	4.35	4.32
Corporate loans	1.67	3.52	8.64	3.31	2.06	3.25	4.95	3.31

Thousand RON	December 31, 2022	December 31, 2021
Impact in the economic value of the Bank of a 200 bp interest rate shock (thousand RON)	97,105	71,832
Own funds (thousand RON)	2,239,416	2,203,359
Exposure (% of Own funds)	4.34%	3.26%
Impact in earnings for one year of a 200 bp interest rate shock (thousand RON)	13,323	314
Exposure (% of Own funds)	0.59%	0.02%

The following is a summary of the Bank's interest rate gap position as on December 31, 2022. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on either (i) the next repricing date or (ii) the maturity date if fixed rate.

December 31, 2022	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	84,412	-	-	-	-	84,412
Accounts with the National Bank of Romania	1,052,202	-	-	-	-	1,052,202
Investment securities at fair value through profit and loss	15,717	-	-	-	-	15,717
Investment securities at fair value through other comprehensive income	18,091	-	-	483,434	-	501,525
Securities at amortized cost	2,188,932	-	131,600	534,980	671,707	3,527,219
Gross loans	2,890,854	4,368,917	6,118,299	808,444	30,808	14,217,322
Total assets	**6,250,208**	**4,368,917**	**6,249,899**	**1,826,858**	**702,515**	**19,398,397**
LIABILITIES						
Demand deposits from banks	54,185	-	-	-	-	54,185
Term deposits from banks	500,624	-	-	-	-	500,624
Demand deposits from customers	2,741,640	72,967	175,920	1,074,389	452,387	4,517,303
Term deposits from customers	3,130,289	2,482,302	2,141,795	143,550	16,506	7,914,442
Borrowings	753,931	3,424,950	-	-	-	4,178,881
Lease liabilities	17,787	13	1,790	38,330	10,000	67,920
Total liabilities	**7,198,456**	**5,980,232**	**2,319,505**	**1,256,269**	**478,893**	**17,233,355**
Derivatives and spot instruments - NET	359,547	6,541	51,227	(483,434)	-	(66,119)
Assets-Liabilities GAP interest rate sensitivity	(588,701)	(1,604,774)	3,981,621	87,155	223,622	2,098,923
Assets-Liabilities cumulative GAP interest rate sensitivity	**(588,701)**	**(2,193,475)**	**1,788,146**	**1,875,301**	**2,098,923**	

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

Tabelul de mai jos furnizează un sumar al senzitivității Băncii la rata dobânzii, la 31 decembrie 2021:

December 31, 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	63,289	-	-	-	-	63,289
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	**5,601,180**	**4,015,065**	**6,012,765**	**1,566,436**	**792,405**	**17,987,851**
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	(1,712,487)	(507,878)	3,856,039	(105,420)	465,902	1,996,156
Assets-Liabilities cumulative GAP interest rate sensitivity	**(1,712,487)**	**(2,220,365)**	**1,635,674**	**1,530,254**	**1,996,156**	

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.

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.

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

The bank established the following types of limits: bond position limit, bond maturity limit, Value at Risk (VaR) limit, Expected Shortfall (ES) 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, Value at Risk (VaR) limit and Expected Shortfall (ES) limit 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, 2022 and December 31, 2021 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, 2022	December 31, 2021
Foreign Exchange Position	4,953	12,138
Money Market and Fixed Income Instruments	7,413	9,729
Total Trading Book	4,859	15,042

Basis Point Value (amounts in RON)	December 31, 2022	December 31, 2021
Money Market and Fixed Income Instruments	60	600

The following is a summary of the Bank's exposure towards currency risk as on December 31, 2022 and December 31, 2021 (amounts in thousand RON equivalent):

December 31, 2022

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	4,554,496	4,255,687	298,809	(295,735)	3,074	31	(31)
USD	240,753	453,489	(212,736)	212,306	(430)	(4)	4
CHF	191,478	48,531	142,947	(165,408)	(22,461)	(225)	225
HUF	2,242,177	398,521	1,843,656	(1,839,523)	4,133	41	(41)
OTHER	79,693	54,203	25,490	(25,178)	312	3	(3)
Total	**7,308,597**	**5,210,431**	**2,098,166**	**(2,113,538)**	**(15,372)**	**(154)**	**154**

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)	862,893	34,779	348	(348)
USD	316,091	408,222	(92,131)	91,372	(759)	(8)	8
CHF	226,055	39,857	186,198	(200,247)	(14,049)	(140)	140
HUF	1,534,711	584,517	950,194	(946,421)	3,773	38	(38)
OTHER	82,805	36,274	46,531	(46,304)	227	2	(2)
Total	**6,512,658**	**6,249,980**	**262,678**	**(238,707)**	**23,971**	**240**	**(240)**

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

The assets and liabilities split by currencies in RON equivalent amounts, as of December 31, 2022, is presented below:

December 31, 2022	EUR	USD	CHF	HUF	Other CCY	Total other CCY	RON	Total
ASSETS								
Cash and cash equivalents	207,214	39,621	23,040	44,181	75,274	389,330	214,498	603,828
Current accounts and deposits at banks	44,598	6,811	1,483	1,173	4,384	58,449	25,963	84,412
Accounts with the National Bank of Romania	304,108	-	-	-	-	304,108	748,094	1,052,202
Loans and advances to banks	2,102	-	4	1	-	2,107	3,686	5,793
Derivatives	6,744	-	-	-	-	6,744	42,084	48,828
Derivatives hedge accounting	15,540	1,851	-	-	-	17,391	-	17,391
Investment securities at fair value through profit and loss	2,549	8,368	-	-	-	10,917	4,800	15,717
Investment securities at fair value through other comprehensive income	391,411	110,034	-	-	-	501,445	80	501,525
Securities at amortized cost	364,718	-	-	2,196,821	-	2,561,539	965,680	3,527,219
Loans and advances to customers, net	3,208,666	73,714	166,845	-	1	3,449,226	10,054,187	13,503,413
Investment in Associates and Subsidiaries	-	-	-	-	-	-	49,557	49,557
Property and equipment	-	-	-	-	-	-	183,723	183,723
Intangible assets	-	-	-	-	-	-	55,489	55,489
Right-of-use assets	-	-	-	-	-	-	66,587	66,587
Investment property	-	-	-	-	-	-	762	762
Deffered tax asset	-	-	-	-	-	-	5,344	5,344
Other assets, net	6,846	354	106	1	34	7,341	148,530	155,871
Total assets	**4,554,496**	**240,753**	**191,478**	**2,242,177**	**79,693**	**7,308,597**	**12,569,064**	**19,877,661**
LIABILITIES								
Due to Banks	398,367	23,206	-	12	1	421,586	133,223	554,809
Demand deposits from banks	-	-	-	12	-	12	54,173	54,185
Term deposits from banks	398,367	23,206	-	-	1	421,574	79,050	500,624
Derivatives	6,744	-	-	-	-	6,744	88,563	95,307
Derivatives hedge accounting	957	-	-	-	-	957	-	957
Due to customers	3,223,970	421,367	33,091	390,122	46,165	4,114,715	8,317,030	12,431,745
Demand deposits from customers	1,204,462	133,260	27,866	266,006	23,905	1,655,499	2,861,804	4,517,303
Term deposits from customers	2,019,508	288,107	5,225	124,116	22,260	2,459,216	5,455,226	7,914,442
Borrowings	475,074	-	-	-	1	475,075	3,703,806	4,178,881
Lease liabilities	66,109	143	-	-	(1)	66,251	1,669	67,920
Provisions	18,780	2,745	14,107	70	1	35,703	78,250	113,953
Current tax liabilities	-	-	-	-	-	-	4,521	4,521
Other financial liabilities	65,686	6,028	1,333	8,317	8,036	89,400	209,281	298,681
Total liabilities	**4,255,687**	**453,489**	**48,531**	**398,521**	**54,203**	**5,210,431**	**12,536,343**	**17,746,774**
Net Assets / Liabilities	**298,809**	**(212,736)**	**142,947**	**1,843,656**	**25,490**	**2,098,166**	**32,721**	**2,130,887**

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

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 and cash equivalents	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
Property and equipment	-	-	-	-	-	-	187,993	187,993
Intangible assets	-	-	-	-	-	-	60,162	60,162
Right-of-use assets	-	-	-	-	-	-	61,717	61,717
Investment property	-	-	-	-	-	-	1,008	1,008
Deffered tax asset	-	-	-	-	-	-	4,715	4,715
Other assets, net	5,173	259	77	1	25	5,535	145,447	150,982
Total assets	**4,352,996**	**316,091**	**226,055**	**1,534,711**	**82,805**	**6,512,658**	**11,941,572**	**18,454,230**
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
Current tax liabilities	-	-	-	-	-	-	-	-
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**	**10,143,441**	**16,393,421**
Net Assets / Liabilities	**(828,114)**	**(92,131)**	**186,198**	**950,194**	**46,531**	**262,678**	**1,798,131**	**2,060,809**

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 2022, the Bank did not hold trading positions on equity instruments.

The Bank holdings of shares are represented by VISA, Mastercard, Worldwide Interbank and we appreciate that the level of equity risk to which we are exposed is not material (see Note 19).

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 2022.

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;
- Ensuring the soundness of the newly originated loan portfolio in a macro environment with a high level of uncertainty;
- Follow the NPE strategy and reach the NPL% targets;
- 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 2022.

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 where 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

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

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. 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.

The bank's mid-term strategy in respect of credit risk management that includes the ESG risk management too, is detailed at page 193-194 at the present Annual Report

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, 2022	**Stage 1**	**Stage2**	**Stage3**			
	collective	**collective**	**collective**	**Individual**	**POCI**	**TOTAL**
RETAIL	**5,572,700**	**1,070,659**	**234,914**	**28,878**	**53,201**	**6,960,352**
Consumer loans	873,752	258,099	142,521	-	69	1,274,441
Mortgage	4,698,948	812,560	92,393	28,878	53,132	5,685,911
LEGAL ENTITIES	**6,029,153**	**874,478**	**22,903**	**318,048**	**12,388**	**7,256,970**
Real estate and construction	1,773,968	256,652	6,261	74,613	5,725	2,117,219
Trade and finance	1,522,131	111,086	8,683	56,282	6,038	1,704,220
Manufacturing	626,080	270,586	2,885	83,806	-	983,357
Services	681,977	101,506	1,546	50,671	625	836,325
Agriculture and forestry	1,166,530	53,831	1,140	37,118	-	1,258,619
Transportation and communications	252,241	74,191	2,308	14,232	-	342,972
Other sectors	6,226	6,626	80	1,326	-	14,258
Gross carrying amount	**11,601,853**	**1,945,137**	**257,817**	**346,926**	**65,589**	**14,217,322**
Impairment losses on loans	**(128,680)**	**(190,941)**	**(159,101)**	**(218,851)**	**(16,336)**	**(713,909)**
Total net exposure	**11,473,173**	**1,754,196**	**98,716**	**128,075**	**49,253**	**13,503,413**

Stage 2 includes the converted loans in net amount of 340,795 thousand lei, which may have been disclosed as POCI loans and for which lifetime ECL is computed.

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

December 31, 2021	Stage 1 collective	Stage2 collective	Stage3 collective	Individual	POCI	TOTAL
RETAIL	**5,321,755**	**1,067,732**	**154,874**	**27,675**	**56,926**	**6,628,962**
Consumer loans	912,394	215,839	91,105	151	62	1,219,551
Mortgage	4,409,361	851,893	63,769	27,524	56,864	5,409,411
LEGAL ENTITIES	**5,231,657**	**778,373**	**2,177**	**351,777**	**12,308**	**6,376,292**
Real estate and construction	1,334,244	226,363	200	57,994	6,035	1,624,836
Trade and finance	1,403,875	105,056	51	63,957	6,273	1,579,212
Manufacturing	577,109	225,127	30	119,420	-	921,686
Services	781,299	140,684	648	74,682	-	997,313
Agriculture and forestry	856,525	43,962	641	16,595	-	917,723
Transportation and communications	272,593	29,833	607	17,026	-	320,059
Other sectors	6,012	7,348	-	2,103	-	15,463
Gross carrying amount	**10,553,412**	**1,846,105**	**157,051**	**379,452**	**69,234**	**13,005,254**
Impairment losses on loans	**(108,388)**	**(158,428)**	**(96,158)**	**(238,516)**	**(17,269)**	**(618,759)**
Total net exposure	**10,445,024**	**1,687,677**	**60,893**	**140,936**	**51,965**	**12,386,495**

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

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 Obligation, 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%

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

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, 2022	December 31, 2021
Cash collaterals	93,218	86,283
Bank guarantees and cash sureties	93,836	160,845
Guarantees from public administration	90,914	6,011
Revenue assignment	273,033	199,958
Assignment of other receivables	105,925	136,843
Registration of pledge for stock	1,096,171	978,711
Mortgages	9,886,462	8,916,444
Other	1,472,733	1,295,050
Securities - other securities	279,926	184,412
Total	**13,392,218**	**11,964,557**

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, over 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.

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

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.

Provizion type	Client type	Stage	Exposure December 31, 2022	Provision December 31, 2022	Collateral market value, capped to the covered exposure	Collateral liquidation value, capped to the covered exposure	Exposure-Collateral liquidation value
Colective	Individual	1	5,582,784	(36,885)	4,697,092	3,573,078	2,009,706
		2	1,091,761	(126,383)	817,205	651,100	440,661
		3	234,111	(142,000)	98,655	76,843	157,269
	Legal entity	1	6,029,152	(101,877)	4,711,078	3,199,513	2,829,640
		2	875,618	(65,484)	727,012	549,750	325,868
		3	22,903	(12,316)	9,635	6,260	16,644
Individual	Individual	3	51,697	(16,927)	47,355	35,120	16,577
	Legal entity	3	329,296	(212,037)	259,838	164,143	165,154
Total			**14,217,322**	**(713,909)**	**11,367,870**	**8,255,807**	**5,961,519**

Provizion 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**

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 3,733 thousand as of December 31, 2022 (3,263 thousand as of December 31, 2021). These assets are presented in the Statement of Financial Position as Other Assets (Note 21).

Year	Opening balance	Additions	Depreciation	Impairment	Closing balance
2022	3,263	1,614	(1,162)	18	3,733
2021	2,999	1,797	(1,779)	246	3,263

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

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 2022 and 2021 respectively are presented below.
The carrying value of investment property:

Year	Initial	Additions	Depreciation	Adjust	Final
2022	1,008	-	(246)	-	762
2021	1,254	-	(246)	-	1,008

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, 2022	Stage 1	Stage2	Stage3			
	collective	collective	collective	Individual	POCI	TOTAL
RETAIL	**5,572,700**	**1,070,659**	**234,914**	**28,878**	**53,201**	**6,960,352**
within maturity	5,394,882	723,141	12,433	8,225	25,437	6,164,118
1 - 15 days	143,911	211,087	11,075	1,111	8,157	375,341
16 - 30 days	33,907	59,023	5,831	1,514	3,860	104,135
31 - 60 days	-	59,697	26,175	4,605	2,880	93,357
61 - 90 days	-	15,722	29,429	1,115	4,535	50,801
91 - 180 days	-	1,985	35,723	5,740	2,858	46,306
more than 180 days	-	4	114,249	6,567	5,474	126,294
LEGAL ENTITIES	**6,029,153**	**874,478**	**22,903**	**318,048**	**12,388**	**7,256,970**
within maturity	5,862,474	819,087	13,097	101,988	6,016	6,802,662
1 - 15 days	156,257	38,171	5,901	22,987	-	223,316
16 - 30 days	10,422	7,497	2,007	2,350	-	22,276
31 - 60 days	-	7,487	1,028	2,042	-	10,557
61 - 90 days	-	2,236	341	15,010	-	17,587
91 - 180 days	-	-	529	40,329	-	40,858
more than 180 days	-	-	-	133,342	6,372	139,714
Gross carrying amount	**11,601,853**	**1,945,137**	**257,817**	**346,926**	**65,589**	**14,217,322**
Impairment losses on loans	**(128,680)**	**(190,941)**	**(159,101)**	**(218,851)**	**(16,336)**	**(713,909)**
Total net exposure	**11,473,173**	**1,754,196**	**98,716**	**128,075**	**49,253**	**13,503,413**

Stage 2 includes the converted loans in net amount of 340,795 thousand lei, which may have been disclosed as POCI loans and for which lifetime ECL is computed.

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

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	**5,321,755**	**1,067,732**	**154,874**	**27,675**	**56,926**	**6,628,962**
within maturity	5,201,009	838,628	13,787	9,527	34,627	6,097,578
1 - 15 days	98,135	133,987	6,689	230	6,204	245,245
16 - 30 days	22,611	43,163	4,398	1,968	914	73,054
31 - 60 days	-	38,617	16,349	2,637	4,278	61,881
61 - 90 days	-	11,803	17,817	2,841	2,651	35,112
91 - 180 days	-	1,527	29,002	1,839	2,728	35,096
more than 180 days	-	7	66,832	8,633	5,524	80,996
LEGAL ENTITIES	**5,231,657**	**778,373**	**2,177**	**351,777**	**12,308**	**6,376,292**
within maturity	5,221,985	769,179	641	141,307	5,626	6,138,738
1 - 15 days	5,230	3,669	-	15,011	-	23,910
16 - 30 days	4,442	2,632	607	2,969	-	10,650
31 - 60 days	-	2,543	51	3,712	-	6,306
61 - 90 days	-	350	648	2,018	-	3,016
91 - 180 days	-	-	230	15,280	1,296	16,806
more than 180 days	-	-	-	171,480	5,386	176,866
Gross carrying amount	**10,553,412**	**1,846,105**	**157,051**	**379,452**	**69,234**	**13,005,254**
Impairment losses on loans	**(108,388)**	**(158,428)**	**(96,158)**	**(238,516)**	**(17,269)**	**(618,759)**
Total net exposure	**10,445,024**	**1,687,677**	**60,893**	**140,936**	**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. 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, 2022	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	**177,818**	**269,984**	**75,545**	**1,989**	**19,530**	**61,325**	**162,279**	**12,017**	**7,416**	**8,331**	**796,234**
Consumer loans	15,724	78,901	14,276	544	5,062	16,526	117,659	2	-	35	248,729
Mortgage	162,094	191,083	61,269	1,445	14,468	44,799	44,620	12,015	7,416	8,296	547,505
LEGAL ENTITIES	**166,679**	**45,667**	**9,724**	**-**	**33,245**	**18,420**	**174,201**	**-**	**-**	**6,372**	**454,308**
Real estate and construction	41,214	3,468	286	-	7,161	451	38,998	-	-	5,726	97,304
Trade and finance	55,183	11,612	3,336	-	7,934	1,607	39,548	-	-	646	119,866
Manufacturing	8,866	3,958	352	-	2,010	13,540	62,081	-	-	-	90,807
Services	20,610	14,166	1,255	-	4,440	251	16,062	-	-	-	56,784
Agriculture and forestry	23,235	2,975	2,873	-	10,880	1,098	14,965	-	-	-	56,026
Transportation and communications	17,374	9,080	1,532	-	740	1,473	2,295	-	-	-	32,494
Other sectors	197	408	90	-	80	-	252	-	-	-	1,027
Gross carrying amount	**344,497**	**315,651**	**85,269**	**1,989**	**52,775**	**79,745**	**336,480**	**12,017**	**7,416**	**14,703**	**1,250,542**
Impairment losses on loans	**(3,843)**	**(44,179)**	**(12,276)**	**(368)**	**(23,936)**	**(43,590)**	**(252,084)**	**(1,864)**	**(2,463)**	**(9,601)**	**(394,204)**
Total net exposure	**340,654**	**271,472**	**72,993**	**1,621**	**28,839**	**36,155**	**84,396**	**10,153**	**4,953**	**5,102**	**856,338**

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

Stage 2 includes the converted loans in net amount of 340,795 thousand lei, which may have been disclosed as POCI loans and for which lifetime ECL is computed.

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

December 31, 2021	Stage 1	Stage2			Stage3			POCI			TOTAL
	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	peste 90 zile	
RETAIL	**120,746**	**177,151**	**50,420**	**1,534**	**13,285**	**39,644**	**106,305**	**7,117**	**6,929**	**8,252**	**531,383**
Consumer loans	17,463	52,073	13,522	444	4,866	12,997	69,988	2	-	26	171,381
Mortgage	103,283	125,078	36,898	1,090	8,419	26,647	36,317	7,115	6,929	8,226	360,002
LEGAL ENTITIES	**9,672**	**6,301**	**2,893**	**-**	**18,587**	**6,428**	**186,991**	**-**	**-**	**6,682**	**237,554**
Real estate and construction	1,146	610	97	-	305	2,170	20,505	-	-	6,035	30,868
Trade and finance	4,153	1,904	117	-	17,675	1,619	41,752	-	-	647	67,867
Manufacturing	320	2,191	717	-	-	505	81,036	-	-	-	84,769
Services	1,063	252	489	-	-	2,008	30,279	-	-	-	34,091
Agriculture and forestry	1,451	26	1,402	-	-	-	11,365	-	-	-	14,244
Transportation and communications	1,420	1,172	23	-	607	123	2,038	-	-	-	5,383
Other sectors	119	146	48	-	-	3	16	-	-	-	332
Gross carrying amount	**130,418**	**183,452**	**53,313**	**1,534**	**31,872**	**46,072**	**293,296**	**7,117**	**6,929**	**14,934**	**768,937**
Impairment losses on loans	**(2,584)**	**(18,256)**	**(10,376)**	**(498)**	**(18,847)**	**(23,296)**	**(215,022)**	**(572)**	**(2,070)**	**(10,337)**	**(301,858)**
Total net exposure	**127,834**	**165,196**	**42,937**	**1,036**	**13,025**	**22,776**	**78,274**	**6,545**	**4,859**	**4,597**	**467,079**

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.

3.3.4.3 Quality of loans by internal credit rating

The Bank implemented in 2021 an 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 31 December 2022 is presented below:

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

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 as follows:

December 31, 2022				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		**6,029,153**	**874,478**	**-**	**1,140**	**6,904,771**	**(101,876)**	**(65,404)**	**-**	**(79)**	**(167,359)**
Low risk (1-4)	0.00%-1.56%	2,586,114	84,933	-	-	**2,671,047**	(37,193)	(7,256)	-	-	**(44,449)**
Medium risk (5-7)	1.56%-8.07%	3,408,363	610,777	-	1,140	**4,020,280**	(63,550)	(40,719)	-	(79)	**(104,348)**
High Risk (8-9)	8.07%-100%	34,676	178,768	-	-	**213,444**	(1,133)	(17,429)	-	-	**(18,562)**
Non performing	**100%**	**-**	**-**	**340,951**	**11,248**	**352,199**	**-**	**-**	**(219,510)**	**(4,844)**	**(224,354)**
No rating		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**6,029,153**	**874,478**	**340,951**	**12,388**	**7,256,970**	**(101,876)**	**(65,404)**	**(219,510)**	**(4,923)**	**(391,713)**
Coverage ratio		**1.7%**	**7.5%**	**64.4%**	**39.7%**	**5.4%**					

December 31, 2021				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**	**778,373**	**-**	**1,129**	**5,888,109**	**(82,853)**	**(59,576)**	**-**	**(57)**	**(142,486)**
Low risk (1-4)	0.00%-1.56%	1,968,458	124,592	-	2	**2,093,052**	(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%**	**-**	**-**	**353,954**	**11,179**	**365,133**	**-**	**-**	**(227,245)**	**(5,044)**	**(232,289)**
No rating		**123,050**	**-**	**-**	**-**	**123,050**	**(1,255)**	**-**	**-**	**-**	**(1,255)**
Total		**5,231,657**	**778,373**	**353,954**	**12,308**	**6,376,292**	**(84,108)**	**(59,576)**	**(227,245)**	**(5,101)**	**(376,030)**
Coverage ratio		**1.6%**	**7.7%**	**64.2%**	**41.4%**	**5.9%**					

In the following table are presented the amounts of consumer loans splitted based on the internal rating grade:

December 31, 2022				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		**871,069**	**258,099**	**-**	**20**	**1,129,187**	**(16,684)**	**(55,907)**	**-**	**(1)**	**(72,592)**
Low risk (1-4)	0.00%-1.56%	608,551	2,158	-	14	**610,723**	(7,564)	(277)	-	(1)	**(7,842)**
Medium risk (5-7)	1.56%-8.07%	260,952	122,938	-	3	**383,893**	(8,926)	(19,829)	-	-	**(28,755)**
High Risk (8-9)	8.07%-100%	1,566	133,003	-	3	**134,571**	(194)	(35,801)	-	-	**(35,995)**
Non performing	**100%**	**-**	**-**	**142,521**	**49**	**142,570**	**(3)**	**(1)**	**(104,167)**	**(28)**	**(104,199)**
No rating		**2,683**	**-**	**-**	**-**	**2,684**	**-**	**-**	**-**	**-**	**-**
Total		**873,752**	**258,099**	**142,521**	**69**	**1,274,441**	**(26,770)**	**(55,907)**	**(94,085)**	**(29)**	**(176,791)**
Coverage ratio		**3.06%**	**21.66%**	**66.01%**	**42.65%**	**13.87%**					

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

December 31, 2021		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		**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**	**37**	**82,970**	**-**	**-**	**(55,457)**	**(27)**	**(55,484)**
No rating		**11**	**3**	**8,323**	**-**	**8,337**	**(1)**	**(1)**	**(8,322)**	**-**	**(8,324)**
Total		**912,394**	**215,839**	**91,256**	**62**	**1,219,551**	**(19,892)**	**(46,869)**	**(63,779)**	**(27)**	**(130,567)**
Coverage ratio		**2.18%**	**21.71%**	**69.89%**	**43.55%**	**10.71%**					

In the following table are presented the amounts of residential mortgages loans splitted based on the internal rating grade:

December 31, 2022		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		**4,698,948**	**812,560**	**-**	**21,082**	**5,532,590**	**(10,117)**	**(69,629)**	**-**	**(844)**	**(80,590)**
Low risk (1-4)	0.00%-1.56%	4,437,606	393,818	-	9,842	**4,841,266**	(8,166)	(32,045)	-	(314)	**(40,525)**
Medium risk (5-7)	1.56%-8.07%	255,760	246,210	-	5,200	**507,171**	(1,763)	(20,471)	-	(169)	**(22,403)**
High Risk (8-9)	8.07%-100%	5,582	172,532	-	6,040	**184,153**	(188)	(17,113)	-	(361)	**(17,662)**
Non performing	**100%**	**-**	**-**	**121,271**	**32,050**	**153,321**	**-**	**-**	**(54,275)**	**(10,540)**	**(64,815)**
No rating		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,698,948**	**812,560**	**121,271**	**53,131**	**5,685,911**	**(10,117)**	**(69,629)**	**(54,275)**	**(11,384)**	**(145,405)**
Coverage ratio		**0.22%**	**8.57%**	**44.76%**	**21.43%**	**2.56%**					

Stage 2 includes the converted loans in gros amount of RON 368,727 thousand, ECL RON 27,932 thousand, which may have been disclosed as POCI loans and for which lifetime ECL is computed.

December 31, 2021		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		**4,408,925**	**851,584**	**-**	**22,744**	**5,283,253**	**(4,390)**	**(51,971)**	**-**	**(884)**	**(57,245)**
Low risk (1-4)	0.00%-1.56%	4,141,660	525,862	-	12,622	**4,680,144**	(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**	**-**	**-**	**(43,647)**	**(11,257)**	**(54,904)**
No rating		**436**	**309**	**-**	**-**	**745**	**-**	**(13)**	**-**	**-**	**(13)**
Total		**4,409,361**	**851,893**	**91,293**	**56,864**	**5,409,411**	**(4,390)**	**(51,984)**	**(43,647)**	**(12,141)**	**(112,162)**
Coverage ratio		**0.10%**	**6.10%**	**47.81%**	**21.35%**	**2.07%**					

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.

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

In the following table are presented the amounts of guarantees and commitments splitted based on the internal rating grade:

December 31, 2022			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		**2,638,445**	**212,816**	**-**	**29**	**2,851,290**	**(38,838)**	**(9,968)**	**-**	**(1)**	**(48,807)**
Low risk (1-4)	0.00%-1.56%	1,337,825	1,452	-	27	**1,339,304**	(17,724)	(80)	-	(1)	**(17,805)**
Medium risk (5-7)	1.56%-8.07%	1,284,358	175,013	-	-	**1,459,371**	(20,560)	(8,114)	-	-	**(28,674)**
High Risk (8-9)	8.07%-100%	16,262	36,351	-	2	**52,615**	(554)	(1,774)	-	-	**(2,328)**
Non performing	**100%**	**-**	**-**	**37,095**	**3**	**37,098**	**-**	**-**	**(9,969)**	**(2)**	**(9,971)**
No rating		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**2,638,445**	**212,816**	**37,095**	**32**	**2,888,388**	**(38,838)**	**(9,968)**	**(9,969)**	**(3)**	**(58,778)**
Coverage ratio		**1.47%**	**4.68%**	**26.87%**	**9.38%**	**2.03%**					

December 31, 2021			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		**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%**					

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

3.3.5 Analysis of restructured loans and receivables, gross

Restructured loans, in gross amount of RON 331,159 thousand as of December 2021 (RON 387,424 thousand as of December 31, 2021), 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, 2022		December 31, 2021	
	Gross loans	**Provision**	**Gross loans**	**Provision**
Retail loans within maturity	57,493	(10,196)	61,760	(13,952)
Overdue up to 15 days	13,974	(3,322)	11,286	(2,328)
Overdue from 16 to 30 days	9,249	(2,096)	5,756	(1,069)
Overdue from 31 to 60 days	8,354	(3,117)	5,614	(2,263)
Overdue from 61 to 90 days	4,661	(2,448)	4,004	(2,186)
Overdue from 91 to 180 days	5,443	(2,711)	1,943	(1,176)
More than 180 days	13,223	(9,451)	11,313	(8,465)
Retail loans - TOTAL	**112,397**	**(33,341)**	**101,676**	**(31,439)**
SME loans within maturity	91,579	(22,421)	119,423	(27,993)
Overdue up to 15 days	5,996	(2,894)	3,787	(2,504)
Overdue from 16 to 30 days	2,380	(138)	2,672	(793)
Overdue from 31 to 60 days	2,661	(790)	868	(367)
Overdue from 61 to 90 days	2,068	(1,514)	2,031	(1,327)
Overdue from 91 to 180 days	9,805	(7,268)	2,283	(129)
More than 180 days	33,453	(30,983)	43,364	(35,412)
SME loans - TOTAL	**147,942**	**(66,008)**	**174,428**	**(68,525)**
Corporate loans within maturity	13,998	(2,967)	45,872	(17,708)
Overdue up to 15 days	2,833	(892)	-	-
Overdue from 16 to 30 days	-	-	-	-
Overdue from 31 to 60 days	-	-	-	-
Overdue from 61 to 90 days	11,339	(10,772)	-	-
Overdue from 91 to 180 days	9,997	(9,497)	-	-
More than 180 days	32,653	(31,020)	65,450	(58,905)
Corporate loans - TOTAL	**70,820**	**(55,148)**	**111,322**	**(76,613)**
TOTAL	**331,159**	**(154,497)**	**387,426**	**(176,577)**

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

The table below shows the evolution by stages of the restructured loans outstanding at the end of the reporting period December 31, 2022 compared to December 31, 2021.

Client category	Stage Dec 2021	Stage Dec 2022	Gross loans	Provision
Individuals	1	2	15,228	(1,454)
		3	1,323	(581)
	2	2	35,508	(3,286)
		3	15,379	(6,189)
	3	2	1,876	(173)
		3	38,169	(21,005)
	new loans 2022	2	4,484	(561)
		3	430	(92)
Individuals Total			**112,397**	**(33,341)**
Legal entities	1	2	3,528	(254)
		3	5,775	(3,239)
	2	2	46,839	(3,259)
		3	17,785	(9,669)
	3	3	135,366	(96,416)
		2	343	(25)
	new loans 2022	3	9,126	(8,294)
Legal entities Total			**218,762**	**(121,156)**
TOTAL			**331,159**	**(154,497)**

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 2022	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 2022	3	24,865	(8,211)
Legal entities Total			**285,749**	**(145,137)**
TOTAL			**387,424**	**(176,576)**

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, 2022			December 31, 2021		
	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
Credit Europe Bank (Romania) S.A.	15,005	(104)	Baa3	15,001	(177)	Baa3
JP Morgan AG	9,252	-	Aaa	198	-	Aaa
BNP Paribas SA	6,976	-	Aa2	-	-	Aa2
Commerzbank AG	6,786	(34)	Aaa	3,514	(13)	Aaa
Deutsche Bank AG	6,325	(38)	Aaa	326	(2)	Aaa
JP Morgan Chase Bank National Association	5,798	(17)	Aaa	5,178	(10)	Aaa
Citibank Europe PLC	5,145	-	A1	1,287	-	A2
Deutsche Bank AG(F-SIP)	5,046	-	Aaa	-	-	Aaa
Alpha Bank Romania	5,002	(49)	Baa3	-	-	Baa3
UniCredit Bank SA	4,900	-	Baa3	-	-	Baa3
ING Bank NV	3,463	-	Aaa	-	-	Aaa
Banca Comercială Română S.A.	3,441	(10)	Baa3	3,894	(15)	Baa3
OTP Bank PLC	2,427	(21)	Baa2	1,305	(3)	Baa2
Mizuho Bank LTD	1,391	(9)	A1	134	-	A1
Banca de Export-Import a României Eximbank SA	1,210	-	Baa3	-	-	Baa3
Lloyds Bank PLC	1,145	(5)	Aa3	712	(3)	Aa3
Credit Suisse (Schweiz) AG	697	(4)	Aaa	809	(3)	Aaa
Skandinaviska Enskilda Banken AB (PUBL) Stockholm	274	(1)	Aaa	224	-	Aaa
Danske Bank A/S	240	(1)	Aaa	240	(1)	Aaa
Danske Bank Aktieselskab	162	(1)	Aaa	42	-	Aaa
PKO Bank Polski S.A.	21	-	A2	2	-	A2
Libra Internet Bank SA	-	-	Baa3	20,000	(370)	Baa3
Banca Comerciala Intesa Sanpaolo România SA	-	-	Baa3	10,011	(129)	Baa3
KBC Bank NV	-	-	Aa3	1,039	-	Aa3
Unicredit Bank AG (Hypovereinsbank)	-	-	Aaa	99	-	Aaa
TOTAL	**84,706**	**(294)**		**64,015**	**(726)**	

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 2022 the Bank obtained new funding from the OTP Group in total of 1.100 million lei (500 million lei from OTP Malta and 600 million lei MREL eligible from OTP Bank Plc) and extended the maturity of another 250 million lei in advance to support the lending activity, as well as with the aim of improving the liquidity coverage indicator (LCR). Additionally, in order to comply with MREL requirements for beginning of 2023, a funding contract from OTP Malta of 200 million lei was replaced with a new one, MREL eligible, from OTP Bank Plc, and keeping the same maturity. Shorter term MM deposits were used to cover shorter term variations in loan-deposits gap. During the reported period, the Bank has meet the regulatory requirements of the all liquidity indicators, including LCR and NSFR (Net Stable Fund Ratio).

On December 31, 2022 the aggregate value for stand-by credit facilities contracted with the parent bank with purposes of use in a

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liquidity crisis (and unused on December 31, 2022) represent 95 million EUR.
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, 2022 and December 31, 2021).

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 2,163,404 thousand as on December 31, 2022 (RON 2,224,742 thousand as at December 2021).

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 724,984 thousand as on December 31, 2022 (RON 608,872 thousand as at December 2021).

December 31, 2022	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 and cash equivalents	603,828	-	-	-	-	-	603,828
Current accounts and deposits at banks	84,412	-	-	-	-	-	84,412
Accounts with the National Bank of Romania	1,052,202	-	-	-	-	-	1,052,202
Loans and advances to banks	5,793	-	-	-	-	-	5,793
Derivatives	48,828	-	-	-	-	-	48,828
Derivatives hedge accounting	17,391	-	-	-	-	-	17,391
Investment securities at fair value through profit and loss	15,717	-	-	-	-	-	15,717
Investment securities at fair value through other comprehensive income	501,525	-	-	-	-	-	501,525
Securities at amortized cost	3,527,219	-	-	-	-	-	3,527,219
Loans and advances to customers	372,108	653,264	2,715,426	4,482,340	5,280,275	-	13,503,413
Investment in Associates and Subsidiaries	-	-	-	-	-	49,557	49,557
Other assets	-	-	-	-	-	467,776	467,776
Total assets	**6,229,023**	**653,264**	**2,715,426**	**4,482,340**	**5,280,275**	**517,333**	**19,877,661**
LIABILITIES							
Due to Banks	255,967	298,842	-	-	-	-	554,809
Demand deposits from banks	54,185	-	-	-	-	-	54,185
Term deposits from banks	201,782	298,842	-	-	-	-	500,624
Derivatives *	95,307	-	-	-	-	-	95,307
Derivatives hedge accounting *	957	-	-	-	-	-	957
Due to customers	7,567,736	2,461,737	2,221,752	147,490	33,030	-	12,431,745
Demand deposits from customers	4,517,303	-	-	-	-	-	4,517,303
Term deposits from customers	3,050,433	2,461,737	2,221,752	147,490	33,030	-	7,914,442
Borrowings	28,931	-	474,950	3,675,000	-	-	4,178,881
Lease liabilities	17,649	151	1,790	38,330	10,000	-	67,920
Provisions	-	-	-	-	-	113,953	113,953
Current tax liabilities	4,521	-	-	-	-	-	4,521
Other financial liabilities	288,746	-	-	-	-	9,935	298,681
Total liabilities	**8,259,814**	**2,760,730**	**2,698,492**	**3,860,820**	**43,030**	**123,888**	**17,746,774**
Net liquidity GAP	**(2,030,791)**	**(2,107,466)**	**16,934**	**621,520**	**5,237,245**	**393,445**	

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

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

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 and cash equivalents	551,861	-	-	-	-	-	551,861
Current accounts and deposits at banks	53,278	10,011	-	-	-	-	63,289
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 at amortized cost	1,472,295	150,050	104,180	466,825	625,625	-	2,818,975
Loans and advances to customers	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	-	-	-	-	-	466,577	466,577
Total assets	**3,839,389**	**811,826**	**2,385,579**	**3,435,206**	**7,434,031**	**548,199**	**18,454,230**
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	**(4,175,521)**	**(2,392,037)**	**593,422**	**583,101**	**7,020,063**	**431,781**	

Derivatives * - gross settlement values
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.

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, with real/actual losses (settled losses) or potential losses (provisioned, estimated), including near miss events. Also, the direct, actual loss for the Bank is collected, but also the collateral loss;
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 (including data protection – GDPR – and investment services and ML/FT risk) derives from the Bank failure to comply with applicable laws, rules and regulations, which can lead to sanctions imposed to the bank by supervisory authorities and other competent authorities having control attributions towards the bank and to financial and/or reputational losses including in the ML/FT area. 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 potential 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 OTPH requirements.

f) Model risk derives from the wide range of model types that bank uses for regulatory and managerial purposes. Model risk is managed by establishing an adequate control framework and it is coordinated and reported within the operational risk management. 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, respectively by applying a methodology for the estimation of reputational losses resulting from operational risk events regarding information and communication technology;
- in crisis circumstances by using a scenario analysis performed on a yearly basis, taking into consideration the financial and economic impact on the bank, 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 2022, the Bank monitored the development of requirements for regulatory capital and prepared reports on the required levels of the Bank's regulatory capital on a monthly basis. These reports have been submitted periodically to the National Bank of Romania and to the Management Board meetings for periodical analysis.

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

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 at 31 December 2022 as well as at 31st December 2021.

The European Union Council 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 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 1st January, 2018.

	December 31, 2022	December 31, 2021
Tier 1		
CET		
Share capital	2,322,004	2,322,004
Retained earnings	(275,106)	(344,764)
Other CET1 elements	71,031	73,281
Other intangible assets	(31,320)	(22,300)
Other transitional adjustments (IFRS 9)	152,807	175,137
Tier 2		
Deductions	-	-
Own Funds	**2,239,416**	**2,203,359**
Own funds requirements for:		
Credit Risk	693,036	701,890
Market Risk	813	408
CVA	774	554
Operational Risk	101,715	88,807
OWN FUNDS REQUIREMENTS	**796,338**	**791,658**
CET1 Capital ratio	22.50%	22.27%
T1 Capital ratio	22.50%	22.27%
Total capital ratio	**22.50%**	**22.27%**

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 based on 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.

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 long term 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 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 banks** - 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 rate**s - 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**

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

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, 2022	December 31, 2021	December 31, 2022	December 31, 2021
ACTIVE FINANCIARE				
Cash and cash equivalents	603,828	551,861	603,828	551,861
Current accounts and deposits at Banks	84,412	63,289	84,412	63,289
Accounts with the National Bank of Romania	1,052,202	1,354,829	1,052,202	1,354,829
Loans and advances to banks	5,793	1,931	5,793	1,931
Derivatives	48,828	18,211	48,828	18,211
Derivatives hedge accounting	17,391	-	17,391	-
Investment securities at fair value through profit and loss	15,717	21,130	15,717	21,130
Investment securities at fair value through other comprehensive income	501,525	724,374	501,525	724,374
Securities at amortized cost	3,527,219	2,818,975	3,312,638	2,748,140
Loans and advances to customers, net	13,503,413	12,386,495	13,489,518	12,627,256
Investment in Associates and Subsidiaries	49,557	46,558	75,352	73,029
FINANCIAL LIABILITIES				
Demand deposits from banks	54,185	33,196	54,185	33,196
Term deposits from banks	500,624	1,439,957	500,624	1,439,957
Derivatives	95,307	19,638	95,307	19,638
Derivatives hedge accounting	957	31,573	957	31,573
Demand deposits from customers	4,517,303	5,272,619	4,517,303	5,272,619
Term deposits from customers	7,914,442	5,923,577	7,984,744	5,948,857
Borrowings	4,178,881	3,258,072	3,922,903	3,258,867

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

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.

Financial assets measured at fair value				**December 31, 2022**
	Level 1	**Level 2**	**Level 3**	**TOTAL**
Derivative financial instruments	-	48,828	-	48,828
Forward transactions	-	49	-	49
Fx swap	-	42,035	-	42,035
Interest rate swaps	-	6,744	-	6,744
Currency options	-	-	-	-
Derivatives hedge accounting	-	17,391	-	17,391
Investment securities at fair value through profit and loss	-	15,717	-	15,717
Investment securities at fair value through other comprehensive income	483,434	-	18,091	501,525
Total Financial Assets measured at fair value	**483,434**	**81,936**	**18,091**	**583,461**

Financial assets measured at fair value				**December 31, 2021**
	Level 1	**Level 2**	**Level 3**	**TOTAL**
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	-	-	-	-
Investment securities at fair value through profit and loss	-	21,130	-	21,130
Investment securities at fair value through other comprehensive income	710,441	-	13,933	724,374
Total Financial Assets measured at fair value	**710,441**	**39,341**	**13,933**	**763,715**

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

Financial assets for which fair value is disclosed

				December 31, 2022
	Level 1	Level 2	Level 3	TOTAL
Cash	603,828	-	-	603,828
Current accounts and deposits at banks	84,412	-	-	84,412
Accounts with the National Bank of Romania	1,052,202	-	-	1,052,202
Loans and advances to banks	-	5,793	-	5,793
Securities at amortised cost	3,312,638	-	-	3,312,638
Loans and advances to customers, net	-	-	13,489,518	13,489,518
Investment in Associates and Subsidiaries	-	-	75,352	75,352
Total fair value of the financial assets for which fair value is disclosed	**5,053,080**	**5,793**	**13,564,870**	**18,623,743**

				December 31, 2021
	Level 1	Level 2	Level 3	TOTAL
Cash	551,861	-	-	551,861
Current accounts and deposits at banks	63,289	-	-	63,289
Accounts with the National Bank of Romania	1,354,829	-	-	1,354,829
Loans and advances to banks	-	1,931	-	1,931
Securities amortised cost	2,748,140	-	-	2,748,140
Loans and advances to customers, net	-	-	12,627,256	12,627,256
Investment in Associates and Subsidiaries	-	-	73,029	73,029
Total fair value of the financial assets for which fair value is disclosed	**4,718,119**	**1,931**	**12,700,285**	**17,420,335**

Financial liabilities measured at fair value

				December 31, 2022
	Level 1	Level 2	Level 3	TOTAL
Derivative financial instruments	-	95,307	-	95,307
Forward transactions	-	-	-	-
Fx swap	-	88,563	-	88,563
Interest rate swaps	-	6,744	-	6,744
Currency options	-	-	-	-
Derivatives hedge accounting	-	957	-	957
Interest rate swaps	-	957	-	957
Total financial liabilities measured at fair value	**-**	**96,264**	**-**	**96,264**

				December 31, 2021
	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**

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

Financial liabilities for which fair value is disclosed

				December 31, 2022
	Level 1	**Level 2**	**Level 3**	**TOTAL**
Due to Banks	554,809	-	-	554,809
Due to customers	-	12,502,047	-	12,502,047
Borrowings	-	3,922,903	-	3,922,903
Total financial liabilities for which fair value is disclosed	**554,809**	**16,424,950**	**-**	**16,979,759**

				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**

The bank reviewed the classification of financial instruments in fair value categories (to Level 1 Investment securities at fair value through other comprehensive income and Level 3 for Securities amortised cost) to reflect the methodology for determining the fair value. Consequently, the bank also changed the comparative period for these instruments.

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

5. NET INTEREST INCOME

	December 31, 2022	December 31, 2021
Interest on loans and advances to customers	899,646	560,540
Total interest on loans	**899,646**	**560,540**
Deposits and accounts with other banks	8,993	1,284
Demand deposits and accounts with the Central Bank	4,236	1,740
Total interest on deposits with banks	**13,229**	**3,024**
Reverse repo agreements	121,599	9,665
Interest on treasury securities, net	78,034	48,152
Total interest income	**1,112,508**	**621,381**
INTEREST EXPENSE		
Term deposits	(188,770)	(78,998)
Demand deposits	(9,270)	(3,924)
Total interest on customers' deposits	**(198,040)**	**(82,922)**
Interest expense on accounts and deposits with other banks	(23,912)	(4,810)
Interest on other borrowed funds	(252,519)	(61,660)
Interest expense on lease liabilities	(1,114)	(615)
Total interest expense	**(475,585)**	**(150,007)**
Net interest income	**636,923**	**471,374**

Interest on loans includes interest on non-performing loans, in amount of RON 24,747 thousand, for the year ended December 31, 2022 (RON 15,165 thousand for the year ended December 31, 2021).

Interest on loans increased in 2022, in accordance with the increase of the loans' portfolio, the gross exposure from 2022 is larger by RON 1,212 milion.

The interest expense increased from 2022 has been generated by the increase of the interest rates on local financial market.

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

6. FEES AND COMMISSIONS INCOME AND EXPENSES

Fees and commissions income	December 31, 2022	December 31, 2021
Fees and commissions related to lending	**20,453**	**18,196**
Deposit and account maintenance fees and commissions	30,134	27,913
Fees and commissions related to the issued bank cards	20,148	16,825
Fees related to cash withdrawal	19,289	14,523
Fees and commissions related to fund management	4,210	4,313
Fees related to cards accepting activities	29,359	21,364
Commissions related to payments services	4,128	4,152
Other	1,812	1,194
Fees and commissions from contracts with customers	**109,080**	**90,284**
Total	**129.533**	**108.480**

Fees and commissions expense	December 31, 2022	December 31, 2021
Fees and commissions related to issued bank cards	(27,549)	(20,360)
Interchange fees	(26,141)	(18,865)
Fees and commissions related to deposits	(4,314)	(3,710)
Cash withdrawal transaction fees	(151)	(120)
Other	(23,620)	(14,870)
Total fees and commissions expense	**(81,775)**	**(57,925)**
Net profit from fees and commissions	**47,758**	**50,555**

Fee and commission income is in amount of RON 129.5 million (increased by 19% compared to 2021) and fee and commission expenses are in amount of RON 81.8 million (increased by 41% compared to 2021).

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 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.

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

7. IMPAIRMENT LOSSES AND PROVISION EXPENSES

	Note	December 31, 2022	December 31, 2021
Allowance for loans receivable	17	(438,861)	(400,468)
Release of provisions for loans receivable	17	253,225	256,443
Impairment losses on loans and advances to customers		**(185,636)**	**(144,025)**
Impairment for provision expense			
(Impairment losses) / Release Provisions for litigation risk and CHF loan conversion	27	7,866	58,358
(Impairment losses) / Release on other Off BS commitments	27	(1,976)	569
(Impairment losses) / Release of provision for financial guarantees to customers	27	(2,140)	(639)
(Impairment losses) / Release of provision for deposits at banks	13 14 16	1,101	(1,946)
(Impairment losses) / Release Provisions for securities at amortized cost	15	(297)	(3,817)
(Impairment losses) / Release Provisions for inventory		18	246
(Impairment losses) / Release Operational risk provisions	27	(413)	(28,534)
(Impairment losses) / Release Provisions for other assets		2,709	3,298
Total (Impairment losses) / Release on other assets provisions		**6,868**	**27,535**
Total Impairment losses on loans and other assets		**(178,768)**	**(116,490)**

Impairment losses increased from RON 116,5 million to RON 178,7 million (53% increased) as a result of the release of the provisions for litigation risk and annual review of provisioning parameters.

8. TRADING INCOME

	December 31, 2022	December 31, 2021
Net foreign exchange income	114,427	86,211
Net income/(loss) related to derivatives	(57,616)	3,082
Total trading income	**56,811**	**89,293**

9. PERSONNEL EXPENSES

The value representing "Salaries" at the end of 2022 and 2021 contains also management contracts. On December 31, 2022, the expense with the management contracts was RON 7,619 thousand (RON 7,486 thousand as on December 31, 2021).

	December 31, 2022	December 31, 2021
Salaries	(267,857)	(249,168)
Social insurance contributions	(8,348)	(7,028)
Other employee benefits	(10,865)	(10,544)
Salaries	**(287,070)**	**(266,740)**

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 7,126 thousand at December, 2022. The amount recognized in Personnel expenses in 2022 is RON 331 thousand.

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

10. OPERATIONAL EXPENSES

	December 31, 2022	December 31, 2021
Rent and utilities expenses*	(8,106)	(6,420)
Insurance premiums	(6,997)	(5,654)
Fees for experts and services**	(15,980)	(15,556)
Cards related expenses	(13,002)	(11,737)
Advertising	(18,767)	(24,047)
Taxes***	(32,131)	(24,814)
Other administrative expenses	(85,892)	(74,236)
Total	**(180,875)**	**(162,464)**

* The amount for 2022 and 2021 contains just the rent for low value assets.

** The expense with statutory audit of financial statements as on December 31, 2022 was in amount of RON 966 thousand (December 31, 2021: RON 864 thousand), the expense with assurance services as on December 31, 2022 was in amount of RON 929 thousand (December 31, 2021: RON 947 thousand), and the expense with non-assurance services as on December 31, 2022 was in amount of RON 62 thousand (December 31, 2021: RON 168 thousand).

*** The annual contribution to Guarantee Scheme and Resolution Fund for 2022 were RON 27,944 thousand compared with 20,714 thousand in 2021.

**** The main categories included in the category Other administrative expenses are presented bellow:

	December 31, 2022	December 31, 2021
Maintenance and Repair Expenses - Software	(23,700)	(18,350)
Maintenance and Repair Expenses - IT equipment	(6,936)	(6,737)
Maintenance and repair expenses - ATM / Epos	(4,860)	(3,635)
Maintenance and repair expenses - Security system	(2,890)	(3,458)
Maintenance and repair expenses - Buildings, other fixed assets	(1,980)	(1,962)
Telephony/Data Expenses	(6,010)	(4,938)
Consumable material expenses	(2,428)	(2,458)
Expenses for guarding and protecting the bank	(1,959)	(1,935)
Cash processing/transportation services(values)	(12,952)	(9,390)
Document storage services	(1,055)	(3,441)
Total	**(64,770)**	**(56,304)**

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

11. OTHER INCOME AND OTHER EXPENSES

	December 31, 2022	December 31, 2021
Other operating income *	12,216	8,645
Other income from loans	5,273	5,062
Insurance intermediation fee	3,335	2,267
Other non-banking services	975	837
Rent and utilities income	476	499
Total other income	**22,275**	**17,310**
Other operating expenses **	(9,031)	(9,989)
Total other expense	**(9,031)**	**(9,989)**
Total, net	**13,244**	**7,321**

* Other operating income – the main positions in this category are: cash collection services from customers (RON 4,426 thousand), revenue relating to movable and immovable property from debt extension (RON 1,663 thousand);

** Other operating expenses – the main positions in this category are: sponsorship expenses (RON 2,536 thousand), prizes, raffle expenses (RON 977 thousand), tracking / execution expenses (RON 46 thousand), disputes expenses (RON 4,189 thousand).

12. CASH AND CASH EQUIVALENT

	December 31, 2022			December 31, 2021		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Cash	160,122	389,330	549,452	162,721	325,334	488,055
Cash in ATM	54,376	-	54,376	63,806	-	63,806
Total	**214,498**	**389,330**	**603,828**	**226,527**	**325,334**	**551,861**

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:

Cash and cash equivalents	December 31, 2022	December 31, 2021
Cash and cash equivalents	603,828	551,861
Current accounts and deposits at banks	84,412	63,289
Cash at the National Bank of Romania	1,052,202	1,354,829
	1,740,442	**1,969,979**
Less Compulsory reserves at National Bank of Romania	(896,399)	(773,379)
Total cash and cash equivalents	**844,043**	**1,196,600**

The Bank made a reclassification in the 2022 financial statements of deposits from other banks for derivatives in amount of 2,819 thousand RON (see Note 13).

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

13. CURRENT ACCOUNTS AND DEPOSITS AT BANKS

	December 31, 2022			December 31, 2021		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Current accounts at banks	26,116	58,590	84,706	35,002	19,002	54,004
Deposits at banks	-	-	-	10,011	-	10,011
Total	**26,116**	**58,590**	**84,706**	**45,013**	**19,002**	**64,015**
Impairment losses for banks	(153)	(141)	(294)	(675)	(51)	(726)
Total	**25,963**	**58,449**	**84,412**	**44,338**	**18,951**	**63,289**

The bank's placements as on December 31, 2022 (as well as on December 31, 2021) are free of any obligation or commitment (not pledged).
For a better presentation in the 2022 financial statements the Bank reclassified the deposits from other banks for derivative transactions of 2,819 thousand RON from Other assets to Current accounts and deposits at banks. As a results the Total cash and cash equivalent balance as at 31 December 2021 was modified accordingly (see Note 12).

Movement of impairment losses for banks	**Beginning of period**	**Increase**	**Reversals**	**FX differences**	**End of period**
2022	(726)	(31,855)	32,333	(46)	(294)
2021	(2)	(4,877)	4,183	(30)	(726)

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, 2022		December 31, 2021	
	RON	**FCY**	**RON**	**FCY**
Current accounts with banks	0.00%	0.00%	0.00%	0.00%
Deposits at banks	0.00% - 5.9%	0.00%	2.35% - 2.75%	0.00%

Current 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, 2022			December 31, 2021		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Current accounts	748,094	304,411	1,052,505	678,620	677,401	1,356,021
Impairment losses for NBR	-	(303)	(303)	-	(1,192)	(1,192)
Total	**748,094**	**304,108**	**1,052,202**	**678,620**	**676,209**	**1,354,829**

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

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, 2022 – January 23, 2023, the minimum mandatory reserve was determined at the level of RON 896,399 thousand (December 31, 2021: RON 773,379 thousand).

As on December 31, 2022, the reserve was set up at the following rates:

- **RON:** 8% of the borrowed funds in local currency (December 31, 2021: 8%);
- **Foreign currency:** 5% of the borrowed funds in other than local currency (December 31, 2021: 5%).

The interest rate paid by the National Bank of Romania for minimum mandatory reserve as of December 31, 2022 was as follows:

- **RON:** 0.69% (31 decembrie 2021: 0.13%)
- **EUR:** 0.01% (31 decembrie 2021: 0.00%)

Movement of impairment losses for NBR	Beginning of period	Increase	Reversals	FX differences	End of period
2022	(1,192)	(1,127)	2,013	3	(303)
2021	-	(1,291)	99	-	(1,192)

15. SECURITIES AT AMORTIZED COST

Treasury securities represent financial instruments hold to collect (treasury certificates).

The bank holds treasury securities issued by the Romanian Ministry of Finance as of December 31, 2022 stand for RON 1,338,287 thousand (RON 1,354,060 thousand as of December 31, 2021). In December, 2022 the bank acquired treasury securities issued by the National Bank of Hungary, valued at the reporting date at RON 2,196,821 thousand (RON 1,472,295 thousand as of December 31, 2021).

On December 31, 2022, the bank has securities with residual maturity less than 1 year in amount of RON 25,852 thousand (securities for December 31, 2021 with residual maturity less than 1 year in amount of RON 1,749,226 thousand) and securities with residual maturity greater than 1 year in amount of RON 3,509,256 thousand (securities for December 31, 2021 with residual maturity greater than 1 year in amount of RON 1,077,342 thousand). The treasury bonds are unencumbered and at the immediate disposal of the Bank as on December 31, 2022 and December 31, 2021. In accordance with IFRS 9 expected credit loss model, treasury bonds are classified as stage 1 at 31 December 2022 and 31 December 2021.

Moody's ratings available for Romania as on December 31, 2022 were as follows:

- Local currency: Baa3
- Foreign currency: Baa3

The structure of bonds and other fixed-yield securities as on December 31, 2022 and December 31, 2021 was the following:

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

	December 31, 2022	December 31, 2021
Fixed rate Bonds, gross amount	3,508,428	2,801,075
Accrued interest	26,680	25,493
Loss allowance on securities at amortized cost	(7,889)	(7,593)
Net value of securities at amortized cost	**3,527,219**	**2,818,975**

Movement of impairment losses for NBR	Beginning of period	Increase	Reversals	FX differences	End of period
2022	(7,593)	(6,450)	6,153	1	(7,889)
2021	(3,764)	(6,798)	2,981	(12)	(7,593)

16. LOANS AND ADVANCES TO BANKS

The loans and advances to banks presented below as on December 31, 2022 and December 31, 2021 are cash in transit amounts to be received from banks.

	December 31, 2022	December 31, 2021
Loans and advances to banks	5,793	1,931
Impairment losses for banks	-	-
Total loans and advances to banks	**5,793**	**1,931**

Movement of impairment losses for NBR	Beginning of period	Increase	Reversals	FX differences	End of period
2022	-	(44,309)	44,138	171	-
2021	-	(2,491)	2,482	9	-

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, 2022	December 31, 2021
Loans, gross *	14,217,322	13,005,254
Impairment losses on loans **	(713,909)	(618,759)
Loans, net	**13,503,413**	**12,386,495**

* includes POCI category. On December 31, 2022, the POCI financial assets had a net exposure of RON 65,589 thousand (RON 69,234 thousand as on December 31, 2021).

** includes unwinding amounts. On December 31, 2022, the unwinding value is RON 9,012 thousand (RON 9,964 thousand as on December 31, 2021).

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

b) Structure of loans by currency (gross and net amounts)

	December 31, 2022			December 31, 2021		
Structure by currency	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Loans, gross	10,584,895	3,632,427	14,217,322	9,785,718	3,219,536	13,005,254
Impairment losses on loans and advances	(530,707)	(183,202)	(713,909)	(409,702)	(209,057)	(618,759)
Total loans and advances to customers	**10,054,188**	**3,449,225**	**13,503,413**	**9,376,016**	**3,010,479**	**12,386,495**

c) Structure of loans by type of customer (net amounts)

					December 31, 2022
	RON	**FCY**	**Total loans**	**ECL**	**%**
Individuals	5,991,975	968,377	6,960,352	(322,196)	49%
Legal entities	4,592,920	2,664,050	7,256,970	(391,713)	51%
Total loans and advances to customers	**10,584,895**	**3,632,427**	**14,217,322**	**(713,909)**	**100%**

					December 31, 2021
	RON	**FCY**	**Total loans**	**ECL**	**%**
Individuals	5,513,040	1,115,922	6,628,962	(242,729)	52%
Legal entities	4,272,678	2,103,614	6,376,292	(376,030)	48%
Total loans and advances to customers	**9,785,718**	**3,219,536**	**13,005,254**	**(618,759)**	**100%**

d) Concentration by sector for legal entities and by product for individuals

			31.12.2022			31.12.2021
	Total loans	**ECL**	**%**	**Total loans**	**ECL**	**%**
RETAIL	**6,960,352**	**(322,196)**	**49%**	**6,628,962**	**(242,729)**	**52%**
Consumer loans	1,274,441	(176,791)	9%	1,219,551	(130,567)	9%
Housing	5,685,911	(145,405)	40%	5,409,411	(112,162)	42%
CORPORATE	**7,256,970**	**(391,713)**	**51%**	**6,376,292**	**(376,030)**	**48%**
Real estate and construction	2,117,219	(84,333)	15%	1,624,836	(62,995)	12%
Trade and finance	1,704,220	(85,339)	12%	1,579,212	(89,579)	12%
Manufacturing	983,357	(103,730)	7%	921,686	(120,116)	7%
Services	836,325	(46,808)	6%	997,313	(63,949)	8%
Agriculture and forestry	1,258,619	(47,382)	9%	917,723	(24,534)	7%
Transportation and communications	342,972	(23,101)	2%	320,059	(13,937)	2%
Other sectors	14,258	(1,020)	0%	15,463	(920)	0%
Total	**14,217,322**	**(713,909)**	**100%**	**13,005,254**	**(618,759)**	**100%**

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

e) Impairment allowance movement

					December 31, 2022
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1st January 2022	**10,553,412**	**1,846,105**	**536,503**	**69,234**	**13,005,254**
Transfers to Stage 1	277,870	(274,566)	(3,304)	-	-
Transfers to Stage 2	(592,428)	603,196	(10,768)	-	-
Transfers to Stage 3	(104,037)	(129,243)	233,280	-	-
New financial assets originated or purchased	4,139,107	392,025	47,643	3,234	4,582,009
Assets derecognised or fully repaid (excluding receivables write offs)	-	-	-	-	-
Write-off	(409)	(2,381)	(128,481)	(1,520)	(132,791)
Other changes including repayments, FX impact	(2,671,662)	(489,999)	(70,130)	(5,359)	(3,237,150)
Gross carrying amount as at December 31st, 2022	**11,601,853**	**1,945,137**	**604,743**	**65,589**	**14,217,322**

Impairment allowance as at 1st January 2022	**108,388**	**158,428**	**334,674**	**17,269**	**618,759**
Transfers to Stage 1	29,239	(27,606)	(1,633)	-	-
Transfers to Stage 2	(6,818)	12,233	(5,415)	-	-
Transfers to Stage 3	(3,098)	(18,967)	22,065	-	-
Increases due to change in credit risk	25,018	75,137	191,936	7,971	300,062
Decreases due to change in credit risk	(69,691)	(81,864)	(93,017)	(8,653)	(253,225)
New financial assets originated or purchased	61,238	43,880	33,665	16	138,799
Financial assets that have been derecognized	-	-	-	-	-
Write-offs	(9)	(335)	(117,040)	(1,510)	(118,894)
Unwinding	-	-	(6,649)	(3,053)	(9,702)
Other changes including FX impact	(15,587)	30,035	19,366	4,296	38,110
Impairment allowance as at December 31st, 2022	**128,680**	**190,941**	**377,952**	**16,336**	**713,909**

Stage 2 includes the converted loans in gros amount of RON 368,727 thousand, ECL RON 27,932 thousand, which may have been disclosed as POCI loans and for which lifetime ECL is computed.

			December 31, 2021		
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1st 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 31st, 2021	**10,553,412**	**1,846,105**	**536,503**	**69,234**	**13,005,254**

Impairment allowance as at 1st 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	161,064	12,915	270,996
Decreases due to change in credit risk	(51,282)	(102,970)	(89,204)	(12,987)	(256,443)
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)
Unwinding	-	-	173	(57)	116
Other changes including FX impact	(14,103)	23,702	(15,588)	(1,753)	(7,742)
Impairment allowance as at December 31st, 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.

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
39	237	385	389

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construction in progress	Other intangibles	Total
Gross book value January 1st, 2022	**193,769**	**107,490**	**15,936**	**52,552**	**369,747**	**10,522**	**172,327**	**552,596**
Additions	5,590	9,577	270	8,357	24,154	57,918	108,451	190,523
Revaluation impact	808	1	-	-	809	-	-	809
Disposals	(282)	(237)	(385)	(389)	(1,293)	(58,854)	(81,696)	(141,843)
Gross book value December 31st, 2022	**200,245**	**116,831**	**15,821**	**60,520**	**393,417**	**9,586**	**199,082**	**602,085**
Accumulated depreciation January 1st, 2022	**(89,645)**	**(66,986)**	**(7,678)**	**(27,967)**	**(192,276)**	**-**	**(112,165)**	**(304,441)**
Depreciation charge for 1 year period ended December 31, 2022	(7,357)	(8,880)	(2,452)	(9,341)	(28,030)	-	(31,428)	(59,458)
Accumulated depreciation of disposals	282	231	126	387	1,026	-	-	1,026
Accumulated depreciation December 31st, 2022	**(96,720)**	**(75,635)**	**(10,004)**	**(36,921)**	**(219,280)**	**-**	**(143,593)**	**(362,873)**
Net book value December 31st, 2022	**103,525**	**41,196**	**5,817**	**23,599**	**174,137**	**9,586**	**55,489**	**239,212**

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

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construction in progress	Other intangibles	Total
Gross book value January 1st, 2021	**182,796**	**94,121**	**15,328**	**49,794**	**342,039**	**12,961**	**145,006**	**500,006**
Additions	11,330	16,420	729	5,800	34,279	95,776	123,632	253,687
Revaluation impact	2,834	6	-	-	2,840	-	-	2,840
Disposals	(3,191)	(3,057)	(121)	(3,042)	(9,411)	(98,215)	(96,311)	(203,937)
Gross book value December 31st, 2021	**193,769**	**107,490**	**15,936**	**52,552**	**369,747**	**10,522**	**172,327**	**552,596**
Accumulated depreciation January 1st, 2021	**(83,874)**	**(61,976)**	**(5,307)**	**(21,952)**	**(173,109)**	**-**	**(88,216)**	**(261,325)**
Depreciation charge for 1 year period ended December 31, 2022	(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 31st, 2021	**(89,645)**	**(66,986)**	**(7,678)**	**(27,967)**	**(192,276)**	**-**	**(112,165)**	**(304,441)**
Net book value December 31st, 2021	**104,124**	**40,504**	**8,258**	**24,585**	**177,471**	**10,522**	**60,162**	**248,155**

In 2022 si 2021 the Bank performed revaluations of its office premisses, that management determined as a separate class of property and equipment. The revaluations were made by an independent licenced valuator Conadi Valuation SRL, an accredited independent valuer and a member of ANEVAR, who has valuation experience for similar office premisses. A net gain from the revaluation of the office properties of 3,680 thousand RON.

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 1st, 2022	**60,845**	**872**	**61,717**
Additions	27,551	-	27,551
Disposals	(181)	-	(181)
Depreciation charge	(22,267)	(233)	(22,500)
Net book value December 31st, 2022	**65,948**	**639**	**66,587**

	Imobile	Echipamente	Total
Net book value January 1st, 2021	**54,009**	**1,105**	**55,114**
Additions	29,244	-	29,244
Disposals	(619)	-	(619)
Depreciation charge	(21,789)	(233)	(22,022)
Net book value December 31st, 2021	**60,845**	**872**	**61,717**

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

18.2.2 Lease liabilities

The carrying amounts of lease liabilities and the movements during the period are as follows:

	December 31, 2022	December 31, 2021
As at 1 January	**63,308**	**56,347**
Additions	26,150	29,224
Accretion of interest	1,114	614
Payments	(22,652)	(22,877)
As at 31 December	**67,920**	**63,308**

The maturity analysis of lease liabilities are disclosed bellow:

	December 31, 2022	December 31, 2021
Maturity analysis - discounted contractual cashflows		
Less than one year	19,590	2,806
One to five years	38,330	48,782
More than five years	10,000	11,720
Lease liabilities included in the statement of financial position	**67,920**	**63,308**

	December 31, 2022	December 31, 2021
Amounts recognised in profit or loss		
Interest on lease liabilities	(1,114)	(614)
Losses from changes of cash flows - lease liabilities	1	1
Expenses related to short term leases	(911)	(1,125)
Depreciation charge	(22,500)	(22,022)
Total	**(24,524)**	**(23,760)**

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, 2022	December 31, 2021
VISA INC. - C shares	3,283	7,136
FDI OTP Dinamic	2,549	3,096
OTP Premium Return	2,824	3,044
OTP Real Estate & Construction	1,976	2,661
OTP Dollar Bond	5,085	5,193
Total	**15,717**	**21,130**

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

Bank holds investments in fund units of OTP Premium Return, OTP Real Estate & Construction, OTP Bond Dollar, FDI OTP Dinamic and Visa INC shares.

b) Investment securities measured at fair value through other comprehensive income

Debt instruments securities measured at FVOCI	December 31, 2022	December 31, 2021
Romania Ministry of Finance	339,107	375,205
Poland Ministry of Finance	93,100	116,449
Slovenia Ministry of Finance	-	50,505
Spanish Ministry of Finance	51,227	163,145
Bucharest City Hall	-	5,137
Total gross carrying amount	**483,434**	**710,441**
Impairment allowance	**(2,583)**	**(2,862)**
Total Net amount	**480,851**	**707,579**

The Bank calculated for the debt instruments measured at FVOCI an impairment allowance in amount of ~2.6 milion RON classified as Stage 1 and presented in the Separate statement of financial position on "Accumulated deficit and reserves".

Movement of impairment allowance	Beginning of period	Increase	Reversals	FX differences	End of period
2022	(2,862)	(1,506)	1,792	(7)	(2,583)
2021	(3,296)	(317)	817	(66)	(2,862)

Equity investments, securities designated at FVOCI	December 31, 2022	December 31, 2021
Equity shares	18,011	13,853
Society for WorldWide Interbank Financial Telecomunication	288	240
OTP Asset Management Romania S.A.	789	789
MASTERCARD	4,803	4,680
VISA INC. - A shares	12,132	8,146
Other investments	80	80
Total	**18,091**	**13,933**

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.

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 4.803 milion at 31 December 2022.

Shares in MasterCard

The Bank owns a number of 2,980 shares, with a cost value amounting to 0.03 USD.

Share in VISA Europe LTD.

OTP Group received a number of 1.268 Visa C preferred shares during the year 2016.

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

From 1 January, 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 30 June, 2020. The value of Visa C preferred shares is RON 3,283 thousand at 31 December, 2022.

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 29 November, 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 12,132 thousand at 31 December 2022.

Other companies within OTP Groups
Right to Education Foundation was registered and incorporated on 23 December 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, 2022	**December 31, 2021**	**December 31, 2022**
OTP Advisor SRL	4,498	4,498	100%
OTP Consulting Romania SRL	210	210	75%
OTP Leasing IFN Romania SA	14,712	11,713	60%
OTP Factoring SRL	34,513	34,513	100%
Total Gross Value	**53,933**	**50,934**	
OTP Advisor SRL	(4,376)	(4,376)	
Total impairment	**(4,376)**	**(4,376)**	
Total net value	**49,557**	**46,558**	

Movement of impairment losses for banks	Beginning of period	Increase	Reversals	FX differences	End of period
2022	(4,376)	-	-	-	(4,376)
2021	(4,376)	-	-	-	(4,376)

OTP Leasing Romania IFN S.A. provides leasing for cars and equipment, operating on the market since August 2007. OTP BANK ROMANIA acquired 60% of the share capital of OTP Leasing Romania, taking shares from the majority shareholder Merkantil Bank Hungary. Both companies are part of the same OTP Group Plc. Hungary. The registered office of OTP Leasing Romania IFN S.A. is located on Nicolae Caramfil Street no. 79. District 1, Bucharest.

During 2022 the capital was increase by means of issuing 500,000 new shares of RON 10 /share, which where subscribed as follows:

- RON 2,999,690 contributed by OTP BANK ROMANIA by subscribing a number of 299,969 shares, at the nominal value of RON 10 /share;
- RON 2,000,310 e contributed by Merkantil Bank ZRT, by subscribing a number of 200,031 shares, at the nominal value of RON 10 /share.

As a result of the above share capital increase, the shareholding of OTP Leasing Romania IFN S.A. will remain unchanged, as follows: OTP BANK ROMANIA, with a share of 60% and Merkantil Bank ZRT, with a share of 40%.

The value of investment in **OTP Advisors SRL** on December 31, 2022 and December 31, 2021 was RON 4,498 thousand, for which the Bank booked an impairment of RON 4,376 thousand.

OTP Advisors offers direct sales for Bank lending products. The registered office of OTP Advisors LLC is located at the following address: Matei Voievod Str. No. 40, Bucharest.

OTP Consulting Romania SRL provides support for foreign investments in Romania and advice for local authorities and small and medium sized companies in accessing EU funds and implementation of projects. The gross value of investment in OTP Consulting Romania SRL has not changed during 2022 compared to 2021.

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 gross value of investment in OTP Factoring SRL has not changed during 2022 compared to 2021.

In 2022 the bank received dividend of 47,789 thousand RON from OTP Factoring SRL. The registered office of OTP Factoring SRL is located at: Dacia Blvd., no. 83, office M-03, Bucharest.

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

21. OTHER ASSETS

	December 31, 2022	December 31, 2021
Settlement accounts *	75,800	68,076
Sundry debtors **	52,052	55,975
Prepayments	11,524	9,077
Collaterals	1,266	1,220
Tax receivables	6,554	9,871
Tangible assets classified as held for sale	3,733	3,263
Inventory	1,979	1,850
Deferred income	1,760	1,615
Advances for tangible & intangible assets	1,184	19
Personnel receivables	19	15
Total	**155,871**	**150,982**

* 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. At January 31, 2023 the value of the Settlement accounts is RON 16,660 thousand and represents promissory notes with settlement until March 2023.
**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 27.

22. LIABILITIES DUE TO BANKS

	December 31, 2022			December 31, 2021		
	RON	FCY	Total	RON	FCY	Total
Demand deposits from banks	54,173	12	54,185	33,070	126	33,196
Term deposits from banks	79,050	421,574	500,624	245,073	1,194,884	1,439,957
Total	**133,223**	**421,586**	**554,809**	**278,143**	**1,195,010**	**1,473,153**

According to the currency and amount deposited by the Banks. The Bank pays interest rates in the following ranges:

	December 31, 2022	December 31, 2021
RON	0.00% - 6.00%	0.00% - 4.30%
EUR	2.26% - 2.75%	(-0.65%) - (-0.33%)
USD	0.00% - 4.00%	0.05% - 0.10%

23. LIABILITIES DUE TO CUSTOMERS

	December 31, 2022			December 31, 2021		
	RON	FCY	Total	RON	FCY	Total
Customers' current accounts	2,861,804	1,655,499	4,517,303	3,364,011	1,908,608	5,272,619
Deposits from customers	5,455,226	2,459,216	7,914,442	3,628,672	2,294,905	5,923,577
Total	**8,317,030**	**4,114,715**	**12,431,745**	**6,992,683**	**4,203,513**	**11,196,196**

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 66% are held by retail customers, and 34% 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, 2022	December 31, 2021
RON	0.00% - 9.93%	0.00% - 4.00%
EUR	0.00% - 2.50%	0.00% - 1.40%
USD	0.00% - 4.30%	0.00% - 1.30%
CHF	0.00% - 1.00%	0.00% - 0.00%
HUF	0.00% - 7.00%	0.00% - 0.40%
GBP	0.25% - 3.00%	0.25% - 0.40%

Saving deposits	December 31, 2022	December 31, 2021
RON	0.00% - 13.27%	0.00% - 5.00%
EUR	(0.13)% - 2.75%	(0.65)% - 0.91%
USD	0.00% - 4.00%	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, 2022	December 31, 2021
OTP Bank Plc. *	800,616	-
OTP FINANCING MALTA COMPANY LTD. **	3,378,265	3,258,072
Total	**4,178,881**	**3,258,072**

* The maturity structure of the deposits taken from OTP Bank Plc. is as follows:

Maturity Date	Amount in thousand RON	Amount in thousand CCY	Valuta
August 31, 2026	200,000	200,000	RON
June 28, 2027	600,000	600,000	RON

** 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
October 31, 2023	262,212	250,000	EUR
December 27, 2023	212,738	75,000	EUR
March 26, 2025	250,000	25,000	EUR
June 30, 2025	250,000	53,000	RON
November 21, 2025	250,000	250,000	RON
May 29, 2026	150,000	250,000	RON
August 31, 2026	300,000	30,000	RON
September 30, 2026	200,000	43,000	RON
November 20, 2026	250,000	150,000	RON
November 30, 2026	100,000	40,000	RON
December 31, 2026	375,000	200,000	RON
February 15, 2027	500,000	20,000	RON
November 29, 2027	250,000	250,000	RON

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

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 on December 31, 2022 and December 31, 2021 are as follows:

	December 31, 2022			December 31, 2021		
	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Cross currency interest rate derivatives	445,332	6,744	6,744	193,768	1,148	1,148
Short term currency instruments	9,973,513	42,084	88,563	6,933,862	17,063	18,490
Total	**10,418,845**	**48,828**	**95,307**	**7,127,630**	**18,211**	**19,638**

26. DERIVATIVES ASSETS/LIABILITIES DESIGNATED AS HEDGING INSTRUMENTS

	December 31, 2022			December 31, 2021		
	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	-	493,431	-	168,893	389,248	98,962

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, 2022			December 31, 2021		
	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Interest Rate Swap Hedging	493,431	17,391	957	657,103	-	31,573
Total	**493,431**	**17,391**	**957**	**657,103**	**-**	**31,573**

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

In order to improve yield and maintain a low credit exposure, the bank purchased long duration EUR denominated Romanian Government Bonds (up to 5 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 securities at FVOCI – allowing the bank to transform the yield of the bonds into a floating rate against EURIBOR 3M. In order to minimize counterparty credit risk and corresponding credit valuation adjustments the bank entered in the hedge with OTPH (Group member – no CVA).
The bank will retain only the credit and liquidity risk of the bond, hedging funding and interest rate risk.

Year		Changes in fair value used for calculation of hedge	Inefectiveness recognized in profit or loss
2022	Derivatives assets held for risk management	(4,075)	-
2021	Derivatives assets held for risk management	214	-

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	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			
2022	(41,563)	Investment securities at fair value through other comprehensive income	(4,075)	-
2021	(14,357)	Investment securities at fair value through other comprehensive income	214	-

27. PROVISIONS

	December 31, 2022	December 31, 2021
Payment in kind (i)	2,271	3,407
Financial guarantees (ii)	16,139	14,165
Loans commitments (ii)	42,639	40,395
Loans commitments for banks	7	6
Other provisions, out of which	52,897	58,389
Litigations (iii)	22,788	28,693
Assigment of loans	596	596
Other risks(iv)	29,513	29,100
Total	**113,953**	**116,362**

(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 represents 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:
- 2 legal disputes in amount of RON 9,968 thousand
- provisions for abusive clauses inloans agrements signed between Bank and clients RON 9,514 thousand
- potential litigation cases RON 2,964 thousand

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 28,4 milion RON related to fraud suspicious transactions of a client. The Bank denounced these transactions to police. During 2022, as a general approach it was re-analysed the financial impact of this event. Based on the internal & external legal analyses , on the fact that no new procedural act that could impact the bank was issued, it was concluded that no additional provision is needed.

(v) In the period November 2019 – April 2021, the National Agency of Fiscal Administration („ANAF") conducted a tax inspection at the Bank level. Following the mission, according to the tax inspection report, ANAF reclassified the assignment of receivables made by the Bank to affiliates in the past as financing operations. Thus, the fiscal loss of the Bank was reduced by 100 million lei and an additional tax on income obtained by non-residents in the amount of 31,9 million lei was established.

The Bank did not agree 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 the claimed reclassification. Furthermore, the Bank initiated actions to challenge in Court the tax inspection report issued by ANAF, the deadline being 28 March 2022.
In order to avoid accruing further penalty interest and costs, the Bank paid the amount imposed by the tax authorities, but chalenged the Tax Decision, as such the amount being booked 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 advisors and by the law firm representing the Bank in the litigation against the tax authority, the Bank assessed that it is more likely that a court decision would be unfavourable to the Bank than to have a favourable court decision. As a result, the Bank recognised in 2021 a provision in the amount of RON 31,9 million and based on this, the tax deposit was presented net of the provision amount recognised.
Moreover, 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. .
As such, the Bank registered on 28 January 2022

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

at the Bucharest Court of Appeal the Request for Judgement against DGAMC (General Directorate of Administration of the Large Taxpayers) and ANAF (General Directorate for the Resolution of Appeals).
On 22 June 2022 the Bank had the first court hearing within the annulment claim against ANAF, in which the court estimated the duration of the trial for 8 court hearings (the duration is solely an estimation thus the court file can be settled earlier or even later). For the rest of the year another 3 court hearings took place, as follows: 21 September 2022, 2 November 2022 and on 14 December 2022. The most important topic discussed during these hearings was the acceptance of the court of the Bank's request for evidence, namely the performance of a tax expertise by an independent tax expert appointed by the court.
Currently, the expertise is in progress and accoring to the Bank's legal team, the report of the expertise should be submitted to the court by the next court hearing set for 10 May 2023.

The movements in the provisions during 2022 and 2021 were the following:

	2022				
	Beginning of period	**Increase**	**Reversals**	**FX differences**	**End of period**
Payment in kind	3,407	130	(1,394)	128	2,271
Financial guarantees	14,165	81,500	(79,382)	(144)	16,139
Loans commitments	40,395	20,345	(18,369)	268	42,639
Loans commitments banks	6	2	-	(1)	7
Litigations	28,693	2,062	(8,472)	505	22,788
Assigment of loans	596	-	-	-	596
Other risks	29,100	413	-	-	29,513
Total	**116,362**	**104,452**	**(107,617)**	**756**	**113,953**

	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	566	28,534	-	-	29,100
Total	**144,594**	**119,166**	**(148,918)**	**1,520**	**116,362**

28. INCOME TAX

As on December 31, 2022 the Bank computed the deferred tax using the legal tax rate of 16% (2021: 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.

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

Expenses with the income tax comprise:

Description	December 31, 2022	December 31, 2021
Current income tax expense	(4,521)	-
Deferred tax release / (charge) to profit and loss	688	**(10,577)**
Total income tax release / (charge) to profit and loss	**(3,833)**	**(10,577)**

The deferred tax as of December 31, 2022 is presented as follows:

	Temporary difference	Tax effect	Other elements of the overall result (expenses)/income
Revaluation reserve for tangible and intangible assets	55,469	8,875	(701)
Deferred tax liability as of December 31, 2022 - Fair-value adjustment of assets at fair value through OCI	7,479	1,197	643
Deferred tax liability as of December 31, 2022		**10,072**	**(59)**
Difference in depreciation between tax and accounting base for tangible and intangible assets	854	137	56
Deferred tax due to provisions for other risks	93,224	14,916	814
Deferred tax due to provisions for the conversion project & DIP	2,271	363	(182)
Deferred tax asset as of December 31, 2022		**15,416**	**688**
Net of deffered tax as of December 31, 2022			**5,344**

Net deferred tax assets as of December 31, 2020	**16,112**
Income tax recognized in equity	(820)
Income tax recognized in profit or loss (income)	(10,577)
Net deferred tax assets as of December 31, 2021	**4,715**
Income tax recognized in equity	(59)
Income tax recognized in profit and loss account (expense)	688
Net deferred tax assets as of December 31, 2022	**5,344**

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

The total carried forward tax loss is presented as follows:

	December 31, 2022	December 31, 2021
Statutory net profit for the current period (a)	**68,940**	**(9,344)**
Non-taxable income (b)	(226,574)	(230,049)
Non-deductible expenses (c)	198,675	240,638
Other elements similar to Income (d)	50	-
Other elements similar to expenses (e)	(852)	(1,479)
Legal reserve (f)	(3,639)	(62)
Fiscal profit / (loss) of current year (a+b+c+d+e+f)	36,600	(296)
Tax loss reported by OTP Bank România	(296)	(59,019)
Unused fiscal loss	-	59,019
Total fiscal result /(fiscal losses carried forward) (fiscal result + tax losses)	**36,305**	**(296)**

Fiscal loss carried forward - previous years	**Year of ulilization/ expiring**	**(296)**	**(59,019)**
Fiscal loss carried forward 2021	2028		(296)

	December 31, 2022	December 31, 2021
Profit before income tax	**72,773**	**1,233**
Income tax (16%)	11,644	197
Fiscal credit	(1,158)	-
Adjustment in respect of assigned receivables	8	-
Adjustment in respect of current income tax of prior years	(47)	-
Non-deductible elements	30,386	36,252
Non-taxable elements	(35,481)	(36,251)
Legal reserve, Other elements similar to expenses	(719)	
Expense from income tax at effective tax rate	**4,633**	**198**
Effective tax rate	**6.37%**	**16.06%**
Current income tax expense	(4,521)	-
Deferred tax expense	(4,131)	(14,060)
Deferred tax income	4,819	3,483
Income tax expense	**(3,833)**	**(10,577)**

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

29. OTHER LIABILITIES

	December 31, 2022	December 31, 2021
Other due amounts from transactions with non-banking clients	67,374	66,349
Accrued Expenses	32,499	26,890
Other due amounts from interbank transactions	61,704	27,529
Sundry creditors	18,793	47,256
Unearned income	15,269	14,791
Current contributions	44,526	11,461
Other due amounts to employees	46,450	38,177
Others	12,066	2,666
Total	**298,681**	**235,119**

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. At January 31, 2022 the value of the Settlement accounts is RON 28,842 thousand and represents promissory notes with settlement until March (RON 16,660 thousand), factoring activity for clients (RON 11,288 thousand) and recoveries for loans in dispute (RON 135 thousand).

30. SHARE CAPITAL

	December 31, 2022	December 31, 2021
Share capital as of January 1	**2,279,253**	**1,829,253**
Increase of share capital during the period	-	450,000
Share capital at the end of the period	**2,279,253**	**2,279,253**
Effect of hyperinflation until December 31, 2003	42,751	42,751
Share capital under IFRS	**2,322,004**	**2,322,004**

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 on December 31, 2022 the Bank's share capital amounted RON 2,322,004 thousand 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 on December 31, 2022, 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 amounts are expressed in thousand RON, unless otherwise stated)

All letters of credit issued by the Bank are collateralized. As on December 31, 2022 and December 31, 2021 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, 2022 and December 31, 2021 are the following:

2022	Total out of which	Corporate	SME	Individuals
Loan commitments				
Stage 1	1,991,223	817,385	1,108,526	65,312
Stage 2	150,896	92,704	57,440	752
Stage 3	21,285	6,263	14,312	710
Gross amount	**2,163,404**	**916,352**	**1,180,278**	**66,774**
Stage 1	(30,136)	(12,754)	(16,994)	(388)
Stage 2	(5,020)	(1,004)	(3,934)	(82)
Stage 3	(7,483)	(2,936)	(4,147)	(400)
Allowance for impairment	**(42,639)**	**(16,694)**	**(25,075)**	**(870)**
Carrying amount	**2,120,765**	**899,658**	**1,155,203**	**65,904**

Guarantee issued				
Stage 1	647,221	448,203	198,561	457
Stage 2	61,950	24,117	37,833	-
Stage 3	15,813	7,606	8,207	-
Gross amount	**724,984**	**479,926**	**244,601**	**457**

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

Stage 1	(8,704)	(6,039)	(2,663)	(2)
Stage 2	(4,948)	(2,705)	(2,243)	-
Stage 3	(2,487)	(1,365)	(1,122)	-
Allowance for impairment	**(16,139)**	**(10,109)**	**(6,028)**	**(2)**
Carrying amount	**708,845**	**469,817**	**238,573**	**455**

Total Off balance	2,888,388	1,396,278	1,424,879	67,231
Total allowance Off balance	(58,778)	(26,803)	(31,103)	(872)

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)

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, 2022	**December 31, 2021**
Amounts with the National Bank of Romania (Note 14)	**1,052,505**	**1,356,021**
Treasury Bills (Note 15 and 19)	4,010,653	3,529,416
Total	**5,063,158**	**4,885,437**

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

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, 2022 and December 31, 2021 are presented below:

	Management		Parent company		Subsidiary		Associates		Other Related parties	
	Dec 22	Dec 21	Dec 22	Dec 21	Dec 22	Dec 21	Dec 22	Dec 21	Dec 22	Dec 21
Assets										
Due from other banks	-	-	2,427	1,305	-	-	-	-	-	-
Fair Value of Derivatives Financial Instruments	-	-	53,183	10,909	49	98	-	-	3,106	531
Loans and advances to customers, net	1,433	1,306	-	-	4,274	857	173	88	-	-
Investment in Associates and Subsidiaries	-	-	-	-	53,995	46,703	574	574	-	-
Other assets (receivable values for the sold loans)	2	2	-	32,557	-	52	187	283	-	-
Total assets	**1,435**	**1,308**	**55,610**	**44,771**	**58,318**	**47,710**	**934**	**945**	**3,106**	**531**
Liabilities										
Due to other banks	-	-	453,338	1,009,640	-	-	-	-	14,968	16,279
Fair Value of Derivatives Financial Instruments	-	-	59,880	42,318	-	27	-	-	-	-
Due to customers	3,676	2,423	800,000	-	62,268	73,035	7,514	1,267	3,390,192	3,263,075
Other liabilities	-	-	24	3,497	-	-	-	-	2	2
Total liabilities	**3,676**	**2,423**	**1,313,242**	**1,055,455**	**62,268**	**73,062**	**7,514**	**1,267**	**3,405,162**	**3,279,356**
Income statement items										
Interest and Commission income	5	4	128,677	24,062	271	179	2,964	3,010	66	400
Interest and Commission expenses	(15)	(3)	(45,817)	(21,321)	(1,291)	(463)	(32)	(1)	(213,846)	(61,665)
Other income	-	-	-	-	482	-	-	-	-	-
Other expenses	(1)	-	(8,678)	(277)	(17)	-	-	-	-	-
Net income from the sale of loans	-	-	-	-	-	-	-	-	-	-
Net income from derivatives transactions	-	-	(96,560)	17,438	212	474	1	-	117	(953)
Total income statements items	**(11)**	**1**	**(22,378)**	**19,902**	**(343)**	**190**	**2,933**	**3,009**	**(213,663)**	**(62,218)**
Other commitments	28	42	**58,644**	-	14,620	12,906	**264**	**-**	561	561
Off-balance sheet commitments	**28**	**42**	**58,644**	**-**	**14,620**	**12,906**	**264**	**-**	**561**	**561**

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

Compensation of key management personnel

Key management personnel are those people who have 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, 2022, and December 31, 2021 were as follows:

	December 31, 2022	December 31, 2021
Salary for key management personnel	5,054	4,949
Short-term and long-term benefits	12,633	12,668
Total benefits for key management personnel	**17,687**	**17,617**

34. ENCUMBERED ASSETS

As of December 31, 2022, and December 31, 2021 the Bank didn't hold any encumbered assets.

35. CONTINGENT LIABILITIES

On December 31, 2022 (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.

36. SUBSEQUENT EVENTS

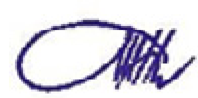
One of the main reasons for the recent events is the fact that banks have to recognize significant losses on their fair value measured fixed rate securities that they previously purchased in a low interest rate environment and their fair value has decreased after the sharp increase in rates.

Significant losses can also occur if the low-yield instrument is measured at amortized cost but the bank has to sell it off due to liquidity issues (deposit withdrawals), thus realizing the price change losses. The threats described above do not affect OTP Bank as a significant part of its liquidity surplus is in money market deals and has no relationships with the institutions affected by the crisis and no material exposure. The Bank's liquidity is stable, including credit lines from the OTP Group, and it is not expected that the securities measured at amortized cost would have to be sold before maturity, which would mean the realization of any potential losses. The Bank's liquidity coverage ratio is healthy.

These separate financial statements have been authorized for issue by the management in 22nd of March, 2023.

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, 2022

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. Startingfrom 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 on December 31, 2022 was as follows:

Shareholder	Ownership (%)	No. of shares	Amount (LEI)
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 on December 31, 2022 and comparative data for the period ended as on December 31, 2021 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).

2. Economic environment

Year 2022 seems to be another year, when the Romanian economy performed above expectations. Annual **GDP growth** could have been around 5%, after the 5.9% growth in 2021. Hence the recovery from the covid crisis continued. Nevertheless, within the year, growth slowed visibly, (Q1: 6.4%, Q3: 3.8% YoY), as household consumption weakened amidst falling real income and net export also added more negatively to GDP growth. At the same time to contribution of investments picked-up despite rising interest rates, as EU sponsored government investment has continued to strengthen. In the second half of the year, Romania was also trying to adapt to the effects of the war and energy crises, which caused rising inflation and interest rates and deteriorating export opportunities. Nevertheless, the country was better prepared to weather the storm than most regional peers, given a high share of domestic natural gas production in consumption (close to 80%), high EU fund inflows (3-4% of GDP annually), and a relatively solid growth potential. Still, the persistent twin deficit problem remains a key risk factor.

On the sectoral side, based on GDP data for Q1-Q3, the biggest growth impetus came from the service sector, partly as a recovery from the covid crisis (HORECA sector added 1.5 ppts to GDP growth), but the info-communication sector's performance (1.5 ppts) was also outstanding. This latter was a bit surprising, given that the sector was already expanding during the COVID period. At the same time, industry's performance remained in the mildly negative territory (-0.3 ppts). Agriculture so far also had a small negative contribution (-0.6%), however, given the poor cereal harvest (e.g. wheat production at-25%) this negative effect can be even higher after the publication of full year data.

Employment has fully recovered from the covid crisis, in fact institutional data points to all time high levels by November, close to 5,1 million persons, on a seasonally adjusted basis. At the same time, the unemployment rate did not really decline through 2022, (November: 5.4%, 2021 November: 5.5%), as the participation rate kept expanding. Wage growth has picked up to double digit pace (latest, November: 13.6%) amidst double digit inflation (latest, December: 16.3%), however this was still not enough to compensate for the loss of purchasing power. Hence real wages could have declined on average 1.5%. Labour market tightness indicators has stopped increasing in 2022, albeit remained at a relatively high level.

Both angles of economy policy continued to tighten throughout 2022. On the one hand the decline in the budget deficit went on, the preliminary 2022 cash deficit stood at 5.8%, down from 6.8% a year before. The ESA based budget deficit could have ended up the year at 6.0% of GDP, which could imply end year debt level slightly below 48% of GDP.

Monetary policy continued tightening, with seven rate hikes throughout 2022, the key rate has increased to 6.75%, from 1.75%. Interbank rate rates also moved sharply upwards, the 3 months ROBOR increased from 3% (end 2021) to 7.6% by end 2022. Nevertheless, the yield curve flattened by the end of the year, suggesting, that markets have started to price the end for the rate hike cycle. The increase in yields led also to higher bank lending rates, the IRCC moved up from 2.0 to 5.7% by end 2022.

Inflation continued its sharp upwards rise, the headline rate doubled from 2021 to 2022 December, reaching 16.4%. This was driven by rising energy costs, higher global food prices, and increasing wage pressures. The pick-up was to a largest extent was driven by food prices, which index moved up to 22.0%

YoY, from 6.7% a year before. Energy inflation reached 39.7% (from 28.1%), while the growth of fuel prices moved up more moderately (from 3.4 to 9.2%). Core inflation (inflation ex energy, food, fuel, alcohol, tobacco) moved up to 8.4% (from 3.4% in December 2021). Among its components, services inflation increased the most (to 9.8% from 4.5%), while non-energy, non-food goods inflation picked up somewhat more moderately (to 14.9% from 10.7%). As global supply chain problems eased, the pressure on goods inflation has started to weaken, and the YoY index has started to decline moderately by the end of the year.

The external position of the country continued to deteriorate, the current account deficit amounted to almost 10% of GDP in 2022, up from 7.3% in 2021. The increase was partly driven by higher energy prices, while exports were still weakening. Nevertheless, due to the substantial inflow of EU funds, the actual external deficit from the financing side stood, lower at -7.0% of GDP.

The EUR / RON rate ended in 2022 at 4.94, almost flat compared to the end of 2021. The lack of depreciation could partly be explained by the BNR's endeavour to fight against inflation.

In 2022, the growth of the stock of non-government (household and corporate) loans slightly slowed to 12.1%, from 14. 8% a year before. Corporate loans (nonfinancial + financial companies), was almost flat at 20.2%, from 20.7% a year before, while there was a visible slowdown in household? loans, to 4.3%, from 9.7% at end 2021. The sharpest decline occurred with mortgage loans, to 5.4% from 12.9%, while consumer loans also weakened visibly (from 4.9% to 2.6%). However, the pace of growth was quite uneven within the year, while in H1 growth hardly changed, H2 brought sharp slowdown in all segments. This occurred partly due to lower demand, but it also seems that banks has tightened credit conditions amidst the extremely high natural gas price levels and recession fears.

The share of credits in lei rose further, albeit mildly in the household loan segment, where it reached 86% from 83% a year before, while in corporate loans it slightly declined to 59%, from 65%. At the same time, non-performing loans declined mildly to 3.0% by 2022 Q2 from 3.4% a year before.

NBR data showed that the profitability of the sector improved up to Q2 on an annual basis, with the ROE index reaching 16.0% compared to 13% in 2021. At the same time, the capital adequacy ratio slightly declined to 21.4%, from 23.7% in 2021, as banks increased provisioning.

Key economic indicators*		**2022**	**2021**
Real GDP	%	5.0	5.8
Final consumption of households	%		
Consumption expenditure of households*	%	6.2	8.2
Consumption of public administrations*	%	1.4	1.3
Gross fixed capital formation*	%	7.1	1.9
Export of goods and services*	%	7.0	12.6
Import of goods and services*	%	8.0	14.9
Consumer prices	% average	13.7	5.0
* Budget balance	% from GDP	-6.0	-7.1
* Public debt	% from GDP	47.8	48.9
* Current account	% from GDP	-9.4	-7.3
Monetary policy interest rate	% average	4.42 6.75	1.35 1.75
Monetary policy interest rate	% end of period		
EUR / RON	average	4.93	4.92
EUR / RON	end of period	4.94	4.95
Nominal GDP*	billion RON	1383,0	1187,4
Unemployment	%	5.6	5.6
Nominal wage growth	%	12.0	7.1
Real wage growth	%	-1.5	2.0

* 2021 data are based on the latest annual publication, while 2022 figures are our nowcast. Government consumption is the sum of collective and individual consumption.
Sources: INS, BNR, OTP Research

3. OTP BANK ROMANIA's results

Highlights

- As of the 3rd quarter of 2022, OTP Bank has reached the 8th position in market share based on total assets, thus ranking up a position in the top 10 bank in all major banking market segments in Romania.
- Attracting customer deposits became the major focus for the second half of the year with the aim of further strengthening the funding base, the market share for deposits increasing from 2.32% (31 December 2021) to 2.40% (31 December 2022);
- The market share of total loans increased to 4.10% by July 2022 from 4.06% (31 December 2021), and then decreased to 3.92% (31 December 2022) driven by the slow-down in the lending growth registered in the second part of the year as a result of the uncertainties on the economic outlook and the high-interest environment.
- 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 4.58% (31 December 2021) to 4.71% (31 December 2022);
- Even if the Bank continued to finance the real economy, challenges brought by post-pandemic situation and by the Ukraine conflict in the economic environment, negatively impacted the market share of loans to legal entities, that dropped from 3.96% (31 December 2021) to 3.72% (31 December 2022). Also the market share of deposits and current accounts from legal entities went down from 3.19% (31 December 2021) to 2.88% (31 December 2022);
- Solid capital position, with capital adequacy ratio of 22.5% (the Bank standalone).

RON thousand	December 31, 2022	December 31, 2021	Variation %
ASSETS			
Cash and cash equivalents	603,828	551,861	9%
Current accounts and deposits at banks	84,412	63,289	33%
Accounts with the National Bank of Romania	1,052,202	1,354,829	(22%)
Loans and advances to banks	5,793	1,931	200%
Derivatives	48,828	18,211	168%
Derivatives hedge accounting	17,391	-	100%
Investment securities at fair value through profit and loss	15,717	21,130	(26%)
Investment securities at fair value through other comprehensive income	501,525	724,374	(31%)
Securities at amortized cost	3,527,219	2,818,975	25%
Loans and advances to customers, net	13,503,413	12,386,495	9%
Investment in Associates and Subsidiaries	49,557	46,558	6%
Property and equipment	183,723	187,993	(2%)
Intangible assets	55,489	60,162	(8%)
Right-of-use assets	66,587	61,717	8%
Investment property	762	1,008	(24%)
Deferred tax assets	5,344	4,715	13%
Other assets	155,871	150,982	3%
Total assets	**19,877,661**	**18,454,230**	**8%**
LIABILITIES			
Due to Banks	554,809	1,473,153	(62%)
Derivatives	95,307	19,638	385%
Derivatives – Hedging Accounting	957	31,573	(97%)
Due to customers	12,431,745	11,196,196	11%
Borrowings	4,178,881	3,258,072	28%
Lease liabilities	67,920	63,308	7%
Provisions	113,953	116,362	(2%)
Current tax liabilities	4,521	-	100%
Other financial liabilities	298,681	235,119	27%
Total liabilities	**17,746,774**	**16,393,421**	**8%**
SHAREHOLDERS' EQUITY			
Share capital, nominal	2,279,253	2,279,253	0%
Share capital inflation effect	42,751	42,751	0%
Total share capital	2,322,004	2,322,004	0%
Other equity	7,126	6,794	5%
Accumulated deficit and reserves	(198,243)	(267,989)	(26%)
Total shareholders' equity	**2,130,887**	**2,060,809**	**3%**
Total liabilities and shareholders' equity	**19,877,661**	**18,454,230**	**8%**

Cash and cash equivalents increased by 9% compared to December 31, 2021, their weight in the total assets increased from 2.99% to 3.04%. As on December 31, 2022 they amounted to RON 603,8 million, out of which RON 214,5 million are in local currency. The caption includes **cash in hand and ATMs**.

Current accounts and deposits at banks amount to RON 84.41 million (increased by 33%). This item includes **Nostro accounts** (RON 28,7 million), **on demand deposits at other credit institutions** (RON 35,7 million) and t**erm deposits at other credit institutions** (RON 20 million).

Accounts with the National Bank of Romania are in amount of RON 1,052 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, 2022 – January 23, 2023, the minimum mandatory reserve was determined at the level of RON 896,399 (December 31, 2021: RON 773,379).

Derivatives (assets) are in the amount of RON 48,8 million on December 31, 2022. 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). The value of **hedging derivatives** is RON 17,4 million for 2022.

Other investments measured at fair value through profit and loss account include unit funds held by the Bank in: **OTP Premium Return** (RON 2,8 million), **OTP Dollar Bond** (RON 5 milion), **FDI OTP Dinamic** (RON 2,5 million), **OTP Real Estate & Construction** (RON 1,97 million) and **VISA** (RON 3,28 million).

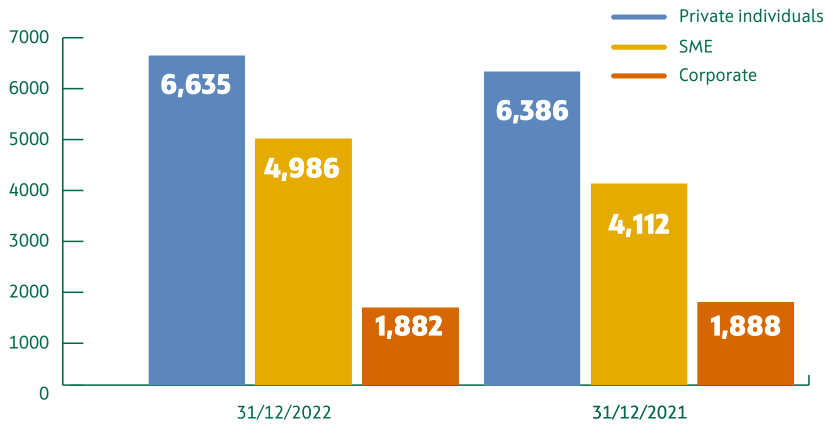
Investment securities at fair value through **other comprehensive income** no significant changes registered in 2022, and includes bonds issued by: **Ministry Of Finance of Romania** (RON 339 million), **Ministry Of Finance of Poland** (RON 93,1 million) and **Ministry Of Finance of Spain** (RON 51,2 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 18,1 million on December 31, 2022 comprises: investment in **VISA** (RON 12,13 million), **MasterCard** (RON 4,8 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).

Securities held to maturity at amortised cost, in amount of RON 3,527,2 million as on December 31, 2022 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.

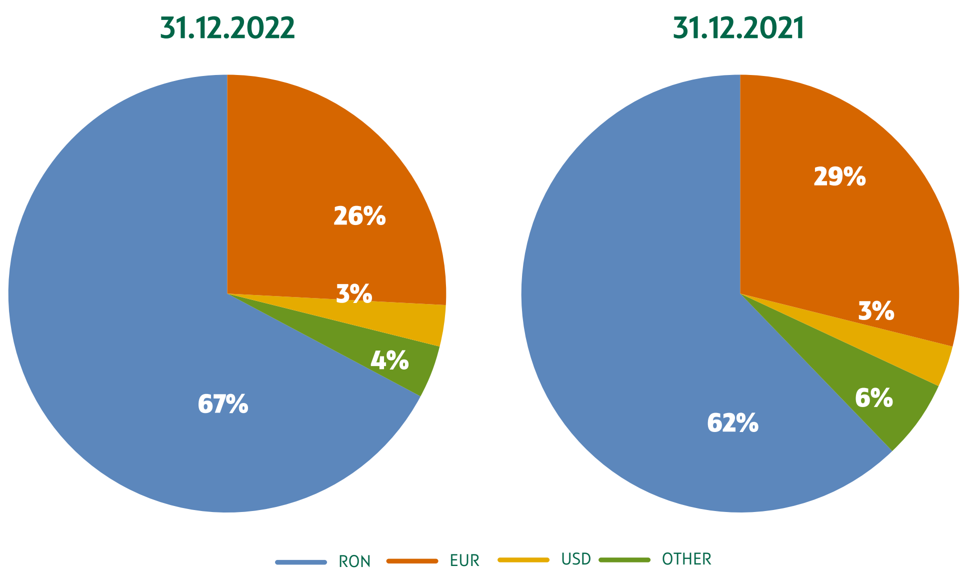
Loans and advances to customers are in amount of RON 13,503 million on December 31, 2022 and presents the following structure:

- Private individuals – RON 6,635 million (RON 6,386 million on December 31, 2021)
- SME – RON 4,986 million (RON 4,112 million on December 31, 2021)
- Corporate – RON 1,882 million (RON 1,888 million on December 31, 2021).

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 14,7 million.

During 2022 the capital of OTP Leasing Romania SA was increase by means of issuing 500,000 new shares of RON 10 /share, to be subscribed as follows:
• RON 2,999,690 to be contributed by OTP Bank Romania, by subscribing a number of 299,969 shares, at the nominal value of RON 10 /share;
• RON 2,000,310 to be contributed by Merkantil Bank ZRT, by subscribing a number of 200,031 shares, at the nominal value of RON 10 /share.

As a result of the above share capital increase, the shareholding of OTP Leasing Romania IFN S.A. will remain unchanged, as follows: OTP BANK ROMANIA, with a share of 60% and Merkantil Bank ZRT, with a share of 40%.

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 183,7 million as on December 31, 2022 (RON 187,9 million at 31 December 2021).

Tangible assets are recognized using the revaluation method. The bank performed in 2022 the test of depreciation of land and buildings internally.

Intangible assets decreased by 8% compared to the previous year's balance, having a value of RON 55,5 million on December 31, 2022 , the bank invested in increasing efficiency of the activities through automation. During 2022 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 2022 the value of **right-of-use assets** is RON 66,6 million (December 2021, RON 61,7 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 155,87 million on December 31, 2022 and represent amounts in transit / settlement: RON 75,8 million (RON 68,1 million as on December 31, 2021), sundry debtors: RON 52 million (RON 55.9 million as on December 31, 2021), prepayments: RON 11,5 million (RON 9 million as on December 31, 2021), deferred income RON 1,7 million (RON 1,6 million as on December 31, 2021), advances to personnel, tax receivables, advances for tangible and intangible assets, inventory, collateral received RON 11 million (RON 12,9 million as on December 31, 2021). The Bank owns as at 31 December 2022 fixed assets and disposal groups, classified as **held for sale** amounting to RON 3,7 million (RON 3,2 million as on December 31, 2021), 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 554,8 million and comprised: Loro accounts (RON 54,1 million), demand deposits and term deposits (RON 500,6 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.

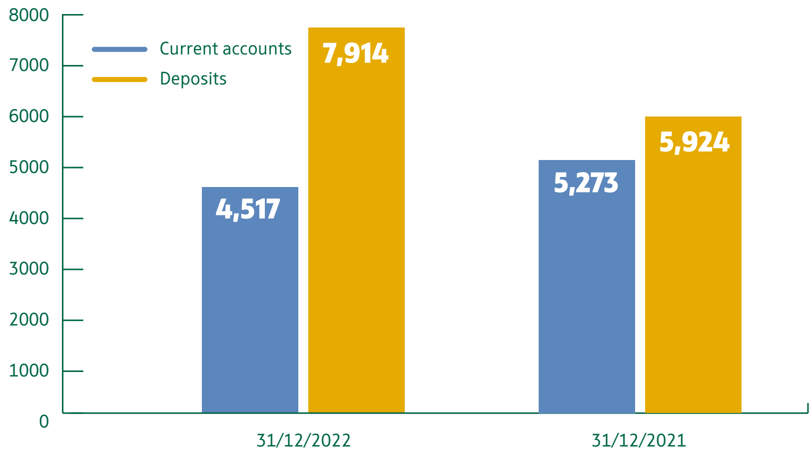
Derivatives (liabilities) in amount of RON 95.3 million on December 31, 2022 (December 31, 2021 RON 13,3 million) represent negative fair value of derivatives. Value of hedging derivatives is of RON 957 million for 2022 (RON 31,6 million for 2021).

Liabilities due to customers presents the following structure:
- current accounts – RON 4,132 million (RON 4,705 million on December 31, 2021)
- demand deposits – RON 385 million (RON 568 million on December 31, 2021)
- term deposits – RON 7,670 million (RON 5,748 million on December 31, 2021)
- collateral deposits – RON 244 million (RON 176 million on December 31, 2021)

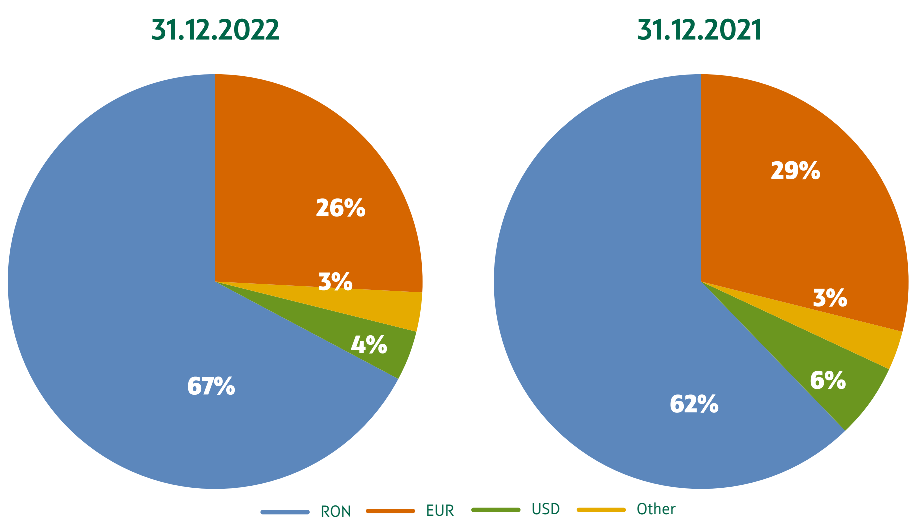
Within deposits are included Accrued and amortized amounts.

During 2022, 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.

Net loans by customer type



Net loans by currency



Borrowings are in amount of RON 4,2 billion on December 31, 2022 (RON 3,3 billion on December 31, 2021), the amounts being withdrawn from OTP Financing Malta Company LTD and OTP Bank Ltd.

Provisions decreased in 2022 by 2%. The provisions for loan commitments, financial guarantees and other commitments given are in amount of RON 58,8 million (RON 54,6 million on December 31, 2021), provisions for litigation are in amount of RON 22,8 million (RON 28,7 million on December 31, 2021), provisions for payment in kind RON 2,8 million and other provisions risks are in amount of RON 30,1 million. The provisions included in the line Other risks comprised operational risk and a provision related to fraud suspicious transactions of a client. The Bank denounced these transactions to police.

The variation on provisions for litigations have been influenced by a release in 2022 of existing provision, in total amount of RON 8,5 million, based on the opinion of the lawyers issued in 2022 for the ongoing litigations.

Other liabilities are in amount of RON 299 million as on December 31, 2022 and include amounts from **transitory accounts** RON 99,8 million, **allowances and salaries** – RON 46,5 million, **various contributions to the state**

budget of RON 44,5 million, **sundry creditors** of RON 18,8 million, **deferred income** – RON 15,2 million and **expenses to be paid** - RON 73,7 million.

Shareholders' equity is RON 2,131 million, from which:

- Share capital RON 2,279,3 million;
- Share capital inflation effect: RON 42,8 million;
- Revaluation reserves for fixed assets, net: RON 46,6 million;
- Revaluation reserves for securities at fair value through other comprehensive income: RON 1,4 million;
- Other reserves: RON (4,2) million;
- Other equity: RON 7,1 million;
- Retained earnings RON: (310,9) million;
- Current year's profit of RON 68,94 million.

Separate Income Statement of OTP Bank Romania S.A.

RON thousand	December 31, 2022	December 31, 2021	Variation %
Interest Income	1,112,508	621,381	79%
Interest Expense	(475,585)	(150,007)	217%
Net interest income	**636,923**	**471,374**	**35%**
Fee and commission income	129,533	108,480	19%
Fee and commission expense	(81,775)	(57,925)	41%
Net fee and commission income	**47,758**	**50,555**	**(6%)**
Impairment losses	**(178,768)**	**(116,490)**	**53%**
Net interest, fee and commission income after impairment losses	**505,913**	**405,439**	**25%**
Trading income, net	56,811	89,293	(36%)
Gains or losses on financial assets and liabilities designated as at fair value through profit or loss	(1,368)	1,339	(202%)
Gains or losses on financial assets and liabilities designated as at fair value through OCI	287	500	(43%)
Dividend income	47,789	-	100%
Other operating income	22,275	17,310	29%
Total income from financial operations	**125,794**	**108,442**	**16%**
Total operating revenues	**631,707**	**513,881**	**23%**
Salaries and related expenses	(287,070)	(266,740)	8%
Other administrative expenses	(180,875)	(162,464)	11%
Depreciation of tangible and Intangible assets	(81,958)	(73,455)	12%
Other operating expenses	(9,031)	(9,989)	(10%)
Total non-interest expense	**(558,934)**	**(512,648)**	**9%**
Profit / (Loss) before income taxes	**72,773**	**1,233**	
Current tax expense	(4,521)	-	
Deferred tax income	688	(10,577)	
Net loss / profit for the period	**68,940**	**(9,344)**	
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	4,381	3,780	
Net change in fair value of financial assets through other comprehensive income	50	1,177	
Related tax for above positions	(58)	(820)	
Total items that will not be reclassified to profit or loss	**4,373**	**4,137**	
Items that may be reclassified to profit or loss			
Net change in fair value of financial assets through other comprehensive income	(4,345)	(268)	
Total items that may be reclassified to profit or loss	**(4,345)**	**(268)**	
Other comprehensive income, net of tax	**28**	**3,869**	
Total comprehensive income for the reporting period	**68,968**	**(5,475)**	
Basic earnings per ordinary share	**7,26**	**(0,98)**	

The Income Statement of the bank for the period ended as on December 31, 2022 , is as follows:

Interest income increased by 79%, mainly linked to:

- loans of RON 899,6 million (RON 560,5 million in 2021),
- placements with other credit institutions and Central Bank RON 13,3 million (RON 3 million in 2021)
- securities and reverse repo agreements RON 199,6 million (RON 57,8 million in 2021).

Interest expenses register a significant increase. The structure of Interest expenses is as follows:

- RON 198 million from customers' deposits (RON 82,9 million as on December 31, 2021)
- RON 252,5 million from borrowings (RON 61,6 million as on December 31, 2021)
- RON 23,9 million are related to deposits from banks (RON 4,8 million as on December 31, 2021).

Fee and commission income is in amount of RON 129,5 million (increased by 19% compared to 2021) and **fee and commission expenses** are in amount of RON 81,7 million (increased by 41% compared to 2021).

Impairment losses increased from RON 116,4 million to RON 178,8 million (53% increase) as a result of the analysis of the provisions for litigation risk and annual review of provisioning parameters.

Trading income, net decreased by 36%, from 89,2 million in 2021 to RON 56,8 million in 2022. 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.**

Dividend income in amount of RON 47,8 million was received from OTP Factoring SRL (2021:nil).

Other operating income is in amount of RON 22,3 million. These incomes include **fees for non-banking services** – RON 1 million, **incomes from insurance intermediation activity** – RON 3,3 million, **other operating income** – RON 12 million, **other income and fees related to the loans** – RON 5 million and others.

Salaries and related expense are of RON 287 million on December 31, 2022 , increased by 8% compared to the previous year (RON 266,7 million). Salary costs were driven up by market conditions, more staff and sales results.
The growth of average salaries from the period 2016-2021, 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 2022 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 180,8 million on December 31, 2022, increased by 11% compared to the previous year (RON 162,4 million in 2021).

Depreciation of tangible and intangible assets is of RON 82 million on December 31, 2022 , comparing to RON 73.,4 million in 2021.

Other operating expenses are in amount of RON 9 million (RON 9,9 million in 2020). These include: **fines and penalties** of RON 0,04 million, **sponsorship expenses** of RON 2,5 million, **expenses representing prizes, sales competitions** of RON 0.9 million, **disputes/ legal cases** of RON 4,2 million and **other expenses** of RON 1,3 million.

4. 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 2022.

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 Bank's risk appetite, 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 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;
- Ensuring adequate NPE management;
- Ensuring there is consistency and

coherence between the Bank's Risk Strategy, NPE Strategy and ICAAP;
- Implement the requirements of the EBA guideline on loan origination and monitoring according to the internal timetable.
- Develop a comprehensive ESG risk management framework able to ensure alignment with the definitions and requirements of EBA and ECB, local integration the parent bank's strategy for green financing and ESG risk management and increased understanding and capability to quantify ESG risks in order to set limits (at the level of business line, economic sector or product) that adequately reflect the appetite for ESG risks.

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

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. In response to the negative effects of the COVID-19 pandemic on the economy, starting with March 2020, the Bank adjusted its lending policies and rules by implementing temporary restrictions in order to mitigate the risks that have arisen. Subsequently, based on monitoring the evolution of the pandemic, the Bank will continue to adapt and strategy accordingly. The current context is marked by a new series of uncertainties of economic and social challenges caused by the war in Ukraine, which led to significant increases in inflation, high energy costs in most European countries. On local level, we are witnessing significant increases of Robor and IRCC reference indices with a direct impact on variable interest indexed portfolios. For Private Individidual segment, the portfolio most exposed to interest risk is the credit portfolio, as the share of loans with variable interest is dominant. In this context, one observes an increased preference of clients for fixed interest loans as well as requests for changing the reference index (transfer to IRCC).
- 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..
- Follow the NPE strategy and reach the NPL% targets. No doubt the emergency of COVID 19 and its systemic impact, has brought additional insecurity and pressure in respect to the achievement of the Bank's plan to reduce the NPL stock. Nevertheless, the Bank will undertake all possibly planned actions in order reach the NPE % target and the planned values for the non-performing loans rate at the level of each segment.
- Monitoring of credit risk.
  With a view to monitoring the credit risk appetite, the Bank operates a control system, which covers the regulatory instruments, the risk parameters of the products and the reporting system:
    - Monthly & quarterly reports on Credit Policies risk indicators
    - Quarterly monitoring of credit risk profile
    - Quarterly monitoring of level of portfolio concentration against the limits established within the Internal Norm on Concentration Risk
    - Monthly monitoring of vintage rates

    - Monthly overview of the legal entities and private individuals portfolio developments
    - Weekly monitoring of portfolio movements
    - Weekly monitoring of override rates
    - Daily monitoring of the distribution by risk classes of the new volumes
    - Monthly monitoring of the quality of portfolios generated by alternative sales channels.
- The Bank regularly re-assesses all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on watch-list and which are classified as individually significant.
- Reviewing the transactional models. During 2022, new rating models used in the granting process for Personal Loans and for Credit Card and Overdraft will be were implemented as follows:
    - January 2022 - Personal Loan
    - April 2022 - Credit Card and Overdraft

Regarding secured products for Private Individuals, a new application rating model was developed in Q3-2022, with a significantly improved predictive power compared to that of the current model, as a result of model development using detailed Credit Bureau information.

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.

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 2022, 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, 4.47% of own funds (3.26% as of December 2021). The increase in the calculated value came mainly after putting in place a more conservative estimation of the average duration of current accounts and was also due to the increase in the 5 years ML fix portfolio. During 2022 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.

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 and are managed in Market Risk Portal system.

Interest Rate Risk (Trading book)

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

The purpose of the Bank in market risk management is to ensure adequate management in line with trading activities, implementation of procedures, models, and monitoring and control of trading activities.

Limits are approved for trading with financial instruments sensitive to interest rate risk such as bonds issued by the Romanian Government, interest rate swaps, foreign exchange swaps, deposits and money market placements have been approved. Appropriate assessment and monitoring of the resulting interest rate risk are ensured by implementing a system of limits and the use of appropriate risk management systems.

The Bank has set the following types of limits: bond position limit, bond maturity limit, Value at Risk (VaR) limit, Expected Shortfall (ES) 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, Value at Risk (VaR) limit and Expected Shortfall (ES) limit 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 and Funding management Strategy" and on the "Liquidity and Funding 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 - 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.

Liquidity indicators (regulatory and internal) where complied with during the year. The bank's liquidity risk profile objective of medium-low was maintained permanently.

On December 31, 2022 the aggregate value for stand-by credit facilities contracted with the parent bank with purposes of use in a liquidity crisis (and unused on December 31, 2022) represent EUR 95 million.

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 managemen**t 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;
- 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 /outsourced activities risk profiles;
    - 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.

ESG risks

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

In line with the expectations of the main stakeholders and the requirements of the supervisory authorities OTP Group launched its non-retail ESG (Environmental, Social and Governance) credit risk framework in 2021.

Within the **Credit Risk management area**, ESG risks are assessed at the initiation of exposures to corporate clients and over the life of the exposure starting with June 2021.

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

Tenor of transaction	Low	Medium	Medium-High	High
Long	Medium	Medium-High	High	High
Medium	Low	Medium	Medium-High	High
Short	Low	Medium	Medium	Medium-High

Sector categorization / client risk

The thresholds for classification of the transaction tenor and the sector categorization are laid down in L.428-Procedure for determining the ESG risk category and leverage transactions within OTP BANK ROMANIA S.A..

In **Operational Risk area**, ESG factors are integrated by:

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

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

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.

5. 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. 30% in total assets. Overall, the standalone bank has reached the 8th position in market share based on total assets, thus ranking up a position in the top 10 bank, 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 OTPH.

Solvency

Capital ratios were at comfortable levels, with the Capital Adequacy ratio ("CAR") at 22.5%, well above the applicable limits. 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 post-pandemic context , Ukraine conflict and high inflation, 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:

Internal factors

Strengths

- **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

Weaknesses

- **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
- **Highest loan to deposit ratio** among the banking sector

External factors

Opportunities

- 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

Threats

- **Uncertainties in the economic environment** driven by post-pandemic situation and Ukraine conflict continues to put pressure on the business environment with both direct and indirect impact on the Bank
- **High inflationist pressures** which are starting to arise across EU and other market pressures such as energy market prices.
- **Increased Cost of equity** due to higher returns expected by the Capital markets.
- **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
- **Political uncertainties / slow governmental measures** taken to sustain the companies affected by the post-pandemic context and uncertainties in the economic environment, also with unpredictable tax and legal environment
- **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.

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:

- increase the active clients base to boost profitability and focus on attracting customer deposits with the aim of further strengthening the funding base.
- **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.
- moderate **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:

- **the funding mix** relies on group sources which are stable and a sustain growth of customer deposits, considering 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 optimization and efficiency increase lowering operational risks and reducing costs on the medium and long term. From a business perspective, the mix 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, digitalization 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 post- pandemic context and Ukraine conflict 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 organization and efficiency.

6. Non-financial statement

The bank understands the social responsibility it has towards environment, protecting natural resources and managing the direct and indirect impact of its activities on it. The cooperation with the main parties involved allows the Bank to treat better the social and environmental challenges that require a sustainable approach.

OBR ESG (Environmental, Social, Governance) Strategy was defined in 2022 considering OTP Group ESG Strategic directions, regulatory recommendations, NBR expectations, market opportunities and challenges.

OTP BANK ROMANIA, trough ESG strategy is committed to finance a fair and gradual transition to a low-carbon economy, while encouraging responsible behaviors and increasing the positive impact on society.
Based on materiality assessment perfomed by OTP Group amongst stakeholders, applicable to OBR also, all ESG factors appeared as relevant and were grouped under 3 materiality strategic Pillars:

- Responsible Provider
- Responsible Employer
- Responsible Social Actor

SDGs to be addressed: Acting for the climate and environment by supporting green transition

6.1. Responsible Provider

Under the responsible provider pillar, OBR is developing sustainable practices towards:

- 6.1.1. Active ESG risk management
- 6.1.2. Sustainable financing & Green Product Plan
- 6.1.3. Sustainability Portfolio Disclosures
- 6.1.4. Sustainable channels & services
- 6.1.5. Ethics, anti-corruption and transparency.

6.1.1. Active ESG risk management

ESG Risk Management Framework implemented in 2021 completed the corporate loan origination process with ESG Exclusion List, sectorial ESG Risk Heat Map, and client & transaction level ESG risk assessment. The methodology was revised in 2022, when also ESG risk appetite and ESG operational risk tolerance were implemented – zero tolerance to new clients and activities under exclusion list.

ESG factors were also implemented in **operational risk management**: scenario analysis, RCSA, SAS loss database, ESG climate stress test for reputational risk. Climate disaster scenarios start being incorporated Group level into trading book stress tests.

In the next years efforts are committed to continuous improvement of ESG Risk Management Framework -considering client specific information, physical risks, extention to mortgage portfolio, harmonisation with green lending, setting sectoral limits within the Risk Appetite Statement, defining possible framework for data collection for ESG reporting and bottom-up stress testing.

6.1.2. Sustainable financing & Green Product Plan

OBR strategic focus is to introduce green lending solutions in a way that not only follows market trends, but also supports access to banking supervision incentives that support sustainability and sectoral policy incentives for economic transformation. It creates the opportunity for further expansion of products and services that will facilitate the transition to a sustainable economy and provide an opportunity to increase sustainable investment.

In 2022, in order to define commercial strategy for green products approaches and targets, a thorough market screening was done regarding: Regulatory Incentives , growth opportunities from EU Funding & national programs, RO Market Perspectives from National De-carbonization Strategy, competition approaches and OBR current market position & portfolio distribution.

The conclusions were that:
- **Corporate strategy** for green lending shall focus primarily on the macrosectors that indicate highest growth opportunities in Romanian Market, and OBR has a good position:-
- Renewable Energy
- Green Real Estate Investments projects
- Green Transportation (mainly for Leasing)

On longer term shall be explored opportunities for green lending (taxonomy aligned) in the Agricultural sector, energy efficiency & waste management investments -based on OTPH experience and guidelines.

Retail Strategy: Market opportunities for green retail lending (aligned to EU/ CBI Taxonomy high standards such as top 15% energy efficiency) are very limited yet. The cost of funds and lack of regulatory incentives represents a challenge for desiging marketing campaigns for eco products with interest discounts. No green product lauched yet, but OBR will monitor opportunities for further actions.
For mortgages we start collecting in 2022 Energy Performance Certificates – a first step for further defining „Green" Mortage.

Leasing Strategy:
As per market & portfolio assessemnt, strategic direction for greening OTP Leasing Romania portfolio are to grow sustainable financing by: leasing for electric vehicles (special promo campaigns run in 2021 and 2022); on loger term explore sustainable financing for agriculture high precision equipments.

At end of 31.12.2022 **OBR had exposures of 86 mil EUR from renewable energy projects**; OTP Leasing registered EUR 1,3 millioncorporate leasing exposures for electric cars

OTP Group implemented in 2022 **Green Loan Framework** - OTP group methodology for assessment of the alignement of eligible exposures to EU Taxonomy and CBI Taxonomy and **Sustainable Finance Framework** to identify exposures eligible for green bond funding that shall be rolled out to subsidiaries also.
In 2023 OBR started **Green Loan Framework** project- aiming to translate to Romanian market legislative context the OTP group methodology/criteria for „green" loan assessment.

6.1.3. Sustainability Portfolio Disclosures

According to Article 10 of the Delegated Act supplementing the EU Taxonomy Regulation (2020/852), from 1 January 2022 to 31 December 2023, OTP Bank, as a financial institution, publishes the following mandatory KPIs:

Exposures to Taxonomy-eligible economic activities over total covered (GAR) assets*	31.98%
Exposures to Taxonomy non-eligible economic activities over total covered (GAR) assets*	24.84%
Share of derivative transactions over total (GAR) assets*	0.31%
Exposures to entities not subject to the obligation to disclose non-financial information as a percentage of total covered (GAR) assets*	39.07%
Interbank loans as a share of total covered (GAR) assets *	0.60%
Exposures to central governments, central banks and supranational issuers over total assets	24.08%
Trading portfolio as a percentage of total assets	0.00%

*Excluding exposures to be excluded from the denominator of the KPIs by the Regulation.

Exposures to taxonomy-eligible economic activities are including retail exposures (limited to loans secured by residential property and home renovation loans &, motor vehicle finance) subject to the regulatory constraints. For OBR portfolio, only purchase and ownership of buildings had been taken into account.

Exposures to Taxonomy non-eligible economic activities include the year-end stock of exposures to non-eligbile ecomonic activities.

Article 1(5) of the Disclosures Delegated Act defines an eligible econimic activity as an activity that is described in the delegated act adopted under Article 10(3), Article 11(3), Article 12(2), Article 13(2), article 14(2) and Article 15(2) of the Taxonomy Regulations. The OTP Bank has completed the screening of the portfolio on the base of the NACE codes.

Share of derivative transactions- the numerator reflects the year-end exposure of derivatives

Exposures to entities not subject to the obligation to disclose non-financial information

Exposures to undertakings not subject to the NFRD obligation under Articles 19a or 29a of Directive 2013/34/EU was defined as follows: The non-NFRD portfolio of the OTP Group was determined on the basis of internally available data, by first identifying the NFRD clients as follows: according to the Hungarian Accounting Act, OTP Bank considers those public interest entities (listed on the stock exchange) to be NFRDs, which have an average number of employees exceeding 500. By excluding these clients from the list of financial and non-financial corporations, we were able to identify the non-NFRD clients required for the numerator.

Share if interbank loans: the numerator is the year-end exposures of interbank loans, while the denominator is the sum of GAR (covered) exposures.

Exposures to central governments, central banks and supranational issuers - the numerator includes the year-end exposures to central governments, central banks and supranational issuers, while the denominator includes the Bank's total assets.

Share of the trading portfolio - the numerator is the year-end stock of trading exposures, while the denominator is the Bank's total assets.

Volutary KPIs

In the context of the climate change mitigation and adaptation objectives of the taxonomy regulation, OTP Bank has examined the loan portfolio of non-financial customers based on the NACE codes that can be specifically attributed to activities in the delegated acts.

Eligible Non-financial corporations / Total assets	13,92%
Eligible proportion /Non-financial coporations (EU)	45,68%
Taxonomy eligible NFRD undertakings / Total assets	0,82%

For exposures to non-financial corporations, the disclosures under Article 8(4) of the Taxonomy Regulation shall be based on actual information provided by the respective corporations, but where this is not available, financial corporations may choose to estimate the proportion of economic activities that are taxonomy-eligible as part of their voluntary financial statement. Exposures to taxonomy-eligible activities for non-financial corporations have been analysed by NACE code. Companies covered by the NFRD were considered to be listed companies with more than 500 employees.

6.1.4. Sustainable channels & services

OBR strategy as responsible provider is also to increase digitalization of services to reduce physical use of resources & GHG emissions (from physical transport to the bank, paper consumption and transfer, plastic cards, etc)

Branch channel is maintained to service less digital clients, by continually leaning and optimizing the branch processes & E2E flows in order to reduce paper and energy consumption

6.1.5. Ethics, anti-corruption and transparency

OBR has a strong Compliance Culture that emphasizes the importance of ethics, fairness and transparency: **Zero tollerance towards all forms of fraud, bribery & gaining of unfair advantages that covers entire organization & interactions with all stakeholders**

As part of the decision to work in an ethical, fair and transparent manner we give consideration to broaden the approach of ESG standards at Compliance area level.

Regulations related to Compliance area contain sustainability factors such as: Anti-Corruption policy, Sanction policy, Privacy policy, Social media policy, Policy on the financing of the defense industry, Commitment to Consumer Protection, Internal lines of defense and Code of Ethics.

The Bank acts according to high standard of ethics, this being key to our success, in an organizational culture where the employees work in an environment where individual differences are accepted and valued, where respect for personal dignity is a basic requirement in all circumstances. The Bank employees grant the utmost importance to moral and professional integrity and they strive to meet the highest moral and professional standards during their daily activities.

Equally important is that the Bank assures that the transparency and prudentially principles are applied and fully observed in the course of its activities.

We believe that the practices of ethical operations significantly contribute to the continuous improvement of OTP BANK ROMANIA's performance, competitiveness and its recognition; therefore, we apply all instruments available to maintain and to raise our standards of ethics aiming maintenance of OTP BANK ROMANIA's reputation.

Whistleblowing channel - in order to ensure transparency in the ethical conduct of its activities, the Bank has created a dedicated channel for reporting breaches of the principles and values of the Code of Ethics, available for employees and for clients.
The Bank and its management declared zero tolerance towards all forms of bribery and the gaining of unfair advantages and cover entire organization, spanning the full spectrum of its operation from the formulation of internal regulatory documents through the contracts to be concluded with partners to the actions of individual staff members, and are applicable to all of the Group Member's activities.

In this regard the Code of Ethics contains the Statement of the Senior Management of OTP BANK ROMANIA SA related to „ZERO Tolerance to Fraud".

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 2022 the Bank has not identified any type of corruption or bribery.

6.2. Responsible Employer

OBR is adopting active ESG management practices in its management & HR activities, as human capital is key for a successful ESG strategy & effective ESG culture.
As Responsible Employer OBR focuses on:
6.2.1 Employees programes for Wellbeing
6.2.2 Diversity & inclusion
6.2.3 Employee Engagement
6.2.4 Recruitment, Development (including development of general ESG awareness and specific knowledge) and Retention
6.2.5 Human Rights
6.2.6 Building ESG awareness & specific knowledge

SDGs to be addressed: - Encouraging responsible behavior

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
- creating a culture of collaboration
- effective communication
- collaboration and communication in the context of the new hybrid work environment (both offline and online)
- building a culture of learning
- improving the well-being of employee

As part of the organizational development program, the bank emphasized training, particularly to improve communication skills, collaboration, and understanding of customer needs, and also provided access to individual psychotherapy sessions.

6.2.1. Employees programmes for Wellbeing

Physical Health
In order to support our employees to have healthy habits, we invest in:

- developing dedicated internal programs with focus on sport, nutrition and mindfulness learnings (as **Body Awareness Program** – 3 editions in 2022).
- constant alignin of meal ticket value policy;
- improvment for medical insurance and flexible benefits.
- further invest in supporting our football team players and fitness community

Mental Health
Workplace stress and burnout are two of the biggest mental health threats to employee engagement. To help employees cope with stress, we offer wellness programs such as **free access to psychotherapeutic services, free day as for employee birthday, dedicated trainings and workshops on topic.**
Under **Let's Work Smart umbrella,** we further offer support for a balanced work-life (mainly in hybrid working context) such as: Tips on efficient work and wellbeing customs **No Meetings Day (Friday) (awarded within CSR Awards 2022, anniversary edition).**

Social Wellbeing
Employees who have supportive relationships in the workplace are more likely to feel connected to their jobs and more engaged with their work. For those employees who lack social connection, wellness programs can help them make like-minded connections in a healthy setting. In our focus for very next period there is continuing the **online fitness classes** (group sessions with other colleagues and dedicated trainer), as well as the **monthly online events on wellbeing topics with special guests and employees from all business areas (Hobby Cafe)**. Furthermore, we plan to organize also in the following years the **Body Awareness Camp** editions - special events with employees interested in sport, nutrition and mindfulness for several days in special location and with specific wellbeing activities. Nevertheless, the HQ spaces are further to be developed as for social wellbeing needs.

Financial health - Offering support around financial wellbeing, such as **webinars or online courses**, can help employees feel more confident in managing their personal finances – and better prepared for the unexpected.
We are commited to further develop **Fitness Financiar** training - recurrent training program for employees helping them to manage their personal finances – and **OTP New Leaders** - special program for the new leaders to help them in the new role (including budget management).

On the other hand, our purpose is to manage the **financial gender pay gap** and to align yearly the **minimum wage** as for national context.

We aim to align our **reward strategy** both internally and externally in order to provide the optimum **performance package** for each employee in relation to their contribution to the bank results.

Occupational Wellbeing

The Hybrid Work program. It was divided into two major themes: High-Performing Leaders In A Hybrid Workplace and Unconscious Bias In The Hybrid Working Model. The program was aimed at headquarters managers and directors, helping them to better understand their role in this new context.

6.2.2. Diversity & inclusion

Equal Career Opportunities

Employees are aware that OTP Bank considers them one of the key values that can bring long-term success to the organization. To support them, OTP it is known internally that the organization is concerned to give equal career opportunities to everyone, regardless of gender age, ethnicity, disability or sexual orientation.

Gender Equality

The distribution of top management positions by gender is another predictor related to the diversity and inclusion area, reason why we keep our focus to mantain balance on split per role/position. Minimum targets set on Recruitment & Selection policy (33% F in Supervisory Board, 20% for Management Board) and exceeded.

Learning Programs per Target Groups

Over time, OTP has developed (and shall continue) several learning programs aimed at improving communication & diversity acceptance (of opinions, in personal & communication styles) per various target groups within the company (OTP New Leaders, Neuroscience communication, Customer Care). **The Neuroscience of Communication program** was aimed at managers and directors. The goal of the program was to help employees understand their own thought patterns, how they influence communication, and how they build and maintain relationships with those around them. They also discovered how the brain, or the "hardware" we all share, works, but also how the mind, or the "software" we work with, is shaped and how it can be rewritten as we interact and communicate with the people around them.

Internal Communication Promoting Inclusion

Diversity promoted as main pillar in Employer Branding Strategy (OTPmindset umbrella) – continuously creating growth opportunities for everyone, regardless of age, gender, or race, leaving behind stereotypes and dusty beliefs.

6.2.3. Employee Engagement

As main strategic objective at bank level, **constant improving our employee engagement score** is mandatory for all the people managers in the bank with the support of Human Resources team. We keep our yearly survey exercises, in order to better understand the level of employees satisfaction, wellbeing and mindfulness level.

Open Communication

Encourage further interaction and collaboration via OTP Connect (internal communication platform)
Develop special awareness program Your Voice – regarding existing internal supporting channels for feedback and developed surveys

Employees Experience Focus

We invest in developing a platform for collecting continuesly feedbacks from the employees under (Employee Experience) **EX Voice strategy** – on boarding studies, life cycle surveys, ad hoc surveys required by other areas (compliance culture survey, XM Maturity Survey). Regular EX Forums will be organized where EX KPIs will be monitor and action plans will follow if required.

Employer Branding is also key in this process. After a complex market reserch, we defined our EB strategy, aiming to promote #otpmindset for the next period, with impact on internal and external environment. Our objective, in a 5 year timeframe, is to evolve from awareness towards consideration and desire phases. 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.

Career Path Program
Further development of Career Path Program (to reduce the turnover, support career development, improve employer branding).

6.2.4. Recruitment, Development and Retention

Leadership Development
The Bank continued the **OTP New Leaders program** for new managers, aimed at developing leadership skills, aligning management practices at the organizational level and the new agile way of working, and increasing the quality of management actions.

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.

In addition, members of the management board are trained annualy in European and Local Regulation updates in banking industry in order to ensure that the Corporate Governance activity is managed within the most recent legal framework

Encourage Autonomy
An outcome of Employee Engagement Survey 2021 recognises that within OTP Bank there is a **high level of autonomy** opposite with the specific of Romanian banking system. OTPeople are encouraged to work autonomously, they are granted to express their ideas and to come up with **personalized solutions**. The work experience gained from each project contributes to advanced knowledge and offers new points of view about various aspects of the jobs that we encorporated on a regular basis in the proccess and systems of organization for improvement. The autonomous way of working comes in some cases with failures, but this doesn't determine the managers to be focused on highlighting employees' mistakes, their purpose is to encourage employees to exceed their own limits.

Learning Opportunities
Reskilling and upskilling are also top priority, as more and more processes is automated and workforce of this areas is free-up and available to take over different other jobs existing in the organization. OTP gives the chance to learn also to inexperienced people. The new learning platform was well received by the employees, most of them are satisfied with the regular, in-depth courses: customer centricity, partial trainings on new products (they need more here), development of skills, people management or mental health. Our target is to offer access to various learning and development resources, in order to help colleagues keep up with the organization's growth plans.

We continued the **New Ways of Working program** - we organized a series of trainings for the newly established tribes General Banking Tribe, Lending Tribe, Cards, and IT Tribe, as well as for the Shared & Support functions, New Ways of Working Finance: Agile Fundamentals, Change Management for Leaders, Growth Mindset in an Agile Way of Working, and **Lean Six Sigma Yellow BeltWe** also organized a series of Lean Six Sigma Green Belt courses as well as individual coaching sessions that 19 colleagues participated in. The program had a duration of 3 months, during which participants identified a project idea that they put into practice after completing the course. The program provided a high level of knowledge on the application of the Lean Six Sigma methodology, including in-depth expertise on the topics included in the phases of the DMAIC (Define, Measure, Analyse, Improve, Control) lifecycle.

We continued the series of **Sales Skills courses** for colleagues in the front office. In these courses, colleagues improved their communication skills and ability to identify customers' needs and offer appropriate solutions.

Attract & Develop Talents

Through the Apollo transformation program, started in 2019, OTP Bank's team of professionals has grown spectacularly. Being in the 3rd year of agile transformation, the recruitment focus is to hire candidates with experience in transformation and digitization projects, previous experience in banking, non-bank financial, or IT&C institutions. The organization's expansion and development plans lead to numerous growth and development opportunities. **Career Path program** offer support to the employees looking for career development. The objective is to further develop this pilot and create **development plans** for all the roles within the banks, **mentorship program** as part of career **management and job shadowing initiative** for better understanding the needed skills for a position.

The average number of training hours per employee was 36.2 hours.

Number and percentage of employees based on diversity criteria in 2022 are presented bellow:

Sex	Baby Boomers	Gen X	Gen X	Gen Z	Total	Baby Boomers %	Gen X %	Gen y %	Gen Z %
Female	11	233	816	192	1.251	0.6%	13.4%	47%	11.1%
Male	9	111	314	49	483	0.5%	6.4%	18.1%	2.8%
Total	**20**	**344**	**1,130**	**240**	**1,734**			**100%**	

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 for 2022 and 2021 were as follows:

2022			2022			
IN	**OUT**	**Fluctuation**	**IN**	**OUT**	**Fluctuation**	**Fluctuații**
453	366	19.87%	447	383	21.51%	21,51%

The number of employees who have benefited from parental leave in 2022 was 65: 61 females and 4 males.
In 2022 there were no work accidents in the Bank.

6.2.5. Human Rights

The Bank is committed to maintain and improve the systems and processes that enable it to ensure respect for human rights in the operations and management of human resources, its supply chain and its products and services.
The commitments of OTP BANK ROMANIA S.A. regarding human rights are guided by the following conventions, standards and initiatives:

- Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights;
- Fundamental Conventions of the International 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 the Bank 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 ROMANIA S.A. in relation to its obligations to combat money laundering, terrorism and corruption.

According to human resources 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 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 S.A. employees.**

During 2022 were carried out campaigns to inform and raise awareness among employees regarding the prevention and combating of discrimination, harassment at work place and the removal of any form of violation of dignity.

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 S.A. 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 2022 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.

The Bank does not tolerate or encourage a hostile work place and strongly condemns any manifestations that could harm the dignity of employees or that could be considered forms of harassment and/or discrimination.

6.2.6. Building ESG awareness & specific knowledge

ESG Culture

Building a strong ESG culture, from Employer perspective, for OBR means, appart from evolvement of internal regulations and policies under Compliance & Governance areas that foster ethics, integrity, prudentiality, fairness, equality, respect & transparency, integrating ESG specific information & focus in HR related instruments also.

ESG Awareness via Internal Communication Plan

From internal communication perspective, a structured plan is made & put in practice to build awareness within organization regarding ESG factors by:

- News communication and „Green Dot" -a dedicated space in OTP Connect (internal website), that was created for highlights on ESG general information, OBR related events (e.g. „Green Week" innitiative) and updates on OBR ESG strategy development.
- ESG Ambassadors campaigns

ESG on Top Management Agenda

Performance evaluation for MB members, will consider also ESG factors: a new KPI related to ESG was introduced in 2022 Performance Plan.

The new MB rules include a new requirement:" BOD members shall have sufficient knowledge, skills and experience with regard to ESG (environmental, social and governance) factors individually and collectively"

6.3. Responsible Social Actor

OBR takes active steps to reduce own carbon footprint and continue to create value to society and contribute to sustainable developments goals via valuable CSR actions, cooperation & communication with all stakeholders.

As Responsible Social Actor OBR focuses on:

6.3.1 Carbon neutrality plan: responsible resource management (GHG reduction) & offsets

6.3.2 CSR, cooperation & communication with community

6.3.3 Education for communities

6.3.4 Transparency in sustainability reporting

SDGs to be addressed:– Increasing a positive impact on society

6.3.1. Carbon neutrality plan: responsible resource management (GHG reduction) & offsets

Related to GHG emission reduction in our local operation we plan to achieve carbon neutrality by 2025 (scope 1,2)*. In the next phase, our ambition is to become carbon neutral to the extent possible by 2035, reduce GHG emissions as much as possible, supporting the removal of carbon equivalent of business emissions.

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 continued to happen in 2022:

- 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.

* Scope 1: Direct Emissions: Company facilities-natural gas, vehicles, air-condition
Scope 2: Indirect emissions: Electricity, steam, heating & cooling for own use

6.3.2. CSR, cooperation & communication with community

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.

Partnerships for **initiatives with environment impact**

- "Jiul fără plastic"- river cleaning action: 400kg plastic waste recovered from Ișalnița barrage area by 22 OTP volunteers in on action organized in partnership with

"Asociația Ape fără plastic".

- Edu Plant action (25th of November 2022) – environment event in collaboration with Aura Ion Association. 30 volunteers of OTP BANK ROMANIA and the OTP BANK ROMANIA Foundation arranged the school garden in the countryside, Călărași County, to offer the children a space as welcoming and fun as possible.

Initiatives promoting gender equality
With continuous focus from the company on internally promotion of gender equality, OTP BANK ROMANIA continued in 2022, GirlPower project, the bank's complex mentorship program dedicated to women, led by the two most powerful women in OTP Bank Romania. The finalists have received a scholarship and had 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.

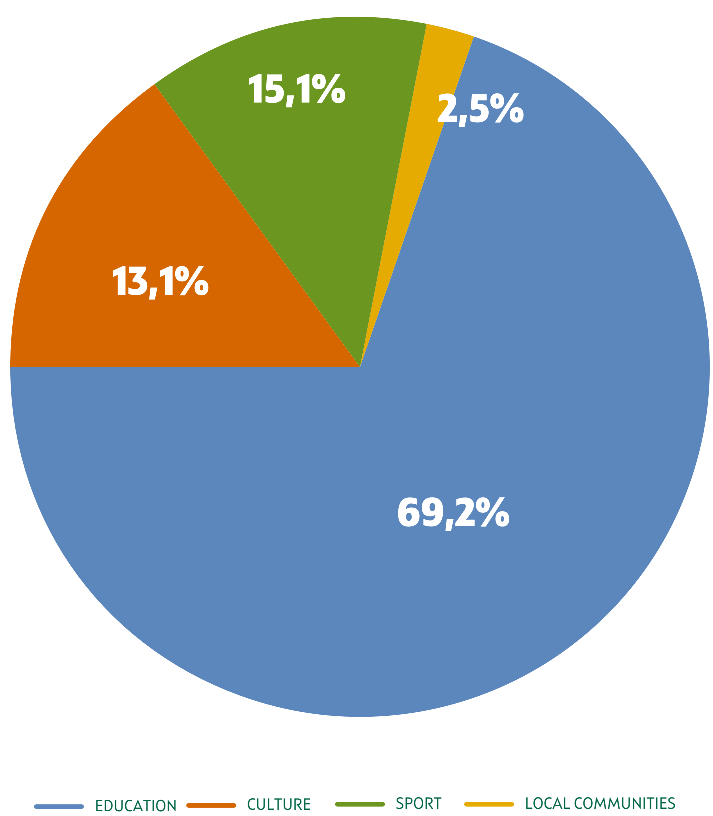
In 2022, our bank continued to demonstrate a strong connection to the principles of sustainability, with a focus on restarting the economy and supporting the community.

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. -
During 2022, OTP BANK ROMANIA suports sponsorships with value added to communities through education, donations, volunteering, keeping OTP BANK ROMANIA Foundation- as the main CSR project of the bank.

We ensured that CSR funds were allocated to priority areas such as:

Budget distribution on sponsorship type



6.3.3. Education to communities

The OTP BANK ROMANIA's Foundation mission is to support lifelong learning through curriculum design and educational products tailored to the needs of each partner. Main directions covered: financial education for young people and adults, digital education, emotional intelligence, vocational guidance for young people in Generation Z.

In 2022, approximately 1,000 people benefited from the various educational programs launched by OTP BANK ROMANIA Foundation, thus strengthening the organization's strategic orientation, and confirming its vocation as a content creator.

In its 8 years of activity, the Foundation has built a rich educational patrimony based on four major areas: financial education, children's education, career guidance and strategic partnerships with local associations and NGOs.

In 2022, the Foundation continued to run the Financial Fitness financial education programme, which was attended by more than 500 people from different socio-professional backgrounds, including colleagues from the OTP Group, bank clients, students, employees from private companies, various other organisations, and disadvantaged communities.

For the Financial Fitness program, 2022 marked a premiere in terms of promoting and popularizing the principles of healthy financial living. Thus, representatives of the Foundation participated in the production of "An Easy Financial Podcast" hosted by Itsy Bitsy FM radio station. The financial topics presented were of great interest to listeners, which led to the continuation of the programme this year.

Also, in the field of financial education, this time aimed at gymnasium and high school pupils, 2022 was an important milestone, as the Foundation started a new project in Miercurea Ciuc, in partnership with the local City Hall. As part of the project, pupils participate in financial education sessions organised in Romanian or Hungarian. In 2022, 180 pupils attended the financial education sessions.

In 2022, the Foundation conducted "startAware", an educational programme for highschool students, developed and delivered entirely in-house. The pilot edition of this vocational guidance programme, which ran for three and a half months, was attended by 17 students eager to take part in a unique learning experience.

The national digital education programme, "Online lesson", conducted in collaboration with the Federation of Free Trade Unions in Education (FSLI - Federația Sindicatelor Libere din Învățământ) continued in 2022, with around 200 teachers interested in developing digital skills attending the training sessions.

Within the same partnership with FSLI, the Foundation has created, for the first time on the Romanian market, a financial education program for teachers in pre-university education. Recently approved by the Ministry of Education, the programme will offer those interested the opportunity to become familiar with and put into practice techniques, methods, and tools in the field of financial education. The programme also includes an organisational financial management component which focuses on a topic that is as current as it is little known: sources of funding for various activities in schools and concrete tools that can be used by any interested teacher. It also presents the institutional development plan, a fundamental tool with multiple functionalities both for the school management and for those for whom it is intended.

As part of the European financed projects run by the Foundation, "Manager in Action" continued in 2022, with the internship sessions contributing to the development of entrepreneurial skills for over 200 students from economics universities.

At the end of 2022, the Foundation started "Vision", an Erasmus project in partnership with an Italian organisation, which will create visual facilitation tools that will be the subject of training sessions in Romania and Italy. Teachers/ trainers from both countries will participate in these sessions. OTP BANK ROMANIA Foundation is the most important pillar of social responsibility of OTP Bank, assuming the role of becoming one of the main pillars of educational transformation in Romania.

Sports

As a part of sponsorship program, OTP BANK ROMANIA is pleased to partner with a variety of sports teams, helping to bring excitement to our customers across the country.
In 2022, OTP BANK ROMANIA created OTP Charity Tour event from the desire to promote the bicycle as an ecological means of transport, as well as to be actively involved in a charitable cause that can change the lives of ill children.

290 kilometres were cycled by the 40 participants during four days of the OTP Charity Tour event. Proceeds from the cycling tour will be used to run the Yuppi experimental therapy camps, which aim to provide chronically ill children and their families with experiences to rediscover their inner strength and resources.

Local communities & culture

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:

- Marginalized children. In December 2022, 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.
- Support children from disadvantaged areas - Green Heart Christmas event (13th of December 2022) - the biggest charitable event powerd by OTP BANK ROMANIA for the corporate and private banking customers. In an imposing background at the Royal Palace Bucharest, the 120 guests took part at the unique artistic experiences, enjoyed art and did good, by supporting the "Gift with a Smile" campaign, organized by the Aura Ion Association. More than 145 children from disadvantaged areas had part of a special Christmas, because the donations turned into the gifts they wanted.

Campaigns with donations

OTP BANK ROMANIA and the OTP Bank Romania Foundation encourage 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:

- "Back to school" - 116 backpacks for disadvantaged children in rural areas;
- "Rural library" - 300 books donated for a rural library;
- "Internal volunteering campaign for the Easter Holidays" - presents for 148 children;
- "Spring sweatshirt campaign" - presents for 153 children from disadvantaged areas;

- IT equipment donation - Depreciated equipment, donated from OTP Bank: 20 complete stations (monitor, drive, mouse, cables), 8 laptops for 350 children;
- Donate with heart, clothes for children - 80 packages for children, consisting of over 500 clothes
- Christmas campaign – Santa gifts for 190 children

6.3.4. Transparency in sustainability reporting

OBR ESG disclosures are integrated in OTP Group aggregated disclosures: Sustainability reporting OTP Group - Sustainability reports and the Non financial-report (part of the anual financial report 220413_Annual_report_teljes_pdf_e.pdf+(otpbank.hu) that starting 2022 included Green Asset Ratio on group level. Scope3 GHG Emission for Portfolio will be calculated on group level as well.

Relevant OBR information is disclosed by OBR also, in non financial information included in Annual Financial Reports and also in own CSR/ Sustainability Reports https://www.otpbank.ro/ro/despre-otp-bank/responsabilitate-sociala/rapoarte-csr.

For sustainable reporting, to disclose mandatory topics and those considered relevant for OTP, the reporting is done using the GRI and framework standards: https://www.globalreporting.org/standards/media/1012/gri-305-emissions-2016.pdf.

	Year ended December 31, 2022	Year ended December 31, 2021
Percentage of women on the Supervisory Board	44.44%	44.44%
Percentage of women on the Board of Directors	40.00%	40.00%
Percentage of women in senior management	40.00%	40.00%
Taxes paid	(8,510)	(8,037)
Corporate income tax (adjusted, paid)	(8,290)	(19,787)
Amount of donations	-	5,000
Amount of Sponsorship	2,544	1,944
Number of customers	317,738	290,645
Number of retail customers	316,234	289,158
Number of corporate customers	1,504	1,487
Young customer	44,293	34,926
Number of Branches	97	97
Number of participants in the financial education trainings of OTP Bank Romania Foundation	1,000	1,000
Number of employees (as at 31/12)	1,868	1,861
Percentage of women	0.74%	0.69%
Average training hours	63,346	43,081
CO2 emission (Scope1+2. tCO2e) – location based Electricity CO2	281,30	263,36
CO2 emission (Scope1+2. tCO2e) – location based District heating CO2	0,04743	0,04743

7. Bank's objectives for 2023

The Bank medium term strategy focuses on increasing active clients base in order to boost profitability and ensure sustainable growth through self-funding.

The goals of the strategy are to improve shareholders' value and improve profitability and profit, through efficiency and growth, by its own forces, organically and in line with market conditions, balancing new funding from the customers versus the Group, so as to achieve both short-term pricing and long-term sustainability

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. A special focus will be made on increasing the cross-sell rate on the existing portfolio in order to boost client profitability and to increase the base of primary 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.

Use Personas (Customer Archetypes), Customer Journey Maps and CRM in order to address customer needs and organize campaigns in a personalized manner, with the objective of increasing the base of customers who consider us their primary bank.

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.

8. Subsequent events

One of the main reasons for the recent events is the fact that banks have to recognize significant losses on their fair value measured fixed rate securities that they previously purchased in a low interest rate environment and their fair value has decreased after the sharp increase in rates.

Significant losses can also occur if the low-yield instrument is measured at amortized cost but the bank has to sell it off due to liquidity issues (deposit withdrawals), thus realizing the price change losses. The threats described above do not affect OTP Bank as a significant part of its liquidity surplus is in money market deals and has no relationships with the institutions affected by the crisis and no material exposure. The Bank's liquidity is stable, including credit lines from the OTP Group, and it is not expected that the securities measured at amortized cost would have to be sold before maturity, which would mean the realization of any potential losses. The Bank's liquidity coverage ratio is healthy.

Proposals

As a consequence of the above presented activity performed during the financial year 2022, 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, 2022;

- Discharging of the members of the Management Board from their duties related to 2022 financial year.

Gyula Fatér,
Chairman of the Management
Board and CEO

Mara Cristea,
Member of the Management
Board and Deputy CEO


otpbank

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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 7926062, which comprise the separate statement of financial position as at December 31, 2022, 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, 2022, 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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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 13,503,413 thousand RON represents a significant part (67.93%) of the total assets of the Bank as at 31 December 2022.

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 evolution of the economic environment in the context of changes in consumer behaviour, geopolitical issues, high inflation and interest rates, energy security risks have affected part of the industries, increasing the uncertainty around macro-economic scenarios and weights. These 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.

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 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.

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Key audit matter

Provisions for litigations and other risks

The carrying amount of provisions for litigations and other risks is in amounts of 52,301 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 Board of Directors 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 risks and litigations.

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.

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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.

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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.

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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, 2022;
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, 2022, 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 1st of April March 2022 to audit the financial statements for the financial year end December 31, 2022. 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 2 years, covering the financial period end December 31, 2021 and December 31, 2022.

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 24 March 2022.

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Building a better working world

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

Ernst & Young Assurance Services S.R.L.
05. APR. 2023
Signed for identification
Semnat pentru identificare

Name of the Auditor/ Partner: Gelu Gherghescu
Registered in the electronic Public Register under No. AF1449

Bucharest, Romania
5 April 2023

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OTP Bank România S.A. Annual Report

Corporate Governance

2022

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 2007, Antal György Kovács is Deputy CEO of OTP Bank Plc., he was also the Head of Retail Division between 2007 and 2022 and exercised 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.. 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 Plc 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, as well as chairwoman of the OTP Social Foundation. 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 Plc 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 Retail Sales Director of Budapest Region. Between 2008 and 2011 he was the Retail Deputy Managing Director of the South-Transdanubian Region. From April 2011 to 2014, he was Managing Director of the Micro and Small Enterprises Department and from May 2014 to September 2022 of the Corporate Directorate.

As of September 2022, he heads the Debt Management Directorate.
Besides these positions, since 2011,

Tibor László Csonka is member of the Management Board of Merkantil Bank Ltd.

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 in Vienna.

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 hazard in corporate finance, non-performing mortgages, risk appetite.

In 2021 and 2022 she was the President of the Hungarian Society of Economics.

She is a Professor of Finance at Corvinus University of Budapest where she was the Head of the Department of Finance between 2008 and 2022.

Since 2023, she works as a Research Scientist at the University of Luxembourg contributing to a research program on Sustainable Finance.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, one of the governing bodies of the Bank, ensures the management function within the Bank, through the fulfillment of all the necessary and useful actions for the achievement of the Bank's business objectives.

The Management Board implements the Bank's strategies and policies and, also, delegates duties tomiddle management/permanent committees and overseas the performance of the delegated responsibilities, remaining in charge of the performance of the Bank in front of the Supervisory Board.

The Management Board consists of Chairman, Vice-Chairman and the other members. The Chairman of the Management Board is the Chief Executive Officer. The members of the Management Board are appointed by the Supervisory Board and start performing their responsabilities after obtaining the prior approval of the National Bank of Romania, in compliance with the legal framework in force.

Also, the Management Board is responsible for the overseeing of the Bank's and its Subsidiaries investments in its position of local investment committee, together with the group-wide competent bodies, having the competences 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.

ROXANA MARIA HIDAN

Member of the Management Board and Deputy CEO, Head of Business Division

Roxana Hidan is the Deputy Chief Executive Officer of OTP BANK ROMANIA with 22 years of experience 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 18 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.

MARA CRISTEA

Member of the Management Board and Deputy CEO, Head of Finance and Planning Division

Mara Cristea has been a Member of the Management Board and Deputy CEO, Head of Finance and Planning Division of OTP BANK ROMANIA S.A. since October 2016. Mara Cristea is a highly skilled professional with vast knowledge in the financial and banking area, especially in the strategic planning and controlling, regulatory reporting and operations. Proactivity, assertivity, 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 in 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.

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 Informatics Econimica -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 Washinton 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 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.

LUCA VICTOR ROGOJANU

Member of the Management Board and Deputy Chief Executive Officer, Coordinator of Lending and Risk Management Division

Luca Victor Rogojanu became a Member of the Management Board and Deputy Chief Executive Officer, Coordinator of Lending and Risk Management Division as of December 2022. With extensive experience and deep understanding of the risk management sphere he has managed over the last 13 years to hold management and leadership positions within the Romanian banking system.

Luca Victor Rogojanu holds a degree in economics and law, as well as an MBA from Central European University and a PhD in economics. He started his professional career at the National Bank of Romania, where he worked for 7 years as a banking supervision inspector, being directly involved in the transposition of Basel II projects and the implementation of the CEBS guidelines, while dedicating himself to banking supervision, activities related to the supervision of capital adequacy or supervision of credit, operational and market risk practices.

From 2010 to 2016 he took over management and leadership positions in the risk management area (Risk Management and Control Department Manager - Patria Bank, Risk Management Division Manager - Libra Internet Bank) ensuring, among others, the management of significant risks and the implementation of the specific risk strategy, the coordination of the development of policies and procedures specific to the area of activity, consultancy for the provision of a risk exposure reporting system or the coordination of the development and updating of the internal process for the assessment of capital adequacy to risks.
In 2016 he joined OTP BANK ROMANIA for a period of 5 years, taking over the key position of Director of Risk Management Direction, performing activities such as coordinating the development and updating of the risk management strategy and risk profile, analyzing the risk/profit ratio of the entire credit institution's activity, coordinating the reporting system of risk exposures to the competent bodies as well as coordinating, implementing and managing stress tests for significant risks. Subsequently, for 1 year, he is appointed in the management of Patria Bank as Deputy General Manager of the Risk Division where, among numerous activities, he organizes and coordinates loan underwriting and monitoring, workout and debt collection, risk administration, compliance, anti-money laundering and counter terrorist financing and proper implementation of international sanctions framework.
After 12 months, he returns to OTP BANK ROMANIA, this time being appointed to the management of the institution, taking on the role of Member of the Management Board and Deputy Chief Executive Officer, Coordinator of Lending and Risk Management Division.

Last but not least, it should be mentioned that all the experience gained is coupled with a series of in-depth knowledge gained in numerous training and professional development courses at various international institutions such as the Federal Reserve Bank (New York), Deutsche Bundesbank, National Bank of Poland and many others.


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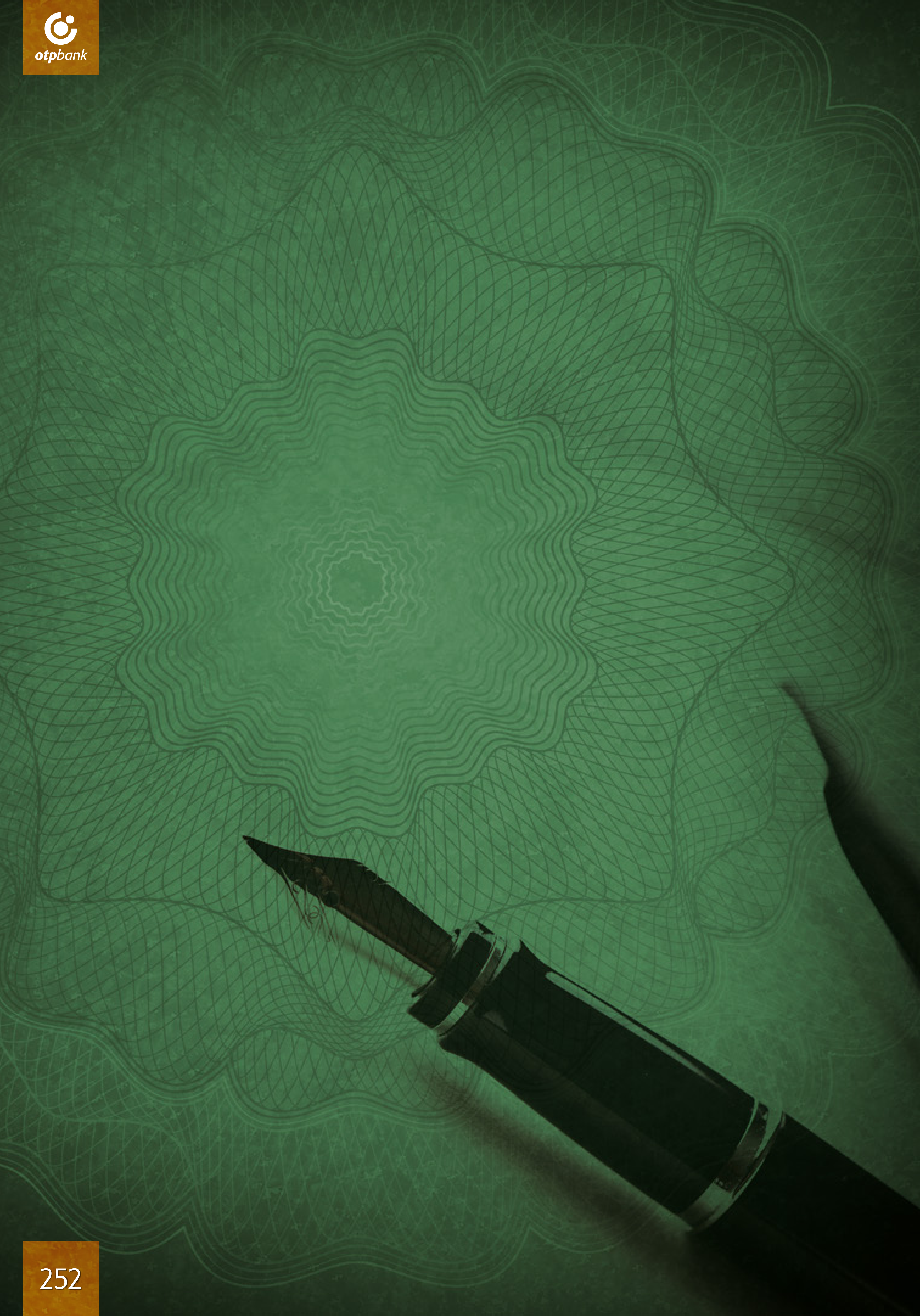

OTP Bank Romania S.A. Annual Report

Compliance Function

2022

Compliance Function

The compliance function is one of the three independent control functions within OTP BANK ROMANIA S.A. and, during 2022, its performance was ensured by the Compliance Directorate.

The Compliance Directorate is subordinated to the OTP Bank Romania S.A. Chief Executive Officer and its independence is ensured by direct reporting to the OTP BANK ROMANIA S.A. 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 2022, Compliance Directorate changed the name of some organisational structures within the Directorate in order to align with the requirements of the OTPH Group regarding the use of a unified name of the organizational structures in the area of Compliance, respectively to align to the Group requirements regarding certain activities and organizational structure within the KYC&AML/CFT Department and has the following structure. :

- Compliance Department
  - Compliance Regulations and Advice Compartment
  - Compliance Monitoring and Control Compartment
  - Conflicts of interests, Ethics and Anti-corruption Compartment
  - Investment Services Compartment

- Data Protection Department
  - Data Protection Regulations and Advice Compartment
  - Control and Monitoring System Compartment

- KYC & AML/CFT Department
  - KYC Advise Compartment
  - Internal Regulations KYC/AML/CFT & International Sanctions Compartment
  - On-site Control KYC/AML/CFT & International Sanctions Compartment
  - Control and Monitoring Compartment
  - AML & CFT Investigations Compartment
  - International Sanctions Implementation Compartment
  - Monitoring of Applications and Reports Compartment

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 S.A. Management and to OTP Bank Plc. and communicate with the Bank's risk management function regarding compliance risk and its management;
- Providing reports to OTPH and management bodies in line with OTPH 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 and with OTP Group requirements;
- Elaborates compliance training materials and tests based on them, in order to develop the organizational compliance culture and acquisition of the specific information;
- Actively participates, on behalf of OTP BANK ROMANIA S.A., within specialized commissions of the Romanian Association of Banks (RAB) and other committees and entities that analyze the evolution of the regulatory framework with impact in the compliance area;
- Communicates with the Supervisory Authority and other authorities in order to perform specific tasks;
- Through the Data Protection Department, exercises guidance, coordination, control and monitoring of the unitary application of legislation with regards to protection of individuals when it comes to personal data processing 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 money laundering and terrorist financing risk;
- Administers the activity carried out for money laundering and terrorist financing risk management, ensuring an internal regulatory

framework harmonized with the sector's legal requirements, by implementing effective monitoring and control processes and systems.

Compliance fundamental principles as well as the main direction of activity within compliance area are highlighted within **Compliance Policy of OTP BANK ROMANIA S.A**. and the **Compliance Strategy**.

These principles aim to establish, facilitate and support the Bank's proper, legal, safe and prudent operation, through strategic objectives based on industry best practices.

Based on the Compliance Policy of OTP BANK ROMANIA S.A., 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 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 S.A. and to possible disciplinary consequences for responsible Bank employees.

The Compliance Directorate also manages the **Code of Ethics of OTP BANK ROMANIA S.A.**, 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 S.A. 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 S.A.

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, other private relationship,   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, in 2022 the provisions regarding the conflicts of interests in this area were included in the Internal Norm regarding Compliance in the area of investment services within OTP BANK ROMANIA S.A.. This includes special provisions regarding the identification and management of situations that may lead to conflicts of interest regarding the investment services provided by the Bank, 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 internal norm also considers conflicts of interest that may constitute market abuse, prohibitions on market abuse, insider dealing, unauthorized disclosure of insider trading and market manipulation.

OTP BANK ROMANIA S.A. developed and implemented mechanisms and systems to contribute to the compliance with legal provisions and internal regulations incidental to the field of **combating money laundering and terrorist financing** and to ensure a KYC process adapted to the business model that allows the identification of customers associated risks and the 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 money laundering and terrorist financing 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 money laundering and terrorist financing risk perspective, categories identified according to the risk factors defined within the internal regulatory framework.

In order to comply with specific legislation and applicable regulations in the AML/CFT field and that of international sanctions, OTP Bank Romania S.A. implemented procedures adapted to the business model adopted by the Bank, correlated with the risk strategy and the business strategy, approved by the Bank's management, and intended to be a real support

for money laundering and terrorist financing risk management.

- Responsibilities of Compliance Directorate in the field of combating money laundering and terrorist financing and knowing customer:
  - identification of applicable legal and regulatory requirements and implementation at the Bank level;
  - development of internal regulations on performing activity for the purpose of preventing and combating money laundering and application of know-your-customer requirements;
  - regularly checking and updating 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 money laundering and terrorist financing 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 money laundering and terrorist financing risk elements, and with respect to the observance of international sanctioning regimes imposed, all with the purpose of:
  - unitary implementation of provisions applicable in the field;
  - limiting reputational and/or financial impact generated by compliance/reputational/operational risks to which the Bank may be exposed.
- With regard to personnel recruitment strategy, at OTP BANK ROMANIA S.A., specific standards within the internal regulations are set for hiring staff with responsibilities in the KYC/AML/CFT area, standards that ensure an adequate selection process versus specific requirements related to compliance function.

The observance of sanctioning regimes imposed at international level is a permanent concern for the Bank, considering the global political and economic context, while compliance with trade embargoes and economic sanctions is also a priority.

Aspects regarding international sanctions are important as they may increase the level of risk associated with Bank activity in relationship to customers.

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 both 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 to develop the capacity to recognize suspicious indicators to operations that may be related to money laundering or terrorist financing.