

# TRANSPARENCY AND DISCLOSURE REPORT FOR THE SECOND QUARTER OF 2021

OTP Bank România S.A. –Administrated in dual system  
Website: [www.otpbank.ro](http://www.otpbank.ro)  
Call Center: 0800 88 22 88

Address: Buzești 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 registry under no. J40/10296/1995  
EUID: ROONRC J40/10296/1995  
Registered at bank's registry under no. RB-PJR-40-  
028/1999  
Equity: 2.079.253.200 RON

## Contents

<b>INTRODUCTION</b> .....	2
<b>1. Own funds</b> .....	2
<b>2. Information on the minimum capital requirements</b> .....	3
<b>3. Leverage Risk</b> .....	4
<b>4. Risk management</b> .....	5
<b>4.1 Credit Risk Management</b> .....	7
<b>4.2 The management of the concentration risk</b> .....	11
<b>4.3 Quantitative and qualitative information on credit and concentration risks.</b> .....	11
<b>4.4 Using credit risk mitigation techniques</b> .....	28
<b>4.5 Management of the large exposures towards clients or group of connected     clients</b> .....	30
<b>4.6 Management of the countries exposures</b> .....	30
<b>4.7 Management of the counterparty's exposures</b> .....	30
<b>4.8 Residual Risk Management</b> .....	34
<b>4.9 Market Risk Management</b> .....	34
<b>4.10 Foreign currency risk</b> .....	36
<b>4.11 Interest Rate Risk</b> .....	36
<b>4.12 Management of the Liquidity Risk and disclosure requirements for     Liquidity Risk in accordance with article 435 of Regulation (EU) No 575/2013</b> .....	38
<b>4.13 Management of the Operational Risk</b> .....	44
<b>4.14 Management of the Reputational Risk</b> .....	45
<b>4.15 Management of the Strategic Risk</b> .....	46
<b>4.16 Management of the external risks of the credit institution</b> .....	49
<b>5. Encumbered and unencumbered assets</b> .....	50

## 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, 2021.

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

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

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

## 1. Own funds

On June 30, 2021, OTP BANK ROMÂNIA S.A. calculated the own funds according to the regulation 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.

<b>Common Equity Tier 1 (CET1): Instruments and Reserves</b>	<b>Individual</b>
<b>Capital instruments eligible as CET1 Capital</b>	<b>2,122,004</b>
Of which: Capital instruments subscribed by public authorities in emergency situations	2,122,004
Retained earnings	-331,238
Other reserves	59,869
Funds for general banking risk	4,763
<b>Common Equity Tier 1 (CET1) before regulatory adjustments</b>	<b>1,855,398</b>
Common Equity Tier 1 (CET1): Regulatory Adjustments	-
Additional Value Adjustments (Negative Value)	-777
Intangible assets (excluding related tax liabilities) (negative)	-24,039
Deferred tax assets that are based on future profitability, excluding those resulting from temporary differences (without related tax liabilities when the conditions of Article 38 (3) are met) (negative)	-3,077
Other transitional adjustments for core Tier 1 own funds	136,659
Basic own-fund items or deductions from them - others	10,265
<b>Basic level 1 core funds (CET1)</b>	<b>1,974,429</b>
<b>Additional level 1 own funds (AT1)</b>	<b>-</b>

<b>Level 1 own funds (T1 = CET1 + AT1)</b>	<b>1,974,429</b>
<b>Level 2 own funds (T2)</b>	-
<b>Total own funds (TC = T1 + T2)</b>	<b>1,974,429</b>
<b>Total risk weighted assets</b>	<b>8,913,850</b>
Rate and amortization of own funds	
Additional Tier 1 own funds (as a percentage of the total exposure amount)	22.15%
Tier 1 own funds (as a percentage of the total exposure value)	22.15%
Total own funds (as a percentage of the total exposure amount)	22.15%
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)	222,846
of which: the capital buffer	222,846
Basic Tier 1 own funds available to meet the damping requirements (as a percentage of the exposure value)	13.06%

As of June 30, 2021, the value of individual own funds was RON 1,974,429 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 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, 2021, 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, 2021 is 146.6% at consolidated level. The main categories of risks followed are: credit risk, operational risk, residual risk, concentration risk, risks which arise from the activity of granting loans in FX to the debtors which are exposed to foreign currency risk, position and foreign exchange risks, liquidity risk, reputational risk, stress test component (including external risks to the credit institution), interest rate risk, strategic risk and leverage risk.

## 2. Information on the minimum capital requirements

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

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

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

### 3. Leverage Risk

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

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

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

During first semester of 2021 the leverage risk level has stayed within the approved limit (both maximum and warning limit).

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

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

At 30.06.2021, the leverage transition indicator was 11.64% compared to 30.06.2020 when its value was 11.43%. 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.

<b>Exposures to financial derivatives</b>	<b>Applicable amounts</b>
Effective notional effective value of underwriting credit derivatives	4,819,890
Total exposures to financial derivatives	73,316
<b>Other off-balance sheet exposures</b>	<b>Applicable amounts</b>
Off-balance sheet exposures denominated in gross notional value (Adjustments for conversion into equivalent credit amounts)	783,626 -
<b>Financing operations for securities that are not subject to a clearing agreement between different products</b>	-
Other off-balance exposures	-
<b>Exposures for calculating the leverage indicator according to the CRR Regulation</b>	<b>Applicable amounts</b>
Total balance sheet exposures (excluding financial derivatives, SFT and exempted exposures), of which:	15,559,104
Exposures related to the trading book	-
Exposures related to the banking portfolio, out of which:	-
Guaranteed bonds	-
Exposures considered as sovereign	3,188,647
Exposures to regional governments, multilateral development banks, international organizations and public sector entities that are not treated as sovereign entities	24,106
Institutions	522,051
Exposures secured by mortgages on immovable property	4,016,456
Retail exposures	2,925,212
Companies	3,552,742
Exposures in default	278,078
Other exposures (eg equity securities, securitizations and other assets that do not meet credit obligations)	1,051,811

Own funds and total exposure measurement indicator	Applicable amounts
Tier 1 capital - transitional definition	1,974,429
Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	16,959,089
<b>Leverage Ratio - using a transitional definition of Tier 1 capital</b>	<b>11.64%</b>

#### 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 2021:

Figure 1 : EBA - defined NPE ratio

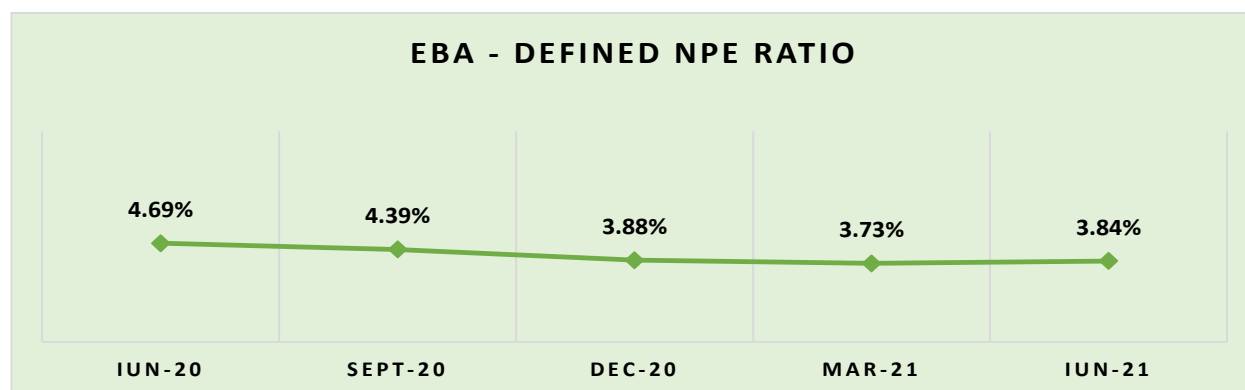


Figure 2: EBA - defined NPE coverage ratio

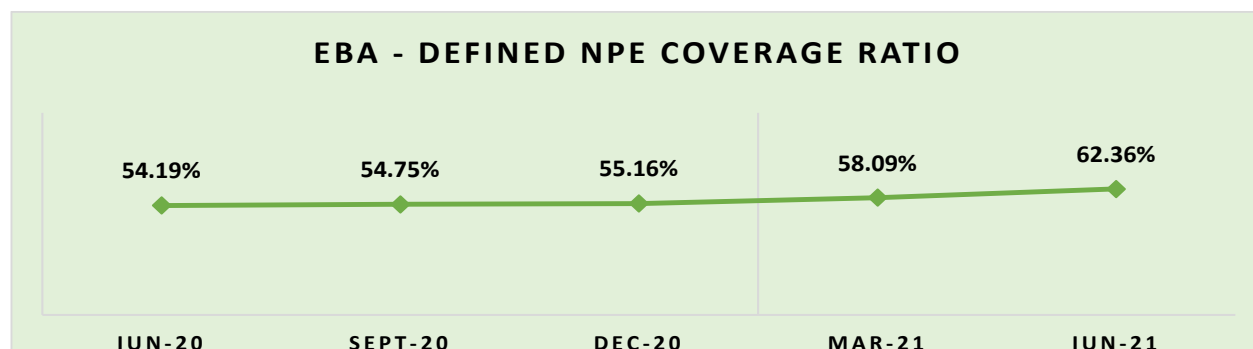


Figure 3 : Return on equity

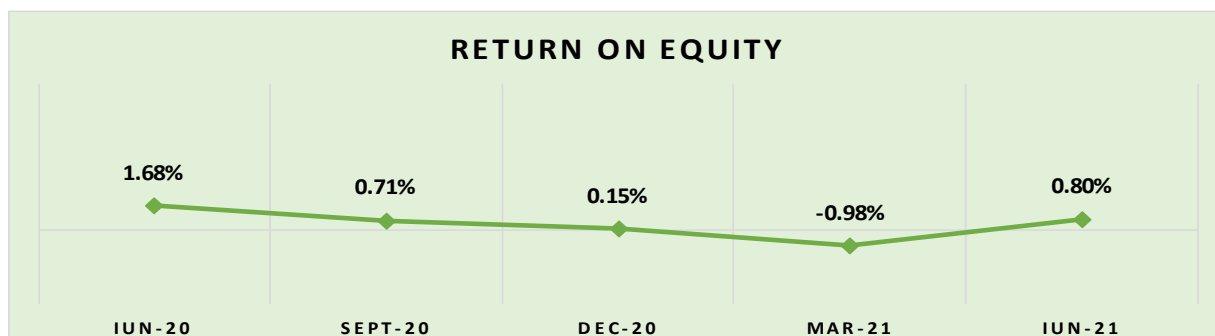
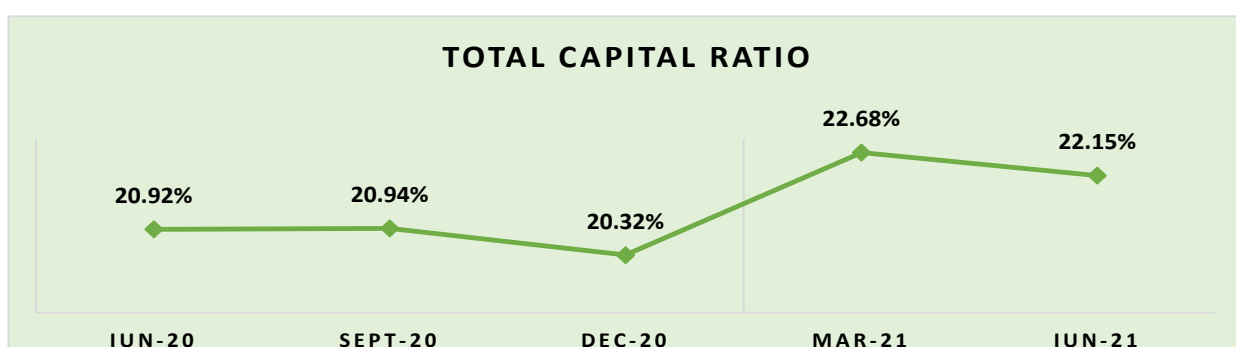


Figure 4: Total capital ratio



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

- **Affiliates and related parties transactions**

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

The activity is conduct with respect to the legal provision of art. 399-403 from EU Regulation no. 575/2013, the affiliated parties exposure registered after considering the effect of credit risk reduction during year 2021 is respecting the legal requirement of 25% from its eligible capital or, if the group of affiliated parties to the institution includes one or more institutions, the exposure value to that group may not exceed either 25% of the eligible credit institution's eligible capital or the equivalent of EUR 150 million depending on which of these the amounts are higher provided that, in the event of the application of the absolute limit, the sum of the exposure values for all related parties which are not institutions, does not exceed, after taking into account the credit risk mitigation effect in accordance with Art. 399-403 of Regulation (EU) No. 575/2013, 25% of the eligible capital of the Bank.

If the equivalent of EUR 150 million is greater than 25% of the eligible credit institution's exposure capital, the exposure value shall not exceed, after taking into account the effect of the credit risk mitigation in accordance with Art. 399-403 of Regulation (EU) No. 575/2013, 100% of the eligible capital of the Bank.

Therefore, on 30.06.2021 the situation of affiliated parties was:

- Individual level (OTP Bank Romania SA)

Number of clients	Gross exposure (LEI)	Related provisions	Excluded amounts (LEI)			Own funds %
			without protection	with protection		
				funded	unfunded	
<b>Non-institutions</b>						
42	90,037,634	4,709,115	14,898,225	416	-	3.5671
<b>Institutions</b>						
1	233,028,862	-	-	-	-	11.802339

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

Number of clients	Gross exposure (LEI)	Related provisions	Excluded amounts (LEI)			Own funds %
			without protection	with protection		
				funded	unfunded	
<b>Non-institutions</b>						
45	63,236,169	191,764	5,187,930	416	-	2.90463
<b>Institutions</b>						
1	234,461,853	-	-	-	-	11.771029

## 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 so 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%<sup>1</sup>;
  - the coverage ratio with non-performing loans - The European Banking Authority's definition does not fall below 50%<sup>2</sup>
  - forbore non-performing exposures to total forbore exposures is no more than 75%;
  - annual growth rate of total loans is no more than 15%<sup>3</sup>;
  - forbearance ratio for loans and advances is no more than 7%<sup>4</sup>;
  - total write off losses in total exposure written off is no more than 20%.

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

I. The basic requirements regarding lending principles include:

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

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

<sup>3</sup> 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];

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



- the primary repayment sources of lending should be the cash flows generated from the enterprise's activity or, in the case of private individuals, long-term, regular income;
  - when developing the conditions of new products and upon the review of existing schemes, risk parameters should comply with OTP Group standards, reflecting country-specific differences.
- II. The Bank's desirable clientele are customers:
- whose creditworthiness is appropriate and whose risk is deemed to be low or medium based on their debtor rating;
  - whose activity and business management are transparent, and they cooperate with the Bank; in respect of their financial standing and reliability, solid data – preferably from independent sources – are available for the longest possible period;
  - whose income is regular, stable, verifiable and whose willingness to pay is also adequate;
  - whose payment ability and willingness to pay have been confirmed by positive experience or information / reference or, at least, any negative experience / information can be ruled out;
  - who operate in an sector where future prospects are expected to improve or at least to stabilize.
- III. The Bank assumes credit risks where:
- the loan purpose is known in sufficient details and, based on this, repayment is scheduled according to the purpose of the loan as well as the currency and the expected availability of the repayment sources (cash flows and non collateral-based lending);
  - no compliance sensitivity arises with respect to the financing of the loan purpose /customer (e.g. customers engaged in illegal trade in arms, manufacture of arms, gambling or other activities undesirable from the perspective of corporate social responsibility);
  - the debtor has sufficient experience in and commitment to (own funds) the financed transaction;
  - the risks are known and assessed also by the debtor to the sufficient degree, and those are proportionate with the debtor's debt service capacity (no excessive commitment);
  - the tenor of the transaction falls in a period in respect of which the debtor's financial standing and the trends in its business environment can be assessed with satisfactory degree of certainty;
  - the Bank earns profit, preferably at the level of the individual transactions, but at least at the level of the customer relationship as a whole;
  - the environmental requirements are satisfied.
- IV. The Bank's objective is to ensure that upon elaborating the products and processes, is to ensure that:
- the lending conditions are defined both at the level of the standard credit products and the individual transactions in a way where they provide the Bank with sufficient room for manoeuvre and substantive possibility to intervene in the event of stress situations (e.g. excessively long maturities should be avoided);
  - the contractual conditions flexibly support potential crisis management;
  - a modern, database-driven, centralized assessment process is available in all customer segments that can be served in large volume and where risks are reckoned with relying on a database rather on the personal knowledge of the customer, and the personal deliberation can be replaced by model-based risk filtering;
  - the definition of the maximum loan amount ensures the granularity of the portfolio in segments served in large numbers;
  - product conditions become attractive for customers desirable for the Bank, who performed well in the past and have a stable background. The goal is to prevent the attrition of customers and to facilitate the gradual removal of non-desirable customers from the portfolio;
  - the acquisition of new customers, the expansion of the customer base is supported;
  - the conditions available for the individual borrowers in the portfolio are established in a differentiated manner based on the risks, with special view to the maximum loan amount, the minimum collateral coverage and the price;
  - adequate IT support, and thereby measurability, is ensured.
- V. If upon risk assumption the requirements towards the desirable clientele are not satisfied, risks may be assumed subject to conditions under which the higher risk can be mitigated to a high probability (at least partially). These sub-portfolios of higher (but still assumable) risks may be financed up to the degree defined in the Credit The categories eligible for loan subject to conditions typically include the following transactions and portfolios: Policy and subject to individual limits.

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

The Bank does not finance:

- **Customers:**
  - vis-a-vis whom risk assumption is excluded by international treaties, EU acts and international laws;
  - carrying high risk from a compliance perspective;
  - whose activity is likely to be against public morals or social ethics, or is connected to crime;
  - who can be connected, directly or indirectly, with criminal activities or the wilful violation or circumvention of legal regulations.
- **Transactions:**
  - aiming to violate legal regulations. Illegal arms trade, prohibited gambling, drug trade and all other activities that breach legal regulations qualify as prohibited business areas (e.g. money laundering, black economy) which violate legal regulations are classified as prohibited business areas;
  - do not comply with environmental requirements;
  - not complying with the principles of responsible lending (for example, the amount of credit that can be granted must be determined by the customer's ability to repay the loan in monthly installments);
  - involving the acquisition of securities representing membership rights issued by a member of a group of credit institutions or an undertaking closely linked to it or the acquisition of the cooperative holding.

## **B. Bank's exposure to credit risk and the risk of diminishing the amount of the claim**

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

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

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

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

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

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

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

The Bank uses two approaches to estimate the expected losses:

- Individual assessment
- Collective assessment

### **Recognition of the expected loss on loans on a collective basis**

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

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

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

### **Recognition of expected loss on loans on an individual basis**

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

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

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

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

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

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

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

## 4.2 The management of the concentration risk

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

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

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

## 4.3 Quantitative and qualitative information on credit and concentration risks

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

		Risk-weighted assets (RWA)		Minimum capital requirements
		30/06/2021	30/06/2020	30/06/2021
<b>1</b>	<b>Credit risk (excluding CCR)</b>	<b>7,890,516</b>	<b>7,040,738</b>	<b>631,241</b>
2	Of which the standardized approach	7,890,516	7,040,738	631,241
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			
<b>6</b>	<b>CCR</b>	<b>5,103</b>	<b>4,414</b>	<b>408</b>
7	Of which method of marking the market	-	-	-
8	Of which initial exposure method			
9	Of which standardized method			
10	Of which the Internal Model Method (MMI)			
11	Of which the amount of risk exposure for contributions to the CCP guarantee fund			
12	Of which credit assessment adjustment (CVA)	5,103	4,414	408
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			
<b>19</b>	<b>Market risk</b>	<b>4,075</b>	<b>4,892</b>	<b>326</b>
20	Of which the standardized approach	4,075	4,892	326
21	Of which AMI			
22	Large exposures	-	-	-
<b>23</b>	<b>Operational risk</b>	<b>1,014,156</b>	<b>898,016</b>	<b>81,132</b>
24	Of which basic approach	1,014,156	898,016	81,132
25	Of which the standardized approach			
26	Of which advanced assessment approach			
27	Values below the deduction thresholds (which are subject to a 250% risk weight)			
28	Adjustment for the minimum threshold			
<b>29</b>	<b>Total</b>	<b>8,913,850</b>	<b>7,948,061</b>	<b>713,108</b>

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

<i>(ths RON)</i>	Net Exposure at the end of period	Net average exposure for the period
Central governments or central banks	2,870,284	2,676,588
Regional governments or local authorities	48,325	49,506
Public sector entities	-	-
Multilateral Developed Banks	-	-
International Organizations	-	-
Institutions	1,001,048	1,347,057
Companies	5,658,724	5,569,874
Retail	4,023,856	3,884,580
Secured by mortgages on immovable property	4,079,076	3,997,640
Overdue elements	292,247	295,196
Items associated with particularly high risk	-	-
Guaranteed bonds	-	-
Short claims on institutions and corporate	-	-
Collective Investment Undertakings (CIU)	13,500	13,406
Debt securities	67,801	67,166
Other items	970,510	919,369
<b>Total</b>	<b>19,025,371</b>	<b>18,820,382</b>

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

<i>(ths RON)</i>	Center	Bucharest-Ilfov	South Muntenia	Soth East	South West - Oltenia	West	Nord East	Nord West	Other countries	Other areas	Total
Central governments or central banks	0	2,870,284	0	0	0	0	0	0	0	0	2,870,284
Regional governments or local authorities	1,411	23,600	0	0	0	0	14,538	8,776	0	0	48,325
Institutions	0	452,031	0	0	0	0	0	0	533,191	15,826	1,001,048
Companies	631,307	2,983,711	481,333	463,479	54,929	148,140	345,946	545,919	0	3,960	5,658,724
Retail	519,813	1,415,372	374,883	363,084	181,326	281,334	412,947	475,098	0	0	4,023,856
Exposures secured by mortgages on immovable property	408,139	1,927,902	297,605	245,088	108,214	323,067	225,697	543,363	0	0	4,079,076
Exposures in default	43,666	108,428	15,620	23,613	5,947	10,394	26,931	57,648	0	0	292,247
Collective investment (OPC)	0	13,500	0	0	0	0	0	0	0	0	13,500
Equity exposures	0	67,801	0	0	0	0	0	0	0	0	67,801
Other items	20,306	847,005	19,761	9,432	4,983	9,330	10,900	18,646	0	30,146	970,510
<b>Total</b>	<b>1,624,641</b>	<b>10,709,635</b>	<b>1,189,203</b>	<b>1,104,696</b>	<b>355,399</b>	<b>772,266</b>	<b>1,036,960</b>	<b>1,649,449</b>	<b>533,191</b>	<b>49,932</b>	<b>19,025,371</b>

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, 2021:

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

<i>(ths.RON)</i>	<b>Accommodation and food service activities</b>	<b>Administrative and support service activities</b>	<b>Agriculture, forestry and fishing</b>	<b>Arts, entertainment and recreation</b>
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Companies	223,745	91,707	840,563	0
Retail	122,798	30,767	409,757	8,759
Exposures secured by mortgages on immovable property	7,044	5,093	16,599	1,259
Exposures in default	2,155	219	5,931	20
Collective investment (OPC)	-	-	-	-
Equity exposures	-	-	-	-
Other items	9	10	85	1
<b>Total</b>	<b>355,750</b>	<b>127,797</b>	<b>1,272,935</b>	<b>10,040</b>

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

<i>(ths.RON)</i>	<b>Construction</b>	<b>Education</b>	<b>Electricity, gas, steam and air conditioning supply</b>	<b>Financial and insurance activities</b>
Central governments or central banks	-	-	-	996,386
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	983,420
Companies	851,630	6,288	349,511	299,259
Retail	229,934	2,691	13,255	37,549
Exposures secured by mortgages on immovable property	55,317	358	20,401	14,190
Exposures in default	11,699	-	15,746	89
Collective investment (OPC)	-	-	-	13,500
Equity exposures	-	-	-	67,721
Other items	1,181	1	1	954,250
<b>Total</b>	<b>1,149,759</b>	<b>9,338</b>	<b>398,914</b>	<b>3,366,364</b>

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

<i>(ths.RON)</i>	<b>Human health and social work activities</b>	<b>Information and communication</b>	<b>Manufacturing</b>	<b>Mining and quarrying</b>
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Companies	8,657	5,330	729,481	11,114
Retail	14,875	30,863	272,479	13,901
Exposures secured by mortgages on immovable property	1,612	4,314	19,840	2,861
Exposures in default	-	6,003	23,871	-
Collective investment (OPC)	-	-	-	-
Equity exposures	-	-	-	-
Other items	1	1	61	-
<b>Total</b>	<b>25,146</b>	<b>46,512</b>	<b>1,045,732</b>	<b>27,876</b>

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

<i>(ths.RON)</i>	<b>Other service activities</b>	<b>Professional, scientific and technical activities</b>	<b>Public administration and defense; compulsory social security</b>	<b>Real estate activities</b>
Central governments or central banks	-	-	1,873,898	-
Regional governments or local authorities	-	-	48,325	-
Public sector entities	-	-	-	-
Companies	6,700	54,817	-	805,365
Retail	1,452	84,406	-	24,137
Exposures secured by mortgages on immovable property	322	7,643	-	3,542
Exposures in default	-	29,857	-	3,029
Collective investment (OPC)	-	-	-	-
Equity exposures	-	-	-	-
Other items	2	22	1	255
<b>Total</b>	<b>8,476</b>	<b>176,745</b>	<b>1,922,224</b>	<b>836,328</b>

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

<i>(ths.RON)</i>	<b>Transportation and storage</b>	<b>Water supply, sewerage, waste management, and remediation activities</b>	<b>Wholesale and retail trade; repair of motor vehicles and motorcycles</b>	<b>Others</b>	<b>Total</b>
Central governments or central banks	-	-	-	-	2,870,284
Regional governments or local authorities	-	-	-	-	48,325
Public sector entities	-	-	-	17,628	1,001,048
Companies	150,317	38,229	1,080,158	105,853	5,658,724
Retail	102,032	34,580	496,414	2,093,204	4,023,856
Exposures secured by mortgages on immovable property	7,861	316	72,261	3,838,242	4,079,076
Exposures in default	9,436	-	6,915	177,279	292,247
Collective investment (OPC)	-	-	-	-	13,500
Equity exposures	-	-	-	80	67,801
Other items	143	-	357	14,129	970,510
<b>Total</b>	<b>269,789</b>	<b>73,126</b>	<b>1,656,106</b>	<b>6,246,414</b>	<b>19,025,371</b>

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

<i>(ths.RON)</i>	<b>On demand</b>	<b>&lt;= 1 year</b>	<b>&gt; 1 year &lt;= 5 years</b>	<b>&gt; 5 years</b>	<b>No maturity declared</b>	<b>Total</b>
Central governments or central banks	-	1,866,166	-	-	1,004,118	2,870,284
Regional governments or local authorities	-	48,325	-	-	-	48,325
Public sector entities	-	419,171	-	-	581,876	1,001,048
Companies	-	5,538,268	88,641	27,855	3,960	5,658,724
Retail	2	3,955,168	37,704	30,051	931	4,023,856
Exposures secured by mortgages on immovable property	-	3,951,978	27,841	99,258	-	4,079,076
Exposures in default	-	256,726	999	684	33,839	292,247
Collective investment (OPC)	-	-	-	-	13,500	13,500
Equity exposures	-	-	-	-	67,801	67,801
Other items	-	1,5-1	-	-	969,009	970,510
<b>Total</b>	<b>2</b>	<b>16,037,302</b>	<b>155,184</b>	<b>157,848</b>	<b>2,675,034</b>	<b>19,025,371</b>

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

	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	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: Specialized lending						
Of which: SME						
Retail						
Secured by real estate property						
SMEs						
Non-SMEs						
Qualifying revolving						
Other retail						
SMEs						
Non-SME						
Equity						
Total IRB approach						
Central governments or central banks	-	3,666,416	9,161	-	-	3,657,255
Regional governments or local authorities	-	49,176	851	-	-	48,325
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organizations	-	-	-	-	-	-
Institutions	-	691,989	-	-	-	691,989
Corporates	-	5,606,818	107,206	-	-	5,499,612
Of which: SMEs	-	3,264,324	67,816	-	-	3,196,508
Retail	-	3,805,236	100,181	-	-	3,705,055
Of which: SMEs	-	1,990,663	48,593	-	-	1,942,070
Secured by mortgages on immovable property	-	4,079,076	-	-	-	4,079,076
Of which: SMEs	-	215,738	-	-	-	215,738
Exposures in default	540,719	-	248,472	-	-	292,247
Items associated with particularly high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investments undertakings	-	13,500	-	-	-	13,500
Equity exposures	-	72,177	4,376	-	-	67,801
Other exposures	-	1,238,955	268,443	-	-	970,511
<b>Total standardized approach</b>	<b>540,719</b>	<b>19,223,342</b>	<b>738,691</b>	-	-	<b>19,025,371</b>
<b>Total</b>	<b>540,719</b>	<b>19,223,342</b>	<b>738,691</b>	-	-	<b>19,025,371</b>
Of which: Loans	521,622	14,375,631	684,949	-	-	14,212,304
Of which: Debt securities	-	1,908,936	9,161	-	-	1,899,776
Of which: Off - balance- sheet exposures	19,097	2,938,774	44,581	-	-	2,913,291



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

	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Defaulted exposures				
<b>Agriculture, forestry and fishing</b>	7,396	1,288,289	22,750	-	-	1,272,935
<b>Mining and quarrying</b>	-	28,118	242	-	-	27,876
<b>Manufacturing</b>	39,707	1,046,942	40,917	-	-	1,045,732
<b>Electricity, gas, steam and air conditioning supply</b>	20,564	391,341	12,990	-	-	398,914
<b>Water supply</b>	-	74,292	1,166	-	-	73,126
<b>Construction</b>	29,251	1,161,396	40,888	-	-	1,149,759
<b>Wholesale and retail trade</b>	7,896	1,679,306	31,096	-	-	1,656,106
<b>Transport and storage</b>	12,496	263,531	6,238	-	-	269,789
<b>Accommodation and food service activities</b>	3,451	365,866	13,567	-	-	355,750
<b>Information and communication</b>	8,995	41,372	3,856	-	-	46,512
<b>Financial and insurance activities</b>	5,335	3,644,531	283,502	-	-	3,366,364
<b>Real estate activities</b>	3,289	846,100	13,061	-	-	836,328
<b>Professional, scientific and technical activities</b>	37,796	148,976	10,027	-	-	176,745
<b>Administrative and support service activities</b>	682	129,929	2,814	-	-	127,797
<b>Public administration and defense, compulsory social security</b>	-	1,932,235	10,011	-	-	1,922,224
<b>Education</b>	-	11,014	1,675	-	-	9,338
<b>Human health services and social work activities</b>	-	25,649	504	-	-	25,146
<b>Arts, entertainment and recreation</b>	20	11,405	1,386	-	-	10,040
<b>Other services</b>	-	8,828	351	-	-	8,477
<b>Households</b>	363,840	6,124,222	241,648	-	-	6,246,414
<b>Total</b>	<b>540,719</b>	<b>19,223,343</b>	<b>738,691</b>	<b>-</b>	<b>-</b>	<b>19,025,371</b>

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	137,381	235,529	235,529	235,529	-25,214	-141,241	162,354	58,763
<i>Central banks</i>	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	79,398	193,626	193,626	193,626	-17,801	-118,769	105,661	44,850
<i>Of which SMEs</i>	76,835	100,645	100,645	100,645	-17,313	-44,885	96,544	37,808
<i>Households</i>	57,983	41,903	41,903	41,903	-7,413	-22,472	56,693	13,913
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	-	-	-	-	-	-	-	-
<b>Total</b>	<b>137,381</b>	<b>235,529</b>	<b>235,529</b>	<b>235,529</b>	<b>-25,214</b>	<b>-141,241</b>	<b>162,354</b>	<b>58,763</b>

Table 8: Template 2: Quality of forbearance

	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	124,247
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	144,132

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

	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
<b>Loans and advances</b>	<b>11,687,809</b>	<b>11,627,171</b>	<b>60,638</b>	<b>521,622</b>	<b>237,627</b>	<b>49,306</b>	<b>22,075</b>	<b>74,363</b>	<b>76,273</b>	<b>27,178</b>	<b>34,800</b>	<b>521,622</b>
<b>Central banks</b>	-	-	-	-	-	-	-	-	-	-	-	-
General governments	22,695	22,694	1	-	-	-	-	-	-	-	-	-
Credit institutions	522,503	522,503	-	-	-	-	-	-	-	-	-	-
Other financial corporations	258,879	258,821	58	93	-	-	-	-	93	-	-	93
Non-financial corporations	4,964,145	4,962,501	1,644	337,047	143,658	6,917	1,400	71,153	65,874	16,250	31,795	337,047
Of which SMEs	3,838,952	3,837,310	1,642	195,380	83,255	6,917	1,400	13,523	52,216	16,250	21,819	195,380
Households	5,919,587	5,860,652	58,935	184,482	93,969	42,389	20,675	3,210	10,306	10,928	3,005	184,482
<b>Debt securities</b>	<b>1,175,597</b>	<b>1,175,597</b>	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,175,597	1,175,597	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance-sheet exposures</b>	<b>2,945,173</b>			<b>19,097</b>								<b>19,097</b>
Central banks	-			-								-
General governments	24,826			-								-
Credit institutions	26,762			-								-
Other financial corporations	133,763			-								-
Non-financial corporations	2,669,653			18,889								18,889
Households	90,169			208								208
<b>Total</b>	<b>15,808,579</b>	<b>12,802,768</b>	<b>60,638</b>	<b>540,719</b>	<b>237,627</b>	<b>49,306</b>	<b>22,075</b>	<b>74,363</b>	<b>76,273</b>	<b>27,178</b>	<b>34,800</b>	<b>540,719</b>

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			
<b>Loans and advances</b>	<b>11,687,809</b>	<b>10,611,091</b>	<b>1,076,718</b>	<b>521,622</b>	-	<b>521,622</b>	<b>-220,381</b>	<b>-101,966</b>	<b>-118,415</b>	<b>-314,092</b>	-	<b>-314,092</b>	-	<b>9,316,623</b>	<b>118,933</b>
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	22,695	18,018	4,677	-	-	-	-677	-467	-210	-	-	-	-	9,003	-
<i>Credit institutions</i>	522,503	522,503	-	-	-	-	-	-	-	-	-	-	-	479,133	-
<i>Other financial corporations</i>	258,879	258,824	55	93	-	93	-5,427	-5,404	-23	-5	-	-5	-	115,656	89
<i>Non-financial corporations</i>	4,964,145	4,407,727	556,418	337,047	-	337,047	-147,271	-69,656	-77,615	-211,446	-	-211,446	-	3,996,098	72,445
<i>Of which SMEs</i>	3,838,952	3,328,957	509,995	195,380	-	195,380	-120,269	-50,353	-69,916	-117,386	-	-117,386	-	3,107,188	47,659
<i>Households</i>	5,919,587	5,404,019	515,568	184,482	-	184,482	-67,006	-26,439	-40,567	-102,641	-	-102,641	-	4,716,733	46,399
<b>Debt securities</b>	<b>1,175,597</b>	<b>1,175,597</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	1,175,597	1,175,597	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance-sheet exposures</b>	<b>2,945,173</b>	<b>2,822,683</b>	<b>122,490</b>	<b>19,097</b>	-	<b>19,097</b>	<b>-51,835</b>	<b>-43,211</b>	<b>-8,624</b>	-	-	-	-	-	-
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	24,826	24,826	-	-	-	-	-521	-521	-	-	-	-	-	-	-
<i>Credit institutions</i>	26,762	26,762	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	133,763	133,763	-	-	-	-	-1,840	-1,840	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	2,669,653	2,548,232	121,421	18,889	-	18,889	-48,835	-40,354	-8,481	-	-	-	-	-	-
<i>Households</i>	90,169	89,100	1,069	208	-	208	-639	-496	-143	-	-	-	-	-	-
<b>Total</b>	<b>15,808,579</b>	<b>14,609,371</b>	<b>1,199,208</b>	<b>540,719</b>	-	<b>540,719</b>	<b>-272,216</b>	<b>-145,177</b>	<b>-127,039</b>	<b>-314,092</b>	-	<b>-314,092</b>	-	<b>9,316,623</b>	<b>118,933</b>

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 defaulted			
<b>On-balance- sheet exposures</b>	<b>12,209,430</b>	<b>521,622</b>	<b>521,622</b>	<b>12,209,430</b>	<b>-534,472</b>	<b>-</b>
Romania	11,644,839	519,816	519,816	11,644,839	-532,279	
Hungary	479,853	37	37	479,853	-38	
Netherlands	58,110	1	1	58,110	-1,522	
Slovakia	8,727	2	2	8,727	-197	
Slovenia	6,834	0	0	6,834	-160	
Germany	2,931	50	50	2,931	-24	
Switzerland	1,990	0	0	1,990	-159	
United Kingdom	1,931	2	2	1,931	-14	
France	1,778	1,680	1,680	1,778	-10	
United States	646	2	2	646	-6	
Canada	320	1	1	320	-5	
Italy	305	7	7	305	-8	
Spain	285	1	1	285	-9	
Sweden	203	0	0	203	-1	
Poland	195	1	1	195	-1	
Ireland	188	0	0	188	-12	
Belgium	108	0	0	108	-4	
Denmark	91	0	0	91	-4	
Austria	56	0	0	56	-1	
Macedonia	11	1	1	11	-1	
Portugal	7	4	4	7	-4	
Moldavia	4	4	4	4	-4	
Greece	2	2	2	2	-2	
Turkey	2	0	0	2	0	
Bulgaria	2	2	2	2	-2	
Réunion	2	0	0	2	0	
Lithuania	2	1	1	2	-1	
Belize	1	1	1	1	-1	
Serbia	1	1	1	1	-1	
Croatia	1	1	1	1	-1	
<b>Off-balance-sheet exposures</b>	<b>2,964,270</b>	<b>19,097</b>	<b>19,097</b>	<b>2,964,270</b>	<b>-61,261</b>	
Romania	2,940,763	19,097	19,097	2,940,763	-61,170	
Hungary	18,503	-	-	18,503	-1	
Netherlands	3,939	-	-	3,939	-77	
Bulgaria	500	-	-	500	-13	
Poland	478	-	-	478	-0	
Portugal	32	-	-	32	-0	
Germany	25	-	-	25	-0	
Austria	16	-	-	16	-0	
Italy	9	-	-	9	-0	
United Kingdom	3	-	-	3	-0	
<b>Total</b>	<b>15,173,700</b>	<b>540,719</b>	<b>540,719</b>	<b>15,173,700</b>	<b>-595,733</b>	

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 defaulted		
Agriculture, forestry and fishing	1,027,079	13,401	13,401	28,019	
Mining and quarrying	20,937	76	76	356	
Manufacturing	780,569	127,894	127,894	115,262	
Electricity, gas, steam and air conditioning supply	183,519	22,677	22,677	14,717	
Water supply	34,275	-	-	718	
Construction	740,988	35,125	35,125	48,984	
Wholesale and retail trade	1,008,740	54,874	54,874	66,962	
Transport and storage	203,576	13,174	13,174	7,734	
Accommodation and food service activities	251,425	4,439	4,439	16,367	
Information and communication	27,116	5,456	5,456	3,167	
Financial and insurance activities	-	-	-	-	
Real estate activities	754,304	96	96	15,153	
Professional, scientific and technical activities	113,075	47,392	47,392	23,898	
Administrative and support service activities	108,188	12,288	12,288	12,424	
Public administration and defense, compulsory social security	-	-	-	-	
Education	10,699	-	-	2,187	
Human health services and social work activities	19,259	-	-	578	
Arts, entertainment and recreation	9,504	51	51	1,690	
Other services	7,939	104	104	501	
<b>Total</b>	<b>5,301,192</b>	<b>337,047</b>	<b>337,047</b>	<b>358,717</b>	<b>-</b>

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	12,209,431	11,687,809	60,638	521,622	237,627	283,995	49,306	22,075	74,363	76,273	27,178	34,800
Of which secured	9,880,185	9,459,983	44,879	420,201	209,956	210,245	24,942	6,111	73,198	55,015	22,382	28,598
Of which secured with immovable property	8,226,765	7,841,370	40,342	385,395	197,202	188,193	23,723	5,470	71,454	46,107	21,379	20,060
Of which instruments with LTV higher than 60% and lower or equal to 80%	1,953,870	1,857,023		96,847	82,113	14,734						
Of which instruments with LTV higher than 80% and lower or equal to 100%	1,913,436	1,881,789		31,647	10,685	20,962						
Of which instruments with LTV higher than 100%	1,288,346	1,103,455		184,891	59,728	125,163						
Accumulated impairment for secured assets	-394,712	-163,308	-5,589	-231,404	-80,930	-150,474	-8,186	-3,501	-62,813	-33,230	-17,155	-25,589
Collateral												
Of which value capped at the value of exposure	9,363,993	9,004,110	43,440	359,883	189,390	170,493	24,390	5,989	58,338	51,134	13,525	17,118
Of which immovable property	7,395,338	7,074,505	40,375	320,833	173,322	147,511	21,140	5,296	54,141	42,032	12,703	12,198
Of which value above the cap	9,665,614	9,381,960	44,282	283,654	208,612	75,042	22,122	4,952	7,937	34,882	2,924	2,225
Of which immovable property	6,846,717	6,611,625	34,401	235,092	177,006	58,086	15,938	4,456	6,627	26,936	2,468	1,660
Financial guarantees received	363,832	345,873	8,080	17,959	12,590	5,369	2,604	259	-	2,264	242	-
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									
	Gross carrying amount	Accumulated negative changes			Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
			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	-	-	-	-								
<b>Collateral obtained by taking possession other than classified as PP&amp;E</b>	<b>5,333</b>	-	<b>1,749</b>	-	-	-	<b>1,749</b>	-	-	-	-	-
Residential immovable property	5,076						1,703					
Commercial immovable property								-	-	-	-	-
Movable property (auto, shipping, etc.)								-	-	-	-	-
Equity and debt instruments								-	-	-	-	-
Other	257						46	-	-	-	-	-
<b>Total</b>	<b>5,333</b>	-	<b>1,749</b>	-	-	-	<b>1,749</b>	-	-	-	-	-



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

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	1,749	-
Other than PP&E	-	-
Residential immovable property	1,703	-
Commercial Immovable property	0	-
Movable property (auto, shipping, etc.)	0	-
Equity and debt instruments	0	-
Other	46	-
<b>Total</b>	<b>1,749</b>	<b>-</b>

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	<b>508,586</b>	
Inflows to non-performing portfolios	112,527	
Outflows from non-performing portfolios	99,491	
Outflow to performing portfolio	16,667	
Outflow due to loan repayment, partial or total	41,694	
Outflow due to collateral liquidation	25,998	-
Outflow due to taking possession of collateral	1,576	-
Outflow due to sale of instruments	1,005	-
Outflow due to risk transfer	-	-
Outflow due to write-off	12,551	
Outflow due to other situations	-	
Outflow due to reclassification as held for sale	-	
<b>Final stock of non-performing loans and advances</b>	<b>521,622</b>	

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

	Specific adjustments for cumulative credit risk
<b>Opening balance</b>	<b>(505,717)</b>
Increases due to initiation and purchase	(57,271)
Decreases due to derecognition	2,455
Changes due to changes in credit risk (net)	352
Variations due to changes without derecognition (net)	6,272
Variations due to updating the institution's estimation methodology (net)	-
Decrease in the depreciation adjustment account due to off-balance sheet removals	16,021
Other adjustments	(8,558)
<b>Closing balance</b>	<b>(546,447)</b>
Recoveries of amounts previously removed from the balance sheet directly recognized in profit or loss	2,562
Sums deducted directly from the profit or loss statement	9

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

	<b>Cumulated specific adjustments for credit risk</b>
<b>Opening balance</b>	<b>(260,308)</b>
Increases due to initiation and purchase	(22,102)
Decreases due to derecognition	1,151
Changes due to changes in credit risk (net)	(12,285)
Variations due to changes without derecognition (net)	(23,264)
Variations due to updating the institution's estimation methodology (net)	-
Decrease in the depreciation adjustment account due to off-balance sheet removals	14,970
Other adjustments	5,044
<b>Closing balance</b>	<b>(296,795)</b>
Recoveries of amounts previously removed from the balance sheet directly recognized in profit or loss	2,562
Sums deducted directly from the profit or loss statement	9

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

	<b>Gross carrying amount</b>		<b>Maximum amount of the guarantee that can be considered</b>	<b>Gross carrying amount</b>
		'of which: forborne	Public guarantees received	Inflows to non-performing exposures
<b>Newly originated loans and advances subject to public guarantee schemes</b>	<b>1,209,180</b>	-	<b>499,870</b>	-
of which: Households	596,609			-
of which: Collateralized by residential immovable property	579,236			-
of which: Non-financial corporations	602,173	-	491,399	-
of which: Small and Medium-sized Enterprises	541,659			-
of which: Collateralized by commercial immovable property	36,369			-

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	37,056	23,512	0	14,000	13,544	5,961	13,544	-3,712	-1,841	-1,841	-1,771	-1,871	-77	-1,871	2,935
of which: Households	6,989	5,677	0	1,327	1,312	25	1,312	-553	-112	-112	-155	-441	-17	-441	149
of which: Collateralised by residential immovable property	5,240	4,071	0	708	1,169	0	1,169	-372	-27	-27	-32	-345	0	-345	36
of which: Non-financial corporations	30,068	17,836	0	12,673	12,232	5,936	12,232	-3,158	-1,728	-1,728	-1,616	-1,430	-59	-1,430	2,786
of which: Small and Medium-sized Enterprises	30,064	17,836	0	12,673	12,228	5,936	12,228	-3,154	-1,728	-1,728	-1,616	-1,426	-59	-1,426	2,786
of which: Collateralised by commercial immovable property	23,632	11,426	0	10,594	12,206	5,936	12,206	-2,624	-1,219	-1,219	-1,206	-1,405	-59	-1,405	2,786

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

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	33,486	4,140,990							
Loans and advances subject to moratorium (granted)	23,954	2,351,323	1,307,346	2,314,267	22,416	14,641	0	0	0
of which: Households		1,569,858	682,724	1,562,869	6,526	462	0	0	0
of which: Collateralized by residential immovable property		1,329,096	562,316	1,323,856	4,929	311	0	0	0
of which: Non-financial corporations		752,230	595,387	722,163	15,889	14,178	0	0	0
of which: Small and Medium-sized Enterprises		663,816	520,048	633,753	15,889	14,174	0	0	0
of which: Collateralized by commercial immovable property		651,606	528,376	627,974	13,822	9,811	0	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

	<b>Unsecured exposures - Book value</b>	<b>Guaranteed Exposures - Book Value</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by financial guarantees</b>	<b>Exposures secured by credit derivatives</b>
Total loans	11,851,264	5,274,331	4,706,484	567,847	-
Total debt securities	1,899,776	-	-	-	-
<b>Total exposures</b>	<b>13,751,039</b>	<b>5,274,331</b>	<b>4,706,484</b>	<b>567,847</b>	<b>-</b>
Of which in default	142,752	149,496	149,496	-	-

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

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

Exposure classes	Exposures before CCF and CRM		Exposures after CCF and CRM		RWA and RWA density	
	Balance sheet value	Off-balance sheet value	Balance sheet value	Off-balance sheet value	RWA	RWA density
Central governments or central banks	2,870,284	-	3,188,647	-	22,659	0.14%
Regional government or local authorities	24,106	24,219	24,106	11,932	7,208	0.04%
Public sector entities	-	-	-	-	-	0.00%
Multilateral development banks	-	-	-	-	-	0.00%
International organizations	-	-	-	-	-	0.00%
Institutions	431,141	20,890	522,051	61,988	186,568	1.15%
Corporates	3,643,852	2,010,912	3,526,759	494,356	4,025,075	24.83%
Retail	3,243,375	780,480	2,894,412	112,451	2,024,966	12.49%
Secured by mortgages on immovable property	4,016,456	62,620	4,016,456	19,399	1,412,549	8.72%
Exposures in default	278,078	14,169	278,078	4,942	296,182	1.83%
Exposures associated with particularly high risk	-	-	-	-	-	0.00%
Covered bonds	-	-	-	-	-	0.00%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
Collective investment undertakings	13,500	-	13,500	-	27,128	0.17%
Equity	67,801	-	67,801	-	67,801	0.42%
Other items	970,510	-	970,510	-	355,102	2.19%
<b>Total</b>	<b>15,559,104</b>	<b>2,913,291</b>	<b>15,502,320</b>	<b>705,068</b>	<b>8,425,237</b>	<b>51.98%</b>

Table 21: Form 20: EU CR5 - Standardized Approach

Exposure classes	Risk weight														Or Re De Du	Total	Of which unrated	
	0%	10%	20%	25%	35%	50%	70%	75%	100%	150%	250%	370%	1250%					
Central governments or central banks	3,543,962	-	113,293	-	-	-	-	-	-	-	-	-	-	-	-	-	3,657,255	3,188,647
Regional government or local authorities	-	-	48,325	-	-	-	-	-	-	-	-	-	-	-	-	-	48,325	48,325
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	488,681	-	-	201,410	-	-	1,898	-	-	-	-	-	-	-	691,989	354,443
Corporates	53,226	-	-	-	-	-	-	-	5,446,386	-	-	-	-	-	-	-	5,499,612	5,499,612
Retail	46,013	-	-	-	-	-	-	3,659,041	-	-	-	-	-	-	-	-	3,705,055	3,705,055
Secured by mortgages on immovable property	-	-	-	-	4,079,076	-	-	-	-	-	-	-	-	-	-	-	4,079,076	4,079,076
Exposures in default	-	-	-	-	-	-	-	-	262,436	29,811	-	-	-	-	-	-	292,247	292,247
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investment undertakings	807	-	708	-	-	1,264	-	-	6,107	3,403	-	-	1,211	-	-	-	13,500	13,500
Equity	-	-	-	-	-	-	-	-	67,801	-	-	-	-	-	-	-	67,801	47,661
Other items	577,486	-	47,405	-	-	-	-	-	345,621	-	-	-	-	-	-	-	970,511	969,131
<b>Total</b>	<b>4,221,494</b>	<b>-</b>	<b>698,412</b>	<b>-</b>	<b>4,079,076</b>	<b>202,674</b>	<b>-</b>	<b>3,659,041</b>	<b>6,130,249</b>	<b>33,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,025,371</b>	<b>18,197,697</b>

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

Table 22: Type of collaterals

<b>Crt. No.</b>	<b>COLLATERAL TYPE</b>
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 bank aims to perform transactions on a collateralized basis, whenever possible. Thus, in order to comply with regulations in force, the Bank has signed a number of ISDA and GMRA agreements with various eligible counterparties for performing transactions with derivative financial instruments or Repo transactions. The agreements are provide for the exchange of collateral between the parties in the agreement in order to mitigate counterparty credit risk. Additionally, in order to provide its non-bank clients with the ability to hedge their financial risks, the Bank signs a Derivatives Master Agreement with them based on which transactions with derivative financial instruments can be performed based on collateral.

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

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

The own funds requirement for credit risk adjustment (CVA) for derivatives is calculated in accordance with EU Regulation 575/2013, article 382, point 1.

Intragroup transactions are excluded from the application of own funds requirements for CVA risk in accordance with Article 382 (4), Lit.B.

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



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

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
<b>EU-1</b>	EU - Original Exposure Method (for derivatives)				1.4				
<b>EU-2</b>	EU - Simplified SA-CCR (for derivatives)	-	-	-	1.4		-	-	-
<b>1</b>	SA-CCR (for derivatives)	6,304	46,065		1.4	73,316	73,316	73,316	20,687
<b>2</b>	IMM (for derivatives and SFTs)								
<b>2a</b>	<i>Of which securities financing transactions netting sets</i>								
<b>2b</b>	<i>Of which derivatives and long settlement transactions netting sets</i>								
<b>2c</b>	<i>Of which from contractual cross-product netting sets</i>								
<b>3</b>	Financial collateral simple method (for SFTs)								
<b>4</b>	Financial collateral comprehensive method (for SFTs)					479,660	11,052	11,052	2,210
<b>5</b>	VaR for SFTs								
<b>6</b>	<b>Total</b>					<b>552,976</b>	<b>84,368</b>		<b>22,898</b>

Table 24: Form EU CCR2 - Capital Requirement for CVA

	Exposure value	RWA
Total transactions subject to the advanced method	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) SVaR component (including the 3×multiplier)	-	-
Transactions subject to the standardized method	33,540	5,103
Transactions based on the original exposure method	-	-
<b>Total subject to the CVA capital charge</b>	<b>33,540</b>	<b>5,103</b>

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

	Exposure classes	Risk weight											Total exposure value	
		0 %	2 %	4 %	10 %	20%	50%	70 %	75 %	100%	150 %	Others		
1	Central governments or central banks													
2	Regional government or local authorities													
3	Public sector entities													
4	Multilateral development banks													
5	International organisations													
6	Institutions					71,642	6,919			1,848				80,409
7	Corporates									3,960				3,960
8	Retail													
9	Institutions and corporates with a short-term credit assessment													
10	Other items													
11	<b>Total exposure value</b>					<b>71,642</b>	<b>6,919</b>			<b>5,807</b>				<b>84,368</b>

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

	Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency								
2	Cash – other currencies								
3	Domestic sovereign debt								
4	Other sovereign debt						478,762		
5	Government agency debt								
6	Corporate bonds								
7	Equity securities								
8	Other collateral								
9	<b>Total</b>						<b>478,762</b>		

#### 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 through an automatic process
- provisions regarding the reclassification of positions between Trading Book and Banking Book: reclassification is not allowed.
- the Trading Strategy establishes the general framework in which the positions/portfolios owned for trading are managed
- procedure regarding the Treasury Middle Office Department Activity, which describes the process of calculating the profitability of the trading activity.

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

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

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

	<b>RWEAs</b>
<b>Outright products</b>	
Interest rate risk (general and specific)	4,075
Equity risk (general and specific)	-
Foreign exchange risk	-
Commodity risk	-
<b>Options</b>	
Simplified approach	-
Delta-plus method	-
Scenario approach	-
<b>Securitization (specific risk)</b>	-
<b>Total</b>	<b>4,075</b>

#### 4.10 Foreign currency risk

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

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

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

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

#### 4.11 Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

RONEQ mio	EVE	NII
Year	Q2 2021	
Parallel up	(159.8)	-13.6
Parallel down	66.1	13.6
Steepener	(110.1)	
Flattener	44.3	
Short rate up	(52.2)	
Short rate down	18.7	
Maximum	159.8	13.6
Year	Q2 2021	
Tier 1 Capital	1,974	

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, 2021, Bank performed stress tests applying different shocks for the modification of the market interest rates by 250 bp, 300 bp as well as in the 6 mandated EBA scenarios. The decline of the economic value in all scenarios mentioned above registered comfortable levels within the monitored limits established through internal and NBR regulations.

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

OTP Leasing has a simple interest rate risk structure. Most loan, as well as funding received, are of floating rate type with 3 months repricing period. Fixed rate loans are hedged for interest rate risk using fixed rate funding.

Interest rate risk is measured by OTP Leasing using the same method as the bank. The exposure is also monitored at consolidated level. Given the size and profile of OTP Leasing's interest risk profile the effect at consolidated level is not significant.

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

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

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

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

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

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

Close monitoring and prudent management of liquidity are permanently supervised by the Asset & Liabilities Committee and at the Group level.

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

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

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

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

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

The bank's funding structure is comprised of a significant part of Group funding (around 25% of total liabilities). In the management of liquidity OBR assumes that maturing Group funding can be rolled over and that new Group funding can be accessed according to approved budgets or to meet any liquidity need during the normal course of business.

For liquidity contingency planning, supplementary to the bank's own on balance sheet liquidity, stand-by lines from the OTP Group are considered as available liquidity.

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

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

**Declaration on the adequacy of liquidity risk management arrangements of the institution**

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

**Liquidity risk statement describing the overall liquidity risk profile associated with the business strategy.**

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

Liquidity risk profile of the Bank has remained constant over the course of 2021, registering a medium-low level (assumed risk appetite of the Bank for 2021) level and fits within the limits set by national regulatory framework as well within the bank's risk tolerance of medium-high.

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

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

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

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

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

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

**Concentration of funding and liquidity sources:**

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

**Derivative exposures and potential collateral calls**

Most liquidity outflows on derivatives are counterbalanced by similar liquidity-related inflows of derivatives.

**Coin mismatch at LCR level**

The LCR is calculated in all major currencies representing at least 5% of the bank's debt (RON, EUR, occasionally HUF and total cumulative in RON equivalent). During the year 2021, bank pursued a minimum of 100% for all significant currencies.

**Approach to centralized group liquidity management and individual legal entity liquidity management:**

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



	Q2 2021		Q1 2021		Q4 2020		Q3 2020		
Scope of consolidation : solo	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	
Currency and units (RON million)									
Quarter ending on (DD Month YYYY)	30-06-21	30-06-21	31-03-21	31-03-21	31-12-20	31-12-20	30-09-20	30-09-20	
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12	
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)		2,451		2,230		2,162	2,033	
<b>CASH-OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	2,879	220	2,704	205	2,546	193	2,445	185
3	Stable deposits	1,954	98	1,870	93	1,773	89	1,708	85
4	Less stable deposits	925	122	834	111	772	104	736	100
5	Unsecured wholesale funding	4,469	2,275	4,202	2,176	3,886	2,032	3,856	1,993
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	4,469	2,275	4,202	2,176	3,886	2,032	3,856	1,993
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding								
10	Additional requirements	501	63	449	57	367	45	318	41
11	Outflows related to derivative exposures and other collateral requirements	9	9	10	10	10	10	11	11
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	491	53	439	47	357	35	307	30
14	Other contractual funding obligations	160	138	131	108	101	79	107	85
15	Other contingent funding obligations	1,643	82	1,622	81	1,603	80	1,599	80
16	<b>TOTAL CASH OUTFLOWS</b>		2,777		2,627		2,429		2,384
<b>CASH-INFLOWS</b>									
17	Secured lending (eg reverse repos)	607	607	514	514	342	342	397	397
18	Inflows from fully performing exposures	724	638	728	662	651	598	622	570
19	Other cash inflows	17	6	17	6	16	6	16	6
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		-		-		-		-
EU-19b	(Excess inflows from a related specialised credit institution)		-		-		-		-
20	<b>TOTAL CASH INFLOWS</b>	1,348	1,251	1,258	1,182	1,009	947	1,035	973
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	1,348	1,251	1,258	1,182	1,009	947	1,035	973
			TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE
21	<b>LIQUIDITY BUFFER</b>		2,451		2,230		2,162		2,033
22	<b>TOTAL NET CASH OUTFLOWS</b>		1,500		1,404		1,478		1,370
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>		170%		164%		149%		151%

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 2021		Q1 2021		Q4 2020		Q3 2020		
Scope of consolidation : consolidated	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	
Currency and units (RON million)									
Quarter ending on (DD Month YYYY)	30-06-21	30-06-21	31-03-21	31-03-21	31-12-20	31-12-20	30-09-20	30-09-20	
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12	
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)		2,383		2,163		2,095		2,033
<b>CASH-OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	2,945	226	2,771	211	2,612	199	2,445	185
3	Stable deposits	1,985	99	1,902	95	1,805	90	1,708	85
4	Less stable deposits	960	127	869	116	807	108	736	100
5	Unsecured wholesale funding	4,520	2,281	4,254	2,183	3,939	2,039	3,829	1,972
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	4,520	2,281	4,254	2,183	3,939	2,039	3,829	1,972
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding								
10	Additional requirements	539	68	485	63	402	50	330	42
11	Outflows related to derivative exposures and other collateral requirements	10	10	10	10	10	10	11	11
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	529	59	475	52	391	40	319	31
14	Other contractual funding obligations	147	113	117	83	87	54	118	85
15	Other contingent funding obligations	1,600	80	1,579	79	1,560	78	1,589	79
16	<b>TOTAL CASH OUTFLOWS</b>		2,768		2,619		2,420		2,363
<b>CASH-INFLOWS</b>									
17	Secured lending (eg reverse repos)	677	677	584	584	413	413	397	397
18	Inflows from fully performing exposures	724	635	729	659	658	599	637	578
19	Other cash inflows	17	6	17	7	16	6	16	6
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	<b>TOTAL CASH INFLOWS</b>	1,418	1,318	1,330	1,250	1,087	1,018	1,050	981
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	1,418	1,318	1,330	1,250	1,087	1,018	1,050	981
			TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE
21	<b>LIQUIDITY BUFFER</b>		2,383		2,163		2,095		2,033
22	<b>TOTAL NET CASH OUTFLOWS</b>		1,403		1,305		1,372		1,341
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>		175%		170%		155%		154%

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

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

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

For 30.06.2021 the bank's NSFR ratio was comfortable above the regulated minimum, on both individual and consolidated level:

**Template EU LIQ2: Net Stable Funding Ratio**

In accordance with Article 451a(3) CRR

<b>Individual Level</b>		a	b	c	d	e
<i>(RON million)</i>		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Available stable funding (ASF) Items</b>						
1	Capital items and instruments	1,974	-	-	-	1,974
2	Own funds	1,974	-	-	-	1,974
3	Other capital instruments		-	-	-	-
4	Retail deposits		5,097	761	12	5,482
5	Stable deposits		3,431	529	6	3,768
6	Less stable deposits		1,666	232	6	1,714
7	Wholesale funding:		4,890	197	2,542	4,674
8	Operational deposits		-	-	-	-
9	Other wholesale funding		4,890	197	2,542	4,674
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	42	266	20	89	99
12	NSFR derivative liabilities	42				
13	All other liabilities and capital instruments not included in the above categories		266	20	89	99
14	<b>Total available stable funding (ASF)</b>					<b>12,229</b>
<b>Required stable funding (RSF) Items</b>						
15	Total high-quality liquid assets (HQLA)					1
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		2,377	1,101	8,304	7,554
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		480	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		484	26	50	112
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,202	909	3,902	4,050
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		15	14	363	251
22	Performing residential mortgages, of which:		211	165	4,351	3,392
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		149	127	3,726	2,560
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		0	0	0	0
25	Interdependent assets		0	0	0	0
26	Other assets:		214	219	1202	743
27	Physical traded commodities				0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				0	0
29	NSFR derivative assets				4	4
30	NSFR derivative liabilities before deduction of variation margin posted				42	2
31	All other assets not included in the above categories		168	17	587	737
32	Off-balance sheet items		264	203	615	65
33	<b>Total RSF</b>					<b>8,362</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>146.25%</b>

**Template EU LIQ2: Net Stable Funding Ratio**

In accordance with Article 451a(3) CRR

<b>Consolidated Level</b>		a	b	c	d	e
<i>(RON million)</i>		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Available stable funding (ASF) Items</b>						
1	Capital items and instruments	1,992	-	-	-	1,992
2	<i>Own funds</i>	1,992	-	-	-	1,992
3	<i>Other capital instruments</i>		-	-	-	-
4	Retail deposits		5,097	761	12	5,482
5	<i>Stable deposits</i>		3,431	529	6	3,768
6	<i>Less stable deposits</i>		1,666	232	6	1,714
7	Wholesale funding:		4,941	217	3,015	5,147
8	<i>Operational deposits</i>		-	-	-	-
9	<i>Other wholesale funding</i>		4,941	217	3,015	5,147
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	42	290	20	89	99
12	<i>NSFR derivative liabilities</i>	42				
13	<i>All other liabilities and capital instruments not included in the above categories</i>		290	20	89	99
14	<b>Total available stable funding (ASF)</b>					<b>12,719</b>
<b>Required stable funding (RSF) Items</b>						
15	Total high-quality liquid assets (HQLA)					1
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		2,508	1,179	8,699	7,993
18	<i>Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut</i>		480	-	-	-
19	<i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		485	26	50	112
20	<i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		1,333	987	4,297	4,489
21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		15	14	363	251
22	<i>Performing residential mortgages, of which:</i>		211	165	4,351	3,392
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		149	127	3,726	2,560
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		0	0	0	0
25	Interdependent assets		0	0	0	0
26	Other assets:		235	219	1208	759
27	<i>Physical traded commodities</i>				0	0
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>				0	0
29	<i>NSFR derivative assets</i>				4	4
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>				42	2
31	<i>All other assets not included in the above categories</i>		189	17	593	753
32	Off-balance sheet items		280	203	615	65
33	<b>Total RSF</b>					<b>8,819</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>144.24%</b>

### 4.13 Operational Risk Management

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

#### **Objectives**

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

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

#### **Strategy**

The operational risk strategy main objective is to develop an appropriate operational risk control environment and create operational risk awareness in order to minimize the risks occurred due to systems and processes malfunction, human errors, as well as due to external factors.

The Bank's mid-term strategy for operational risk management is based on:

- increased focus on defining risk mitigating measures and execution monitoring of such, the improvement of the control environment by way of closer cooperation with partner areas engaged in risk management and control but also by assessing exposure to operational risk based on losses history record and permanently updating the database on operational risk loss generating events, reported by all organizational units;
- assessing activities and processes, products and systems by preparing the annual self-assessment for the activities and processes carried out within all organizational units, in order to report the risks already identified during the performance of the activity or the potential risks and to identify the control measures/action plans to mitigate or eliminate risk occurrence;
- enhancing the Key Risk Indicators set for specific banking processes or for the organization as a whole, inclusively by using group-level indicators and monitoring their values and evolution, in order to have an insight into operational risk developments and allow for intervention into the processes if necessary;
- establishing an improved business continuity methodology and running periodical testing for such;
- developing / enhancing the conduct risk / model risk / ITC risk management framework;
- developing the operational risk management culture at the bank level, as an integral part of the risk culture and their management, by holding regular training sessions on operational risk topics.

Short-term objectives for operational risk management:

- Maintaining a high quality (complete, correct and accurate) operational risk losses database by permanently monitoring the operational risk events and updating accordingly within the dedicated IT system;
- mitigating the potential impact of future operational risk exposures by calculating and recording provisions for operational risk, taking into consideration the losses history;
- monitoring the evolution of abusive clauses litigations and calculating and recording litigations provisions based on the losses history and the probability of loss associated to the litigations ongoing;
- operational risk monitoring through monthly and quarterly reports regarding the operational risk events identified within the bank and their evolution, monthly and quarterly reports regarding the evolution of key risk indicators, quarterly reports on the measures taken by the bank to return key critical risk indicators to a normal level, monitoring of the operational risk and associated risks profile, yearly reports regarding the risks identified following the risk self-assessment, yearly reports regarding the results of the crisis scenarios analysis.

Management of the operational risk within the Bank is based on the responsibility of all Head Quarters organizational units and territorial units, as well as the companies in the consolidation perimeter (OTP Leasing Romania IFN S.A. and OTP Factoring SRL) to identify, monitor and report any operational risk event.

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

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

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

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

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

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

#### **4.14 Reputational Risk Management**

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

##### **Objectives**

The objectives of reputational risk management are:

- to avoid the direct or indirect impact on the bank's reputation or potential financial losses generated by reputational risks events (including the failure to achieve the estimated income objectives);
- the improvement of the Bank's image by providing high-quality products and services;
- to avoid the reveal of secret or confidential information or the use of such information by the Bank's employees in order to obtain personal benefits or for any other purpose with consequences to the detriment of the Bank or the bank's clients.

##### **Strategy**

The Bank's strategy regarding reputational risk management includes:

- continuous improvement of the bank's reputation by focusing on consistently supplying high-quality products and customer services and on a positive image and communication (at both internal and external level);
- ensuring the implementation of appropriate internal regulations and processes in order to allow the identification, management and monitoring of the reputational risk, taking into consideration the dimension and complexity of the bank's activities;
- effective management of customers' requests and complaints and establishing appropriate, effective corrective actions in order to improve the quality of the products and services provided by the Bank;
- focus on improving the customers' loyalty process by providing correct and complete information in a timely manner regarding new products and services, the changes of the existing products and services, or any other aspects that may influence the customers' banking activity;
- focus on recruitment and retention of the best specialists and continuous training of sales personnel in all aspects regarding the Bank's products and services, in order to be able to provide to clients all the necessary information to make informed and correct decisions, according to their needs;
- applying appropriate "Know Your Customer" measures according to internal regulations in order to ensure the quality of the bank's customers portfolio and to avoid the initiation of business relationships with clients having a fraudulent history or who were involved in any other activities with high ML/FT risk associated;

- ensuring a prudent approach regarding reputational risk management by preparing and implementing appropriate business continuity plans and communication plans in case of crisis or emergency situations;
- implementing the appropriate measures in order to ensure data protection and IT systems security against any threats of unauthorized access;
- using scenarios for monitoring the reputational risk in crisis conditions and also in association with other related types of risk (eg. liquidity risk, operational risk), in order to identify the potential impact on the bank's reputation and the applicable measures in such situations;
- calculating capital reserves for reputational risk in order to protect the bank in case of future crisis.

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

#### **4.15 Outsourced activities related Risk**

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

##### **Objectives**

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

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

##### **Strategy**

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

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

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

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

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

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



Consequently, compliance risk has as components the general compliance risk (including personal data protection - GDPR - and investment services) and KYC & AML / CFT risk.

The general compliance risk materializes in sanctions (financial and / or non-financial) imposed by supervisory and control authorities following specific actions for non-compliance with the requirements of the applicable legal and regulatory framework.

The objective of the general compliance risk strategy (general compliance risk) is to maintain this type of risk at the level established and agreed by the Bank according to the appetite and risk tolerance set up in "Risk Strategy of OTP Bank Romania S.A." and it includes the following general/main actions:

- Periodic revision of the internal regulations in order to align them to legal and regulatory framework and monitoring the implementation status for the new legal provisions applicable to the financial-banking sector;
- Monitoring the national and European legal regulation framework in order to identify the trends and those banking sector regulations having an impact on the compliance risk;
- Identification and assessment of the non-compliance risks associated to the Bank's business processes, including those related to the development of new products, services and practices;
- Establishing corrective measures following the deficiencies identified during the control missions of the supervisory authority and/or the internal/external auditors (including from the Group related to general compliance aspects), respectively the monitoring of their timely implementation;
- assessing the effectiveness of the corrective measures taken within the Bank following control actions performed by authorities;
- monitoring of the timely transmission of reports to authorities by all the organizational units within the Bank, according to the legal and regulation requirements;
- monitoring Authorities controls respectively of the sanctions imposed by the Authorities on the Bank as sources of potential materialization of the compliance risk (both general compliance and KYC & AML/CFT);
- 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 (risk appetite).

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

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

In terms of exposure to risks related to know your customer, prevention of money laundering and terrorist financing activities, the level of the indicator for the first semester of 2021 was medium-low, in line with the provision of 2021 OTP Bank Romania S.A. Risk Strategy.



#### 4.17 Management of the Strategic Risk

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

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

##### • Strategic planning process

OTP Bank Romania S.A. aims to put in place strategic plan(s) supported by realistic budget(s). Any strategic plan clarifies the Bank's overall purpose, defines goals and priorities and determines practical approaches for achieving them.

If the strategic planning process is not appropriate or if the assumptions are not realistic, the strategic plan will be flawed thereby exposing the Bank to the strategic risk.

In this regard, OTP Bank Romania S.A. aims to have an appropriate strategic planning process, encompassing the following:

- support or participation of the board, delegated committees, and senior management;
- participation of staff from various departments;
- adequacy of information in developing assumptions in relation to economic factors, position of the Bank compared to competitors, current competitive position, future market trends and customer needs;
- consistency of the operational plans with the overall objective of the Bank;
- assessment of actual performance against strategic plans.

##### • Assessment of the occurrence of the strategic risk

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

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

##### • Capital requirements for strategic risk for OTP Bank România (individual and consolidated level)

One of the most important outcomes of a successful strategy, that reaches its goals, is to generate profit. The lack of profit or losses requires additional funds, usually from shareholders, in order to ensure the capital adequacy of the Bank, therefore, the occurrence of strategic risk could lead to capital requirements.

In order to determine the capital requirement for strategic risk the Bank uses the underachievement of budgeted profits, on a country consolidated base according to Group definition. Although capital adequacy is monitored on a separate basis, for the stand-alone Bank, from an economic perspective, the Group consolidated approach is more sensible, as it is the view of the whole Group and thus that of the Bank itself (OBR Group, including the leasing and the factoring subsidiaries).

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 2018 and Q2 2021 a comparison actual vs. plan is made for profit before tax. A weight is distributed for each period (the more recent periods receive a higher rate as it is more relevant and the older periods receive lower weights). The gap between actual and plan (in mil RON) are weighted for each quarter.

On individual level, the gaps for the analyzed period, (2018-2021) are added up to **+260 million RON**. For the calculation of the capital requirement for strategic risk for OTP Leasing (the subsidiary included in local consolidation), the actual differences versus budget for the last 3 years were analyzed. The calculation method is used to calculate the Bank's capital requirement. The gap calculated for the analyzed period (2018-2021) is **+10 million RON**.

The capital required for strategic risk is calculated as the negative amount of the current difference versus the plan, so it only occurs if the realization was below the plan.

The positive result of the gaps for the analyzed period, (2018-2021) are added up to **+270 million RON**, on a country consolidated level (OBR Group, including the leasing and the factoring subsidiaries), **means that for the period under review the realization exceeded the plan, highlighting the lack of the capital requirement for the individual and consolidated strategic risk.**

- **Risk categories**

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

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

#### **Calculation of capital requirement for strategic risk, exemplified for 2021 for OTP Bank Romania S.A.**

**Since the capital requirement for strategic risk in 2021 at the consolidated level is null, the strategic risk is low.**

#### **4.18 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 2021, macroeconomic crisis simulations were conducted over a three-year horizon (2021-2023), **and available capital is sufficient to cover the capital requirement**, taking into account the minimum solvency ratio (SREP) at individual level.

It should be emphasized that these capital requirements are determined before applying any measures to supplement the own funds or reduce the risks to which the Bank is exposed.

In the event of any unfavorable scenario, the Bank will take preventive risk mitigation measures (risk-weighted assets and other risk mitigation techniques) as well as additional capital measures.

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

Macroeconomic crisis scenarios include values of the macroeconomic indicators that have the most impact on the profitability of OTP BANK ROMANIA S.A., such as EUR / RON exchange rate, LIBOR CHF, ROBOR, unemployment rate and others.

The steps taken to estimate the implications for OTP BANK ROMANIA S.A. in the crisis simulations are the following:

- identification of risk factors;
- generation of macroeconomic scenarios;
- estimating the evolution of non-performing loans;
- estimating the cost of risk, provisions and risk weighting factors;

- assessing the impact on profitability and on the adequacy of capital.

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

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

## 5. Encumbered and unencumbered assets

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

	<b>Carrying amount of encumbered assets</b>	<b>Fair value of encumbered assets</b>	<b>Carrying amount of unencumbered assets</b>	<b>Fair value of unencumbered assets</b>
Assets of the reporting institution			<b>15,956,929</b>	<b>1,893,599</b>
Equity instruments			13,941	13,941
Debt securities			1,900,460	1,879,658
Other assets			14,042,528	-

At 30.06.2021 the Bank did not have any encumbered assets.

### Anexa1

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

		a	b	c	d	e
		30-06-2021	31-03-2021	31-03-2020	31-12-2019	30-09-2019
<b>Available capital (amounts)</b>						
<b>1</b>	Common Equity Tier 1 (CET1) capital	1,974,429	1,930,217	1,700,882	1,697,570	1,662,479
<b>2</b>	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,837,770	1,798,750	1,550,798	1,548,975	1,538,053
<b>3</b>	Tier 1 capital	1,974,429	1,930,217	1,700,882	1,697,570	1,662,479
<b>4</b>	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,837,770	1,798,750	1,550,798	1,548,975	1,538,053
<b>5</b>	5 Total capital	1,974,429	1,930,217	1,700,882	1,697,570	1,662,479
<b>6</b>	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,837,770	1,798,750	1,550,798	1,548,975	1,538,053
<b>Risk-weighted assets (amounts)</b>						
<b>7</b>	Total risk-weighted assets	8,913,850	8,511,245	8,368,757	8,108,257	7,948,061
<b>8</b>	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,913,850	8,511,245	8,235,558	7,976,379	7,849,262
<b>Capital ratios</b>						
<b>9</b>	Common Equity Tier 1 (as a percentage of risk exposure amount)	22.15%	22.68%	20.32%	20.94%	20.92%
<b>10</b>	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.62%	21.13%	18.83%	19.42%	19.59%
<b>11</b>	Tier 1 (as a percentage of risk exposure amount)	22.15%	22.68%	20.32%	20.94%	20.92%
<b>12</b>	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.62%	21.13%	18.83%	19.42%	19.59%
<b>13</b>	Total capital (as a percentage of risk exposure amount)	22.15%	22.68%	20.32%	20.94%	20.92%
<b>14</b>	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.62%	21.13%	18.83%	19.42%	19.59%
<b>Leverage ratio</b>						
<b>15</b>	Leverage ratio total exposure measure	16,959,089	16,678,051	15,825,338	15,074,938	14,493,608
<b>16</b>	Leverage ratio	11.64%	11.57%	10.75%	11.26%	11.47%
<b>17</b>	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.93%	10.79%	9.80%	10.28%	10.61%

## **Risk appetite Statement of the Supervisory Board of OTP Bank Romania S.A. for first semester of 2021**

We, as the Supervisory Board of OTP Bank Romania S.A., have agreed and confirm the following regarding the risk appetite of the organization:

### **I. General principles:**

1. This document is an integral part of the framework on risk appetite developed at the level of OTP Bank Romania S.A. (hereinafter the Bank) and defines the aggregate level and types of risk that the Bank is willing to assume within the limits of its risk capacity, according to its business model, in order to achieve its strategic objectives.
2. The risk appetite is defined both at a general level and at the level of each significant risk for the Bank on a scale of 5 points between the low level and the high level.
3. A high risk appetite is the availability to be exposed to a high probability and / or potential impact of a risk.
4. Having a high appetite for a risk does not mean that the real manifestation of the risk is desirable or the event should be overlooked once it occurs.

### **II. Overall risk appetite**

5. The Bank shall aim to optimize its risk profile so as to achieve its business objectives with the least possible impact in terms of the risks to which it is exposed.
6. Thus, the general objective regarding the risk appetite of OTP Bank Romania S.A. is to have an overall MEDIUM risk profile obtained by aggregating the levels of significant risks.
7. From the perspective of capital adequacy to risk, it corresponds to a minimum overall capital requirement (OCR) of 17.72% at individual level and of 17.73% at consolidated level (includes the total capital requirement SREP (TSCR), a combined buffer requirement of 4.50 % and a management shock absorber of 1.50%). Concerning liquidity adequacy, the objective is to register a minimum level of the liquidity coverage ratio (LCR) of 120%.
8. Risk appetite is an integral part of the Bank's business planning processes to promote the proper alignment of risk, capital and performance objectives, while taking into account risk capacity and appetite constraints in terms of financial and non-financial risks.

### **III. Appetite for significant risks**

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

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

- (a) The risk that the recognized credit risk mitigation techniques used may prove less effective than anticipated, resulting in an overestimation of collateral or problems related to their liquidation. In this sense, a series of management, control and monitoring mechanisms have been implemented both in the process of assuming credit risk and at the level of the risk management function.
- (b) The risk of losses on and off - balance sheet positions due to unfavorable market fluctuations in prices. The Bank manages the market risk exposure of the portfolio held for trading separately from that of the activities outside the trading book. The trading activity is carried out within the approved trading strategy. The trading of highly liquid instruments will be pursued.
- (c) Current or future risk associated with the banking portfolio to negatively affect profits and capital as a result of adverse changes in interest rates. Interest rate risk exposure is monitored on a monthly basis by the Assets and Liabilities Management Committee (ALCO).
- (d) The risk of not being able to meet its obligations at maturity and of a significant increase in the cost of financing. Liquidity is pursued under both normal and crisis conditions, taking into account the resources needed to support the budgetary objectives of business development. Through its activity, the Bank aims to minimize its exposure to liquidity risk and does not seek to make a profit by assuming a high exposure.
- (e) The risk associated with the improper provision of financial services, including cases of intentional or negligent misconduct. The Bank manages the risk of conduct by promoting the Code of Ethics and implementing clear policies on the development of products and services, conflict of interest management, the regime of incentives received from third parties or granted to them regarding investment services.
- (f) The risk of a loss as a result of decisions that could be based primarily on the results of internal models due to errors in the development, implementation or use of those models.
- (g) Risks of loss due to breach of confidentiality, failure to ensure the integrity of systems and data, inadequacy or unavailability of systems and data or inability to change information technology in a reasonable time and at reasonable costs when environmental or business requirements change. These include security risks resulting from inadequate or failed internal processes or external events, including cyber attacks or inadequate physical security. These risks are mitigated within the IT strategy developed at the Bank's level.
- (h) The risk of adversely affecting profits, own funds or liquidity as a result of damaging the credit institution's reputation. The Bank aims to continuously improve its reputation, effectively manage customer requests and complaints and establish appropriate corrective actions.
- (i) The risk that may materialize in operating losses or unrealized income and subsequently in potential reputational damage to the Bank due to its current / future operations performed by third parties on its behalf. The outsourcing of some activities is carried out on the basis of

specific internal regulations and only with the prior approval of the Risk Operations Committee and the Bank's Management Board.

- (j) The risk of adversely affecting profits, own funds or liquidity, which may lead to significant financial losses or damage to a credit institution's reputation as a result of breaches or non-compliance with the legal and regulatory framework, agreements, practices recommended or ethical standards applicable to its activities. The Bank is committed to ensuring a high level of compliance with relevant legislation, regulations, codes and standards, as well as compliance with internal regulations and corporate governance principles.
- (k) Risks arising from the Bank's inability to properly implement business plans, strategies, decisions, resource allocation and inability to adapt to changes in the business environment. The monitoring and reporting mechanisms developed at the Bank's level provide the premises for mitigating these risks. The fulfillment of the actions and objectives set by the business strategy of OTP Bank Romania S.A. will be pursued.

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

- (a) Credit risk (default of the debtor on fulfilling contractual obligations) and the risk of concentration of credit exposures. The lending activity represents the basic activity of the institution, over 90% of the debt instruments being loans and advances. At the same time, according to the business strategy, the Bank aims to reach a market share at the end of 2021 of 4.2%, up 0.4 pp compared to the previous year. It is therefore necessary to take these risks, but to an acceptable level, carefully managed through the three lines of defense of the credit risk management framework. It is also intended to build up sufficient reserves to absorb.
- (b) Operational risk resulting either from the use of inadequate or improperly performed internal processes, persons or systems, or from external events, including legal risk. The Bank pays close attention to operational risk events and constantly monitors the development and improvement of the operational risk management framework.
- (c) The risk posed by the impact and likelihood of the Bank's involvement in money laundering and terrorist financing activities. The Bank will implement procedures to ensure the allocation of resources to ensure compliance with regulatory requirements, including the implementation of best practice guidelines in line with European regulations, depending on the size and complexity of the Bank's operations.

#### **IV. Communication**

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

## **V. Monitoring and reporting**

14. The monitoring of the risk profile in relation to the risk appetite is performed quarterly by the Risk Administration Directorate by calculating the specific indicators and aggregating the results according to the provisions of the Risk Strategy of OTP Bank Romania.

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

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

## **VI. Revision**

17. The risk appetite statement will be revised:

(a) annually;

(b) whenever the revision of the Risk Strategy so requires.

Antal György Kovács  
President of the Supervisory Board of  
OTP Bank Romania SA