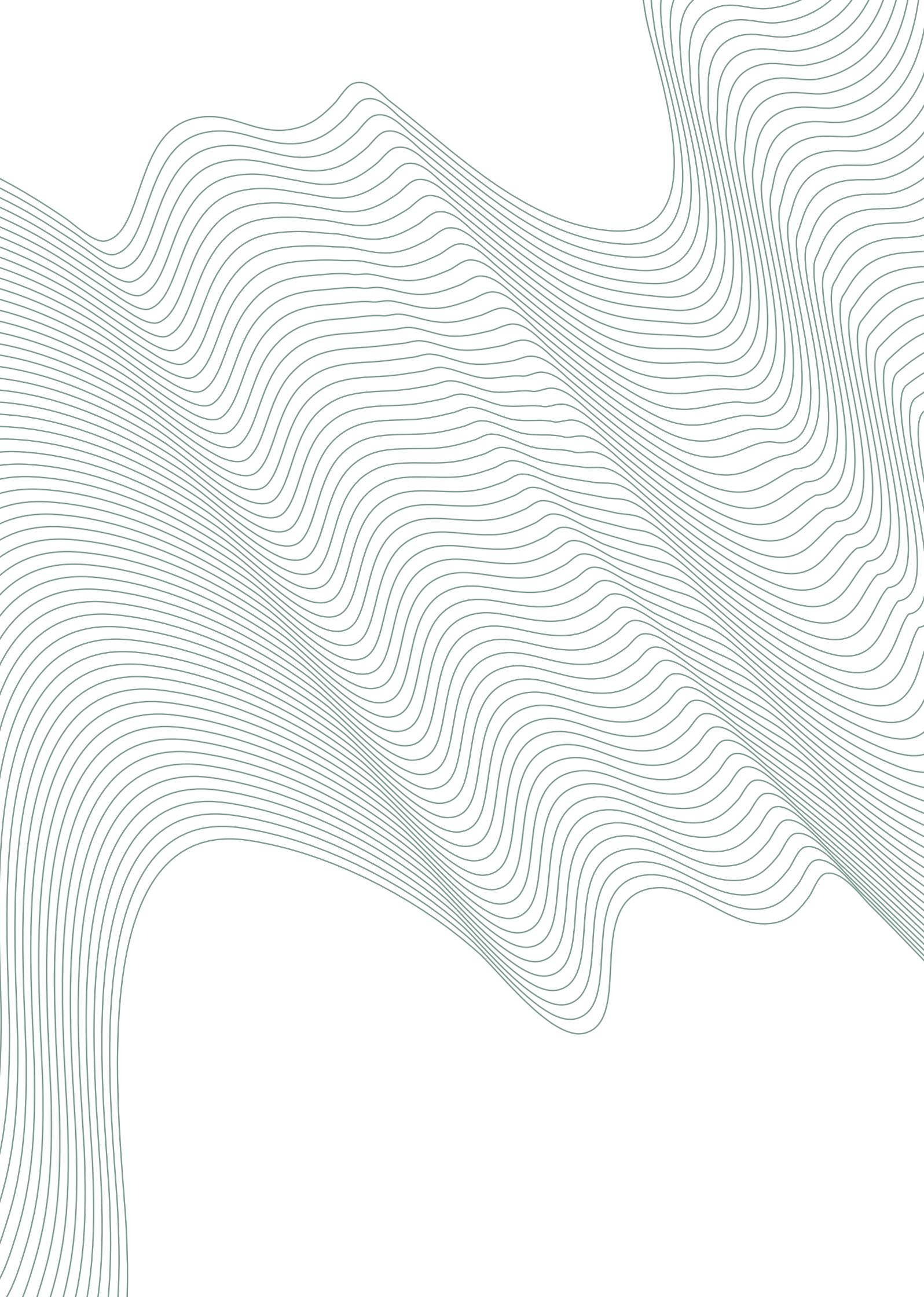




Annual Report

2022



SUMMARY:

- 5 The welcome message of Chairman of the Supervisory Board of the Bank
- 6 The welcome message of President of the Executive Committee – CEO
- 7 The management of the bank
- 9 Presentation of the OTP Bank S.A.**
- 13 Economic climate and the evolution of the banking sector**
- 15 Activity Performance**
 - Financial position on the market
 - Financial indicators - key-figures
 - The main projects and events in 2022
- 18 Corporate Governance**
- 30 Risk management and Compliance**
- 38 Commercial Activity**
 - Products and offers**
 - Corporate Banking activity
 - Retail customer service
 - Leasing activity
 - Capital market activity
 - Relationship with international financial institutions and correspondent banks
 - Specialized financing activity and foreign exchange activity
- 45 Non-Financial Statement**
 - Reliable business partner
 - Corporate Social Responsibility
 - Volunteering and social solidarity
 - Responsible employer
 - Corruption and human rights
- Appendix**
 - Financial situation
 - External Audit Report



**President of the
Executive Committee - CEO**

Daniel-Bogdan SPUZA



**President
of the Bank's Council**

Zoltán MAJOR





Message from the Chairman of the Supervisory Board

Zoltán MAJOR

With over 70 years of experience in the European banking sector, OTP Group consistently pursues its business strategy focused on efficiency, generating value and solutions for shareholders, clients and employees in the 11 countries in which it operates. We are in direct contact with the market and our more than 19 million customers in the Central and Eastern European region, with the mission to innovate and support businesses and individual customers with tailored banking services and solutions, while gradually strengthening our regional position and operations in the region.

In 2022, OTP Group has registered a consolidated adjusted after-tax profit of HUF 593 billion (EUR 1,5 billion) while the consolidated profit after tax was HUF 347 billion (EUR 1,5 billion). The annual ROE was 11%.

The overall performance of 2022 was shaped mainly by the direct and indirect impact of the war between Russia and Ukraine broken out on 24 February, and the military conflict is still ongoing. As a result, many countries, as well as the European Union imposed sanctions due to the armed conflict on Russian businesses and citizens, and Russia in turn has responded with similar measures. With subsidiaries in belligerent countries, inevitably the Group's results have been affected by this situation. However, OTP Group sustained commitment to the development vector, standing by its customers and employees, mobilizing its resources to provide the necessary support and implement the relevant business solutions. Due to the consolidated effort of the subsidiaries, at Group level, extensive support actions were carried out through humanitarian aid, donations and various commercial facilities relevant to that period. We carefully monitored the risks and impact of a possible humanitarian crisis, ready to offer support to colleagues in countries affected by this armed conflict.

In Moldova, OTP Bank is a stable, well-capitalised and resilient bank with an equity ratio of 24.75%. The bank's capital increased by 18.3% compared

to the same period of the last year, and as of 31 December 2022 it amounts to over MDL 2,605 million. At the end of the financial year, the net profit recorded by the bank amounted to MDL 403 million, an increase of 49% compared to the previous year, mainly due to the increase in net interest income by MDL 578 million or 76%. Thus, at the end of 2022, the return on capital recorded was 16.92% and the return on assets of the Bank was 2.19%.

The bank ranks third in the banking system of the Republic of Moldova, with an asset share by sector of 14.1%. In 2022, the bank recorded an 11% increase in assets, mainly due to increased resources attracted from depositors and international financial organizations.

In 2022 we observed a moderation in lending activity, driven by rising prices and falling market demand, but also by reduced liquidity due to the level of reserve requirements set by the NBM. OTP Bank ranks 3rd by the volume of loans granted, with a share of 14.12% and by the volume of deposits attracted, with a market share of 14.6% enjoying the confidence of its customers.

OTP Group is the fastest growing banking group in Central and Eastern Europe and one of the most active financial institutions in the European acquisition market. In 2022 OTP successfully completed the purchase of Alpha Bank in Albania, and after the merger of the two banks, OTP Bank Albania becomes the fifth largest player by total assets and

the third largest player in terms of customer lending in Albania. At the same time, the Slovenian bank Nova KBM acquisition was completed in February 2023. The new acquisitions strengthen OTP Group's leading position in Central and Eastern Europe.

OTP Bank has been one of the most active financial institutions in the European acquisitions market. In 2022 the Group successfully completed the purchase of Alpha Bank in Albania, and after the merger of the two banks, OTP Bank Albania becomes the fifth largest player by total assets and the third largest player in terms of customer lending in Albania. At the same time, in February 2023 the transaction to acquire the Slovenian bank, Nova KBM, was financially closed, the balance sheet and P&L numbers will be consolidated in the first quarter figures. The new acquisitions strengthen OTP Group's leading position in Central and Eastern Europe.

With integrity and determination, we support the growth of Moldova's real economy providing excellent financial services through digital innovation, artificial intelligence and data-driven insights. We leverage synergies within our group and act as a driver of digital transformation, contributing to the development of the Central and Eastern European region.

Message from President of the Executive Committee - CEO

Bogdan SPUZĂ

The year 2022 was a complex and challenging one for OTP Bank - we successfully completed the implementation of a new core-banking system and connection to a new card processing center, thus, confirming our commitment to improve our services and products. The transition to the new systems was a complex and lengthy process, involving considerable resources and efforts from the analysis, design and implementation stages. It has been a highly ambitious project involving a record number of staff, international developers and mixed local and Group teams.

The modernization of the IT architecture and network, together with the streamlining of internal processes and procedures, will significantly increase the efficiency of operations, the quality of services provided and the customer service of OTP Bank S.A. At the same time, the successful completion of the migration process marks the end of the integration phase and alignment with Group standards.

The year 2022 was full of uncertainty; even so, we focused our efforts to provide quality products and services that meet the needs of our customers. Thus, we managed to maintain the loan portfolio, its quality and focus on attracting and serving customers on the side of transactional products and services (daily banking). Thanks to OTP Bank's reputation, we have increased the deposit portfolio of legal entities, which has positioned us in the second place in the market.

Despite geopolitical risks, we continuously promoted financial leasing (maintaining our 4th position in the market), strengthened our position in financing the agricultural sector and launched a new Factoring product, including International Factoring.

On the Retail Banking line in 2022 we served 178 352 customers, we had a

The year 2022 also came with unexpected events that unbalanced the economy and the situation in the Region. We have all been shaken by the events in Ukraine. Being attentive to the needs of Ukrainian citizens, but also to the local situation, the Bank reacted immediately with a series of support actions. We launched an extensive social campaign #SolidarityforPeace, offering donations, trade facilities to Ukrainian citizens and for the first time we introduced currency exchange with the Ukrainian hryvnia. OTP Bank Moldova managed to cope with the wave of panic that followed immediately after the outbreak of the conflict. The mobilisation of employees and the spirit of solidarity were manifested through donations of goods and money, volunteering. The Bank made donations through five social partners during the year, maintaining its commitment to solidarity.

The tense situation in the energy sector in the autumn caused a lot of stress among the population and we joined the

special focus on attracting liquidity, so we managed to reach a portfolio of deposits and savings accounts of MDL 9 billion. We strived to be closer to our customers and opened two banking units - one in Botanica sector and one in Riscani sector. At the same time, we should also mention the projects that have been carried out to increase sales efficiency and improve the customer experience.

Our focus now is on integrating ESG (Environment, Social, Governance) principles into the Bank's business and building the ESG strategy, following the Group's vision of becoming a regional leader in the balanced financing of a fair and gradual transition to a low carbon economy and building a sustainable future.

In order to link business, environmental and social objectives in a balanced way, in 2022 we started to strengthen

national campaign to implement actions to reduce electricity consumption. Within the Bank, we have adopted a series of measures to reduce electricity consumption and provide some branches with generators to serve customers.

In 2022, we continued our partnerships with our communities and stakeholders and made valuable contributions through the projects we supported or funded, both for the economic environment, through our programmes for Moldovan entrepreneurship and SMEs, and for the social environment, through our supported community programmes and projects. All that we have achieved this year can only make us proud: proud of the commitment of our colleagues, but also of the fact that our almost 1.8 million clients - individuals, SMEs and corporations - entrust us with their funds and follow our advice, thus underlining the importance of a responsible financial partner.

our internal mechanisms for integrating sustainable development principles, both in the products and services we offer to our customers and in our activities. Thanks to the synergy and expertise of the OTP Group teams, we will gradually develop innovative financial products and services to continuously improve our customers' experience both in the use of digital channels - one of the Bank's strategic priorities - and in the OTP Bank branch network.

Our objective in the coming years is to attract and direct financial capital to sectors that can contribute to and support the transition to a green economy, as well as to fund/support projects/initiatives to incorporate new technologies into business and our lives. We have the capacity and ambition to create a strong impact on Moldova's economy and business environment in the coming years.



THE MANAGEMENT OF THE BANK

Members of the Supervisory Board

- Zoltán MAJOR** Chairman of the Supervisory Board
Taras Prots Member of the Supervisory Board
Rodica Hîncu Member of the Supervisory Board
Eszter Erika Huszár Member of the Supervisory Board

Executive Committee of the bank



- Bogdan Spuză** President of the Executive Committee – CEO



- Elena Guzun** Deputy CEO
Commercial Director Corporate Banking



- Petru Delinschi** Deputy CEO
Commercial Director Retail Banking



- Ion Veveriță** Deputy CEO
CFO, Head of the Financial Division



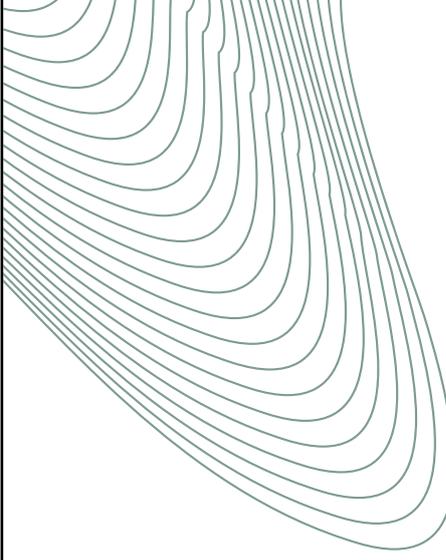
- Ruslan Cebotari** Deputy CEO
CRO, Head of RISK Management Division



- Iurie Rusu** Deputy CEO
COO, Head of IT & Operations Division



Presentation of the OTP Bank S.A.



PRESENTATION OF THE OTP BANK S.A.

OTP Bank Moldova, formerly known as Mobiasbanca, has been present on the Moldovan banking market for over 32 years as an universal bank, offering comprehensive financial solutions for individuals and companies. It is one of the most stable and trusted financial institutions, a reputable financial advisor for both individual and corporate clients, a supporter of entrepreneurs and financial advisor to the largest multinational companies, as well as a trusted partner for International Financial Institutions.

The bank offers a wide range of high quality financial products and complete banking services to all types of customers, from individuals to large companies, segmented on three main axes:

● **Retail bank**

offering credit products, cards, savings accounts, current operations and remote banking for individuals and entrepreneurs;

● **Corporate & Investment Banking**

with a broad range of services, products and banking consultancy for multinational companies headquartered in Moldova, to local private and state companies, local authorities and financial institutions. Thanks to the extended network of branches, OTP Bank may serve corporate clients throughout the country, and corporate consultants offer expertise in various key banking areas;

● **Specialized services**

with a full range of specialized financial and treasury services, including financial, operational leasing, consumer loans in markets, titles, insurance products, pensions and other.

OTP Bank S.A. was founded on 4th of July, 1990, as an independent commercial bank, under the legal form of a limited liability company, oriented towards serving the SME sector.

In 2007, the international financial group Société Générale acquired a 67.85% stake. In 2008 the capital increase and the appointment of new strategic shareholders (Groupe Société Générale) and the EBRD (European Bank for Reconstruction and Development) spurred the development of a universal banking model. At the same time, the official name was changed to BC „Mobiasbanca - Groupe Société Générale” S.A.

The bank's history in brief:



2008 The Bank becomes a Principal Member of MasterCard.

Implementation of the tele-recovery service.
MasterCard certification for microchip cards.

2009

2011 Launch of the Simplu Finance project.
The first card collection created exclusively for women Chérie Chérie.

Launch of the Universal Counter concept for the first time in our country.
Launch of MobiasInfo SMS messaging service;
launch of Contactell service;
launch of MasterCard Secure Code service - securing payments made over the Internet.

2012

2013 Becomes the first and only bank in Moldova to hold the international ISO 9001:2008 „Quality Management Systems. Requirements”.
IP telephony implementation.

Opening of the new Training Centre and School Branch - unique concept on the local market.

2014

2016 Launch of Visa Cards.
Launch of MobiSanté dedicated offers exclusively for healthcare workers.

Opening of the first Mortgage Centre in Moldova;

2017

2018 Launch of the CASH-IN service for carrying out card account top-up transactions via ATM.

Launch of the Business Internet Banking Service - automated remote banking for economic agents.
Mobiasbanca became part of OTP Group - one of the largest financial services providers in Central and Eastern Europe.
After the acquisition, OTP Bank Nyrt Hungary became a 98.26% shareholder of the bank.

2019

2020 Opening of the Leasing Centre.

Change of name to „OTP Bank S.A.” and rebranding.
Modernisation of the ATM fleet.

2021

2022 Migration to a new information system and card processing centre.

After joining the OTP Group in 2019 - one of the financial market leaders in Central and Eastern Europe - and after an extensive rebranding process, OTP Bank completes the integration and alignment with the group's standards by implementing a new IT system and connecting to a new bank card processing centre. Based on a modern IT solution, the new system is designed to improve the bank's operational and management activities and provide innovative solutions for the development of financial products and services.

The bank's strategy is oriented towards the organic development of the business, the consolidation of the position on the banking market, the profitability increase and of the operational efficiency. Today, the bank serves about 178,000 customers through its 54 banking offices and with about 900 employees nationwide. Supported by strong shareholders, with innovative products and services, the bank has experienced a constant exponential evolution, reaching the top three of systemic banks by volume of loans, with a share of 14.1%, by volume of deposits attracted, with a market share of 14.6%, and by share of assets in the banking system with a share of 14.2 %.

IT transformations, modernization of operating systems, product development and process optimization are just some of the bank's objectives. OTP Bank continues its strategy of developing its products and applications, with a particular priority being the implementation of innovative solutions for delivering online services quickly and securely to its customers.

The balanced and sustainable strategy, the efficient management of resources at the same time as the implementation of actions to support the community, ensured the maintenance in the top of local banks in 2022, the bank having a very good capitalization, own funds ratio registering 24,75%, and an improved risk profile.

OTP Bank is the third largest bank in the Republic of Moldova, with a successful history of serving corporate clients, SMEs, agricultural enterprises

and individuals. This success is due to a dedicated team of professionals and a strong commitment to financing its clients in a responsible and personalized manner, making OTP Bank a strategic partner for international financial institutions in boosting Moldova's economic development.

Always concerned with contributing to the development of the community in which it operates, OTP Bank is actively present through support for financial education, promotion of culture and the arts, investment in the medical sector and sport, solidarity and volunteering. Concern for the environment and sustainable solutions for the rational use of resources is one of the directions on which the bank will focus in the coming years.

OTP GROUP



38 000
employees



19 000 000
clients



1 392
branches



4 600
ATMs

OTP Group is the largest banking institution in Hungary and the third largest in Central and Eastern Europe. With more than 70 years of experience in the European banking sector, it consistently pursues a business strategy focused on efficiency, generating value and solutions for its shareholders, customers and employees.

OTP Group currently operates in 11 countries of the region: Hungary, Albania, Bulgaria, Croatia, Romania, Serbia, Slovenia, Ukraine, Montenegro, Russia and Moldova.

Promoting innovation, stable growth and integrated financial services, OTP Group has become a dominant player in the Central and Eastern European

market and is considered an important banking group even on a European scale. The community of around 38 thousand employees serves almost 19 million customers daily through its 1400 branches and over 4600 ATMs, online and digital remote service channels.

With diversified business lines, OTP Group provides traditional financial services through its subsidiaries, including specialized services - car leasing, investment and insurance products. The mission to innovate and support businesses and individual customers with customized banking services and solutions, while strengthening its regional position and operations, remains a priority.

OTP GROUP

11 COUNTRIES

38 K EMPLOYEES

19 MIL CLIENTS

In 2022, OTP Group successfully adapted to the changing operating environment, maintained its position in the capital market with strong liquidity, remained stable in several business segments as well as in terms of profitability.

In 2022, OTP Group has registered a consolidated adjusted after-tax profit of HUF 593 billion (EUR 1,48 bilion) while the consolidated profit after tax was HUF 347 billion (EUR 0,9 bilion).

The Group's ESG strategy for sustainability is being implemented in several subsidiaries, and 2022 is showing rewarding results: issuance of GREEN mortgage bonds, green housing loan programme, and launch of green loans for corporate clients, etc.

ECONOMIC ENVIRONMENT AND BANKING SYSTEM EVOLUTION

During 2022, the Republic of Moldova was exposed to various shocks that generated uncertainties about economic developments and increased risks in the banking system. As a result, the national economy is facing pressures both from the cost side, explained by high electricity, gas and food prices, and from the demand side, given the reduction in real household incomes. And the spill-over effects of the military conflict in the region are expected to last for a long time.

According to the International Monetary Fund, GDP is expected to contract by -1.5% in 2022, compared to a soaring 13.9% growth in 2021. At the same time, in the medium term the IMF forecasts robust economic growth with an upward trend in purchasing power and consumption.

The average annual inflation rate for 2022 was 28.6%, peaking at 34.6% in October. The National Bank of Moldova (hereafter NBM) forecasts its return to the regulated corridor of 5% \pm 1.5% in the second quarter of 2024.

Considering the vulnerable macroeconomic context, the NBM's efforts were focused on mitigating inflationary pressures and managing the liquidity risk to which the banking system was exposed. To this end, the NBM adopted a restrictive monetary policy, gradually increasing both the base rate and the reserve requirement ratio. The base rate increased from 6.50% in December 2021 to 20% in December 2022, peaking at 21.50% between August and December 2022. The reserve requirement norm in lei increased from 28% in December 2021 to 37% in December 2022 with a peak of 40% in the same period, and the reserve requirement norm in freely convertible currency moved upwards from 30% to 45% for the same observation period.

Towards the end of the year, the adoption of the NBM's decision to ease monetary policy was due to the reversal of the annual inflation trajectory in response to the monetary policy measures previously implemented. According to the regulator, although the risks and uncertainties to inflation are persistent and directly related to how the events associated with the military conflict in Ukraine will unfold, including its implications for the global and domestic macroeconomic environment, the NBM, through its decision, comes to support a comprehensive perspective on economic activity, shaping the creation of preconditions on the money, credit and foreign exchange markets necessary for the revival of domestic aggregate demand, which, within the limits of the transmission mechanism, will propagate through several channels, including credit.

Banking system evolution

Despite the challenges posed by the post-pandemic crisis and the military conflict in Ukraine, the banking system proved to be resilient and robust due to high liquidity and capital levels, and the trend of growth in assets, loans, deposits and equity continued at a more modest pace than the previous year. Moreover, the non-performing loans ratio increased insignificantly by 0.3 p.p. from 6.14% in December 2021 to 6.44% in December 2022.

In the context of the volatile geopolitical and economic environment, the NBS remains focused on assessing credit risk and maintaining an adequate level of liquid assets to ensure a resilient and well-capitalised banking system.

Also, in the context of the increase in the base rate and reserve requirement rule, the cost of resources attracted has increased. Thus, the weighted average rate of new deposits attracted in lei by total terms increased by 7.3 p.p. from 3.74% as at 31 December 2021 to 11.06% as at 31 December 2022 which increased the cost of new loans granted (weighted average interest rate on new loans granted in lei by total terms) by 4 p.p. from 7.33% to 11.3%. At the same time, starting from the third quarter of 2022, an upward trend in the cost of deposits and loans in foreign currency can be observed. The weighted average interest rate on new foreign currency loans on total maturities increased by 0.6 p.p. and on deposits by 0.5 p.p..

As of December 2022, the banking system comprises 11 banks licensed by the NBM, and the 4 largest banks hold 80.5% of assets, 81.1% of loans granted, 82.3% of deposits attracted, 77.8% of capital and 80.4% of net banking income.



As at 31 December 2022, the banking sector recorded the following performance

- total assets amounted to MDL 131.4 billion, increasing during the year by MDL 12.9 billion or about 11%;
- gross (prudential) loans represented 47% of total assets or MDL 61.6 billion, increasing during the period under review by 9.3% or MDL 5.2 billion;
- the largest increases in the loan portfolio were recorded in loans granted for trade - by 14% or 1.7 billion lei and for the food industry - by 29% or 1 billion MDL.

Regarding deposits, in December 2022, their balance amounted to 95 billion lei, about 5% or 4.9 billion lei higher than in the same period of the previous year. Of these, 62% are deposits attracted from individuals and 38% from legal entities (including banks), and with reference to foreign currency, 60% are in national currency and 40% in foreign currency. Therefore, it is important to note that the pricing decisions taken by banks have led to the stabilization of the liquidity crisis generated by the geopolitical situation in the region in Q1 2022.

Despite the uncertain macroeconomic environment, banks recorded a 59% increase in net profit reaching the

level of 3.7 billion lei, the determining factor being the increase in net interest income by 4.6 billion lei or 89.2%. This was mainly generated by the increase in the norm of required reserves in lei and their remuneration.

As at 31 December 2022, the banking sector's return on assets and return on equity were 2.89% and 17.03% respectively, up 0.88 p.p. and 4.68 p.p. compared to the end of 2021.

BANK'S PERFORMANCE

OTP Bank is a stable, well-capitalised and resilient bank with an equity ratio of 24.75%, up 5.88 p.p. from the previous period. The bank's capital increased by 18.3% during 2022, and as of 31 December 2022 it amounted to over MDL 2,605 million. At the end of the financial year, the net profit recorded by the Bank amounted to 403 million lei, an increase of 49% compared to the previous year, mainly due to the increase in net interest income by 578 million lei or 76%. Thus, at the end of 2022, the return on capital recorded was 16.92% and the return on assets of the Bank was 2.19%.

OTP Bank ranks 3rd in terms of volume of loans granted, both to individuals and legal entities, with a share of 14.12%. In 2022, the bank recorded a market share of 13% in the corporate segment and 16% in the individual segment, with a priority focus on portfolio quality.

The bank ranks third in the banking system, with an asset ratio by sector of 14.1%. In 2022, the bank recorded an 11% increase in assets, mainly due to the increase in resources attracted from depositors and international financial organisations.

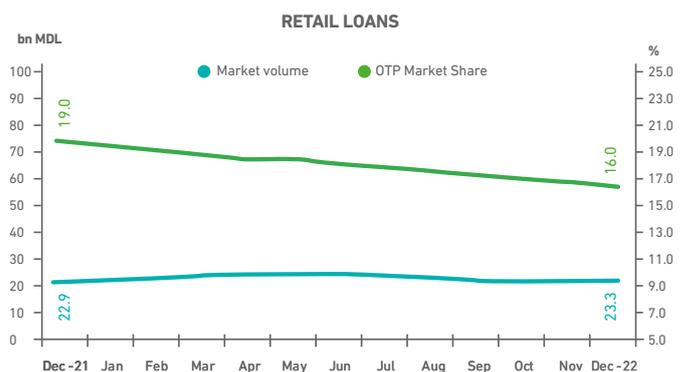
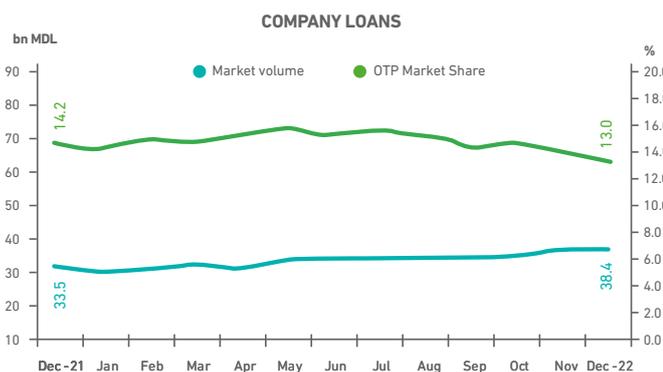
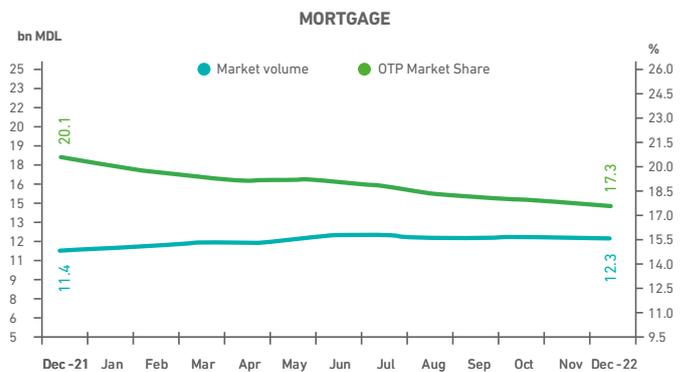
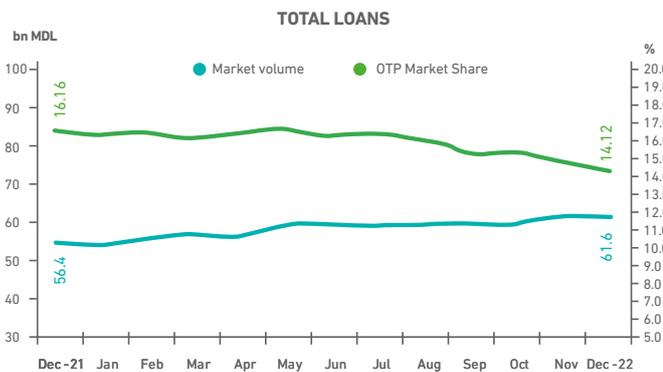


Fig.1. Evolution of the market volume of loans versus OTP Bank S.A. market share

In terms of attracted deposits, OTP Bank ranks in the top 3 market participants with a market share of 14.6% (resources attracted from legal entities - 18%, resources attracted from individuals - 12.6%).

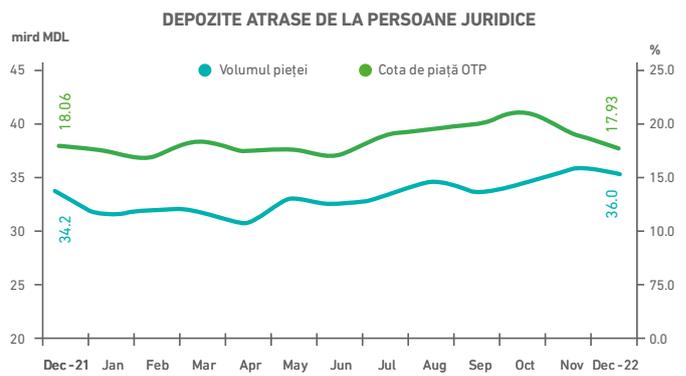
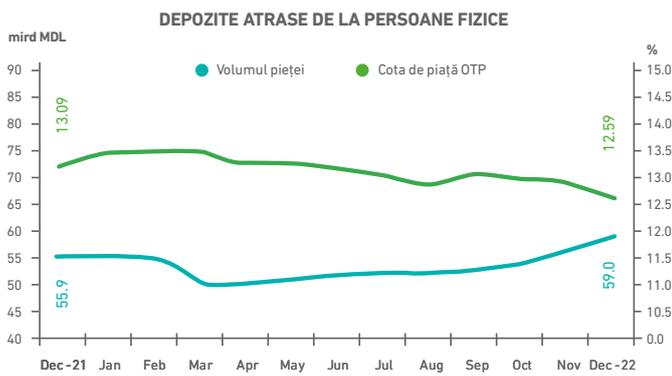
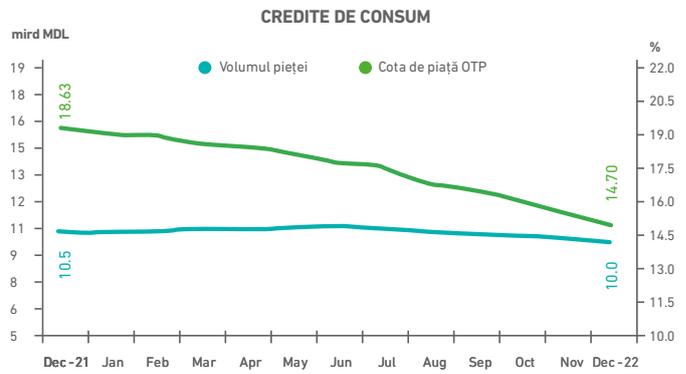
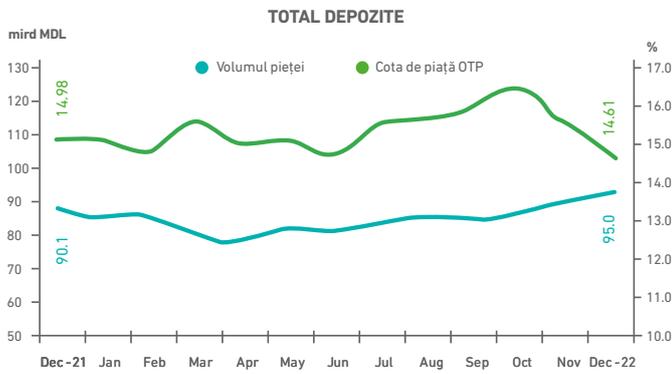


Fig.2. Evolution of the market volume of loans versus OTP Bank S.A. market share

The main projects and events in 2022:

OTP Bank is migrating to a new information system and card processing centre.

„Financial Management for Women in Business” in partnership with EBRD.

The Bank continued to sponsor the “Regional Economy” section of the economic magazine Logos Press, promoting local business.

OTP Bank S.A. was awarded with the “Service Excellence” trophy for portfolio quality by its sustainable partner - the international payment company Mastercard.

Launch of the „GDPR, Compliance and AML” programme together with EBA, in partnership with ASEM and USM OTP Bank joined the „Financial education - a personal, social and economic benefit” campaign launched by the NBM with a series of financial education activities.

OTP Bank is awarded “The best bank in Moldova” according to Euromoney.



Modernization of the OTP Bank’s ATMs and branch network.

Signing of a new €15 million SME financing agreement with grant component between OTP Bank and EBRD under the EU4Business-EBRD credit line. At least 70% of this loan is intended to finance investments in green environmental technologies.

According to Euromoney, OTP Bank is leader in the Corporate Banking and Corporate Social Responsibility segments in Moldova.

The “Most Active Issuing Bank in Moldova in 2021” award was offered by the EBRD under the Trade Facilitation Program (TFP).

Concern for environmental protection and responsible consumption through various initiatives.

OTP Bank is the only bank that offered currency exchange with UAH during the whole period on a priority basis.

Opting for a transparent and prompt communication, but also out of concern for its customers and partners, OTP Bank S.A. has launched for the first time the web page - Status Services, which reflects in real time the availability of the bank’s services.

Signing of a loan agreement with the European Fund for South-East Europe (EFSE) in MDL, equivalent to €20 million, as part of the crisis response package. The fund has committed to financing micro, small and medium enterprises (MSMEs) operating in crisis-relevant critical sectors to mitigate supply-chain and logistics disruptions, as well as increase local production.

As an active member of the profile associations: European Business Association, Association of Moldovan Banks, Association of Romanian Investors in the Republic of Moldova, Mobiasbanca - OTP Group develops sustainable partnerships for economic development.

Two new „Golden Mercury” awards for OTP Bank in the Trademark of the Year competition and the Gold Medal for Consumer Appreciation.

The #SolidarityForPeace campaign, with a series of initiatives in support of Ukrainian citizens.

Concern for the environment and sustainability: rehabilitation of an elm plantation, Botanical Garden, installation of bins for sorting and recycling paper, launch of the „switch to economy mode” campaign to encourage responsible electricity consumption, etc.



Corporate Governance

CORPORATE GOVERNANCE

Corporate governance is an important means of ensuring that Bank's strategic objectives are met. A reliable governance system, organization, management and control of Company's resources, financial planning, responsible management and adequate control mechanism provide a stable basis for efficiency and profitable functioning, secure and transparent business, as well as balanced relations between the management body (Supervisory Board and the Executive Committee), the control authorities, shareholders and other interested entities.

The corporate governance framework determines the distribution of rights and responsibilities between Bank's management bodies, describes in details the rules and procedures for making corporate decisions. A good corporate governance structure involves the establishment of the successful system for setting objectives, making decisions, including the control and monitoring of the execution of established decisions and objectives. At the same time, effective corporate governance means that the role and relationships established in the team building of the bank are based on ethical behavior, minimizing conflict of interest. Successful corporate governance is based on the principles of responsibility, transparency and control of decision makers.

OTP Bank S.A. complying with all requirements of the legislation in force, including those of the Group, ensures the development and maintenance of an advanced system of corporate governance that respects local and international standards, being of primary importance and ensuring simultaneously the trust and satisfaction of the Bank's customers, the increase of the shareholders' value and the corporate behavior of the Bank.

According to the legislation in force, all information/materials related to the Bank and which have the influence over

the price of Bank's shares are published accurately, in full and in a timely manner. Providing regular and authentic information is essential for shareholders and other capital market participants to make sound decisions, but the way the Bank discloses information also has an impact on its reputation.

Taking this into account, the bank publicly discloses the important information about the events that influence the Bank in accordance with the National Legislation, placing them on the Bank's website: <https://www.otpbank.md/disclosure> and in the Official Infor-

mation Storage Mechanism. The Bank discloses the information in strict accordance with the provisions of the Legislation in force, namely the Civil Code, the Law on the banks' activity, the Law on the capital market, the Law on joint stock companies, NBM/CNPF Regulations. In addition, the Bank has effective internal regulations that ensure compliance with mandatory disclosure of information.

The most important internal documents, that regulate the corporate governance of the Bank, are:

The Article of Association of the Bank

<https://www.otpbank.md/storage/com/dezv/1-gov/Statutul-Bancii-27.11.2020-cu-modific%C4%83ri-%C3%AEencorporate-din-2021.pdf>

The Corporate Governance Code

https://www.otpbank.md/storage/com/dezv/1-gov/3-A_000521_04-Codul-de-Guvern%C8%9B%C4%83-Corporativ%C4%83-a-B%C4%83ncii.pdf

Directive no. 1:

The rules of organization and internal functioning of the Bank.



These Bank's documents determine in details the standards for the Governance and management of the management bodies of the Bank.

According to the principles of good corporate governance, the Corporate Governance Code establishes the structure of relationships and processes in order to be able to cope effectively with environmental change, to create a transparent and understandable system of governance that will increase the confidence of local and foreign investors, employees, customers, suppliers, supreme governance institutions and society.

The code can be accessed on the official website of the Bank, on the page dedicated to the disclosure of information regarding the governance of the bank, along with the Corporate Governance Statement "Compliance or justification". <https://www.otpbank.md/governance>

Directive no. 1 regulates the general aspects regarding the organization and functioning of the Corporate Governance within OTP Bank SA, inclusively establishes the individual attributions, competencies and responsibilities of the Chairman of the Executive Committee - CEO, members of the Executive Committee, and establishes the organization, functioning and competencies of the Committees established within the Bank, enabling the Bank to comply fully with the requirements of the legislation in force and with the requirements of OTP Bank Nyrt. The purpose of Directive no. 1 consists in regulating the internal procedures, obligations and responsibilities of the Bank's management.

During the reporting period, the Management and the Bank's employees acted according to the internal docu-

ments, that regulate the Corporate Governance of the Bank, namely, the Article of Association, the Corporate Governance Code, Directive no. 1, ensuring maximum transparency in the Bank's activity, acting according to the legislation in force.

The principles of Corporate Governance, which include the creation of an effective system to ensure the security of funds offered by shareholders and their use in efficient way, respect of the rights of all shareholders, structuring of relationships and processes to cope effectively with environmental change, have been respected. In its interest, the Bank continuously monitors governance practices; identifying any weaknesses arising from external and internal changes which are examined and adapted taking into account the requirements of the legislation in force.

Internal control within the Bank is a set of means that allow the Bank's management to ensure that the operations performed, the organization and the procedures put into practice comply with the legal provisions, professional and ethical rules, internal normative documents and Bank's strategy.

The purpose of internal control includes failure prevention, measuring and exercising of the sufficient control over the involved risks, ensuring the adequacy and efficiency of internal processes, detecting irregularities, ensuring the reliability, integrity and availability of financial and management information, verification of the quality of information and communication systems.

The Bank has its own internal control mechanism. The internal control functions (risk management function, internal audit function and compliance function) are independent and have sufficient resources, knowledge and experience to carry out its tasks, and report directly to the Bank's Supervisory Board.

As important elements of the internal control are the internal normative documents, which are reviewed annually upon the necessity of their updating. Thus, during 2022, 133 internal normative documents were updated and/or elaborated, which constitute 27.5% of the total issued documents.

Ownership structure:

The Bank's shareholding structure was modified compared to the end of 2022, only in the list of minority shareholders as follows:

+ 5 new individuals

+1 individuals

By the end of 2022, the Bank had 137 shareholders, of which 136 minority shareholders holding 1.69% of the Bank's capital. The rights and legitimate interests of the Bank's shareholders are guaranteed by law, by the Article of Association and the internal normative documents of the Bank. According to the requirements of the legislation in force, the shareholders are entitled to request the redemption of the shares belonging to them. The decision regarding the redemption of the shares is taken by the General Meeting of Shareholders or by the Supervisory Board of the Bank within the limits of the competences established by the legislation in force.

Structure of shareholders of the Bank:

Category	Holding in social capital, %	Number of shareholder
Legal persons >= 1%	98.26 %	1
Physical persons >=1%	0.00	0
Legal persons < 1%	0.10 %	15
Physical persons <1%	1.59 %	121
Treasury shares	0.06 %	x
TOTAL	100 %	137

The bank's shareholders and groups of persons acting jointly and holding qualified holdings in the bank's share capital:

Name of shareholder	Country of residence	Number securities, unites	Holding in social capital, %	Effective beneficiaries of qualified holdings
OTP BANK NYRT	Hungary	9,825.785	98.26 %	N/A

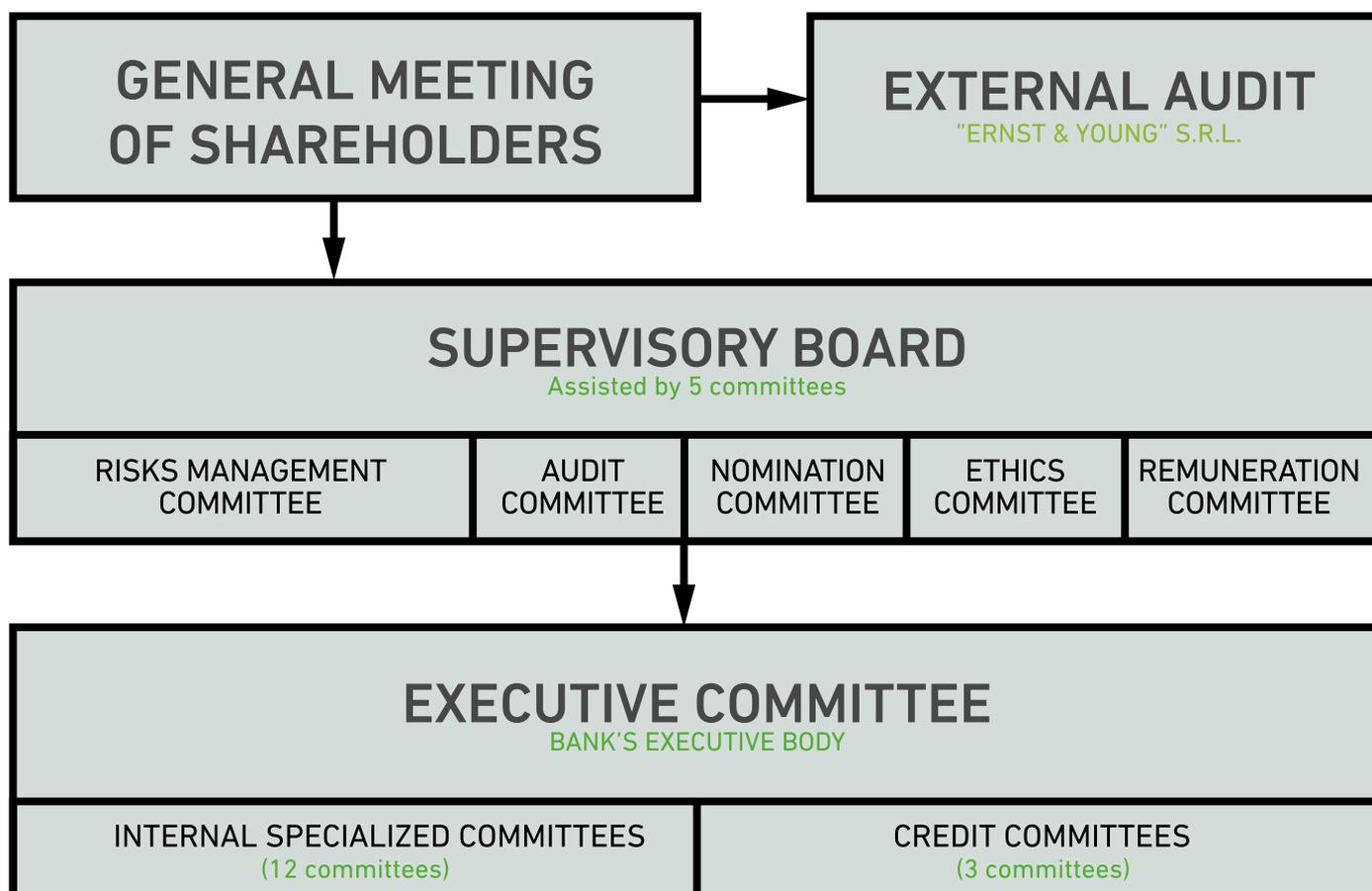
The majority shareholder of the Bank is OTP Bank Nyrt. (Hungary), which is listed on the Budapest Stock Exchange. The headquarters of the Parent-Bank is: 16 Nador str., Budapest, 1051, Hungary.

The securities of the Bank are admitted for trading on the regulated market - the Stock Exchange of Moldova.

Keeping of the shareholders' records is performed by the "Central Single Depository of Securities" S.A.

Type and the class of securities	Ordinary shares
Country	Moldova
Codul ISIN	<u>MD140TPB1008</u>
Securities admitted for trading at the regulatory market	Stock Exchange of Moldova MD 2012, str. Maria Cibotari, 16 mun. Chişinău, RM Tel: 022-277-592
Registry of Bank's shareholders	Central Unique Depository of Securities MD-2005, str. Mitropolit Gavriil Bănulescu Bodoni 57/1 mun. Chişinău, RM Tel. 0 22 999 546
Contact details	OTP Bank S.A. MD 2012, bd. Ştefan cel Mare şi Sfânt, 81 A, mun. Chişinău, RM, bir. 319 Corporate Governance Department Tel: 022-812-431, 022-812-339

Statutory governing bodies:



General Meeting of Shareholders

Bank's General Meeting of Shareholders has an important role within Bank's control and verification system. Bank's General Meeting of Shareholders holds sufficient competences that do allow to fully influence the politics promoted by Supervisory Board and Executive Committee activities.

Bank's shareholders have all the rights, obligations and responsibilities settled by the legislation, by Bank's Article of Association and internal normative documents.

The right of taking part at the General Meeting is held by Bank's shareholders included in Bank's Shareholders list, as well as in the list related to the shareholders who have the right to take part within the General Meeting. The shareholders can personally take part within the general Meetings or via power of attorney. Also, shareholder's right to vote can be suspended/limited on the basis of the legislation in force or via court decision, but the actions which the vote right is suspended/limited for are not excluded when the General Meeting of Shareholders is being convoked, as well as for settling the quorum, exceptions being the ones stipulated in the legislation in force. Upon case, these shares do not participate at voting when adopting decisions regarding the matters included in the General Meeting of Shareholders agenda.

During 2022 there have been convoked and held one General Meeting of Shareholders by correspondence on 28.04.2022. The meeting was attended

by shareholders and their representatives who hold 98.43% of the total number of voting shares.

The General Meeting of Shareholders was held having the National Bank of Moldova opinion regarding the list of shareholders who have the right to participate within Bank's General Meeting of Shareholders. Bank's shareholders had several possibilities to vote, either by sending it by post to the address: MD-2012, Republic of Moldova, Chisinau, 81/A Ștefan cel Mare și Sfânt Av., of.319, either by sending it via e-mail to gov@otpbank.md or by uploading the signed voting paper through the shareholders dedicated page on bank's website.

The shareholders could get acquainted with the materials for the General Meeting of Shareholders agenda on a dedicated page on Bank's site: <https://otpbank.md/infoactionari/>.

During the General Meeting of Shareholders, where had been examined the subjects both, for shareholders' interest as well for Bank's one, there were approved the annual reports of Supervisory Board, Executive Body, there were approved the amendments to the Bank's Articles of Association, including those relating to Bank's corporate name change - OTP Bank SA, approval of the external audit company etc. The adopted decisions were published in the regular editions of the Official Monitor of the Republic of Moldova, the newspaper „Capital Market” and placed in the Official Information Storage Mechanism and on the Bank's website.

In order to promote some strategic actions for the development of the bank in the next period, and in compliance with the recommendations of the NBM for the banking system of the Republic of Moldova regarding the lack of capital for the year 2021 (BNM letter no. 09-01114/23/735 of 11.03.2022) decided not to distribute the profit obtained according to the results of 2021 and to reflect it as „Undistributed Profit”.

SUPERVISORY BOARD

Supervisory Board is Bank's management body who has the role to supervise Bank's performance, approving and monitoring the implementation of the strategic objectives, management frame and corporative culture by Bank's Executive Body. In this context, the Supervisory Board defines Bank's activity administration frame, by assuring the elaboration, approval, implementation, permanent monitoring and periodical revision of the primary internal regulations that make the subject of all Bank's activity domains, inclusively the division of responsibilities within the company and the prevention of the conflicts of interests.

The Supervisory Board is responsible both for assuring certain best practices and institution's good management, as well as for regular financial reporting to the National Bank of Moldova. The functions of Risk Management, Compliance and Internal Audit, are under the direct supervision and responsibility of Supervisory Board.

Supervisory Board has 5 members, assigned and suspended by the General Meeting of Shareholders. Candidates' identification and recommendation for being assigned as Supervisory Board members, is carried out by Bank's Nomination Committee upon

the proposal of the shareholders who hold at least 5% from the total number of shares with voting right and upon personal initiative. At least 1/3 from Supervisory Board members are independent according to the definition settled in the Law regarding banks' activity.

During 2022, there were changes in the composition of the Bank's Supervisory Board, starting on 01.12.2022, the resignation of Mr. Attila Beer as a member of the Bank's Supervisory Board was approved. Thus, the numerical composition of the Bank's Supervisory Board, starting from 01.12.2022, is made up of 4 members.

The members of OTP Bank S.A. Supervisory Board as of 31.12.2021:

Supervisory Board members		Start of Supervisory Board Member	Mandate start	Is the member independent or not
President	Zoltán Major	25.07.2019	27.11.2020	Independent
	Eszter Erika Huszár	20.03.2020	27.11.2020	Independent
	Rodica Hîncu	20.05.2015	27.11.2020	Independent
	Taras Prots	27.11.2020	18.02.2021	Non-independent

Supervisory Board Members have a four-year mandate. The empowerments of each member from the Supervisory Board can cease before the settled term in case of resignation or based on the General Meeting of Shareholders decision, as well as in the case of approval's withdrawal by the National Bank of Moldova. In case if Supervisory Board membership is reduced with at least one member, a new Supervisory Board membership (full) is elected during the next annual ordinary General Meeting of Shareholders or during an extraordinary one. Thus, the quorum for holding Supervisory Board Meetings is kept in initial form that is at least half from the full membership.

Supervisory Board members contribute to an adequate governance within the Bank, inclusively via the personal behavior, and while carrying out their responsibilities do take into account the legal interests of the Bank, and of its deponents and shareholders. Supervisory Board members perform

their responsibility with honesty, integrity, objectivity and loyalty, do dedicate sufficient time and prudence, and in conformity with the legal provisions and normative frame.

In 2022, the Supervisory Board had 27 meetings, 5 in mixed form and 22 via correspondence, during which 189 issues were discussed. Thus, Supervisory Board activity in 2022, as well as for the previous years, was oriented for ensuring the performance of the strategic objectives settled by the bank, as well as the main activity directions.

Supervisory Board members was collectively reevaluated, in this context relating to the corresponding of criteria of art. 43 from the Law regarding banks' activity, afterwards being re-confirmed their appropriateness at the collective level taking into account their knowledge, aptitudes and experience.

EXECUTIVE COMMITTEE

Bank's Executive body is a collegial body, named Bank's Executive Committee, and pursues its management function upon all structural subdivisions, Bank's domains and direction, excepting the ones that are under the competence of the General Meeting of Shareholders and Supervisory Board.

The Executive Committee is composed of 7 persons with diverse experience and competence, whose nominal membership is approved by Supervisory Board. The President of the Executive Committee – CEO and the Vice-presidents of the Executive Committee act without power of attorney on behalf of the bank in any circumstance related to the activities it coordinates, as well as having the right to issue powers of attorney on behalf of the Bank.

The members of the Executive Committee, inclusively the President and the Vice-presidents of the Executive Committee are appointed for a 3 years term and begin carry out their function after being approved by the National Bank of Moldova. Members' mandate can be renewed by the Supervisory Board, for unlimited times for a 3 years term.

Members of the Executive Committee of OTP Bank S.A. as of 31.12.2022:

Members of Bank's Executive Committee		Start date of being member of the Executive Committee	Mandate's start / NBM approval (according to the CB decision)
President of the Executive Committee - CEO (from 11.04.2022 (Supervisory Board Minutes no. PV/CB/01.2022 from 10.01.2022)	Daniel-Bogdan Spuză	26.04.2020	10.01.2022 / 07.04.2022
Vice president of the Executive Committee – Commercial Director Corporate Banking	Elena Guzun	19.06.2015	18.06.2021 / 19.06.2015 /
Vice president of the Executive Committee – Commercial Director Retail Banking	Petru Delinschi	30.01.2020	30.01.2020 / 30.01.2020
Vice president of the Executive Committee – COO, Head of IT&Operations Division	Iurie Rusu	01.04.2020.	28.01.2020 / 27.03.2020
Vice president of the Executive Committee – CRO, Head of Retail Banking Divizion	Ruslan Cebotari	22.02.2021	11.11.2020 / 18.02.2021
Vice president of the Executive Committee – CFO, Head of Financial Divizion	Ion Veveriță	08.10.2021	29.06.2021 / 07.10.2021

During 2022, the nominal composition of the Executive Body was changed, as follows:

10.01.2022: Mr. Daniel-Bogdan Spuză was approved as President of the Executive Committee - CEO of the Bank, based on the NBM decision of 07.04.2022.

The Executive Committee carries out the Bank's current management in order to achieve the settled objectives within the business strategy and plan. The Executive Committee acts in Bank's interests, as well the ones of Bank's shareholders when carrying out its responsibilities, inclusively is responsible for Bank's financial performance.

Thus, the Executive Committee assures the adequate implementation of bank's administrative frame, works out and approves upon case the secondary internal regulations, knows and understands Bank's organizational structure, the risks it generates in order to

assure the carrying out of Bank's activities in correspondence with Bank's strategy, appetite for risk and policies approved by Supervisory Board.

The Executive Committee quarterly reports to Supervisory Board regarding its activity, focusing on the following subjects: important changes in the banking system, the situations that can influence the strategy and/or Bank's administrative activity frame, Bank's financial performance, balance evolution, the evolution of the credits portfolio, resources' evolution, the evolution of incomes and expenses report, the observing of limits related to

the conformity risks or rules, internal deficiency control system, etc..

The activity of the Executive Committee is annually evaluated by the Supervisory Board, at collectively and individual level.

During 2022, the Executive Committee had 62 meetings, 38 being by correspondence and 24 with presence or video conference, during which there had been discussed 496 issues.

SUPERVISORY BOARD SPECIALIZED COMMITTEES

There are four Supervisory Board specialized committees that are responsible for offering the necessary support to the Supervisory Board in order to carry out its responsibilities:

Risks Management Committee

Audit Committee

Nomination Committee

Ethics Committee

Remuneration Committee

The reporting committees are subordinated to Supervisory Board, are independent in front of the Executive Body and have a consultative function, putting forward proposals and recommendations to the Supervisory Board. The committees are exclusively composed of Supervisory Board members, where most of them must be independent, according to the criteria settled by the legislation in force.

The specialized committees interact among them in order to assure the coherence and in order to avoid discrepancies when taking decisions. This interaction happens by cross participation, so that the president or a member of a specialized committee can also be member of another specialized committee.

Risks Management Committee

Risks Committee offers support to the Supervisory Board regarding the appetite for risks and to the actual and future bank's risk strategy, and supports the Supervisory Board in monitoring the application of this strategy by the Executive Body. The general responsibility regarding risks is attributed to Supervisory Board.

The Risks Committee offers support to the Supervisory Board in order to settle the type, volume, format and frequency of the information regarding risks.

The Risks Committee had 4 meetings in 2022, where the following issues had been discussed: banking, economic, political environment; the analysis of credit portfolio; recuperation portfolio; market and country risk; structural risks; operational risk (inclusively the legal risk, banking security, conformity and reputational one); IT risk management; dashboard of the appetite for risk, etc.



Audit Committee

The Audit Committee has the mission of monitoring the domains regarding the modality of accounting and financial information is prepared and controlled. It has also the mission of monitoring the independence of statutory (external) auditors, as well as the efficiency of the internal control systems, of risks' measurement, supervision and control related to the accounting and financial processes. If necessary, it provides recommendations and its opinion to the Supervisory Board.

The Audit Committee had 6 meetings in 2022.

There had been presented and examined the following issues within the committee: examination of the **Ernst & Young External Audit Report for 2022**, the synthesis of audit activities, the

carrying out of the internal audit recommendations, statistics regarding the external audit recommendations that included the stage of finishing the NBM action plan and the one for external audit, the dynamics of recommendations, the statistics of NBM recommendations and of the external audit.

Other key audit issues: impairment of loans and advances granted to customers that will also be included in the audit report; IT systems relevant for financial reporting, this aspect being more important in 2022 conditioned by the migration to the new basic banking system.

The audit opinion contains the mention that refers to the implications of the conflict between Ukraine and Russia on the bank.

Ethics Committee

Starting on 29.12.2022, a new committee, the Ethics Committee, was approved during the Bank Council meeting.

Thus, the main responsibilities of the Ethics Committee are: approve the Code of Ethics, as well as all its updating changes, formulate opinions or opinions regarding conflict of interest situations that were previously managed by the Compliance Department and/or the Committee of Ethics and Compliance, when necessary, oversees compliance with the Bank's ethical framework and approves annual reports, according to its competence, etc.

In carrying out its duties, the Ethics Committee takes into account the need to ensure that the decision-making process of the management body is not dominated by any person or group of persons in a way that may be detrimental to the interests of the Bank as a whole.

The Ethics Committee examines the review of the reports prepared by the Compliance Department for the areas of ethics, approves the Code of Ethics, as well as the changes made as a result of its periodic review.

Nomination Committee

The Nomination Committee identifies and recommends the candidates for vacancies in the Supervisory Board, Executive Committee, as well as for the key functions.

The Nomination Committee had 3 meetings in 2022, where there had been identified and evaluated the candidates for the vacancies in the Supervisory Board and Executive Body, there were identified and approved the evaluation of persons who have key function in the Bank, there were approved the reevaluations of the collective adequacy of Supervisory Board Bank members and of the Executive Committee members.

Remuneration Committee

The mission of the Remuneration Committee is to examine the Bank's annual remuneration policy, and namely: proposes Bank's principles of the remuneration policy, analyzes the remuneration policy of diverse personnel categories, proposes the decisions of Supervisory Board regarding the benefits offered to Supervisory Board/Executive Body members, as well as the ones related to different personnel categories.

The Remuneration Committee collaborates with other specialized committees whose activities can have impact on policy' and remuneration practices' formulation and good functioning, and also offers the Supervisory Board, and upon case to the General Meeting of Shareholders, adequate information concerning the held activities.

The Remuneration Committee had 4 meetings in 2022, where there had been examined the payment of the performances carried out by the personnel identified at local level.

Internal Specialized Committees

There are the following internal specialized Committees within the Bank, constituted in order to assure a good level of protection against the risks the Bank is exposed to:

- | | |
|--|---|
| 1. Monthly Performance Analysis Committee | 8. Assets and Liability Management Committee |
| 2. AML Committee | 9. Work-out Committee |
| 3. Products Committee | 10. Customer Experience Management Committee |
| 4. Prices Committee | 11. Ethics & Compliance Committee |
| 5. Credit Risk Monitoring Committee | 12. Credit Committees.
(PV/CE/13.2022 din 30.03.2022) |
| 6. Projects and Investments Committee | |
| 7. Operational Risks and Crisis Situations Management Committee | |

Credit Committees

According to the crediting policies, the Credit committees assure the examination, approval and appropriation of credits, other commitments within the limits of competences approved by Supervisory Board.

The following committees activated during 2022, depending on the settled competences:

Bank's Credit Committee

Retail Banking Credit Committee

Corporate Banking Credit Committee

Thus, the Bank has an adequate credit risk management frame, which takes into account Bank's appetite for risk and risk profile, as well as the macroeconomic market and conditions. Also, it has crediting policy and procedures for the identification, evaluation, monitoring and control of the risk credit, inclusively the counterparty credit risk.

Like any Company wich providing financial and investment services, the operations / activities of the bank as a whole are regulated in detail and continuously monitored by the supervisory authorities.



Risk management and Compliance

MANAGEMENT RISK AND COMPLIANCE

Approach of OTP Bank SA to risk management is correlated with the business strategy, and therefore the actions planned to achieve the business objectives are aligned with the objectives of the risk strategy. The Bank aims to achieve a balanced ratio between risk and profitability, with the aim of generating sustained growth and adequate return on capital.

The internal risk management policies regulate the correct management of all significant risks for the bank, which ensures an overall low risk profile in the context of assuming properly assessed exposures. This objective is achieved by integrating risk in a management into daily business activities, strategic planning and business development in accordance with the defined risk appetite.

Risk management includes the entire planning activity, namely how major risks will be reduced and managed once they are identified. Monitoring the risk mitigation process includes tracking identified risks, identifying new risks, as well as evaluating the effectiveness of the entire process at the bank level.

OTP Bank SA uses several risk mitigation or, where possible, risk avoidance techniques. These include an internal control system framework and strict limits on risk-taking in line with the bank's risk appetite framework.



The general objectives of risk management activities are as follows:

- Establishing a set of fundamental standards for risk management within the bank, while maximizing potential earnings and protecting depositors' interests;
- Supporting the bank's business strategy, ensuring the pursuit of commercial objectives in a prudent manner, in order to maintain income stability and cover against unexpected losses;
- Supporting the decision-making process at the bank level, by providing a perspective on the risks to which the institution is exposed;
- Ensuring compliance with the best practices in the field of risk management and compliance with the requirements of the legislation in force;
- Promoting a culture of risk awareness and management, integrated at the bank's overall level, based on a full understanding of the risks the bank faces and how they are managed, taking into account the bank's risk tolerance and appetite;
- Ensuring an optimal capital position in order to ensure an efficient activity of the Bank;
- Development and implementation of a transparent risk management process for risk identification and management;
- Adequate monitoring, stress testing tools and escalation processes for relevant capital and liquidity limits and indicators.

To ensure an effective risk management process, control activities are implemented at all levels and functions within the bank. These include activities such as: approvals, authorizations, verifications, dual control, reconciliations, operating procedures reviews, asset security and segregation of duties.

An important component of the internal control system is also the establishment and maintenance of information security management systems that cover the entire spectrum of the bank's activities. The bank has adequate back-up facilities, which are regularly tested, to ensure the recovery of critical information and applications in the event of a disaster or system disruption.

Within the Bank, the internal control system is structured on three levels of control:

Level 1

or operational control (on-line), aims to ensure the correct execution of transactions. These controls are carried out by the staff of the business subdivisions and operational management at the front-office and back-office level, being incorporated into the bank's internal normative documents.

Level 2

or the control of the risk management functions and the compliance function, carried out by the Risk Management Division and the Compliance Department units whose duties are distinct and independent from those of the bank's business subdivisions.

Level 3

controls performed by the Bank's Internal Audit, which periodically evaluates and verifies the sufficiency, functionality and efficiency of the bank's internal control system. The Internal Audit function is independent of the other two levels.

OTP Bank SA ensures appropriate governance in the field of risk management and in establishing management standards for each risk category, for which risk approaches are consistently defined and implemented:

A. Credit risk management

OTP Bank SA has implemented strategies, policies and processes for identifying, measuring, monitoring, controlling and reporting credit risk.

The objective pursued in the credit risk management process is to promote a responsible, prudent risk approach, in accordance with the provisions of the legislation and best practices. The lending activity within the bank respects the principles of adequate separation of duties, so as to avoid conflicts of interest.

In 2022, OTP Bank SA continued to improve its credit risk management framework, with an essential focus on the following areas:

- implementation of the responsible consumer lending policy and practices,
- the development and implementation of new customer rating models, developed in accordance with the group's policies and the most current practices,
- adjustment of risk appetite, risk limits and credit policies in accordance with the volatile macroeconomic and geopolitical trends specific to the current period,
- analysis and continuous monitoring of the activity of customers exposed to the negative influences of external factors such as - the interruption of supply / delivery chains as a result of the war in Ukraine, the significant increase in the prices of energy resources, the increase in interest rates related to loans, including the effects of conditions adverse weather conditions from 2022,
- active monitoring of the portfolio, including the use of an early warning framework that allows identifying negative trends, in order to implement risk mitigation measures in a timely and adequate manner.

The bank aimed to standardize and simplify credit products granted to individuals, so that they are easy to understand by customers, bank consultants and all employees involved in the lending process. At the same time, credit agreements for Corporate and SME customers must contain an adequate degree of financial and non-financial protection.

B. Market risk management

Market risk is defined as the risk of recording losses related to balance sheet or off-balance sheet items, caused by the variation in market prices of financial instruments and equity securities held for trading, interest rates and exchange rates.

Market risk within OTP Bank SA is managed in accordance with the provisions of the Market Risk Management Instruction, which establishes the governance, measures and reporting standards for this type of risk. The concrete processes, content, responsibilities and principles are specified in this internal normative document.

The bank has established a comprehensive framework regarding market risk limits, which is regularly monitored (daily, monthly or quarterly) and reported to management.

The bank's reporting framework covers reporting and regulatory requirements, internal reporting requirements and processes, and the third-party reporting framework. Key developments in market risk management are covered in a series of dedicated reports.

C. Operational Risk Management

In 2022, the bank ensured the operational risk management activity, which is based on the following pillars:

- Risk Control and Self-Assessment (RCSA) - by identifying and assessing the risks related to the bank's processes, assessing the quality of the internal control system, including identifying vulnerabilities in the prevention and control system, as well as assessing exposure to residual risk.
- Monitoring of Key Risk Indicators on sensitive processes, by assessing and monitoring to the risk exposure.
- Scenario Analysis, which provides prospective assessments of exposure to significant impact and low frequency losses within a standardized estimation process
- Business Impact Analysis (BIA) - what determines the criticality of banking activity and the resources needed to ensure the bank's business continuity plan, serving as the legal basis for restoring the critical business processes.
- Identifying and collecting operational risk losses.

In 2022, in the conditions of pandemic crises (SARS-COV-2)/ deterioration of security in the neighboring country/ energy crisis, the bank increased emphasis on crisis management by drawing up punctual action plans, being continuously adjusted depending on the trends of the crises and the decisions issued by the authorities, aimed to:

- Ensuring business continuity;
- Protecting the bank's customers;
- Protecting the bank's assets and shareholders' interests;
- Protecting employees.

D. Liquidity risk management

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

ALM and Treasury Middle Office Department is monitoring short, medium and long term liquidity. Current (intraday) liquidity is monitored by the Treasury based on received information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Thus, Treasury maintains a portfolio of short

term liquid assets, largely composed of short term liquid investment securities, loans and advance to banks and other interbank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

On a short, medium and long term basis the liquidity is monitored by ALM unit which is reporting to ALCO current liquidity situation and funding needs for the future.

All efforts are concentrated on identification of liquidity risk sources, assessing risk exposures and setting appropriate limits to reduce the possible consequences of liquidity risk.

The Bank assesses liquidity and liquidity risk through the following activities:

- Analyzing the structure of assets from the perspective of liquidity and capitalization possibilities;
- Calculation and monitoring of liquidity indicators, both from the regulator (NBM) and internally developed, including liquidity buffers;
- Establishing minimum limits for liquidity indicators;
- Analysis of liabilities from the perspective of stability in conditions of liquidity crisis;
- Funding Plan developing

E. Interest rate risk management

The Bank's operations are subject to risk of interest rate fluctuations to the extent that interest-bearing assets and interest-bearing liabilities mature at different times or in different amounts. Risk management activities are aimed for optimizing net interest income, as long as market interest rate levels are consistent with the Bank's business strategies.

In order to assess the interest rate risk, the Bank takes into account the effect of a fluctuation of +/- 200 basis points on the present value of cash flows related to interest rate sensitive assets and liabilities, which is influencing the sensitivity of the economic value of equity (EVE), as well as the effect on the Net Interest Income during one calendar year.

In order to support the sensitivity calculation, the Bank is using GAPs between interest rate sensitive assets and liabilities by maturity bands. Allocation per each band is done according to the closest date between the maturity date and the interest adjustment date.

F. Strategic risk management

Strategic risk is the risk of divergence from planned financial and operational results due to unplanned and unforeseen obstacles, events or cycles of actions.

The bank's profitability management policy is to ensure maximum profitability, under normal or crisis conditions, in the context of maintaining other risks within the limits of the Bank's risk appetite.

The economic context of 2022 being characterized by high volatility required an intensification of strategic risk management activities throughout the year, namely:

- The permanent monitoring of the evolution of the banking market, the evolution of competitors, the decisions of the regulatory authorities and the performance of the Bank, which represented a constant input in the modeling of business evolution scenarios in order to update the business strategy when necessary,
- Elaboration and evaluation of alternative investment plans of the Bank's assets in conditions of increased volatility and uncertainty on the financial market in order to ensure a minimum level of exposure of the Bank to strategic risks,
- Focusing and aligning the entire team on meeting the objectives included in the business strategy for the year 2022 in order to reach the forecasted profit target.

G. ESG risks management

The bank is directly exposed to the effects of climate change and/or reputational risk as a result of the action of environmental and social factors (for example, through working conditions). The bank has implemented an internal regulatory framework, the main purpose of which is to highlight the extra-financial risks to which it is exposed, as a result of the impact of environmental, social and governance (ESG) factors on the credit profile of the borrower or the financed project, which may affect the debtor's ability to fulfill his payment obligations.

Since the clients financed by the Bank are differently exposed to ESG risks, the methodology adopted by OTP Bank SA aims to highlight and differentiate them accordingly.

Unique regulatory principles are established within the OTP Group, regarding the definition and management of activities subject to ESG risks in the process of granting and monitoring credits (including leasing products) granted to the Bank's clients (legal entities and natural persons practicing entrepreneurial activity), including customers managed by the Recovery Department.

The management of ESG factors in the credit granting process aims to minimize the risks of transactions affected by ESG factors. Social and environmental issues can affect customers' activity, cash flows, as well as their possibilities to develop their business. In this context, the role of ESG risk management is decisive in the process of identifying and managing legal, social and environmental aspects in order to minimize credit, reputational, regulatory and legal risk.

By including environmental and social aspects in the credit risk assessment process, the Bank also contributes to promoting the need to maintain appropriate social and environmental practices in the client's business.

Particular attention is to be paid to the Bank's clients' compliance with the relevant social and environmental laws and regulations, as well as the possession of the necessary licenses and permits for the activity.

COMPLIANCE

Compliance function within OTP Bank is a key component of the bank's internal control system, being responsible for identifying, assessing, managing and monitoring compliance risk, which is associated with the Bank's failure to comply with applicable law (laws, regulations, regulations, etc.) and internal regulatory documents of the bank. As a second line of defense, the Compliance function establishes policies and guidelines for managing risk areas in the field of compliance and provides advice and guidance on issues related to compliance with internal regulations, ethics, conflicts of interest and practices for management of reputational risk.

In 2022, OTP Bank S.A. continued to focus on building the compliance culture in the company, based on the Group's policies and guidelines, by implementing the Group's best practices and the highest international standards in the areas of compliance, ethics, conflicts of interest (including investment services), anti-corruption, identification and assessment of compliance risks, sanctions and suspicious transactions, due diligence, consumer protection, personal data protection, investment activities, identification and prevention of insider trading and market manipulation, international tax compliance - FATCA.

At the same time, an important aspect in the exercise of its internal control function is the establishment of an internal regulatory framework for the observance and execution by the bank's employees of the legal provisions in the field of preventing and combating money laundering and terrorist financing.

In this connection, the Compliance function comes up with a set of proposals for measures, regulations, procedures and instructions, aimed at systematic and permanent control of the bank's activity, in order to prevent exposure to the risk of legal and regulatory sanctions, risk of financial loss or reputational damage, as a result of non-compliance of the bank's activity with the provisions of the legal and regulatory framework.

In addition, the semi-annual compliance risk assessment carried out within the Bank allows the identification of more vulnerable and risk-exposed processes and business segments. Here we would like to mention that during 2021, the compliance risk assessment process was launched and carried out, which contributed to the identification of risks related to the field of compliance, and as a result - to the development of an action plan to reduce them.

Another important objective of the Bank is compliance with international sanctions regimes. For this purpose, within OTP Bank SA, a balanced internal system operates, through the implementation of policies and procedures designed to ensure the favorable regulatory framework, but also customer and transaction filtering solutions, with the aim of avoiding the involvement of the Bank in operations with the involvement of the parties under sanctions imposed by international authorities.

In order to improve the risk management system, OTP Bank continues to develop methodologies, tools and mechanisms for risk assessment.

The bank's Management supports the compliance function to be independent of operational functions and to have sufficient authority, resources and access to the Bank's Supervisory Board.

On regular basis, the Compliance function submits compliance reports to the Management on the activities performed, specifically concerning the verifications made and the related outcome, as well as the measures implemented and/or planned to remedy any shortcomings in order to remedy any non-compliances.

At the same time, an important aspect in the exercise of its internal control function is the establishment of an internal regulatory framework for the observance and execution by the bank's employees of the legal provisions in the field of preventing and combating money laundering and terrorist financing.

In this connection, within OTP Bank are applied internal policy and procedures for preventing and combating money laundering and terrorist financing, which allow to establish in time and prevent suspicious banking operations, as well as to ensure the implementation of the appropriate information system for identification of cases of non-compliance with the legislation and of the internal normative documents in this field. The main purpose is to provide maximum protection to the interests of the bank's customers by reducing as much as possible the risk of financial crimes and fraud. The OTP Group is committed to promoting an appropriate AML / CFT culture and increased awareness across the clients and branches.

Banks are required by regulations to permanently strengthen their ability to prevent and detect financial crime and non-compliance. There is an increased regulatory focus on fraud and compliance checks, with banks expected to take all necessary measures to protect customers from fraud and to identify risks of non-compliance in business processes. Financial crime and threats of fraud continue to evolve, often along with geopolitical and technological developments. The evolving regulatory environment continues to be challenging.

In conclusion, all measures taken in the field of compliance contribute to raising the level of corporate culture and strengthening ethical and conduct values, in order to reduce the bank's exposure to these risk areas to zero. The Compliance function provides the Management with support and advice in order to prevent conducts that could lead to penalties generate losses or cause significant damage to the Bank's reputation. In this scope, compliance activities also contribute to increase the Bank's value to the benefit of all stakeholders.



Commercial Activity

COMMERCIAL ACTIVITY

Despite the uncertain economic outlook and a cautious approach, OTP Bank managed to consolidate its top position in its key business segments: 3rd (third) place by total volume of loans granted and total volume of deposits attracted per banking sector.

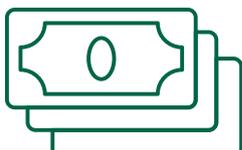
Thus, at the end of 2022, the portfolio of consumer loans amounted to MDL 1,465 billion, the portfolio of real estate loans amounted to MDL 2,130 billion, and the value of loans granted to legal entities amounted to MDL 703 billion. The volume of deposits and savings accounts of individuals reached the level of MDL 7,430 billion, and the portfolio of deposits attracted from legal entities amounted to MDL 1,597 billion.

OTP Bank currently serves more than 178 thousand active customers and offers a wide range of banking products and services through various channels, including its 54 banking offices across the country, of which 49 retail branches, 3 agencies, 1 corporate branch and 1 dedicated Private Banking branch. The modernization of the branch network in all regions of the country continued in 2022 by aligning with OTP Group's corporate identity. The opening of two new outlets: the Dalia Branch (Botanica sector) and the Tudor Vladimirescu Agency (Riscani sector), have broadened OTP Bank's presence in the Chisinau area, increasing the convenience of its clients and employees.

Following the OTP Group's impetus, the Bank continued the modernization of the ATM network, implementing state-of-the-art solutions and technologies. The transition to the new generation of ATMs involved the installation of 74 additional ATMs with new functionalities such as cash-in and cash recycling. The bank currently has 85 cash-out ATMs and 64 cash-in/recycler ATMs. OTP Bank has opted not only for modern and reliable

ATMs, but also for machines with low energy consumption. Maximising banknote storage capacity in ATMs significantly reduces the frequency of cash handling and transport operations, thereby reducing the carbon footprint. Moreover, some ATMs are equipped with Braille keypads, making them accessible to the visually impaired.

In 2022, the Bank continued the development of its Internet and Mobile Banking solution, launched in record time a year ago. This is in fact the only solution on the banking market in the Republic of Moldova, which allows the management of personal and business bank accounts in a single application, accessible from anywhere in the world and from any Internet-connected device. The stabilization of the application after the migration to the new card-processing center and the new information system, as well as its adaptation to new market trends will continue in 2023.



Retail Banking

The turbulent and unpredictable economic and geopolitical context has led to the application of dedicated business approaches to support retail customers, including Ukrainian citizens.

During the year, the Bank made considerable efforts to optimize internal processes as well as to adapt them to the new regulatory paradigm. Thus, new savings products for individuals were launched in 2022, with specific and even unique functionalities on the market at the time of launch, and the Bank offered additional benefits and the chance to win valuable prizes during promotional campaigns.

During the year, a new social card was also launched - Visa Sigur, aimed at pension and social allowance recipients. The new card came bundled with „more benefits, more security and more prizes”, this also being the slogan of the promotional campaign. During the promotional period, OTP Bank offered every client who opened a card: a free accident insurance worth 25 000 MDL, advantageous interest rate on the account balance, guaranteed cashback and a chance to win monetary prizes.

OTP Bank continued to support agricultural entrepreneurs in 2022, offering professional advice, fast and advantageous lending solutions, aligned to the needs and specific business activity of companies in this sector, including through the AgroFrabrica financing concept launched by OTP Bank two years ago. In the first half of the year, the AGRO 2022 Spring Campaign „Credit Darnic” was launched, in which, by drawing lots, prizes were offered by the bank’s partners: vouchers for the purchase of agricultural raw materials (seeds, fertilizers, herbicides, pesticides, etc.), as well as a Dacia Duster car - the grand prize offered by OTP Bank. Thus, thanks to its persona-

lized and efficient approach, the Bank has strengthened its position on the market, recording a 12% share in the portfolio of loans for agriculture, granted per banking sector.

In 2022, new advantageous lending solutions were developed to support small and medium-sized businesses, which is an important business segment for the Bank. Personalized approach, preliminary financing decision in maximum 1 working day, facilitating access to advantageous credit and lease financing resources, including from international resources and with grant component - are just some of the benefits offered by OTP Bank.

In order to facilitate SME customers’ access to banking services, BASIC and BASIC + current service packages have been launched. These are designed for companies with annual sales up to 50 MMDL and offer a range of benefits in a single package. These include a single fixed monthly fee: current accounts in lei and foreign currency, OTP Internet and Mobile Banking service, Visa Business cards for national and international use, payments in lei to other bank clients, salary transfers for employees and currency conversion operations.

In April 2022, as part of the promotional campaign „All bank services for your business, in one package, FREE”, the BASIC package was offered free of charge for a period of 6 months for new customers, and for newly established companies - for a period of 12 months. Additionally, companies could benefit from a Mobile term deposit in MDL with preferential interest. The main objectives of the campaign were to facilitate the access of customers to banking services, support newly established businesses, and promote the performance of current operations through the remote service - OTP Internet and Mobile Banking. By the end of 2022, more than 3000 SMEs have benefited from discounts under the BASIC and BASIC + packages.

During 2022, activities and projects were carried out, with the support and expertise of the Group, aimed at driving sales and supporting excellence in customer service, improving commercial indicators and maintaining the level of motivation and involvement of sales teams.

At the same time, commercial actions dedicated to promoting and selling the Bank’s products and services were expanded. Thanks to the Bank@Work project, the Bank’s presence was expanded by increasing the number of branches involved in consulting & servicing clients in the salary projects. The development of the Direct Sales Agents concept continued, correlated with the economic realities related to 2022. Thus, in addition to attracting new customers and animating inactive customers, sales agents were involved in actively promoting lending and savings products.

In 2022, the Bank continued the development of alternative sales channels by launching the POS Lending project, which is an innovation in the banking sector, offering consumers the opportunity to purchase goods and services in instalments, directly in Partner stores. The strategic objective of the project was to develop the functionality used by the Partner and to implement the competitively priced offer for lending products exclusively for individuals.

Corporate Banking activity

Corporate Banking business line continued its upward trend, registering sustainable performances in all its areas of activity. In a very complicated economic environment, fuelled by regional instability and the war in Ukraine, as well as uncertainties related to the energy market and inflationary pressures, Bank has made significant efforts to remain a trusted partner for its customers.

Strengthening and development of partnership relations with the largest companies in the national economy, collaboration with successful enterprises and facilitation of international trade remained our priority directions of activity for 2022 year.

Despite the macroeconomic and monetary policy challenges, bank has shown openness towards financing the economy, so that the Corporate loan portfolio increased by over 15.5%, registering the most robust growth among our business lines. The bank has implemented important projects in multiple key sectors of the national economy: medical services, retail trade development, agro-food and processing industry, winemaking, distribution and logistics, etc.

The high quality of the bank's loan placements once again confirms the prudence and correctness of our lending decisions, especially in a volatile economic environment.

In 2022, OTP Bank maintained its position as the reference bank for multinational companies, which are present in Moldova, as well as for the largest enterprises in the country. Being part of OTP Group has facilitated our clients' access to modern financing technologies and international cash-management platforms. The central pillar of the Corporate Banking activity is our team, made up of professionals in customer relationship management, structuring complex financing transactions and offering high-quality banking services.

Leasing activity

The Leasing activity has registered a rhythm of consolidation and adaptation to the new credit policy standards related OTP Group, showing an increasing trend of the market share and a constant pace for the portfolio volume. OTP Leasing still remains one of the top leasing service providers, offering financing into business segment, especially for equipment and specialized vehicles procurement.

The 2022 year was one of major changes for the Bank, where the development of important IT projects continued with the involvement of the leasing team, leading to the possibility to launch in the net year and IT Tool for leasing purposes which will allow the presence of the OTP Leasing products into the Retail and Consumer market.

Relationship with International Financial Institutions

In 2022, OTP Bank S.A. consolidated its position as an important player in the implementation of financial projects for business environment development in the country, continuing to remain a reference bank for International Financial Institutions (IFI) and the European Union in the Republic of Moldova.

Collaboration with IFI has improved significantly, in particular, thanks to the launch of a new financing project with the European Fund for South-Eastern Europe (EFSE), which has provided to OTP Bank S.A. EUR 20 million equivalent in MDL. At the same time, due to the continuous cooperation with the EBRD, which in 2022 granted the Bank new EUR 15 million loan under the EaP SMEC facility with Grant component of up to 15%, remaining the only bank in Moldova financing companies through financial leasing with grant component.

In cooperation with the local authorities, thanks to the successful implementation of the credit programs launched with support of the Government of Moldova, OTP Bank S.A. had the solid position of a strategic and important Partner for OGPAAE, IFAD and UIP Fruit Garden (EIB). Especially for CEB facility distribution, which granted subsidized interest credit (10% of credit with 0% interest rate) to help SMEs in the country with liquidity needed to increase investment and production capacity. In this sense continuing to remain one of the leading banks in Moldova in terms of CEB financing, in 2022 OTP Bank S.A. granting subsidized loans in the equivalent amount of EUR 5.20 million to its clients focused on creating or maintaining viable jobs.

OTP Bank continued actively promote the financing programs for Young Entrepreneurs and Women in Business, the primary goal being the development of business in rural areas, offering access to special conditions

and a reduced price and financial incentives up to 40%. This was possible due to the involvement of the Ministry of Finance of Moldova, the Office for the Management of Foreign Assistance Programs (OGPAE), the International Fund for Agricultural Development (IFAD) and the Organization for the Development of Entrepreneurship (IP ODA).

Likewise, the Bank maintains and intensifies the axis of deep collaboration with OGPAAE, UCIP IFAD (support of Agro-Industrial companies) and EIB (UIP fruit Garden) where the final beneficiaries financed from international funds benefited from funding with Grant component, various advantages as discounted interest rates, Tax and Duty exemptions and free technical assistance.

Correspondent Banks

OTP Bank S.A. proves to be a strong and reliable partner, by performing of the related international trade foreign currency payments of the clients, via its accounts held in 12 foreign globally representative banks and a wide network of correspondent connections through RMA relations (SWIFT keys). The historically established correspondent relations with first-class foreign banks facilitate cross-border payments both in terms of security and efficiency, as well as through the speed of transaction processing and the avoidance of high costs related to the receipts applied by intermediate correspondent banks.

Clients have possibility to process payments in more than 120 currencies that enable them to trade across the world, having several advantages such as: protection against currency risk, lack of additional taxes to the standard ones, fast execution of payments and without limitations of minimum / maximum amounts.

OTP Bank S.A. opts to maintain mutually beneficial and long-lasting relationships, while also committed to providing quality services, in line with the level of expectations and needs expressed by customers.

In the context of strict regulations, both at the local level and due to the rigorous policy of the OTP Group, each existing or potential correspondent bank is subject to a complex, thoroughly and prudently conducts the due diligence examination by preparing an exploring analysis, assessing and evaluating their system of ways and means applied against money laundering and terrorism financing, according to national and international requirements to ensure that the banking partner is safe and of impeccable reputation.

Digital solutions in Cash Management

In 2022, the effort of the Cash Management team was fully allocated to the development, migration and automation of services offered by digital products for legal entities, including multinational companies. „OTP Internet & Mobile Banking” and „International Account Management” (MT101/MT940/MT950/MT942) were migrated to the new Core Banking System platform, which allowed access to the respective services with high performance. Now, the automatic and online processing of payments (local, treasury, salary),

receipt of statements has allowed clients to become autonomous in the management of treasury, payments, and access to bank accounts (24/7) and without the intervention of bank operators and bank support.

In record time, the Bank's team demonstrated commitment to the migration of digital products and customer database by providing individualized support (visit, zoom), technical expertise to ensure a smooth migration from the old rigid system to the new one.

Trade Finance and Factoring

In the context of the previous year of regional instability and disruption of supply chains related to the conflict in the neighbouring country, OTP BANK S.A. actively supported the foreign trade activity of its clients, offering the full package of instruments to reduce the risks of non-delivery/non-payment.

The Bank is strengthening its role as a financial advisor to the client, to help them explore and approach new markets by offering a wide spectrum of Trade Finance products that represent risk minimization tools in import/export activity by organizing webinars to present and promote Trade Finance tools of bank guarantees, documentary and stand-by letters of credit, documentary encashment, as well as the option of financing by discounting letters of credit.

With stable correspondent relationships with first-class banks and inclusion in the EBRD and IFC trade facilitation programmes, OTP Bank offers trade facilitation instruments at the highest international standards. For the 7th consecutive year, the Bank has been nominated by the European Bank for Reconstruction and Development as the „Most Active Issuing Bank in Moldova in 2021”.

OTP Bank is one of the few banks in the market offering export factoring, helping local exporters to increase their competitiveness in the global market. In 2022, the first transactions were made in the FCI's 2-factor system*.

For next year, the digitization project is underway by implementing a high-performance IT solution. This will enable the bank to offer customers the best receivables financing services and develop supply chain financing solutions.

**Factors Chain International*

Capital Markets Activity

OTP Bank S.A. carries out numerous activities on the international and local Moldavian capital markets with involvement in securities operations, operations of attraction and placement of funds on interbank market, as well as monetary operations of the National Bank of Moldova.

OTP Bank S.A. always was and remains an active participant of the Moldovan securities market. The bank invests its own resources in State Securities (SS), National Bank of Moldova Certificates (NBC), and offers intermediation services to its clients who can benefit from a full range of investment products.

In 2022, based on the availability of liquidity, the Bank's total investments in SS and NBC compared to 2021 decreased by about 32.7% (only for NBC was fixed a decrease by 39.2%, and for SS – an increase of more than 2 times). At the same time, as a result of management of the available liquid assets within the aforementioned operations,

and due to the increase in interest rates during the year, the obtained income constituted a 2.4 times increase, compared to the level of the last year. The average volume of SS portfolio maintained for the Bank's clients was 460 million MDL, representing an increase of about 77% compared to 2021.

The Global Transaction Banking Department has performed various operations of placements and borrowing of resources in local and foreign currency for the purpose of more efficient management of the bank liquidity. The annual volume of overnight deposits placed at NBM had an increase of approx. 57.5%, and the total income volume increased by approx. 13 times compared to the level of 2021. The turnover of monetary transactions with foreign currency (especially overnight deposit placements in USD) had an increase of 12.9%, and the income obtained (also due to the increase in interest rates) increased 39.6 times compared to last year.

Monetary Market (Forex)

Because of geopolitical, macroeconomic inflationist conjuncture, in 2022 Forex market registered high-level volatility. Therefore, occurred active intervention from National Bank of Moldova through instruments of Monetary Policy – it generated complex structural changes by currency in assets and liabilities of the bank.

Under this circumstances OTPBank have managed to generate a growth of +27.2% in volume of FX transactions compare to previous year;

At the same time due to concentration of competitive environment, it had mark down a sharp increase in Forex net banking income up to 304,7 mil. MDL, growing by over + 70% compare to previous year.

NON-FINANCIAL STATEMENT

Through the established Corporate Social Responsibility (CSR) policy, OTP Bank S.A. strengthens its role in society: a reliable partner for its employees, customers and suppliers, which the Group supports in achieving their dreams and goals, and a factor of progress for the economy, the environment and the future society.

Concern for the environment, responsible consumption and sustainable solutions are a priority, and the Bank acts consciously and with a sense of responsibility regarding the impact of its actions on the environment, its employees and the community in which it operates. Thus, in 2022, OTP Bank S.A. started to build the ESG strategy (environmental, social and governance factors) in line with the Group's vision, in collaboration with responsible subdivisions of the Group, focused around the Bank's portfolio of products and services.

The actions that will guide OTP Bank Moldova in the implementation of the ESG Strategy will focus on three 3 areas of responsibilities:

1 Responsible Financial partner:

with the aim of financing the gradual transition to a green, low-carbon economy and offering a range of sustainable products and balanced financing options. This strategic direction refers to increasing the product portfolio with green credit and other financing solutions, developing digital products and channels, active ESG risk management practices in banking.

2 Responsible Employer:

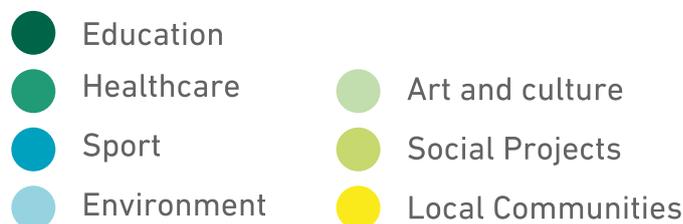
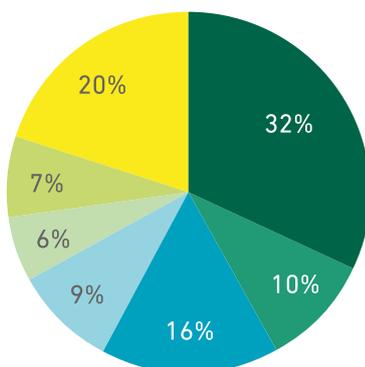
with the aim of developing and implementing active ESG management tactics, integrated into the governance model and continuous investment in employee well-being and development, inclusion and diversity, and employee involvement in decision-making;

3 Socially responsible actor:

by setting ambitious targets, in terms of their own actions to adopt responsible consumption within the organisation and reduce CO2 emissions from their fleet. Creating a positive social impact, not only by offering responsible products and communication campaigns, but also by continuing CSR activities - protecting the environment, supporting active and healthy living, culture and art, health and through the Financial Education Foundation's educational project „OK”.

OTP Bank has always been concerned with contributing to the development of the community in which it operates, being actively involved in supporting financial education, promoting culture and the arts, in the medical and sports sectors, as well as volunteering. The priority axes of OTP Bank's Corporate Social Responsibility Policy are: art and culture, sport and healthy lifestyle, financial education, environmental protection. At the same time, the Bank supports local communities through sponsorships and donations, but also through volunteering and solidarity actions.

In 2022, OTP Bank Moldova sponsored social initiatives of 32 associations or institutions in various fields, with the largest share of financial education projects - 32%, followed by support to local communities - 20%, sports - 16% and health - 10%. It should be noted that last year about 9% of the budget allocated to social projects was directed to the development of environmental initiatives, which are becoming increasingly important in the Bank's CSR policy.



Financial Education

One of the priorities for 2022 in CSR activity was to support financial education. Through the „OK” Foundation for Financial Education, in three years of activity, we have managed to reach various localities of the country, bringing financial education programs and games to over 5000 children, youth and adults. At the same time, 29 national and international partnerships have been established. At the beginning of the school year, OTP Bank together with the Foundation team donated 100 backpacks with school supplies for primary school students from socially vulnerable families. As part of the national campaign dedicated to the Global Money Week, a series of activities were carried out, such as:

Financial Education Marathon (webinars for students), training „About real estate investments”, educational videos, contests and prizes, etc.

To support women in business, two editions of „Financial Management for Women in Business” were organized in collaboration with the EBRD Moldova Team, with the financial support of the Government of Sweden (Embassy of Sweden in Chisinau). The beneficiaries of the project were 65 businesses run by women, client OTP Bank.

Culture and art

OTP Bank continues to be a loyal partner of culture and art, supporting institutions of national importance, such as the National Art Museum of Moldova and from 2022 - the Republican Theatre „Lucafarul”. A special edition of the European Night of Mu-

seums event was organized in 2022, after two years of restrictions, which gathered a very large number of visitors thanks to the diverse cultural program with interferences between visual arts, music and poetry.

Investment in Health

OTP Bank supports the healthcare sector and responds to the needs put forward by healthcare institutions with responsibility. Last year the Bank directed financial resources to the Institute of Neurology and Neurosurgery „Diomid Gherman” in Chisinau

for repair works. We also financed the equipping of a physiotherapy room for children with disabilities within the Association for Children with Disabilities „Steaua Calauza/Centrul Nicusor” in Gratiesti commune.

Sport as a lifestyle

The promotion of a healthy lifestyle and the practice of sports were reflected through social initiatives supported by OTP Bank, such as - the Chisinau International Marathon gathered over 80 employees on the running track, the Hospice Bike Tour to support cancer patients in terminal stages, participation in the AIR Cup football tournament, as well as participation with the Business League football team, where OTP Bank was Official Sponsor.

OTP Bank supports the development of Moldovan football being the Main Partner of „ZIMBRU - 1947” Children’s Football Academy for 3 years already. Almost 500 children train and develop their football skills in the Academy. This year the Bank also came up with a donation of bottom equipment for the academy disciples.

Environment

Concern for environmental protection and responsible consumption of resources has been shaped by several important projects. OTP Bank has taken under its care an elm plantation in the Botanical Garden in Chisinau. With the Bank’s financial support and the work of its proactive employees, the rehabilitation of the elm plantation

was achieved. Further plans are to set up an eco relaxation area and rehabilitate a rustic fountain, all under the aegis of OTP Bank. Also last year, OTP Bank supported the World Environment Day event with an exhibition of billboards made of recycled materials.

Closer to local communities

The Bank has also focused its efforts and resources on supporting local communities. Thus, we contributed to the improvement of the educational process by supporting children attending the mental arithmetic school to participate in the International Olympiad in Egypt, awarding prizes to the best graduates of L.T. „Hyperion”, or. Durlesti. We organized Children’s Day for children with Down’s Syndrome, A.O. „Sunshine”, disciples of the Fo-

otball Academy „ZIMBRU - 1947”. We contributed to support inclusion in society by marking the International Day of Persons with Disabilities and the International Day of Persons with Down Syndrome. At the same time we supported the improvement of the performance of young athletes of the club „Senshi no kokoro” in Ceadir-Lunga.

“Solidarity for Peace” Campaign

OTP Bank has mobilized its efforts to support the Ukrainian people through a series of actions within the #SolidarityforPeace social campaign: financial donations and commercial facilities, including the introduction of currency exchange with the Ukrainian Hryvnia, payment of rent for refugees, laptop donation, volunteering at one of the temporary placement centres, donations of goods and essential products, purchase of tickets to support a charity football match at Zimbru. At the same time, the Bank sponsored the recording of an audio book in Romanian and Ukrainian.

The social campaign #I’mSanta-Christmas continues for the third year, gathering over 500 volunteers, OTP Bank employees. The concept of the campaign is to provide Christmas presents to children from foster homes, socially vulnerable families. This year the help offered by the employees was directed towards the foster care centres under the care of our partner A.O. „Concordia. Social Projects”. In the three editions of the campaign, almost 850 children from different regions of the country received help and gifts.

OTP Bank became the Main Partner of the social project „Winter Story” - Calancea’s LUPIL and Osoianu’s Sisters, with the aim to offer social support to old people and children from disadvantaged families, promoting Moldovan culture and traditions. About 1120 children and 510 elderly people benefited from social aid during the hikes organized in various localities within the framework of this project.

The supreme award „Golden Mercury” in the nomination „Socially Responsible Trademark” at the National Trademark 2022 competition confirms OTP Bank’s status as a socially responsible company that invests in the welfare of communities through sponsorships and donations, supporting impactful social initiatives and projects.



Responsible employer

Developing in a dynamic and challenging environment, OTP Bank implements responsible human resources policies, designed to support the development of a sustainable environment characterized by ethics, professionalism and responsibility:

- Investing in the development and continuous training of employees;
- Fair pay and career advancement opportunities based on merit;
- Retaining talent in the organization;
- Equal rights, treating employees with respect and fairness, without discrimination;
- Information and involvement in the bank's activities;
- Health and safety in the workplace;
- Work in quality conditions and environment with modern equipment.

The OTP Bank's strategy in the field of human resources is oriented towards consolidating the status of reference employer on the local market, having as priorities the following strategic directions:

- a.** Training and continuous development of bank employees through the implementation of new training programs, tools and modern means of professional and personal development;
- b.** Supporting internal mobility and developing career programs;
- c.** Development of organizational culture and continuous improvement of the working environment and conditions;
- d.** Increasing team commitment and promoting the values that unite us;
- e.** Promote and achieve constructive collaboration through transparent communication focused on the sustainable development of the team and the Bank.

a. Training and continuous development of employees

As a strategic partner of the business, the Human Resources and Institutional Communication Department builds its strategy and focuses its efforts to maintain the image of an employer of reference, by implementing various programs and initiatives aimed at motivating and retaining employees, offering career growth and professional development opportunities.

Thus, during 2022, more than 29,000 hours of training were organized, on average constituting ~ 32 hours/per employee, the main objectives of training and development of bank employees being:

- Change management support in the process of **migration to the bank's new information system:**

To achieve this objective more than 580 bank employees were trained in various training activities (organized both in offline and online format) to familiarize and master the functionality of the new information system:



47
offline training
DAYS

584
PEOPLE trained
offline & online

6 232
delivered training
HOURS

- **Development of the commercial skills**

of the bank's Business team employees, by organizing training sessions on various dedicated topics, such as:

Advanced Sales & Negotiation

Sales workshops (CLIPRI & CLIPRO)

Selling, Negotiation and Persuasion through Role Play etc.

- Promote **risk management and compliance** knowledge and culture at all levels in the bank by organising regular eLearning trainings on the internal MyLearning distance learning platform;

-
- Support **organizational and cultural transformation** by implementing leadership improvement and development programs such as:

Inspirational Leadership - a managerial program, dedicated to the team of managers in the Bank's Branch network, focused on developing the ability to create passion and enthusiasm in employees;

Leadership Academy (2nd edition) - talent management programme, focused on identifying and training tomorrow's leaders;

Leadership Transformation Program - a change management program, dedicated to the Bank's middle management team, which includes a series of activities to reinvigorate the organizational culture by optimizing management practices and approaches, thus improving collective performance.

b. Supporting internal mobility and developing career programs

OTP Bank TP Bank continues to support employee development by encouraging internal mobility through the establishment of a career development framework and the organisation of development programmes, focused on ensuring business continuity, by providing qualified staff for key Front Office positions. Thus, during the year 49 employees successfully completed training programmes, giving them the opportunity for career advancement.

- CLIPRI School - program dedicated to the training of future Individual Client Counselors

- CLIPRO School - a specialized program for the training of future Legal Advisers

c. Development of organizational culture and continuous improvement of the working environment and conditions

In order to improve the organizational culture and diversify the work environment, during 2022 several HR projects and initiatives were implemented, such as:

OTP Group Engagement Survey - questionnaire launched for the second consecutive year, centralised at OTP Group level and aimed at all employees. The results help us measure engagement, satisfaction and other important elements in relation to the people who make up the OTP Group team;

Developing team spirit by organizing internal corporate, thematic events and involving open colleagues for development and contribution:

- Loyalty events for employees with more than 10 years of experience in the bank;
- Employee reward events for individual performance;
- Leadership Team Meeting - event dedicated to the leadership community;
- Creative workshops for employees and their children to provide work-life balance;
- Skills development events led by OTP employees for employees.

Appreciating the loyalty and performance of the people who have contributed to the Bank's development over the past 14 years;

Implementation of the internal OTPersona program which aims to develop a community of ambassadors consisting of bank employees who promote the OTP Bank name on social media;

Open Day - a monthly exercise to introduce colleagues and subdivisions of the Bank in which they perform their roles, with the aim of facilitating understanding of activities and collaboration between subdivisions;

OTP Hobby Club - monthly online events on various non-banking topics of common interest to bank employees;

Front Office Dress Code - providing Front Office employees with business-style clothing items accompanied by corporate identity elements (badge).

Ensuring a climate based on team spirit and practices where employees' needs and passions are noticed, continuous development and career growth, wellness and health benefit programs, flexible working hours and internal events - through all these actions and projects we are committed to creating a working environment that contributes to the well-being of OTP Bank employees.

OTP Bank's people are the driving force of the company, the key element of the Bank's success, i.e. In order to promote a healthy way of life as well as the well-being of the employees, OTP Bank in 2022 implemented Optional Medical Insurance for both the bank's employees and their family members (spouse, children).

Respect for human rights and the fight against corruption

The bank's corporate governance framework and Human Resources policy are built on the current legislative framework on the protection and observance of human rights and all interested parties - shareholders, investors, customers, business partners, employees and civil society.

OTP Bank is committed to high standards of ethical behaviour and has a zero tolerance approach to corruption, violation of these principles is not appropriate for good corporate governance. In order to comply with the legislation on the prevention of corruption and ethical principles in all areas of activity, the bank has implemented anti-corruption policies and the Code of Ethics. These basic internal regulatory documents are supported by our ongoing investments in technology

and training. During 2022, trainings were organized through mandatory e-learning courses, which ended with tests successfully passed by the bank's employees.

We also mention that OTP Bank was awarded the „Golden Mercury” for the nomination „Implementation of integrity standards in the private sector”, an award that demonstrates compliance with the code of business ethics and the implementation of mechanisms to promote integrity and anti-corruption standards in business.

