TRANSPARENCY AND DISCLOSURE REPORT FOR FIRST SEMESTER OF 2020

OTP Bank România S.A. –Administrated in dual system
Website: www.otpbank.ro
Call Center: 0800 88 22 88

Address: Buzeşti Street, no. 66-68, district. 1, 011017, Bucharest
Telephone: +4021 307 57 00
Fax: +4021 308 51 68

Identification no: RO 7926069
Registered at trade regisrty under no. J40/10296/1995
EUID: ROONRC J40/10296/1995
Registeredat bank's registry under no. RB-PJR-40-028/1999
Equity: 1.829.253.120 RON

Contents

INTRODUCTION

This report has been prepared to respond to the transparency and publicity requirements of the National Bank of Romania Regulation no. 5/2013 on prudential requirements for credit institutions, as subsequently amended and supplemented, as well as Regulation no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions.
All the amounts presented are in thousand lei, if otherwise is specified.
This report is prepared on individual bases for June 30, 2020.

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

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

- Information regarding own funds and the relevant indicators based on Regulation no. 1423/2013, which presents the implementing technical standards regarding the publication of the own funds requirements for the institutions;
- Information regarding the leverage indicator based on Regulation no. 200/2016, which presents the implementing technical standards regarding the publication of the leverage effect indicator for institutions;
- Information regarding the total risk-weighted assets and capital requirements in accordance with Article 438 points (c) - (f) of the CRR. According to ABE / GL / 2016/11 Guide, version 2, the EU OV1, EU CR8, EU CCR7 and EU MR2-B forms will be used to publish the necessary information;
- Information on risk exposures and credit quality with the corresponding quarterly or semi-annual frequency according to Guide ABE / GL / 2016/11, version 2, EU forms INS1, EU CR1 - A, EU CR1 - B, EU CR1 - C, Forms 1-10, EU CR2 - A, EU CR2 - B, EU CR3, EU CR4, EU CR5, EU CR6, EU CR 7, EU CR 10, EU CCR1, EU CRR2, EU CCR3, EU CCR4, EU CCR5 - A, EU CCR5 - B, EU CCR6, EU CCR8, EU MR1, EU MR2-A, EU MR3 and EU MR4;
- Information regarding the indicator Rate of coverage of the liquidity requirement considered as items prone to rapid changes in accordance with Guide ABE / GL / 2017/01.

1. Own funds

On June 30, 2020, OTP BANK ROMÂNIA S.A. calculated the own funds according to the egulation of the National Bank of Romania no 5/2013 on prudential requirements for credit institutions and Regulation (EU) 575/2013 on the own funds of credit institutions and investment firms with subsequent amendments and completions.

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

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

Common Equity Tier 1 (CET1): Instruments and Reserves	**Individual**
Capital instruments eligible as CET1 Capital	**1,872,004**
Of which: Capital instruments subscribed by public authorities in emergency situations	1,872,004
Retained earnings	-334,019
Other reserves	63,748
Funds for general banking risk	4,763
Common Equity Tier 1 (CET1) before regulatory adjustments	**1,606,496**
Common Equity Tier 1 (CET1): Regulatory Adjustments	-
Additional Value Adjustments (Negative Value)	-783
Intangible assets (excluding related tax liabilities) (negative)	-48,135
Deferred tax assets that are based on future profitability, excluding those resulting from temporary differences (without related tax liabilities when the conditions of	-3,077

Article 38 (3) are met) (negative)	
Other transitional adjustments for core Tier 1 own funds	124,426
Basic own-fund items or deductions from them - others	-16,449
Basic level 1 core funds (CET1)	**1,662,478**
Additional level 1 own funds (AT1)	-
Level 1 own funds (T1 = CET1 + AT1)	**1,662,478**
Level 2 own funds (T2)	-
Total own funds (TC = T1 + T2)	**1,662,478**
Total risk weighted assets	**7,948,061**
Rate and amortization of own funds	
Additional Tier 1 own funds (as a percentage of the total exposure amount)	20.92%
Tier 1 own funds (as a percentage of the total exposure value)	20.92%
Total own funds (as a percentage of the total exposure amount)	20.92%
The requirement for own-account silencer (the own-funds requirement of Tier 1 under Article 92 (1) (a) plus the capital buffer and anti-cushioned shock absorbers plus the systemic shock absorber, plus the institution's shock absorber of systemic importance expressed as a percentage of the exposure value)	198,702
of which: the capital buffer	198,702
Basic Tier 1 own funds available to meet the damping requirements (as a percentage of the exposure value)	12.13%

As of June 30, 2020, the value of individual own funds was RON 1,622,478 thousand.

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

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

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

On June 30, 2020, OTP BANK ROMANIA S.A. has calculated its own funds in accordance with Regulation 5/2013 of the National Bank of Romania on prudential requirements for credit institutions and Regulation (EU) 575/2013 on the own funds of credit institutions and investment firms with subsequent amendments and completions.

- **Internal capital adequacy assessment**

The process of capital adequacy to risks within OTP Bank Romania SA covers both risks for which the Romanian National Bank requires capital allocation and risk which are internally assessed in order to have an adequate internal capital in relation to the risk profile of the bank. The ratio between total capital requirement and regulated capital requirement on June 30, 2020 is 124.1% at consolidated level. The main categories of risks followed are: credit risk, operational risk, residual risk, concentration risk, risks which arise from the activity of granting loans in FX to the debtors which are exposed to foreign currency risk, liquidity risk, reputational risk, stress test component (including external risks to the credit institution) and interest rate risk.

2. Information on the minimum capital requirements

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

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

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

3. Leverage Risk

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

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

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

During 2020 the leverage risk level has stayed within the approved limit (both maxim and warning limit).

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

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

At 30.06.2020, the leverage transition indicator was 11.43% compared to 30.06.2019 when its value was 10.16%. The increase in the indicator is the result of the increase in the value of own funds above the level of the increase in the total exposure.

Exposures to financial derivatives	**Applicable amounts**
Effective notional effective value of underwriting credit derivatives	4,635,140
Total exposures to financial derivatives	58,955
Alte expuneri extrabilanțiere	**Applicable amounts**
Off-balance sheet exposures denominated in gross notional value	756,340
(Adjustments for conversion into equivalent credit amounts)	-
Financing operations for securities that are not subject to a clearing agreement between different products	295,869
Other off-balance exposures	-
Exposures for calculating the leverage indicator according to the CRR Regulation	**Applicable amounts**
Total balance sheet exposures (excluding financial derivatives, SFT and exempted exposures), of which:	12,993,580
Exposures related to the trading book	-
Exposures related to the banking portfolio, out of which:	-
Guaranteed bonds	-

Exposures considered as sovereign	2,558,930
Exposures to regional governments, multilateral development banks, international organizations and public sector entities that are not treated as sovereign entities	8,535
Institutions	456,560
Exposures secured by mortgages on immovable property	3,138,622
Retail exposures	2,240,782
Companies	3,167,502
Exposures in default	327,294
Other exposures (eg equity securities, securitisations and other assets that do not meet credit obligations)	1,075,807
Own funds and total exposure measurement indicator	**Applicable amounts**
Tier 1 capital - transitional definition	1,662,478
Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	14,541,742
Leverage Ratio - using a transitional definition of Tier 1 capital	**11.43%**

4. Risk management

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

- credit risk;
- risk position and currency risk;
- residual risk;
- interest rate risk outside the trading portfolio activity;
- concentration risk;
- liquidity risk;
- operational risk;
- reputational risk;
- outsourced activities related risk;
- compliance risk
- strategic risk;
- external risks.

The following graphics present the evolution of the main indicators in 2020:

Figure 1 : EBA - defined NPE ratio

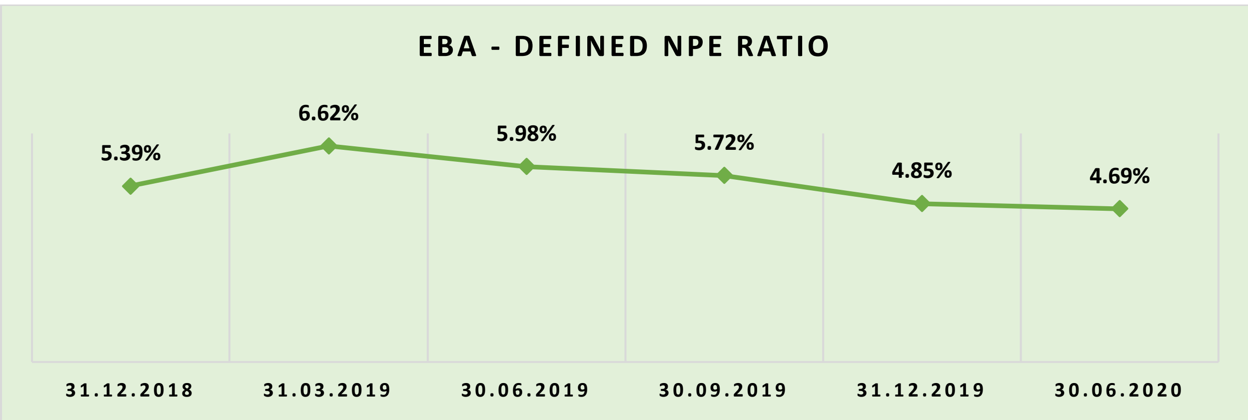


Figure 2: EBA - defined NPE coverage ratio

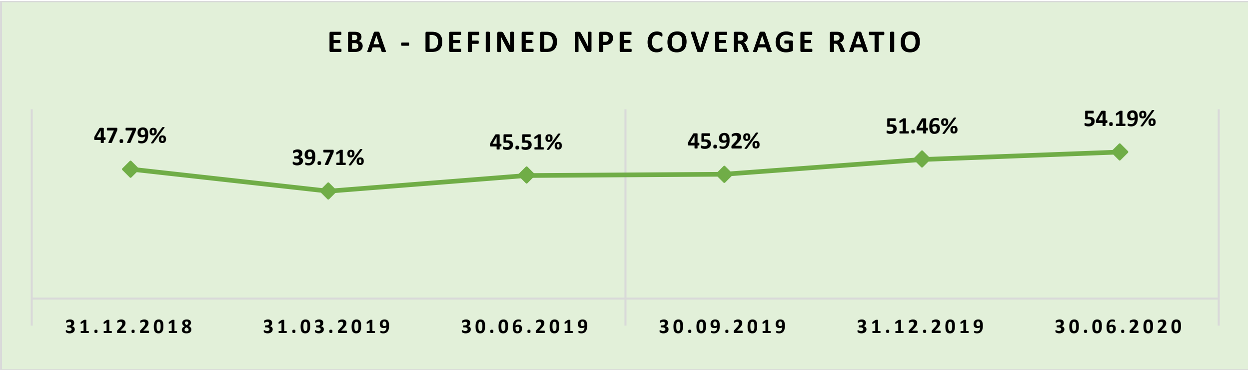


Figure 3 : Return on equity

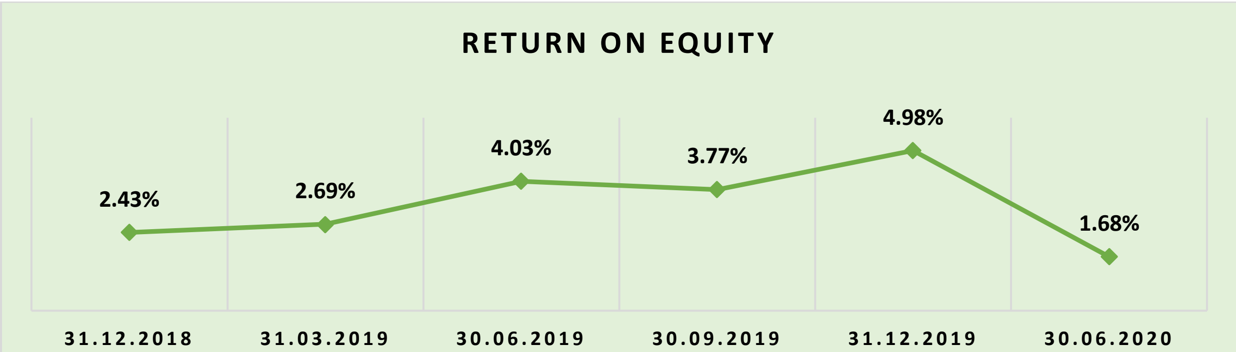
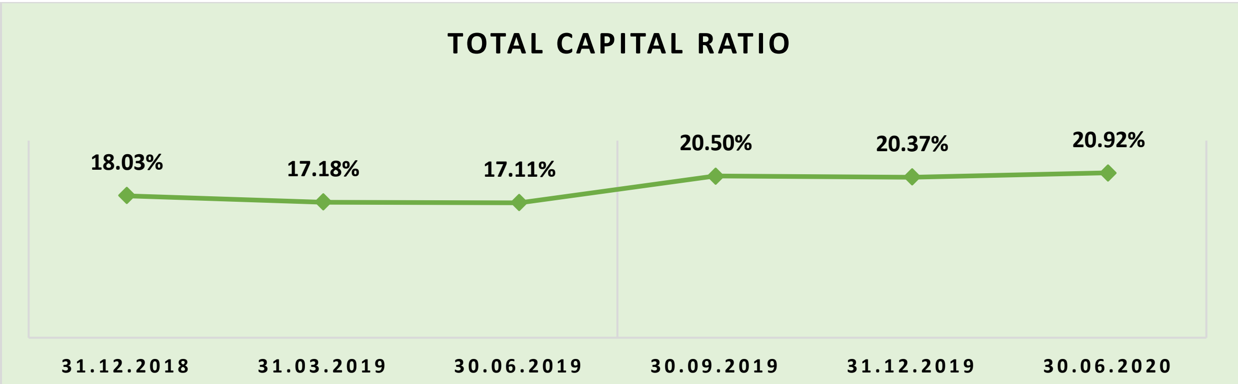


Figure 4: Total capital ratio



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

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

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

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

Therefore, on 30.06.2020 the situation of affiliated parties was:

- Individual level (OTP Bank Romania SA)

Number of clients	Gross exposure (LEI)	Related provisions	Excluded amounts (LEI)			Own funds %
			without protection	with protection		
				funded	nefinanţată	
Non-institutions						
52	93,286,860	4,688,718	0	6,938	0	5.3289
Institutions						
3	225,440,468	-	-	-	-	13.56

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

Number of clients	Gross exposure (LEI)	Related provisions	Excluded amounts (LEI)			Own funds %
			without protection	with protection		
				funded	nefinanţată	
Non-institutions						
50	32,630,865	4,547,846	-	6,938	-	1.692749
Institutions						
3	225,440,468	-	-	-	-	13.59214

4.1 Credit Risk Management

A. Objectives and strategy

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

- building a diversified portfolio whose performance does not depend excessively on the performance of an industry, geographical region or group of borrowers to ensure long-term stable profitability;
- Increasing the profitability of the credit products;
- Increasing the capacity to collect overdue receivables;
- maintaining the solvency indicator within normal limits sot that the capital requirement for credit risk does not excessively grow;
- Maintaining the portfolio quality through quarterly monitoring of a set of indicators calculated according to the methodology presented by National Bank of Romania:
  - non-performing exposures ratio – according to European Banking Authority definition is no more than 10%[1];

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

- the coverage ratio with non-performing loans - The European Banking Authority's definition does not fall below 50%[2]
- forborne non-performing exposures to total forborne exposures is no more than 75%;
- annual growth rate of total loans is no more than 15%[3];
- forbearance ratio for loans and advances is no more than 7%[4];
- total write off losses in total exposure written off is no more than 20%.

The Bank's strategy for 2020 related to the credit risk management include the following principles:

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

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

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

IV. The Bank's objective is to ensure that upon elaborating the products and processes, is to ensure that:
   - the lending conditions are defined both at the level of the standard credit products and the individual transactions in a way where they provide the Bank with sufficient room for manoeuvre and substantive possibility to intervene in the event of stress situations (e.g. excessively long maturities should be avoided);
   - the contractual conditions flexibly support potential crisis management;
   - a modern, database-driven, centralized assessment process is available in all customer segments that can be served in large volume and where risks are reckoned with relying on a

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

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

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

database rather on the personal knowledge of the customer, and the personal deliberation can be replaced by model-based risk filtering;
- the definition of the maximum loan amount ensures the granularity of the portfolio in segments served in large numbers;
- product conditions become attractive for customers desirable for the Bank, who performed well in the past and have a stable background. The goal is to prevent the attrition of customers and to facilitate the gradual removal of non-desirable customers from the portfolio;
- the acquisition of new customers, the expansion of the customer base is supported;
- the conditions available for the individual borrowers in the portfolio are established in a differentiated manner based on the risks, with special view to the maximum loan amount, the minimum collateral coverage and the price;
- adequate IT support, and thereby measurability, is ensured.

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

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

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

The Bank does not finance:

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

- **Transactions:**
  - aiming to violate legal regulations. Illegal arms trade, prohibited gambling, drug trade and all other activities that breach legal regulations qualify as prohibited business areas (e.g. money laundering, black economy) which violate legal regulations are classified as prohibited business areas;
  - do not comply with environmental requirements;
  - not complying with the principles of responsible lending (for example, the amount of credit that can be granted must be determined by the customer's ability to repay the loan in monthly installments);

- involving the acquisition of securities representing membership rights issued by a member of a group of credit institutions or an undertaking closely linked to it or the acquisition of the cooperative holding.

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

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

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

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

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

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

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

- **Stage 1**: Performance exposures and credit risk did not significantly increase - Recognition of expected losses for the next 12 months;
- **Stage 2**: Performance exposures but credit risk increased significantly from the time of initial recognition - Recognizing the expected lifetime loss;
- **Stage 3**: Non-performing exposures so that the financial asset is depreciated - Recognizing the expected lifetime loss.

The Bank uses two approaches to estimate the expected losses:

- Individual assessment
- Collective assessment

Recognition of the expected loss on loans on a collective basis

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

In order to determine the significant increase in credit risk and the recognition of an adjustment for impairment on a collective basis, the Bank will group financial instruments based on common credit risk characteristics in order to facilitate the early identification of significant credit risk growth.

Analysis of portfolio granularity for segmentation purposes is the first step of the collective analysis and is based on the analysis of default rates at sub-segments compared to upper segments. A significant deviation in these values indicates the favorable relevance of including the collective analysis sub-segment.

Recognition of expected loss on loans on an individual basis

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

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

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

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

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

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

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

4.2 The management of the concentration risk

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

Concentration risk is measured and mitigated with internal limits. Setting the internal limits shall be done after analyzing the structure of the loan portfolio, including its estimate trends.

In order to manage the concentration risk, the Bank assumes a MEDIUM to HIGH level of concentration risk, because it has a solid limits system and procedures that are periodically amended in accordance to the market and portfolio evolution.

4.3 Quantitative and qualitative information on credit and concentration risks

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

		Risk-weighted assets (RWA)		Minimum capital requirements
		30/06/2020	30/06/2019	30/06/2020
1	**7,040,738**	**6,593,849**	**563,259**	**558,480**
2	7,040,738	6,593,849	563,259	558,480
3	Of which the core IRB (FIRB) approach			
4	Of which advanced IRB (AIRB) approach			
5	Of which equity securities from the IRB Approach under the simple risk-weighted approach or AMI			
6	**CCR**	**4,414**	**7,035**	**353**
7	Of which method of marking the market	-	-	-
8	Of which initial exposure method			

9	Of which standardized method			
10	Of which the Internal Model Method (MMI)			
11	Of which the amount of risk exposure for contributions to the CCP guarantee fund			
12	Of which credit assessment adjustment (CVA)	4,414	7,035	353
13	Settlement risk	-	-	-
14	Exposures in securitization in the banking portfolio (after the ceiling)			
15	Of which IRB approach			
16	Of which the IRB regulated formula method (SFA)			
17	Of which the Internal Assessment Based Approach (IAA)			
18	Of which the standardized approach			
19	**Market risk**	**4,892**	**13,247**	**391**
20	Of which the standardized approach	4,892	13,247	391
21	Of which AMI			
22	Large exposures	-	-	-
23	Operational risk	**898,016**	**848,694**	**71,841**
24	Of which basic approach	898,016	848,694	71,841
25	Of which the standardized approach			
26	Of which advanced assessment approach			
27	Values below the deduction thresholds (which are subject to a 250% risk weight)			
28	Adjustment for the minimum threshold			
29	**Total**	**7,948,061**	**7,462,825**	**635,845**

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

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

(ths RON)	**Net Exposure at the end of period**	**Net average exposure for the period**
Central governments or central banks	1,950,803	2,060,225
Regional governments or local authorities	32,458	32,682
Public sector entities	-	-
Multilateral Developed Banks	-	-
International Organizations	-	-
Institutions	1,085,887	909,486
Companies	4,939,249	4,852,836
Retail	3,397,517	3,385,361
Secured by mortgages on immovable property	3,412,877	3,408,672
Overdue elements	339,828	333,504
Items associated with particularly high risk	-	-
Guaranteed bonds	-	-
Short claims on institutions and corporate	-	-
Collective Investment Undertakings (CIU)	12,440	12,302
Debt securities	64,223	62,989
Other items	983,386	947,149
Total	**16,218,669**	**16,005,206**

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

Table 3: Geographical breakdown of exposures

(ths. RON)	**Center**	**North East**	**North West**	**South East**	**South West**	**Other countries**	**Other areas**	**Total**
Central governments or central banks	-	-	-	1,950,803	-	-	-	1,950,803
Regional governments or local authorities	1,626	-	7,007	23,825	-	-	-	32,458
Public sector entities	-	-	-	801,740	-	271,064	13,084	1,085,887
Companies	735,630	597,115	528,468	2,890,613	183,587	-	3,835	4,939,249
Retail	440,576	579,159	468,646	1,420,045	489,033	-	57	3,397,517
Exposures secured by mortgages on immovable property	362,701	304,380	561,333	1,677,148	507,315	-	-	3,412,877
Exposures in default	37,047	60,789	88,243	135,343	18,405	-	0	339,828
Collective investment (OPC)	-	-	-	12,440	-	-	-	12,440
Equity exposures	-	-	-	64,223	-	-	-	64,223
Other items	18,407	14,706	17,783	914,546	17,944	-	-	983,386
Total	**1,595,988**	**1,556,149**	**1,671,480**	**9,890,727**	**1,216,285**	**271,064**	**16,976**	**16,218,669**

The Bank monitors quarterly the concentration of the portfolio by sectors of activity and compliance with the limits set by the risk strategy. Below are the exposure classes according to the main sectors of activity at June 30, 2020:

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

(ths.RON)	Accommodation and food service activities	Administrative and support service activities	Agriculture, forestry and fishing	Arts, entertainment and recreation
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Companies	192,582	93,088	586,910	-
Retail	66,717	12,606	297,328	9,985
Exposures secured by mortgages on immovable property	6,876	2,584	16,905	244
Exposures in default	1,817	5,028	7,683	131
Collective investment (OPC)	-	-	-	-
Equity exposures	-	-	-	-
Other items	19	86	71	-
Total	**268,010**	**113,392**	**908,897**	**10,360**

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

(ths.RON)	*Construction*	*Education*	*Electricity, gas, steam and air conditioning supply*	*Financial and insurance activities*
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Companies	318,911	7,488	377,979	195,802
Retail	169,238	3,771	25,725	75,102
Exposures secured by mortgages on immovable property	24,920	507	19,453	13,660
Exposures in default	15,110	-	16,905	183
Collective investment (OPC)	-	-	-	-
Equity exposures	-	-	-	50,930
Other items	135	-	26	4,816
Total	**528,314**	**11,765**	**440,088**	**340,492**

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

(ths.RON)	*Human health and social work activities*	*Information and communication*	*Manufacturing*	*Mining and quarrying*
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Companies	9,578	4,750	721,102	11,139
Retail	5,741	24,259	175,282	10,980
Exposures secured by mortgages on immovable property	1,987	4,219	20,992	2,157
Exposures in default	-	3,636	99,009	-
Collective investment (OPC)	-	-	-	-
Equity exposures	-	-	-	-
Other items	-	-	2,720	-
Total	**17,306**	**36,863**	**1,019,105**	**24,277**

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

(ths.RON)	Other service activities	Professional, scientific and technical activities	Public administration and defence; compulsory social security	Transportation and storage
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	27,456	-
Public sector entities	-	-	-	-
Companies	9,947	106,644	-	1,196,918
Retail	12,021	35,487	-	90,433
Exposures secured by mortgages on immovable property	7,717	9,624	-	13,891
Exposures in default	280	35,756	-	6,657
Collective investment (OPC)	-	-	-	-
Equity exposures	80	-	-	-
Other items	4	119	-	396
Total	**30,049**	**187,630**	**27,456**	**1,308,295**

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

(ths.RON)	Transportation and storage	Water supply, sewerage, waste management, and remediation activities	Wholesale and retail trade; repair of motor vehicles and motorcycles	Others	Total
Central governments or central banks	-	-	-	1,950,803	1,950,803
Regional governments or local authorities	-	-	-	5,002	32,458
Public sector entities	-	-	-	1,085,887	1,085,887
Companies	155,680	45,114	872,235	33,384	4,939,249
Retail	60,363	25,034	430,292	1,867,154	3,397,517
Exposures secured by mortgages on immovable property	8,428	1,975	64,585	3,192,153	3,412,877
Exposures in default	7,065	75	42,821	97,670	339,828
Collective investment (OPC)	-	-	-	12,440	12,440
Equity exposures	-	-	-	13,213	64,223
Other items	12	3	479	974,501	983,386
Total	**231,547**	**72,202**	**1,410,412**	**9,232,208**	**16,218,669**

Tabel 5: Formularul 10- UE CRB-E: Scadența expunerilor

(ths.RON)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No maturity declared	Total
Central governments or central banks	-	81,971	1,024,832	156,413	687,587	1,950,803
Regional governments or local authorities	-	368	5,002	27,089	-	32,458
Public sector entities	-	758,539	50	-	327,298	1,085,887
Companies	-	1,914,733	1,411,363	1,609,318	3,835	4,939,249
Retail	3	893,752	1,378,192	1,125,447	123	3,397,517
Exposures secured by mortgages on immovable property	-	144,001	85,344	3,183,532	-	3,412,877
Exposures in default	0	94,022	80,812	79,064	85,930	339,828
Collective investment (OPC)	-	-	-	-	12,440	12,440
Equity exposures	-	-	-	-	64,223	64,223
Other items	-	3,025	8	-	980,353	983,386
Total	**3**	**3,890,412**	**3,985,603**	**6,180,862**	**2,161,789**	**16,218,669**

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

	Gross carrying values of		Specific credit risk adjustmen	General credit risk adjustmen	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non - defaulted exposures				
Central governments or central banks						
Institutions						
Corporates						
Of which: Specialised lending						
Of which: SME						
Retail						
Secured by real estate property						
SMEs						
Non-SMEs						
Qualifying revolving						
Other retail						
SMEs						
Non-SME						
Equity						
Total IRB approach						
Central governments or central banks	-	2,499,788	4,299	-		2,495,489
Regional governments or local authorities	-	32,486	28	-		32,458
Public sector entities	-	-	-	-		-
Multilateral development banks	-	-	-	-		-
International organisations	-	-	-	-		-
Institutions	-	980,681	-	-		980,681
Corporates	-	4,909,157	94,296	-		4,814,861
Of which: SMEs	-	3,513,191	67,594	-		3,445,598
Retai	-	3,168,705	86,281	-		3,082,424
Of which: SMEs	-	1,484,386	32,899	-		1,451,487
Secured by mortgages on immovable property	-	3,412,877	-	-		3,412,877
Of which: SMEs	-	192,931	-	-		192,931
Exposures in default	576,731	-	236,903	-	194,395	339,828
Items associated with particularly high risk	-	-	-	-		-
Covered bonds	-	-	-	-		-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-		-
Collective investments undertakings	-	12,440	-			12,440
Equity exposures	-	68,599	4,376	-		64,223
Other exposures	-	1,236,322	252,936	-		983,386
Total standardized pproach	**576,731**	**16,321,056**	**679,118**	**-**	**194,395**	**16,218,669**
Total	**576,731**	**16,321,056**	**679,118**	**-**	**194,395**	**16,218,669**
Of which: Loans	561,142	12,268,551	642,467	-	194,395	12,187,226
Of which: Debt securities	-	1,601,200	-	-		1,601,200
Of which: Off - balance- sheet exposures	15,589	2,451,305	36,651	-		2,430,243

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

	Gross carrying values of		Specific credit risk adjustmen	General credit risk adjustmen	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Defaulted exposures				
Agriculture, forestry and fishing	7,805	916,538	15,839	-	1,356	908,504
Mining and quarrying	-	24,720	443	-	-	24,277
Manufacturing	153,631	934,639	68,288	-	21,652	1,019,982
Electricity, gas, steam and air conditioning supply	49,630	407,111	16,595	-	605	440,146
Water supply	70	73,509	1,375	-	-	72,204
Construction	53,351	1,034,723	48,702	-	21,613	1,039,372
Wholesale and retail trade	99,067	1,385,474	70,936	-	107,252	1,413,604
Transport and storage	8,540	228,588	5,022	-	16,820	232,106
Accommodation and food service activities	3,118	269,992	5,083	-	356	268,028
Information and communicatio	3,826	34,438	1,391	-	11,299	36,873
Financial and insurance activities	3,992	3,399,880	267,170	-	68	3,136,702
Real estate activities	2,095	806,535	10,279	-	598	798,352
Professional, scientific and technical activities	59,371	153,953	25,668	-	2,428	187,656
Administrative and support service activities	10,434	134,484	10,612	-	9,570	134,306
Public administration and defence, compulsory social security	-	1,300,809	4,327	-	-	1,296,482
Education	0	11,910	143	-	28	11,767
Human health services and social work activities	139	17,447	279	-	-	17,307
Arts, entertainment and recreation	236	10,406	278	-	15	10,364
Other services	251	9,144	234	-	47	9,161
Households	173,111	5,114,820	126,456	-	688	5,161,475
Total	**628,668**	**16,269,120**	**679,118**	**-**	**194,395**	**16,218,669**

Table 7: Template 1: Credit quality of forborne exposures

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	93,155	252,580	252,580	252,580	-26,180	-131,154	132,141	69,156
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	77,281	206,067	206,067	206,067	-24,134	-102,612	109,345	58,636
Of which SMEs	63,772	101,709	101,709	101,709	-20,593	-49,661	81,329	39,468
Households	15,874	46,513	46,513	46,513	-2,046	-28,542	22,796	10,520
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	-	-	-	-	-	-	-	-
Total	**93,155**	**252,580**	**252,580**	**252,580**	**-26,180**	**-131,154**	**132,141**	**69,156**

Table 8: Template 2: Quality of forbearance

	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	159,238
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	129,552

Table 9: Template 3: Credit quality of performing and non-performing exposures by past due days

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**10,222,416**	**10,210,454**	**11,962**	**561,141**	**150,010**	**115,787**	**39,881**	**127,381**	**80,316**	**30,871**	**16,895**	**561,141**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	9,633	9,633	-	-	-	-	-	-	-	-	-	-
Credit institutions	632,816	632,816	-	-	-	-	-	-	-	-	-	-
Other financial corporations	185,240	185,238	2	202	-	7	2	193	-	-	-	202
Non-financial corporations	4,272,864	4,263,990	8,874	384,480	73,378	80,761	20,117	121,480	54,500	19,086	15,158	384,480
Of which SMEs	3,527,082	3,518,208	8,874	242,605	42,835	4,954	13,913	92,635	54,500	19,086	14,682	242,605
Households	5,121,863	5,118,777	3,086	176,459	76,632	35,019	19,762	5,708	25,816	11,785	1,737	176,459
Debt securities	**567,697**	**567,697**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	567,697	567,697	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**2,459,185**			**15,589**								**15,589**
Central banks	-			-								-
General governments	17,853			-								-
Credit institutions	32,566			-								-
Other financial corporations	157,096			-								-
Non-financial corporations	2,169,162			15,213								15,213
Households	82,508			376								376
Total	**13,249,298**	**10,778,151**	**11,962**	**576,730**	**150,010**	**115,787**	**39,881**	**127,381**	**80,316**	**30,871**	**16,895**	**576,730**

Table 10: Template 4: Performing and non-performing exposures and related provisions

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	**10,222,416**	**9,492,535**	**729,881**	**561,141**	**-**	**561,141**	**-190,976**	**-132,919**	**-58,057**	**-304,059**	**-**	**-304,059**	**-**	**7,851,745**	**143,026**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
General governments	9,633	9,633	-	-	-	-	-14	-14	-	-	-	-		1,994	-
Credit institutions	632,816	632,816	-	-	-	-	-	-	-	-	-	-		241,201	-
Other financial corporations	185,240	185,240	-	202	-	202	-4,485	-4,485	-	-21	-	-21		96,676	181
Non-financial corporations	4,272,864	4,021,234	251,630	384,480	-	384,480	-118,129	-79,604	-38,525	-203,599	-	-203,599		3,472,404	106,197
Of which SMEs	3,527,082	3,327,613	199,469	242,605	-	242,605	-97,204	-63,977	-33,227	-132,325	-	-132,325		2,881,298	79,587
Households	5,121,863	4,643,612	478,251	176,459	-	176,459	-68,348	-48,816	-19,532	-100,439	-	-100,439		4,039,470	36,648
Debt securities	**567,697**	**567,697**	**-**	**-**	**-**	**-**	**-2,861**	**-2,861**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
General governments	567,697	567,697	-	-	-	-	-2,861	-2,861	-	-	-	-		-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Off-balance-sheet exposures	**2,459,185**	**2,365,206**	**93,979**	**15,589**	**-**	**15,589**	**-46,181**	**-41,135**	**-5,046**	**-3,955**	**-**	**-3,955**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
General governments	17,853	17,853	-	-	-	-	-23	-23	-	-	-	-		-	-
Credit institutions	32,566	32,566	-	-	-	-	-	-	-	-	-	-		-	-
Other financial corporations	157,096	157,096	-	-	-	-	-2,864	-2,864	-	-	-	-		-	-
Non-financial corporations	2,169,162	2,097,737	71,425	15,213	-	15,213	-41,889	-37,533	-4,356	-3,825	-	-3,825		-	-
Households	82,508	59,954	22,554	376	-	376	-1,405	-715	-690	-130	-	-130		-	-
Total	**13,249,298**	**12,425,438**	**823,860**	**576,730**	**-**	**576,730**	**-240,018**	**-176,915**	**-63,103**	**-308,014**	**-**	**-308,014**	**-**	**7,851,745**	**143,026**

Table 11: Template 5: Quality of non-performing exposures by geography

	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance- sheet exposures	**10,783,557**	**561,141**	**561,141**	**10,783,557**	**-495,035**	**-**	**-**
Romania	10,114,975	559,393	559,393	10,114,975	-494,449		
Hungary	309,432	25	25	309,432	-26		
Germany	162,267	2	2	162,267	-6		
Austria	155,015	-	-	155,015	-		
Slovakia	10,119	1	1	10,119	-279		
Switzerland	9,407	-	-	9,407	-1		
Slovenia	7,967	-	-	7,967	-226		
United Kingdom	5,055	1	1	5,055	-8		
United States	4,966	2	2	4,966	-5		
France	1,702	1,696	1,696	1,702	-1		
Denmark	867	-	-	867	-2		
Sweden	726	-	-	726	-1		
Poland	272	1	1	272	-1		
Ireland	198	-	-	198	-6		
Spain	174	1	1	174	-1		
Canada	129	-	-	129	-2		
Belgium	115	-	-	115	-2		
Japan	112	-	-	112	-		
Italy	18	5	5	18	-5		
Macedonia	11	1	1	11	-1		
Portugal	8	4	4	8	-4		
Greece	7	2	2	7	-2		
Moldavia	3	3	3	3	-3		
Turkey	3	-	-	3	-		
Réunion	3	-	-	3	-		
Netherlands	2	1	1	2	-1		
Bulgaria	1	1	1	1	-1		
Lithuania	1	1	1	1	-1		
Belize	1	1	1	1	-1		
Israel	1	-	-	1	-		
Off-balance-sheet exposures	**2,474,774**	**15,589**	**15,589**	**2,474,774**	**-50,133**	**-**	**-**
Romania	2,391,209	15,589	15,589	2,391,209	-48,738		
Netherlands	60,549			60,549	-1,394		
Hungary	22,759			22,759	-1		
Poland	113			113	-		
Portugal	30			30	-		
Greece	25			25	-		
United Kingdom	19			19	-		
Italy	19			19	-		
Germany	18			18	-		
Austria	15			15	-		
Bulgaria	10			10	-		
Turkey	5			5	-		
Réunion	3			3	-		
Total	**13,258,331**	**576,730**	**576,730**	**13,258,331**	**-545,168**		

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

	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	596,907	7,960	7,960	596,907	-14,243	
Mining and quarrying	19,447	-	-	19,447	-492	
Manufacturing	729,827	142,294	142,294	729,827	-83,336	
Electricity, gas, steam and air conditioning supply	306,228	21,594	21,594	306,228	-19,142	
Water supply	38,230	88	88	38,230	-1,060	
Construction	696,702	50,826	50,826	696,702	-56,298	
Wholesale and retail trade	862,658	87,674	87,674	862,658	-79,238	
Transport and storage	187,039	7,895	7,895	187,039	-5,660	
Accommodation and food service activities	198,526	3,124	3,124	198,526	-5,254	
Information and communication	21,712	1,440	1,440	21,712	-1,060	
Financial and insurance activities	-	-	-	-	-	
Real estate activities	713,609	-	-	713,609	-11,349	
Professional, scientific and technical activities	130,618	47,853	47,853	130,618	-30,559	
Administrative and support service activities	112,337	13,331	13,331	112,337	-12,902	
Public administration and defense, compulsory social security	-	-	-	-	-	
Education	11,789	-	-	11,789	-174	
Human health services and social work activities	15,661	-	-	15,661	-336	
Arts, entertainment and recreation	7,446	297	297	7,446	-332	
Other services	8,608	104	104	8,608	-293	
Total	**4,657,344**	**384,480**	**384,480**	**4,657,344**	**-321,728**	**-**

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

	Loans and advances											
		Performing		Non-performing								
			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
							Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
Gross carrying amount	10,783,557	10,222,416	11,962	561,141	150,010	411,131	115,787	39,881	127,381	80,316	30,871	16,895
Of which secured	9,949,065	9,415,292	10,939	533,773	146,676	387,097	115,153	38,109	109,096	78,170	29,850	16,719
Of which secured with immovable property	7,654,106	7,212,761	8,131	441,345	135,093	306,252	95,163	22,212	77,973	74,931	21,497	14,476
Of which instruments with LTV higher than 60% and lower or equal to 80%	1,857,399	1,831,329		26,070	18,756	7,314						
Of which instruments with LTV higher than 80% and lower or equal to 100%	1,523,207	1,477,080		46,127	38,428	7,699						
Of which instruments with LTV higher than 100%	1,253,059	1,181,125		71,934	36,622	35,312						
Accumulated impairment for secured assets	-444,486	-181,904	-4,128	-262,582	-48,455	-214,127	-49,047	-23,721	-49,638	-52,599	-25,789	-13,333
Collateral												
Of which value capped at the value of exposure	8,178,885	7,776,943	7,760	401,942	137,485	264,457	100,147	20,043	78,928	39,717	12,416	13,206
Of which immovable property	6,779,765	6,431,772	5,625	347,993	127,523	220,470	86,035	14,574	60,166	37,517	11,252	10,926
Of which value above the cap	8,892,050	8,541,332	14,113	350,718	158,425	192,293	49,446	15,074	91,686	21,364	10,821	3,902
Of which immovable property	6,305,017	6,109,277	13,566	195,740	128,407	67,333	18,372	6,970	16,369	15,359	8,973	1,290
Financial guarantees received	389,351	366,983	547	22,368	14,201	8,167	5,327	794	461	1,585	-	-
Accumulated partial write-off	-	-	-	-	-	-	-	-	-	-	-	-

Table 14: Template 10: Collateral obtained by taking possession and execution processes – vintage breakdown

	Debt balance reduction		**Total collateral obtained by taking possession**									
					Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as PP&E	-	-	-	-								
Collateral obtained by taking possession other than classified as PP&E	**2,087**	**-**	**752**	**-**	**-**	**-**	**752**	**-**	**-**	**-**	**-**	**-**
Residential immovable property	1,830	-	706	-	-	-	706	-	-	-	-	-
Commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-
Movable property (auto, shipping, etc.)	-	-	-	-	-	-	-	-	-	-	-	-
Equity and debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Other	257	-	46	-		-	46	-	-	-	-	-
Total	**2,087**	**-**	**752**	**-**	**-**	**-**	**752**	**-**	**-**	**-**	**-**	**-**

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

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	-	-
Other than PP&E	752	-
Residential immovable property	706	-
Commercial Immovable property	-	-
Movable property (auto, shipping, etc.)	-	-
Equity and debt instruments	-	-
Other	46	-
Total	**752**	**-**

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

	Gross carrying amount	Related net accumulated recoveries
Initial stock of non-performing loans and advances	**563,489**	
Inflows to non-performing portfolios	63,068	
Outflows from non-performing portfolios	65,416	
Outflow to performing portfolio	11,101	
Outflow due to loan repayment, partial or total	-	
Outflow due to collateral liquidation	15,464	-
Outflow due to taking possession of collateral	2,087	-
Outflow due to sale of instruments	-	-
Outflow due to risk transfer	-	-
Outflow due to write-off	16,516	
Outflow due to other situations	5,453	
Outflow due to reclassification as held for sale	14,795	
Final stock of non-performing loans and advances	**561,141**	

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

	Specific adjustments for cumulative credit risk
Opening balance	**(451,648)**
Increases due to initiation and purchase	(46,632)
Decreases due to derecognition	496
Changes due to changes in credit risk (net)	-
Variations due to changes without derecognition (net)	(5,562)
Variations due to updating the institution's estimation methodology (net)	-
Decrease in the depreciation adjustment account due to off-balance sheet removals	13,482
Other adjustments	(10,814)
Closing balance	**(500,678)**
Recoveries of amounts previously removed from the balance sheet directly recognized in profit or loss	875
Sums deducted directly from the profit or loss statement	3

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

	Cumulated specific adjustments for credit risk
Opening balance	**(295,836)**
Increases due to initiation and purchase	(8,982)
Decreases due to derecognition	813
Changes due to changes in credit risk (net)	(9,187)
Variations due to changes without derecognition (net)	(4,706)
Variations due to updating the institution's estimation methodology (net)	-
Decrease in the depreciation adjustment account due to off-balance sheet removals	13,458
Other adjustments	382
Closing balance	**(304,059)**
Recoveries of amounts previously removed from the balance sheet directly recognized in profit or loss	875
Sums deducted directly from the profit or loss statement	3

Table 18: COVID 19 - Formularul 3: Informații privind creditele și avansurile nou-inițiate acordate în cadrul schemelor de garanții publice nou aplicate introduse ca răspuns la criza COVID-19

	Gross carrying amount		**Maximum amount of the guarantee that can be considered**	**Gross carrying amount**
		'of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**6,774**	**-**	**5,924**	**-**
of which: Households	-			-
of which: Collateralised by residential immovable property	-			-
of which: Non-financial corporations	6,765	-	5,915	-
of which: Small and Medium-sized Enterprises	6,765			-
of which: Collateralised by commercial immovable property	-			-

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

	Gross carrying amount							**Accumulated impairment, accumulated negative changes in fair value due to credit risk**							**Gross carrying amount**
		Performing			**Non performing**				**Performing**			**Non performing**			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	1,653,784	1,593,773	33,005	188,443	60,011	13,927	60,011	63,104	39,552	39,552	17,738	23,552	5,861	23,552	4,128
of which: Households	739,358	708,127	6,703	102,738	31,231	10,826	31,231	26,297	12,550	12,550	5,092	13,747	5,067	13,747	4,128
of which: Collateralised by residential immovable property	575,796	549,718	5,968	88,155	26,078	7,213	26,078	16,819	4,547	4,547	3,370	12,272	4,503	12,272	3,623
of which: Non-financial corporations	866,104	837,324	26,302	85,705	28,780	3,100	28,780	35,324	25,520	25,520	12,645	9,804	794	9,804	0
of which: Small and Medium-sized Enterprises	798,988	795,240	16,929	52,446	3,748	3,100	3,748	23,002	21,993	21,993	9,290	1,009	794	1,009	0
of which: Collateralised by commercial immovable property	727,059	700,304	24,982	72,718	26,755	1,515	26,755	30,208	21,112	21,112	11,204	9,096	236	9,096	0

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

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Scadența reziduală a moratoriilor				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	33,034	3,996,091							
Loans and advances subject to moratorium (granted)	26,465	2,862,292	1,505,357	1,208,508	414,457	704,396	534,930	0	0
of which: Households		1,924,597	803,267	1,185,239	153,216	535,783	50,359	0	0
of which: Collateralised by residential immovable property		1,498,118	621,367	922,322	108,031	425,054	42,711	0	0
of which: Non-financial corporations		889,373	701,689	23,269	213,321	168,211	484,571	0	0
of which: Small and Medium-sized Enterprises		814,662	635,075	15,674	188,289	165,045	445,655	0	0
of which: Collateralised by commercial immovable property		748,188	616,328	21,129	146,782	111,711	468,567	0	0

4.4 Using credit risk mitigation techniques

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

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

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

	Unsecured exposures - Book value	**Guaranteed Exposures - Book Value**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
Total loans	10,629,218	4,295,199	3,985,235	309,964	-
Total debt securities	1,294,252	-	-	-	-
Total exposures	**11,923,470**	**4,295,199**	**3,985,235**	**309,964**	**-**
Of which in default	206,950	132,878	132,878	-	-

The Bank calculates risk-weighted amounts based on the standardized approach described in EU Regulation 575/2013 of the European Parliament and of the Council from June, 26th 2013 on prudential requirements for credit institutions and investment firms and amending EU Regulation no.648/2012. In this respect, the Bank uses ratings information provided by three external credit assessment institutions: Standard and Poor's. Moody's and Fitch. This information is used for the following asset classes: central governments or central banks, regional government or local authorities, public sector entities, multilateral development banks, international organisations, institutions, corporates, retail, secured by mortgages on immovable property, exposures in default, exposures associated with particularly high risk, covered bonds, institutions and corporates with a short-term credit assessment, collective investment undertakings, equity, other items.

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

Exposure classes	Exposures before CCF and CRM		Exposures after CCF and CRM		RWA and RWA density	
	Balance sheet value	Off-balance sheet value	Balance sheet value	Off-balance sheet value	RWA	RWA density
Central governments or central banks	1,950,803	-	2,264,770	-	34,694	0.25%
Regional government or local authorities	14,623	17,836	14,623	8,918	4,708	0.03%
Public sector entities	-	-	-	-	-	0.00%
Multilateral development banks	-	-	-	-	-	0.00%
International organizations	-	-	-	-	-	0.00%
Institutions	819,839	24,848	890,296	56,982	315,535	2.24%
Corporates	3,332,535	1,606,714	3,251,078	349,836	3,062,120	21.75%
Retail	2,691,047	706,470	2,363,450	121,990	1,697,028	12.06%
Secured by mortgages on immovable property	3,352,608	60,269	3,352,608	13,525	1,165,694	8.28%
Exposures in default	325,721	14,106	325,721	3,126	349,296	2.48%
Exposures associated with particularly high risk	-	-	-	-	-	0.00%
Covered bonds	-	-	-	-	-	0.00%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
Collective investment undertakings	12,440	-	12,440	-	12,440	0.09%
Equity	64,223	-	64,223	-	64,223	0.46%
Other items	983,386	-	983,386	-	335,000	2.38%
Total	**13,547,225**	**2,430,243**	**13,522,594**	**554,378**	**7,040,738**	**50.02%**

Table 21: Form 20: EU CR5 - Standardized Approach

Exposure classes	Risk weight															Total	Of which unrated
	0%	10%	20%	25%	35%	50%	70%	75%	100%	150%	250%	370%	1250%				
Central governments or central banks	2,322,019	-	173,470	-	-	-	-	-	-	-	-	-	-	-	-	2,495,489	2,495,489
Regional government or local authorities	-	-	32,458	-	-	-	-	-	-	-	-	-	-	-	-	32,458	32,458
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	672,457	-	-	231,439	-	-	76,785	-	-	-	-	-	-	980,681	964,085
Corporates	53,479	-	-	-	-	-	-	-	4,761,382	-	-	-	-	-	-	4,814,861	4,814,861
Retail	25,766	-	-	-	-	-	-	3,056,658	-	-	-	-	-	-	-	3,082,424	3,082,424
Secured by mortgages on immovable property	-	-	-	-	3,412,877	-	-	-	-	-	-	-	-	-	-	3,412,877	3,412,877
Exposures in default	-	-	-	-	-	-	-	-	294,592	45,236	-	-	-	-	-	339,828	339,828
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-	-	12,440	-	-	-	-	-	-	12,440	12,440
Equity	-	-	-	-	-	-	-	-	64,223	-	-	-	-	-	-	64,223	61,199
Other items	524,717	-	154,587	-	-	-	-	-	304,083	-	-	-	-	-	-	983,386	848,030
Total	**2,925,981**	**-**	**1,032,972**	**-**	**3,412,877**	**231,439**	**-**	**3,056,658**	**5,513,505**	**45,236**	**-**	**-**	**-**	**-**	**-**	**16,218,669**	**16,063,692**

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

Table 22: Type of collaterals

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

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

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

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

4.6 Country Risk Management

The country risk is associated to the credit risk, determined by the economic, social and politic conditions of the borrower's country of origin.

The country risk is managed through permanent monitoring of the evolutions in those countries where the Bank registers exposures and by taking decisions related to the available limits, when appropriate. Also, country risk will be considered by Treasury Directorate in all risk assumptions towards counterparties, particularly towards the Banks that are making deals with.

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

4.7 Counterparty Risk Management

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

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

The limit for a counterparty is determined based on:

- counterparty's rating
- the counterparty's regulatory capital

- aspects related to the business strategy, along with the compliance with legal provisions regarding risk-taking activity.

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

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

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

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

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

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

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

	Notional	**Replacement cost/ current market value**	**Potential future credit exposure**	**EEPE**	**Multiplier**	**EAD post CRM**	**RWA**
Mark to market	-	12,669	33,663	-	-	46,333	19,520
Original exposure	-	-	-	-	-	-	-
Standardised approach	-	-	-	-	-	-	-
IMM (for derivatives and SFTs)	-	-	-	-	-	-	-
Of which securities financing transactions	-	-	-	-	-	-	-
Of which derivatives and long settlement transactions	-	-	-	-	-	-	-
Of which from contractual cross-product netting	-	-	-	-	-	-	-
Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-
Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	241,201	2,096
VaR for SFTs	-	-	-	-	-	-	-
Total	-	**12,669**	**33,633**	-	-	**287,534**	**21,616**

Table 24: Form 26: EU CCR2 - Capital Requirement for CVA

	Exposure value	RWA
Total portfolios subject to the advanced method	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) SVaR component (including the 3×multiplier)	-	-
All portfolios subject to the standardised method	18,751	4,414
Based on the original exposure method	-	-
Total subject to the CVA capital charge	**18,751**	**4,414**

Table 25: Form 31: EU CCR5-A – Impact of netting and collateral held on exposure values

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	12,669	-	12,669	-	12,669
SFTs	241,201	-	241,201	230,720	10,481
Cross-product netting	-	-	-	-	-
Total	**253,870**	**-**	**253,870**	**230,720**	**23,150**

Table 26: Form 32: EU CCR5-A – Composition of collateral for exposures to CCR

	Collateral used in derivatives transactions				Collateral used in SFTSs	
	Fair Value of Collateral Received		Fair Value of Collateral Posted		Fair Value of Collateral Received	Fair Value of Collateral Posted
	Segregated	Unsegrgated	Segregated	Unsegrgated		
	-	-	-	-	240,943	-
Total	-	-	-	-	**240,943**	-

4.8 Residual Risk Management

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

The Bank's objective of managing the residual risk is to monitor and maintain the value of certain indicators within the limits set by the Bank. Risk Profile - OTP Bank Romania S.A. proposes an average low level of exposure to residual risk as the share of personal guarantees and financial guarantees is very low.

4.9 Market Risk Management

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

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

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

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

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

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

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

- Operational & Market Risk Department within the Risk Management Directorate – applies the regulations in force regarding market risk measurement and monitoring
- Treasury Directorate – undertakes and manages market risk in compliance with the principles and limits approved
- Middle Office Department within the Strategy, Controlling and Asset and Liability Management Directorate is responsible for the daily calculation of the profitability of the trading activity.

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

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

- internal norm regarding Market Risk Management, which describes:
  - the basic principles, as well as the methods used by OTP Bank Romania SA for the measurement and management of market risk and its components
  - the responsibilities of each unit involved in market risk management, monitoring and profitability calculation
- internal norm regarding Rules for establishing and evaluating the Trading Book, which describes:
  - the definition of the trading book
  - the criteria used to separate the trading book from the banking book
  - trading book management
  - trading book positions' valuation: these are marked-to-market daily with the help of the Kondor+ system trough an automatic process
  - provisions regarding the reclassification of positions between Trading Book and Banking Book: reclassification is not allowed.
- the Trading Strategy establishes the general framework in which the positions/portfolios owned for trading are managed
- procedure regarding the Treasury Middle Office Department Activity, which describes the process of calculating the profitability of the trading activity.

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

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

Table 27: Form 34: EU MR1 - Market risk according to the standardized approach

	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	4,892	391
Equity risk (general and specific	-	-
Foreign exchange ris	-	-
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	-	-
Scenario approach	-	-
Securitisation (specific risk)	-	-
Total	**4,892**	**391**

4.10 Foreign currency risk

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

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

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

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

4.11 Interest Rate Risk

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

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

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

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

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

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

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

For reporting purposes, the Bank uses the contractual maturity and cash flows for assets and liabilities that are sensitive to interest rate – adjusted for optionality risk (early prepayment/ withdrawal of loans/ deposits), as well as working hypotheses for items that do not have clearly specified contractual maturity. Average duration for non-maturity deposits is 2.5-3 years, with the maximum maturity of 10 years. The Bank grants loans mainly with variable interest rate indexed by a reference public rate (benchmark ex.: Euribor, Robor) and aims to harmonize as possible the financing structure with the structure of assets so that to maintain a low interest rate risk exposure of the Bank. Most of fixed rate loans are RON consumer loans and a lower amount of RON mortgage loans with fixed interest rate for the first 5 years.

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

Interest rate risk exposure har remained similar to the previous year level and the bank has stayied the entire year withing the mediu-low assumed risk profile level.

RONEQ mio	EVE	NII
Year	Q2 2020	
Parallel up	(32.9)	0.8
Parallel down	(18.1)	-0.8
Steepener	(79.3)	
Flattener	32.8	
Short rate up	11.2	
Short rate down	(32.2)	
Maximum	79.3	0.8
Year	Q2 2020	
Tier 1 Capital	1,662.48	

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

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

At June 30, 2020, Bank performed stress tests applying different shocks for the modification of the market interest rates by 250 bp, 300 bp. The decline of the economic value in all scenarios mentioned above registered comfortable levels within the monitored limits established through internal and NBR regulations.

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

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

Loans on OTP Factoring book are only non-performing loans and the funding received are of floating rate type with 3 months repricing period.

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

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

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

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

The management of the liquidity risk function is provided by the Asset & Liability Management Department within Strategy, Controlling and ALM Directorate. Monitoring the tools for the management of the liquidity risk to which the Bank is exposed, the values of the indicators and setting them into limits are monthly reported to the ALCO and periodically to the Risk Management Committee, the Management Board and Supervisory Board of the Bank.
Close monitoring and prudent management of liquidity are permanently supervised by the Asset & Liabilities Committee and at the Group level.

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

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

- ***Current management of liquidity*** – developing the current activity in normal condition. Ensure the fulfillment of financial obligation anticipated and unexpected by maintaining the balance between incoming and outgoing cash. Determining the daily cash flow and operative liquidity to cover liquidity needs on 3 months horizon are the basic used tools. In the case of operative liquidity, prudential, is included a possible shock applied to attracted resources, determined by statistical methods.
- ***Structural liquidity management*** - aims to ensure proper liquidity on medium and long term in order to avoid any pressure on current and future sources of liquidity.
- ***Liquidity management in crisis situations*** - the pursuit of activity on individual crisis conditions (idiosyncratic scenario), in conditions of a general crisis, when the entire liquidity of the Banking system is affected, and also for another more complicated situation including both an individual and generally system crisis. The Bank follows to ensure enough liquidity reserve so it allows fulfilling its financial obligations in stress situations on an acceptable time horizon, without being forced to modify significantly its strategy or business model.

OTP BANK ROMANIA S.A. manages the liquidity risk having in view: the dimensioning of the short-term cash-flow and operative liquidity, the daily established structure of the Bank's balance sheet, the daily evolution of customer resources, the liquidity GAP – on main currencies and also for the total, the level and structure of the liquid assets portfolio (including those unencumbered by tasks), liquidity indicators and having early warning limits internally established, the assessment of the risk in crisis conditions based on the stress testing.

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

The bank's funding structure is comprised of a significant part of Group funding (around 25% of total liabilities). In the management of liquidity OBR assumes that maturing Group funding can be rolled over and that new Group funding can be accessed according to approved budgets or to meet any liquidity need during the normal course of business.
For liquidity contingency planning, supplementary to the bank's own on balance sheet liquidity, stand-by lines from the OTP Group are considered as available liquidity.

Other than Group funding there are is no other concentration of funding on other funding providers.

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

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

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

Liquidity risk profile of the Bank has remained constant over the course of 2020, registering a medium-low level (assumed risk appetite of the Bank for 2020) level and fits within the limits set by national regulatory framework as well within the bank's risk tolerance of medium-high.

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

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

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

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

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

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

  Concentration of funding and liquidity sources:
  The only concentration of funding is related to Group Funding obtained to various Group entities (25% of total liabilities). The bank considers that maturing Group funding can be rolled over at any time.

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

  Coin mismatch at LCR level
  The LCR is calculated in all major currencies representing at least 5% of the bank's debt (RON, EUR, occasionally HUF and total cumulative in RON equivalent). During the year 2020, bank pursued a minimum of 100% for all significant currencies.

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

		Q2 2020		Q1 2020		Q4 2019		Q3 2019	
Scope of consolidation : solo Currency and units (RON million)		Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weiehted value	Total unweighted value	Total weiehted value
Quarter ending on (DD Month YYY)		30-06-20	30-06-20	31-03-20	31-03-20	31-12-19	31-12-19	30-09-19	30-09-19
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)		1,973		1,964		1,859		1,741
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,344	178	2,262	170	2,182	163	2,126	159
3	*Stable deposits*	1,643	82	1,596	80	1,536	77	1,495	75
4	*Less stable deposits*	701	95	666	90	646	86	631	84
5	Unsecured wholesale funding	3,679	1,895	3,546	1,842	3,408	1,788	3,073	1,639
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	3,679	1,895	3,546	1,842	3,408	1,788	3,073	1,639
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding		-		-		-		-
10	Additional requirements	277	40	222	36	193	35	180	35
11	*Outflows related to derivative exposures and other collateral requirements*	11	11	11	11	10	10	8	8
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	266	29	211	25	183	25	172	27
14	Other contractual funding obligations	136	113	143	123	158	140	132	115
15	Other contingent funding obligations	1,552	78	1,498	75	1,455	73	1,402	70
16	**TOTAL CASH OUTFLOWS**		2,303		2,246		2,198		2,017
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	373	373	326	326	256	256	143	143
18	Inflows from fully performing exposures	622	571	621	556	787	717	821	758
19	Other cash inflows	16	6	16	6	16	6	15	6
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		-		-		-		-
EU-19b	(Excess inflows from a related specialised credit institution)		-		-		-		-
20	**TOTAL CASH INFLOWS**	1,012	951	962	888	1,059	980	980	908
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	1,012	951	962	888	1,059	980	980	908
			TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE
21	**LIQUIDITY BUFFER**		**1,973**		**1,964**		**1,859**		**1,741**
22	**TOTAL NET CASH OUTFLOWS**		**1,310**		**1,322**		**1,198**		**1,122**
23	**LIQUIDITY COVERAGE RATIO (%)**		**152%**		**150%**		**158%**		**158%**

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

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

		Q2 2020		Q1 2020		Q4 2019		Q3 2019	
Scope of consolidation : consolidated Currency and units (RON million)		Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weiehted value	Total unweighted value	Total weiehted value
Quarter ending on (DD Month YYY)		30-06-20	30-06-20	30-03-20	30-03-20	31-12-19	31-12-19	30-09-19	30-09-19
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)		1,973		1,964		1,859		1,741
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,344	178	2,262	170	2,182	163	2,126	159
3	*Stable deposits*	1,643	82	1,596	80	1,536	77	1,495	75
4	*Less stable deposits*	701	95	666	90	646	86	631	84
5	Unsecured wholesale funding	3,653	1,872	3,528	1,823	3,391	1,771	3,062	1,628
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	3,653	1,872	3,528	1,823	3,391	1,771	3,062	1,628
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding		-		-		-		-
10	Additional requirements	289	41	235	38	207	36	194	36
11	*Outflows related to derivative exposures and other collateral requirements*	11	11	11	11	10	10	8	8
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	278	30	224	26	197	27	187	29
14	Other contractual funding obligations	146	114	152	123	165	140	137	115
15	Other contingent funding obligations	1,542	77	1,489	74	1,445	72	1,392	70
16	**TOTAL CASH OUTFLOWS**		2,282		2,228		2,182		2,007
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	373	373	326	326	256	256	143	143
18	Inflows from fully performing exposures	640	581	641	568	805	727	837	767
19	Other cash inflows	16	6	16	6	16	6	15	6
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		-		-		-		-
EU-19b	(Excess inflows from a related specialised credit institution)		-		-		-		-
20	**TOTAL CASH INFLOWS**	1,030	961	983	900	1,078	990	996	917
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	1,030	961	983	900	1,078	990	996	917
			TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE
21	**LIQUIDITY BUFFER**		**1,973**		**1,964**		**1,859**		**1,741**
22	**TOTAL NET CASH OUTFLOWS**		**1,279**		**1,296**		**1,177**		**1,104**
23	**LIQUIDITY COVERAGE RATIO (%)**		**156%**		**153%**		**161%**		**161%**

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

  Basel 3 also contains a proposal to introduce a net stable funding ratio (NSFR) to reduce medium to long-term funding risks by requiring banks to fund their activities with sufficiently stable sources of funding. The NSFR requires banks to maintain a stable funding profile in relation to their on- and off-balance sheet activities. The ratio is defined as the amount of Available Stable Funding (the portion of capital and liabilities expected to be a stable source of funding), relative to the amount of Required Stable Funding (a function of the liquidity characteristics of various assets held).

  In the EU, on November 23, 2016, the Commission published a legislative proposal to amend the CRR. The proposal defines, among other things, a mandatory quantitative NSFR requirement and which would apply two years after the proposal comes into force. The proposal was adopted on 16.04.2019 by amending Regulation (EU) No. 575/2013. The expected entry into force date is June 2021.

4.13 Operational Risk Management

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

Objectives

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

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

Strategy
The Bank's strategy for acquiring the objectives related to operational risk includes:

- the improvement of the operational risk management framework;
- periodic review of the regulatory framework for a good management of the operational risk within the Bank, development of new key risk indicators in order to use them for a better management of operational risks and connecting them to the specific and monitored activity;
- reviewing the model risk management framework;
- keeping evidence of the operational risk events reported for the entire bank within the operational risk management database; Operational risk loss events are recorded in an integrated IT system with a uniform content at Group level in line with Basel III requirements, so that the development and distribution of losses can be analyzed and continuously monitored based on the data for long periods of time and also to identify the cause that generated the losses.
- paying special attention to the definition of risk mitigating measures, monitoring their execution and improving the control environment through a closer cooperation with the organizational units engaged in risk management and control;
- Establishing provisions for operational risk in order to minimize the impact generated by losses from operational risk events in the entire bank;
- permanent support offered to the organizational units when drawing-up their operational risk reports;
- informing the Operative Risk Committee, the Management Board, Risk Management Committee and the Supervisory Board about the operational risk events reported by the organizational units to the Operational and Market Risk Department;
- informing the organizational units on the decisions taken by the Operative Risk Committee, the Management Board, the Risk Management Committee and the Supervisory Board related to operational risk;
- permanent monitoring of operational key risk indicators;
- assessment of the operational risk exposure based on losses history and permanent update of the database on operational risk loss generating events reported by the organizational units;
- assessment of the 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 activities or the potential risks and to identify the control measures to mitigate or eliminate risks occurrence;
- preparing plausible scenarios to establish the plans for resuming or continuing the activity and for unforeseen situations; The Business Continuity Plan and the Crisis Communication Plan represent operational risks management tools.

Management of the operational risk within the Bank is based on the responsibility of both Head Quarters and territorial units to identify, monitor and report any operational risk.

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

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

The regulatory capital requirement for operational risk is determined in accordance with Regulation no. 575/2013 of the European Parliament and of the Council of the European Union on prudential requirements for credit institutions and investment firms.

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

OTP Bank Romania S.A. targets a medium risk profile for its exposure to operational risk.

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

4.14 Reputational Risk Management

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

Objectives

The objectives of reputational risk management are:

- To avoid registering losses or the failure in achieving the estimated incomes as a result of reputational risks generating events;
- To avoid the direct or indirect harm of the Bank's reputation;
- To improve the Bank's image;
- To avoid the revealing of secret or confidential information;
- To avoid using internal/ professional/ secret/ confidential information by the Bank's employees for personal benefits or to any other purpose that may have consequences to the detriment of the Bank's image or results or to that of its clients;
- To improve the quality of the Bank's products and services in order to decrease the number of complaints submitted by the clients.

Strategy

The Bank's strategy regarding reputational risk management includes:

- defining the Bank's image attributes in fully accordance with the Bank's strategy and values;
- defining the instruments to improve the Bank's image and their implementation;
- effective management of customers' requests and complaints and establishing appropriate, effective corrective actions in order to improve the quality of the products and services provided by the Bank, respectively the customers' loyalty process;
- defining methods for assessing the Bank's reputation and applying them;
- setting action plans for eventual reputational crisis situations and ensuring the necessary premises for their implementation, if necessary;
- continuous training of sales personnel in all aspects regarding the Bank's products and services, so that they can offer to clients all the necessary information to make informed and correct decisions, according to their needs regarding the acquisition or use of the Bank's financial products and services;
- periodic revision of "Know Your Customer" internal regulations in order to avoid the initiation of business relationships with clients having a fraudulent past, involved in terrorist acts, money laundering, major payment incidents, bad debtors, and/ or involved in the production or commercialization of forbidden substances and/ or illegal activities (such as the illegal producing and commercialization of drugs, guns and ammunition);
- automation, wherever possible, of the necessary verifications to be performed when initiating a business relationship with a client, in order to prevent the enrolment of the clients from the above mentioned categories in the Bank's system;
- development of the existing IT application in order to improve the process of identifying the suspicious transactions;
- developing the trust of shareholders/ customers;
- improving the business relationship with the Bank's clients by informing them correctly, completely and in a timely manner regarding the new products and services, changes in the existing portfolio of products and services, as well as by communicating them all the aspects that might have an influence on the client's banking activity;
- the alignment of the internal regulations and activities performed within the Bank to all the legal provisions applicable to credit institutions. Changes affecting the customers' situation will be communicated to them according to the legal requirements.
- increasing the customer loyalty;
- attracting the loyalty of the clients and providers;
- attracting the necessary resources/ investments for an optimal development of the financial-banking specific activity;
- implementing the necessary measures to limit the unauthorized access to the Bank's resources, regardless of their type;
- the possibility to recruit/ retain the best specialists;
- making capital reserves for reputational risk to protect the institution in case of future crises;
- preparing business recovery and continuity plans and for unforeseen situations. The Business Continuity Plan represents a reputational risk management tool;

- drawing up Crisis Communication Plans in order to ensure the normal functioning of the activity in the entire Bank.

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

4.15 Outsourced activities related Risk

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

Objectives

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

- preventing the direct or indirect harm of Bank's reputation as a result of transferring certain activities to external suppliers of goods and services which lack the necessary qualification to perform the outsourced activities;
- following the outsourcing, it should be ensured at least the same quality level for the performed activity as previously, when the activity was performed by the Bank;
- ensuring the protection of confidential information, processing this information and keeping banking secrecy by the external provider;
- eliminating / transferring certain outsourced activity related risks to the supplier.

Strategy

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

- making decisions regarding the outsourcing of new activities or modifying the existing ones
- selecting and assessing the external supplier of goods and services related to aspects such as: solvency, reputation, working experience with credit institutions' sector, the quality of the services performed, the organization of the activity and internal control, the existence of competent personnel, the existence of an alternative plan for activity recovery, ensuring the confidentiality of the information, especially in case of the information related to electronic payment instruments
- monitoring how the external supplier of goods and services develop the outsourced activities
- issuing alternative plans and estimating the necessary costs and resources for changing the external supplier of goods and services;
- the Bank does not target the outsourcing of activities which involve a high degree of risk.

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

4.16 Compliance Risk Management

The compliance risk represents the current or future risk of affecting the Bank's profits and capital, which may result in fines, damages and/or termination of contracts or which may affect the reputation of a credit institution because of breaches or noncompliance with the legal and regulation framework, with the agreements, recommended practices or ethical standards.

The compliance risk includes risks related to the general compliance framework and associated activities, as well as risks related to know-your-customer process, money laundering prevention and terrorism financing prevention activities.

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

- Periodic revision of the internal regulations in order to align them to legal and regulatory framework and monitoring the implementation status for the new legal provisions applicable to the financial-banking sector;
- Monitoring the national and European legal regulation framework in order to identify the trends and those banking sector regulations having an impact on the compliance risk;
- Identification and assessment of the non-compliance risks associated to the Bank's business processes, including those related to the development of new products, services and practices;

- Establishing corrective measures following the deficiencies identified during the control missions of the supervisory authority and/or the internal/external auditors or from the Group related to general compliance aspects, respectively the monitoring of their timely implementation;
- assessing the effectiveness of the corrective measures taken within the Bank following control actions performed by authorities;
- monitoring of the timely transmission of reports to authorities by all the organizational units within the Bank, according to the legal and regulation requirements;
- monitoring of the complaints submitted directly by the customers or through authorities in order to manage the risk generated by the non-compliance with the consumer protection regulation/data protection regulation;
- developing the compliance culture within the Bank as an integrated part of risk culture and their management, by providing training sessions on general compliance issues.

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

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

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

OTP Bank Romania targets a medium-low level of the KYC & AML/CFT risk exposure.

4.17 Management of the Strategic Risk

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

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

- **Strategic planning process**

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

- support or participation of the board, delegated committees, and senior management;
- participation of staff from various departments;

- adequacy of information in developing assumptions in relation to economic factors, position of the Bank compared to competitors, current competitive position, future market trends and customer needs;
- consistency of the operational plans with the overall objective of the Bank;
- assessment of actual performance against strategic plans.

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

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

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

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

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

In the actual vs. plan analysis special events that occurred due to market opportunities and that could not have been foreseen will not be taken into consideration (CHF conversion, gain from Millennium acquisition).
The Bank examines the fulfillment of the plan on a quarterly basis for the last 3 years.
For each quarter between Q3 2017 and Q2 2020 a comparison actual vs. plan is made for profit before tax. A weight is distributed for each period (the more recent periods receive a higher rate as it is more relevant and the older periods receive lower weights). The gap between actual and plan (in mil RON) are weighted for each quarter.
On individual level, the gaps for the analyzed period, (2017-2020) are added up to **+196 million RON**.
For the calculation of the capital requirement for strategic risk for OTP Leasing (the subsidiary included in local consolidation), the actual differences versus budget for the last 3 years were analyzed. The calculation method is used to calculate the Bank's capital requirement. The gap calculated for the analyzed period (2017-2020) is -**6.5 million** RON.
The capital required for strategic risk is calculated as the negative amount of the current difference versus the plan, so it only occurs if the realization was below the plan.
The positive result of the gaps for the analyzed period, (2017-2020) are added up to **+190 million RON**, on a country consolidated level (OBR Group, including the leasing and the factoring subsidiaries), **means that for the period under review the realization exceeded the plan, highlighting the lack of the capital requirement for the individual and consolidated strategic risk.**

- **Risk categories**

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

- <5% - low risk
- 5%-10% - medium risk

- >10% - high risk

Calculation of capital requirement for strategic risk, exemplified for 2020 for OTP Bank România S.A.
Since the capital requirement for strategic risk in 2020 at the consolidated level is null, the strategic risk is low.

4.18 Management of the external risks of the credit institution

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

Thus, in 2020, macroeconomic crisis simulations were conducted over a three-year horizon (2020-2022), **and available capital is sufficient to cover the capital requirement**, taking into account the minimum solvency ratio (SREP) at individual level.
It should be emphasized that these capital requirements are determined before applying any measures to supplement the own funds or reduce the risks to which the Bank is exposed.
In the event of any unfavorable scenario, the Bank will take preventive risk mitigation measures (risk-weighted assets and other risk mitigation techniques) as well as additional capital measures.

However, in addition to raising capital, the Bank will look into if a more drastic scenario can become real, all possible ways of raising own funds and reducing additional provisions (one way would be to shut down unused facilities to reduce additional capital including, if possible, analyzing the possibility to sell the collateral covering the related exposures, the sale of fixed assets of the Bank that have no direct impact on the Bank's business development).

Macroeconomic crisis scenarios include values of the macroeconomic indicators that have the most impact on the profitability of OTP BANK ROMANIA S.A., such as EUR / RON exchange rate, LIBOR CHF, ROBOR, unemployment rate and others.
The steps taken to estimate the implications for OTP BANK ROMANIA S.A. in the crisis simulations are the following:

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

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

- inform the Bank's Board of Directors of the results of the macroeconomic crisis simulation;
- it may decide to inform the Assets and Liabilities Committee, which, according to its attributions, may propose remedies to be approved by the Bank's Directorate.

5. Encumbered and unencumbered assets

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

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution			**13,636,763**	**1,275,344**
Equity instruments			4,882	4,882
Debt securities			1,295,690	1,270,462
Other assets			12,336,191	-

At 30.06.2020 the Bank did not have any encumbered assets.

Anexa1

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

		a	b	c	d	e
		30-06-2020	31-03-2020	31-12-2019	30-09-2019	30-06-2019
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	1,662,479	1,622,999	1,664,590	1,608,099	1,276,902
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,538,053	1,537,913	1,566,537	1,499,492	1,179,090
3	Tier 1 capital	1,662,479	1,622,999	1,664,590	1,608,099	1,276,902
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,538,053	1,537,913	1,566,537	1,499,492	1,179,090
5	5 Total capital	1,662,479	1,622,999	1,664,590	1,608,099	1,276,902
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,538,053	1,537,913	1,566,537	1,499,492	1,179,090
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	7,948,061	8,589,289	8,170,962	7,845,438	7,462,825
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,849,262	8,513,775	8,083,941	7,749,049	7,376,017
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.92%	18.90%	20.37%	20.50%	17.11%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.59%	18.06%	19.38%	19.35%	15.99%
11	Tier 1 (as a percentage of risk exposure amount)	20.92%	18.90%	20.37%	20.50%	17.11%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.59%	18.06%	19.38%	19.35%	15.99%
13	Total capital (as a percentage of risk exposure amount)	20.92%	18.90%	20.37%	20.50%	17.11%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.59%	18.06%	19.38%	19.35%	15.99%
Leverage ratio						
15	Leverage ratio total exposure measure	14,493,608	14,040,334	14,056,351	13,195,848	12,526,270
16	Leverage ratio	11.47%	11.56%	11.84%	12.19%	10.19%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.61%	10.95%	11.14%	11.36%	9.41%