



Your financial  
partner

# 2023

## Annual Report



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**Bogdan SPUZĂ**  
President of the  
Executive Committee CEO

# Message from the President of the Bank's Executive Committee - CEO

Zoltán MAJOR

The year 2023 presented a relative normalization following the latest geopolitical and economic shocks. As inflation rate decreased, the financial system aimed to support business recovery. At the same time, Moldova's proximity to a war zone continues to negatively impact the population through price increases.

Throughout this period, OTP Bank has supported customers and partners by simplifying processes, improving digital financial solutions and offering a wide range of products adapted to local needs.

In 2023, we accelerated the bank's digital transformation rate by: significantly reducing the processing time of online credit approval and urgent interbank payments in MDL; the implementation of the MPay government payment system, and the integration with MConnect that will facilitate a digital onboarding channel and online KYC updates for legal entities. Among past year's achievements is the launch of one of the most innovative payment tools in Moldova - the payment ring - an exclusive product that set new standards in customer experience.

OTP Bank remains a reliable partner for international development organizations, working with more than 30 programs launched in Moldova, offering support to small and medium-sized businesses, actively promoting financing programs among young entrepreneurs and women in business. In 2023, more than EUR 20 million of the bank's total lending volume has been dedicated to new investment projects focused on creating or maintaining viable jobs.

The bank supported small and medium-sized business alignment to European standards by facilitating lending worth EUR 35 million under the EU4business EBRD Credit Line program and EUR 14.82 million euros under the EaP SMEC phase I. In December 2022, OTP Bank signed a new loan agreement with the EBRD under the EaP SMEC phase II facility with a Grant component, increasing its loan portfolio by EUR 15 million. OTP Bank is still the only financial institution in the country that offers financial leasing with a grant component.

We aim to lead in promoting equal opportunities. On September 26, 2023, we strengthened our commitment to gender equality by becoming the first bank in Moldova to sign a Memorandum of Collaboration with UN Women for the implementation of Women's Empowerment Principles (WEPs) in business.

In 2023, we continued to make valuable contributions to local communities through entrepreneurial programs, social and environmental projects, volunteering and charitable efforts. Everything we have achieved can only make us proud of the commitment of our colleagues, while the trust of more than 164 thousand clients – individuals, SMEs and corporations – inspires us to set more ambitious goals for the coming years.

In 2024, we will focus on organic growth, digital transformation, product range development and alignment of the bank's activity with environmental, social and governance (ESG) principles. These strategic directions will

bring us closer to our vision – that of a modern, socially and environmentally conscious bank.

The coming years bring valuable opportunities for Moldovan business. The opening of EU accession negotiations in December 2023 represents a decisive approach to the guarantee of security, stability and prosperity represented by EU membership. OTP Bank supports this path, capitalizing on OTP Group's 75 year experience in the region.

OTP Group has accumulated a vast and impressive portfolio of achievements in the European Union. Successfully acquiring and integrating 23 banks since the early 2000s to date, the Group is one of the most stable and profitable financial institutions in Central and Eastern Europe, with an adjusted consolidated profit of EUR 2.641m and an annual ROE of 27, 2% (+16.2 pps over the previous year) in 2023.

Along with our experience as a local leading bank, the regional expertise of OTP Group colleagues and the support of a wide network of development partners, OTP Bank brings another key advantage – the attention and care we show our clients. Together we can demonstrate the resilient and innovative character of Moldovan business.

# BANK MANAGEMENT

## Members of the Supervisory Board

<b>Tibor László Csonka</b>	Chairman of the Supervisory Board
<b>Dr. Bálint Csere</b>	Vice-Chairman of the Supervisory Board
<b>Dr. Károly Szász</b>	Member of the Supervisory Board
<b>Rodica Hîncu</b>	Member of the Supervisory Board
<b>Eszter Erika Huszár</b>	Member of the Supervisory Board

## Executive Committee



**Bogdan Spuza** President of the Executive Committee  
CEO



**Elena Guzun** Deputy CEO  
Commercial Director Corporate Banking



**Petru Delinschi** Deputy CEO  
Commercial Director Retail Banking



**Ion Veverita** 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



# **OTP Bank S.A. - profile**

# 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 a 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 along 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, local private and state companies, local authorities and financial institutions. Thanks to the extended network of branches, OTP Bank can serve corporate clients throughout the country, and corporate consultants offer expertise in various key banking areas;

- **Specialized treasury services**

including financial, operational leasing, consumer loans, titles, insurance products, pensions and others.

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.

## A short history

**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 organic business development, consolidation of market position, profitability increase and operational efficiency. Today, the bank serves about 164,000 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 11.7%, by volume of deposits attracted, with a market share of 14.6%, and by share of assets in the banking system - 13.9%.

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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. IT transformation, modernization of operating systems, product development and process optimization are some of the bank's objectives.

Good capitalization, own funds ratio registering 25.24%, an improved risk profile, a balanced and sustainable strategy, efficient management of resources alongside action to support the community, ensure the bank's position among the leading financial institutions in the country.

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. Environmental impact and sustainable solutions will continue to be an area of focus for the bank in the coming years.

# OTP GROUP

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.

Promoting innovation, stable growth and integrated financial services, OTP Group has become a dominant banking player in the Central and Eastern European region and an important banking group even on a European scale. The community of approximately 41,500 employees serves nearly 17.2 million private, retail and corporate clients through its 1 439 branches and 5 571 ATMs, internet and electronic channels for remote services.

With diversified business lines, OTP Group provides traditional finan-

cial services through its subsidiaries, including specialized services - car leasing, investment and insurance products. The mission to innovate and support individuals and legal entities clients with personalized banking services and solutions, while strengthening its position and operations at the regional level, remains a priority.

OTP Group currently operates in 12 countries of the region: Hungary, Albania, Bulgaria, Croatia, Romania, Serbia, Slovenia, Ukraine, Montenegro, Russia, Moldova and Uzbekistan.

## OTP GROUP

12 COUNTRIES

41 K EMPLOYEES

17 MIL CLIENTS

Dominant position in CEE countries:

OTP Group is No.1 in 5 countries based on net loans; ~3.5-fold loan growth and 11 acquisitions in 7 years. >40% of net loans in Eurozone + ERM2 countries, ~80% within the EU.

In 2023, the consolidated profit after tax of OTP Group rose to HUF 990.5 billion (EUR 2.592 million), an increase of almost 3 times y-o-y, as a result the annual ROE improved to 27.2% (+16.2 pps y-o-y).

The Group has a stable capital position, at the end of 2023, the consolidated CET1 ratio under the prudential scope of consolidation according to IFRS was 16.6% (+0.2 pp q-o-q), MREL ratio at 25.1%, 4th best result on the recent EBA stress test. A strong liquidity position: 72% net LTD, wholesale debt to asset ratio at 7%, LCR ratio close to 250%.

Strong commitment to ESG, the Group's ESG strategy for sustainability is implemented in several subsidiaries and countries.

# ECONOMIC ENVIRONMENT AND BANKING SYSTEM EVOLUTION

During 2023, Republic of Moldova was exposed to fewer shocks compared to the previous years, however the uncertainty of the economic evolution and potential risks related to the banking system still persist. The national economy is operating under pressures related to higher costs (high energy and fast-moving consumer goods prices) and weaker linked to the households' real income, which remains at a low level, despite its upward trend. The spill-over effects of the military conflict from the region are expected to be felt for a long time forward, amplifying agricultural crises and market instability.

According to the International Monetary Fund (IMF), in 2023, GDP will follow a 4.3% growth after a contraction of 5% in 2022, driven by the uncertain macroeconomic environment and the large-scale geopolitical crisis. At the same time, the IMF's medium term forecasts describe a robust economic growth with an upward trend of the purchasing and consumption power.

The average annual inflation rate for 2023 was about 14%, half the rate of the previous period, while the annual inflation rate bottomed out in December at 4.2%, returning to the regulated limits of  $5\% \pm 1.5\%$  in October 2024.

Considering the uncertain macroeconomic context, the efforts of the National Bank of Moldova (hereafter NBM) have focused on mitigating the post-inflationary effects and reviving the economy, mainly by facilitating access to lending. In this context, the NBM continued to relax the measures implemented under the restrictive monetary policy adopted in 2022, lowering gradually both the base rate and the required reserves ratio. The base rate decreased from 20% in December 2022 to 4.75% in December 2023, returning to a similar level of the fourth quarter of 2021. The required reserves ratio for MDL decreased from 37% in January 2023 to 33% in December 2023 and the required reserves ratio in freely convertible currency from 45% to 43% for the same observation period.



## Banking system evolution

Despite the challenges posed by the post-pandemic crisis and the military conflict in Ukraine, the banking system proved to be strong and resilient due to a higher capital and liquidities volume. The growth trend of assets, deposits and own funds was stronger compared to the previous year. Moreover, the non-performing loan ratio decreased by 0.9 p.p. from 6.44% in December 2022 to 5.55% in December 2023.

In the context of the volatile geopolitical and economic environment, the National Bank of Moldova remained focused on assessing credit risk and maintaining an adequate level of liquid assets to ensure a resilient and well capitalized banking system.

In the context of the base rate and required reserves ratio decrease, the cost of attracted resources has also fallen. Thus, the weighted average interest rate of new attracted deposits in MDL on total terms decreased by

4.9 p.p. from 11.06% on 31 December 2022 to 6.21% on 31 December 2023, which led to a decrease in the cost of new granted loans (the weighted average interest rate on new loans granted in MDL on total terms) by 3.8 p.p. from 14% to 10.22%. At the same time, during 2023, an upward trend in the cost of deposits and loans in foreign currency is observed. The weighted average interest rate for new loans in foreign currency on total maturities increased by 2 percentage points and for deposits by 1.2 percentage points.

As of December 2023, the banking system consists of 11 NBM licensed banks, with 4 largest banks holding 82.1% of assets, 81.3% of granted loans, 83.7% of attracted deposits, 78.8% of equity and 81.2% of net banking income.

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As at 31 December 2023, the banking sector recorded the following results:

- Total assets amounted to 153.94 billion MDL, increasing during the year by 22.57 billion MDL or about 17%;
- The gross (prudential) loan balance represented 42% of the total assets or 63.9 billion MDL, increasing during the analysed period by 3.7% or 2.3 billion MDL;
- The largest increases in the loan portfolio were recorded from consumer loans - by 11.9% or 1.2 billion MDL and from loans for the purchase/construction of real estate - by 8% or 1 billion MDL.

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As for deposits, in December 2023, their balance was 113.9 billion MDL, with about 20% or 18.9 billion MDL higher than in the same period of the previous year, 59% of which, being deposits attracted from individuals and 41% from legal entities (including banks), split by currency, 63% are in national currency and 37% in foreign currency. It is therefore important to note that the significant downward de-

isions come as a result of the stabilisation of the liquidity crisis generated by the geopolitical situation in the region in the first quarter of 2022.

As at 31 December 2023, the banking sector's return on assets and return on equity were 2.80% and 16.28% respectively, down with 0.09 p.p. and 0.76 p.p. compared to the end of 2022.

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## Financial performance

OTP Bank is a stable, well-capitalised and resilient bank with an equity ratio of 25.24%, with a slight decrease of 0.67 p.p. compared to the previous period. The bank's equity increased by 18% during 2023, reaching 3,074 million MDL on 31 December 2023. At the end of the financial year, the net profit recorded by the Bank amounted to 763 million MDL, with an increase of 89% compared to the previous year, mainly due to the decrease of the net cost of risk, as a result of provisions release, following the improvement of macro-economic forecast. Thus, at the end of 2023, the recorded return on equity was 26.52% and the return on the Bank's assets was 3.74%.

The bank ranks fourth in the banking system, with an asset market share of 13.9%. In 2023, the bank recorded an increase of assets by 15.5%, mainly due to the increase in the volume of financial assets, with the main focus on investments made in government securities, the volume of which increased by 2.2 billion MDL or 102.4% compared to the same date of the previous year, as well as investments in other banks by 1.47 billion MDL or 163.5%.

OTP Bank S.A. ranks 3rd by volume of granted loans, both to individuals and legal entities, with a share of 11.7% in the banking system. In 2023, the Bank recorded a market share of 12% in the corporate segment and 13% in the individual segment, focusing primarily on the quality of the portfolio.

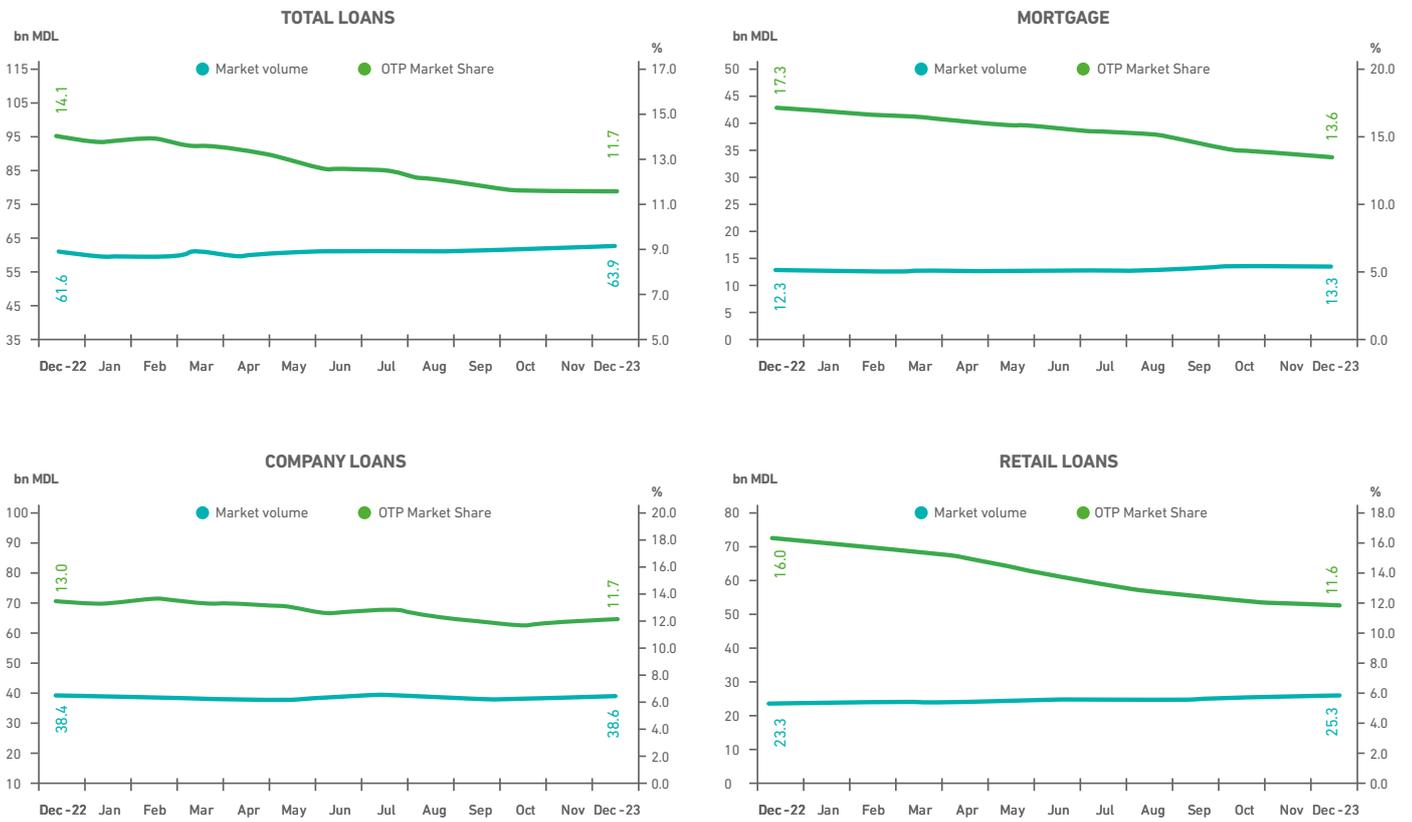


Fig.1. Loans market volume evolutions and OTP Bank S.A. market share

On attracted deposits side, 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%).

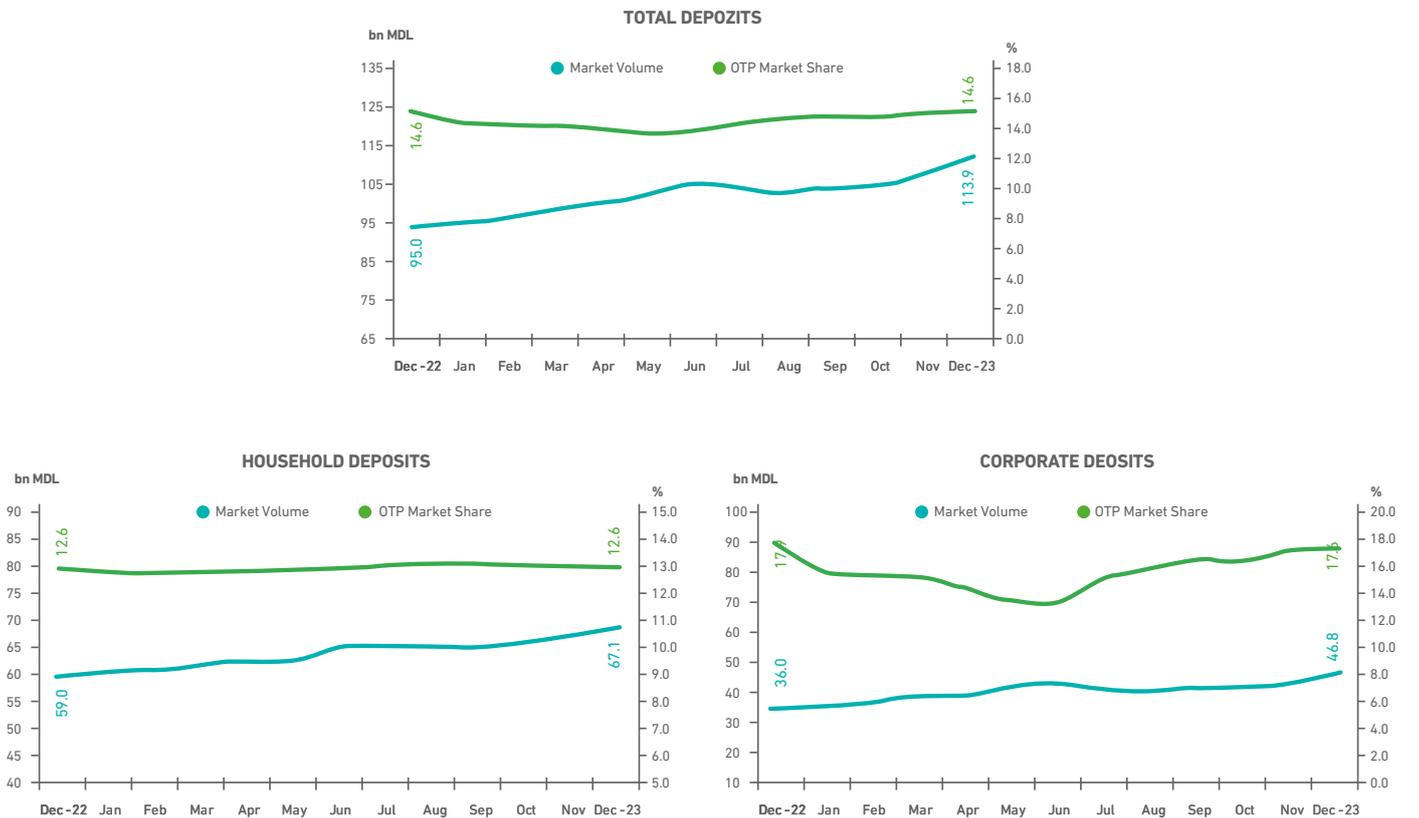


Fig.2. Deposits market volume evolutions and OTP Bank S.A. market share



## **Main projects and events in 2023**

## THE MAIN PROJECTS AND EVENTS IN 2023:

- ✓ OTP Bank celebrated its 33rd anniversary with clients and partners.
- ✓ Launch of the new version of OTP Internet & Mobile Banking, as part of OTP Bank's digital transformation;
- ✓ OTP Bank implemented the new AIPS version in record time, offering more secure and faster financial services to both individual and corporate consumers;
- ✓ Continued modernization of the OTP Bank's ATMs and branch network;
- ✓ Financial Management for SMEs (EFSE, EU4Business in Moldova, OK Foundation, OTP Bank), training programme with over 100 participants, OTP Bank experts;
- ✓ Financial Academy (EBRD, EBA), over 100 participants, EBRD experts;
- ✓ „Bani la feminin” în partnership with UN Woman & Investitii.MD, and OK Foundation for Financial Education;
- ✓ OTP Bank joined the anniversary campaign launched by the NBM with a series of financial education activities, dedicated to the 30th anniversary of the introduction of the national currency;
- ✓ Edutainment space - education and play services for children in jereveni village, including those from socially vulnerable families;
- ✓ Training program "Internal Control & Risk Awareness" organized by OTP Bank and USM in partnership - for 32 OTP Bank employees and 28 professors of the Faculty of Economics of the State University of Moldova;
- ✓ The Bank continued to sponsor the "Regional Economy" section of the economic magazine Logos Press, promoting local business;
- ✓ Launch of Mentoring Academy for employees and internship „Premium 2023" Traineeship Program;
- ✓ As an active member of the associations: European Business Association, Association of Moldovan Banks, Association of Romanian Investors in the Republic of Moldova, OTP Bank develops sustainable partnerships for economic development;
- ✓ OTP Bank receives the "Corporate Banking Market Leader 2023" award by Euromoney;
- ✓ The "Most Active Issuing Bank in Moldova in 2022" award was offered by the EBRD under the Trade Facilitation Program (TFP);
- ✓ Trophies for OTP Bank at the 20th edition of the Moldovan Business Gala: „INTER" Award, the „SOCIOALLY RESPONSIBLE TRADE BRAND" Award, the „ONLINE BUSINESS" Award;
- ✓ OTP Bank recognized as a trusted partner in promoting gender equality (trophy) by UN Women for promotion of Women's Equality Principles;
- ✓ „National Week of Kindness" campaign, together with the partner of good deeds - AO Social Projects Concordia, with which OTP Bank supported refugees from Ukraine and children from socially vulnerable families;
- ✓ Concern for environmental protection and responsible consumption through various initiatives;
- ✓ Financial partner of SummerFest 2023 with Visa, the most popular festival in Moldova.



# 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), control authorities, shareholders and other interested entities.

The corporate governance framework determines the distribution of rights and responsibilities between a bank's management bodies, describes in detail the rules and procedures for making corporate decisions. A good corporate governance structure involves the establishment of a 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 building the bank's team 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.

In compliance with all legislative requirements, including those of the Group, OTP Bank S.A. 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 influen-

ce over the price of Bank's shares are published fully, accurately 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/dis->

closure and in the Official Information 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%AEncorporate-din-2021.pdf>

## **The Corporate Governance Code**

[https://www.otpbank.md/storage/com/dezv/1-gov/3-A\\_000521\\_04-Codul-de-Guvernanc%C8%9B%C4%83-Corporativ%C4%83-a-B%C4%83ncii.pdf](https://www.otpbank.md/storage/com/dezv/1-gov/3-A_000521_04-Codul-de-Guvernanc%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>

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Directive no. 1 regulates the general aspects regarding the organization and functioning of the Corporate Governance within OTP Bank S.A., establishing 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 documents 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 efficient use, 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 sufficient control connected risks, ensuring the adequacy and efficiency of internal processes, detecting irregularities, ensuring the reliability, integrity and availability of financial and management information, review of the quality of information and communication systems.

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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 and updated accordingly. During 2023, 181 internal normative documents were updated and/or drafted.

## Ownership structure:

By the end of 2023, 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 repayment of the shares belonging to them. The decision regarding the repayment 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 shareholders
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

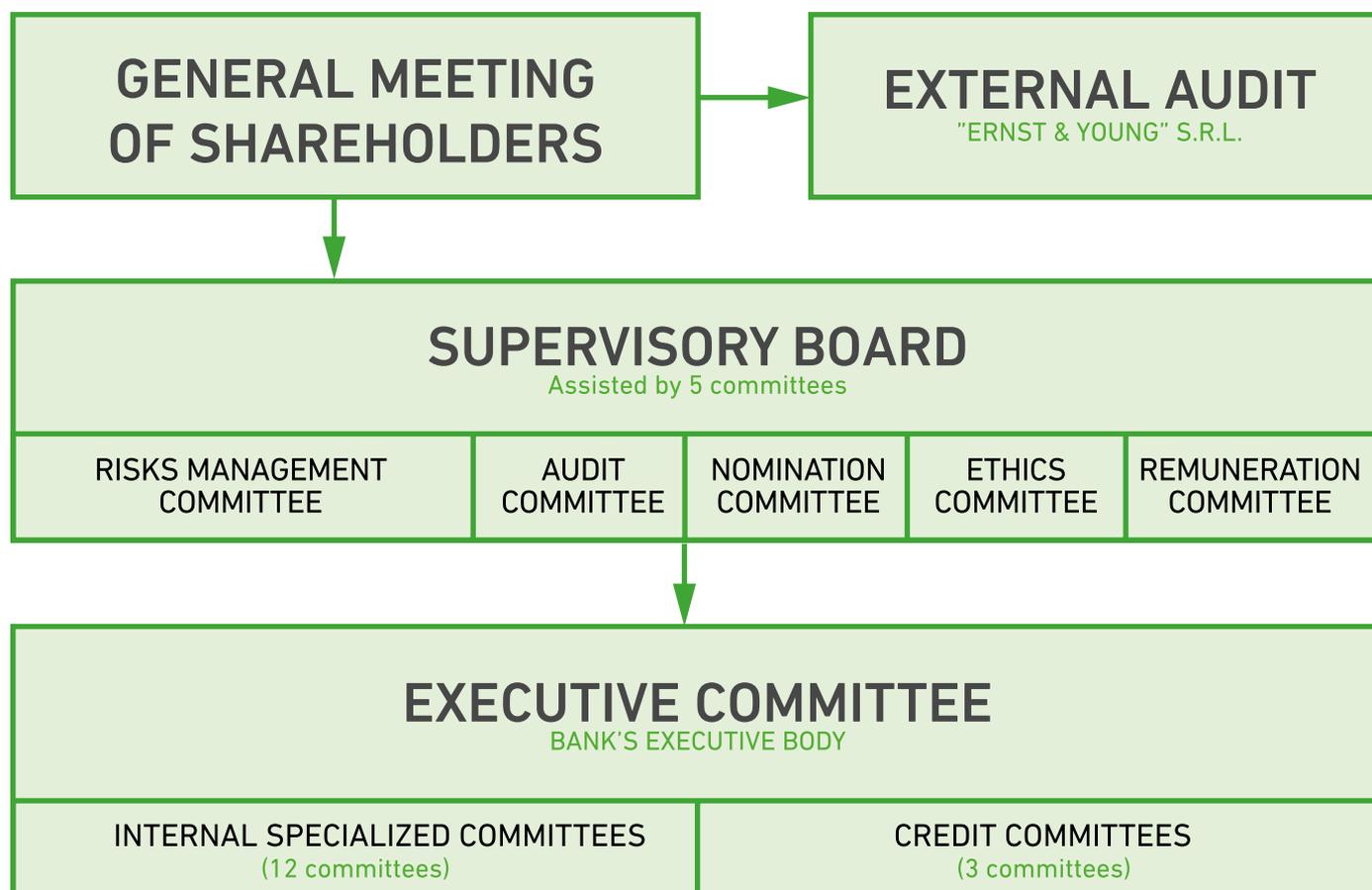
The majority shareholder of the Bank is OTP Bank Nyrt. (Hungary), which is listed on the Budapest Stock Exchange. The headquarters of the Parent-Bank is: 16 Nador str., Budapest, 1051, Hungary.

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
Code ISIN	MD140TPB1008
Securities admitted for trading at the regulatory market	Stock Exchange of Moldova MD 2012, str. Maria Cibotari, 16 mun. Chisinau, RM tel.: 022-277-592
Registry of Bank's shareholders	Central Unique Depository of Securities MD-2005, str. Mitropolit Gavriil Banulescu Bodoni 57/1 mun. Chisinau, RM tel.: 0 22 999 546
Contact details	OTP Bank S.A. MD 2012, bd. Stefan cel Mare si Sfint, 81 A, mun. Chisinau, 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 the 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 in the General Meeting. The shareholders can personally take part in 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 shares for which the vote right is suspended/limited are still take into account during the General Meeting of Shareholders when it is convened, as well as for deciding the quorum, exceptions being the ones stipulated in current legislation. On a case by case basis, these shares are excluded from voting on matters on the General Meeting of Shareholders agenda.

In 2023 one General Meeting of Shareholders was held by correspondence on 29.06.2023. The meeting was attended by shareholders and their representatives who hold 98.35% 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 at the Meeting. 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 Stefan cel Mare si Sfint Av., of.319, or by sending it via e-mail to [gov@otpbank.md](mailto:gov@otpbank.md) or by uploading the signed voting paper through the shareholders dedicated page on the bank's website.

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

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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, approval of the new version of the Regulations of the Supervisory Board of OTP Bank S.A., approval of the external audit company and setting the amount of remuneration for its services for 2023, distribution of the Bank's profit for 2019-2022, 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.

## SUPERVISORY BOARD

The Supervisory Board is the Bank's management body that oversees performance, approving and monitoring the Executive Body's implementation of strategic objectives, management framework and corporate culture. In this context, the Supervisory Board defines the bank's administrative framework 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 ensuring best practices in institutional management, as and 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 the Supervisory Board.

The 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 the Bank's Nomination Committee upon the proposal of the shareholders who hold at least 5% from the total number of shares with voting rights and by personal initiative. At least 1/3 of Supervisory Board members are independent according to the definition settled in the Law regarding banking activity.

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On 13.07.2023 the National Bank of Moldova approved the new members of OTP Bank S.A. Supervisory Board, consisting of 5 members as follows:

Supervisory Board members		Is the member independent or not
Chairman	Tibor László Csonka	Non-independent
Vicechairman	Bálint Csere	Non-independent
Member	Károly Péter Szász	Independent
Member	Eszter Erika Huszár	Independent
Member	Rodica Hincu	Independent

Supervisory Board Members have a four-year mandate. The mandate of each member from the Supervisory Board can be terminated before the settled term in case of resignation or through a General Meeting of Shareholders decision, as well as through withdrawal by the National Bank of Moldova. If the Supervisory Board membership is at least one member short, a new Supervisory Board membership (full) is elected during the next annual ordinary General Meeting of Shareholders or during an extraordinary one. The quorum for holding Supervisory Board Meetings constitutes half of the full membership.

Supervisory Board members contribute to an adequate governance within the Bank, inclusively via leadership capabilities, and while carrying out their responsibilities do take into account the legal interests of the Bank, of its depositors and shareholders. Supervisory Board members perform their responsibility with honesty, integrity, objectivity and loyalty in con-

formity with the legal provisions and normative frame.

In 2023, the Supervisory Board had 27 meetings, 8 in mixed form and 19 via correspondence, during which 224 issues were discussed. Thus, the Supervisory Board activity in 2023, 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 were collectively evaluated according to the 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.

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## EXECUTIVE COMMITTEE

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

The Executive Committee is composed of 6 persons with diverse experience and competence, whose nominal membership is approved by the 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, including the President and the Vice-presidents of the Executive Committee are appointed for a three year term and step into their role after being approved by the National Bank of Moldova. Members' mandate can be renewed by the Supervisory Board for an unlimited number of terms.

## Members of the Executive Committee of OTP Bank S.A. as of 31.12.2023:

Member of the Executive Committee	Position
Daniel-Bogdan Spuza	President of the Executive Committee - CEO
Elena Guzun	Vice president of the Executive Committee – Commercial Director Corporate Banking
Petru Delinschi	Vice president of the Executive Committee – Commercial Director Retail Banking
Iurie Rusu	Vice president of the Executive Committee – COO, Head of IT&Operations Division
Ruslan Cebotari	Vice president of the Executive Committee – CRO, Head of Retail Banking Division
Ion Veveriță	Vice president of the Executive Committee – CFO, Head of Financial Division

During 2023, the nominal composition of the Executive Body was not changed.

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 is responsible for Bank's financial performance and acts in the Bank's interests, as well those of shareholders.

Thus, the Executive Committee assures the adequate implementation of the Bank's administrative framework, works out and approves secondary internal regulations, know and understand the Bank's organizational structure, the risks it generates in order to ensure the carrying out of the Bank's activities in correspondence with the strategy, risk appetite and policies approved by Supervisory Board.

The Executive Committee reports on its activity to the Supervisory Board

quarterly, focusing on the following subjects: changes in the banking system, the situations that can influence the strategy and/or Bank's administrative activity framework, Bank's financial performance, balance evolution, the evolution of the loans portfolio, resources' evolution, the evolution of incomes and expenses report, limits related to the compliance risks and regulations, internal control system issues, etc..

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

During 2023, the Executive Committee had 64 meetings, 40 being by correspondence and 24 with presence or video conference, during which there had been discussed 619 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 the Supervisory Board, are independent from 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 criteria outlined in current legislation.

The specialized committees interact among them in order to ensure coherence 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.

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## Risks Management Committee

The Risks Committee offers support to the Supervisory Board regarding the risk appetite 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 belongs to the 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 5 meetings in 2023, 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 (legal risk, banking security, conformity and reputational one); IT risk management; dashboard of risk appetite, etc.

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## Audit Committee

The Audit Committee has the mission of monitoring how accounting and financial information is prepared and controlled. It monitors 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.

The Audit Committee had 7 meetings in 2023, examining the following issues: Ernst & Young External Audit Report for 2023, the synthesis of audit activities, the carrying out of inter-

nal audit recommendations, statistics regarding the external audit recommendations that included the stage of finishing the NBM action plan and the one for external audit, statistics of NBM recommendations and of the external audit.

## Nomination Committee

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

The Nomination Committee had 7 meetings in 2023, which evaluated Supervisory Board and Executive Body members; identified and approved the evaluation of persons who have key functions in the Bank, Head of Audit; approved of the new mandate of the Vice President and Execu-

tive Committee Member - Head of IT and Operations Division; performed the evaluation and appointment of the candidates for key functions of Chief Compliance Officer, Head of Compliance, Head of Asset and Liability Management and Middle Office Treasury.

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## Committee

In 2023, the Ethics Committee held 1 meeting.

The main responsibilities of the Ethics Committee are: approve the Code of Ethics, as well as all its updating changes, formulate recommendations 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.

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## 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 offers the Supervisory Board or the General Meeting of Shareholders, adequate information concerning the held activities.

The Remuneration Committee had 2 meetings in 2023, dedicated to assessing the results of the 2022 KPI assessment and performance-based remuneration for Executive Committee members, assessment of 2022 KPIs set for heads of control functions, approval of 2022 KPI assessment results of identified staff members, approval of the list of functions falling within the scope of the Group Remuneration Policy for 2023, approval of 2023 KPIs for identified members including control functions, the payment of the performances achieved.

## Internal Specialized Committees

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

1. **Monthly Performance Analysis Committee**
2. **AML Committee**
3. **Products Committee**
4. **Prices Committee**
5. **Credit Risk Monitoring Committee**
6. **Projects and Investments Committee**
7. **Operational Risks and Crisis Situations Management Committee**
8. **Assets and Liability Management Committee**
9. **Work-out Committee**
10. **Crisis Management Committee**
11. **Customer Experience Management Committee**
12. **Ethics Committee**
13. **Credit Committees.**

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## Credit Committees

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

The following committees were active during 2023, depending on the settled competencies:

**Bank's Credit Committee – 140 meetings**

**Retail Banking Credit Committee – 173 meetings**

**Corporate Banking Credit Committee – 118 meetings**

Thus, the Bank has an adequate credit risk management framework, which takes into account the 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**

# RISK MANAGEMENT AND COMPLIANCE

Approach of OTP Bank S.A. to risk management is correlated with the business strategy, and therefore the actions planned to achieve business objectives are aligned with 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 the management of 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 S.A. 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.

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## 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 protect 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.

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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 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.

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OTP Bank S.A. 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 S.A.** 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 legislative provisions 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 2023, OTP Bank S.A.** continued to improve its credit risk management framework, focusing on the following areas:

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- developing practices and methods used in stress testing exercises adapted to the Bank's business model,
  - 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,
  - 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.
  - implementing and maintaining an efficient and effective restructuring model to reduce and subsequently manage the non-performing loan portfolio in a value maximising manner;
  - NPL portfolio management strategy includes not just one strategic option, but rather combinations of strategies/options to achieve the best short, medium and long term objectives and to explore which options are most effective for different portfolios or client segment recovery rates,
  - maintenance and, where appropriate, strengthening of the level of compliance with relevant regulatory requirements in terms of overall prudential management, including prudential classification and valuation of claims.

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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 2023, 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 2023, 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 2023 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

OTP Bank S.A. recognizes that the primary role of the Compliance function is to protect customers, businesses, colleagues, shareholders and the communities that we serve, while ensuring it is able to support its strategy and provide sustainable growth.

In 2023, the activity of the Compliance team was focused on improving the overall state of compliance within the Bank.

The processes have been carried on local legislation and supervisory bodies' regulations, inclusive and OTP Bank Plc Group policies and instructions, implementation of Group regulations to increase the knowledge and awareness of all employees on ethical and compliance issues, including personal data protection.

A significant number of the Bank's branches have been trained on Ethics and compliance matters.

The Compliance Team provided offline trainings to front office representatives on Ethics & Compliance issues to increase awareness on compliance topics (Conflict of interest, Gift management, Code of Ethics) and on FATCA internal regulations.

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The Compliance team performed repeated online exercises, aiming to increase the awareness among employees on Bank's conflict of interest, ethics and gifts standards and requirements.

In 2023, internal normative documents were reviewed, adjusted and developed and two specialized committees (the Ethics Committee and the Ethics and Compliance Committee) were created, with the aim of supporting the implementation of regulations related to ethics and compliance in the Bank, in accordance with the governance model of the Group and the requirements of national legislation.

OTP Bank S.A. enhanced the compliance culture in the company, based on the Group's best practices and national legislation requirements, by further developing best practices and the highest international standards in the areas of compliance, ethics, conflicts of interest, anti-corruption, identification, assessment and mitigation 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, FATCA (international tax compliance).

Compliance team continuously monitors feedback from clients and authorities, contributing to the Bank's responses when needed. As an important aspect of the internal control duties, Compliance team focused on performing controls on the following topics: ethics, compliance, sanctions and preventing and combating money laundering and terrorist financing.

As a result, the Compliance function came up with a set of proposals and measures, targeting internal processes, regulations, procedures and instructions, in order to prevent exposure to the risk of legal and regulatory sanctions, risk of financial loss or reputational damage.

In 2023, the compliance risk assessment process was carried out based on the Group's methodology. In this exercise, a large number of risks were assessed, including risks related to – Personal Transactions, Conflicts of Interest, fight against money laundering and terrorist financing, fight against corruption, Ethics, Consumer Protection, International Tax Agreements, Conflicts of Interest, Sanctions/Suspicious Transactions, personal data protection, and other. As a result of the assessment exercise, no major risk exposure was identified.

Here we would like to mention that periodic exercise of compliance risk assessment contributes significantly to the identification of compliance risks, and in case of identification, leads to the development of an action plan to avoid or mitigate these.

In 2023 the significant increase in the number of international sanctions led the Compliance team to integrate and closely monitor the implementation of policies and procedures (as theoretical and guidance part), together with customer and transaction filtering solutions (as technology and practical part), with the aim of avoiding the involvement of the Bank in operations with parties under sanctions, thus reducing operational risks.

In order to improve the risk management system, OTP Bank continues to perform regular reviews and develops methodologies, tools and mechanisms for risk assessment, identification and prevention/mitigation.

In order to provide Compliance function with enough authority, tools and resources, the Bank's management supports the compliance function, and provides direct access to the Supervisory Board.

As one of the main duties of compliance function, regular reporting is performed to the Bank's management on the: the identified risks, performed controls and the related findings, as well as the measures implemented and/or planned to prevent or mitigate all identified risks.

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 for preventing and combating money laundering and terrorist financing.

Establishment of an internal regulatory framework on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CTF) is a duty of the Compliance function, within OTP Bank S.A. At the same time, the Bank implemented technology solutions, which allow identifying and preventing suspicious banking operations. 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 crime and fraud. The Bank and OTP Group are committed to promoting an appropriate AML / CTF culture and increased awareness across the clients and employees.

As part of Compliance function duties, a dedicated AML unit also performs periodical controls of the AML / CTF activity performed at the Bank's level. At the same time, AML unit is responsible for managing the processes related to Customer Knowledge (KYC), high risk clients, registering and monitoring politically exposed persons (PEP), filtering clients (from sanctions and PEP perspective), and fields related to correspondent banks relationship, etc.

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In order to ensure the quality of recording, management and control of customer KYC files, the Bank is using modern technology solutions to ensure an efficient audit trail that contains all the actions of the users involved.

The Bank is in a continuous process of strengthening its ability to prevent and detect financial crime and non-compliance. There is an increased regulatory focus on fraud and compliance checks, with taking 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.

As a conclusion, OTP Bank S.A., is taking all compliance-related measures, aiming to increase the level of corporate culture and strengthening ethical values. It is an important step in the

way of reducing the bank's exposure to these risk and enhancing internal awareness and culture. The Compliance function continuously provides Bank's Management with reports, support and advice in order to prevent or mitigate the risks that can lead to losses or cause significant damage to the Bank's reputation. This way compliance function contributes to increase the Bank's value to the benefit of all stakeholders.

# Commercial activity



# COMMERCIAL ACTIVITY

During 2023, OTP Bank followed its strategy focused on innovation, digitization and customer experience, managing to consolidate its top position in 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 2023, the portfolio of consumer loans amounted to MDL 1,071 billion, the portfolio of real estate loans amounted to MDL 1,807 billion, and the value of loans granted to legal entities amounted to MDL 4,098 billion. The volume of deposits and savings accounts of individuals reached the level of MDL 8,253 billion.

OTP Bank currently serves over 164 thousand active customers and offers a wide range of banking products and services through various channels, the mortgage centre and through its 54 banking offices across the country, including 49 Retail branches, 3 agencies, 1 corporate branch and 1 dedicated Private Banking branch. OTP Bank is present in the most important regions of the country, in Chisinau, Balti, Comrat, Edinet, Orhei, Ungheni, Anenii Noi, Soroca, Drochia, Sangerei, etc.

Following the OTP Group's lead, the Bank continued to modernise its ATM network, implementing state-of-the-art solutions and technologies. The transition to the new generation of ATMs involved the installation of 74 more smart ATMs with new functionalities such as cash-in and cash recycling. At the moment, the bank has 865 cash-out ATMs and 647 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.

Also during the year, the foreign currency dispensing functionality at OTP Bank ATMs was widely implemented, so that by the end of the year, the bank had 102 ATMs with EUR and/or USD dispensing functionality.

During 2023, OTP Bank also made remarkable progress in the area of digital transformation. Thus, the process of enrolling in the OTP Mobile Banking solution has become fully digital, simpler, more intuitive for the customer, just 5 steps away. In addition, a new set of functionalities and optimizations have been launched to improve the customer experience while ensuring a high level of security. With an ongoing commitment to innovation, the Bank will continue to constantly implement updates aimed at keeping OTP Internet and Mobile Banking at the highest standards, thus providing a modern and efficient digital platform for all users.

## Retail Banking Activity

During the year, the Bank made considerable efforts to optimise internal processes and to adapt them to the new legislative paradigm. The deposit portfolio was stabilised and lending was successfully restarted after a long period of economic uncertainty and prudential restrictions.

The change in approach to risk conditions, customer segmentation and transparency in pricing marked a new level of consumer lending to individuals. New standard offers were launched with variable and fixed interest rates, no fees and for various customer categories, including new customer segments in the IT sector and Public Institutions.

OTP Bank was the first bank to launch in December 2023, dedicated salary packages and promotional campaigns with a host of additional benefits, including special interest rates on consumer loans, for public sector employees, in the context of the Government's decision to give them the freedom to choose the financial institution for receiving their salaries.

During the year, a new range of card products in the premium category was launched for the bank's top customers: Visa Platinum and Visa Infinite. The new products offer, in addition to the basic benefits offered by the Bank, a wide range of additional services including: free access to lounges in over 1200 airports worldwide, 24/7 Concierge service, insurance services, Fast Track services, discount programmes, etc.

One of the achievements of 2023 is also the launch, in collaboration with Visa, of one of the most innovative and unique payment instruments in the Republic - **the Payment Ring**. This exclusive product has enabled the transition of the customer payment experience to a new level. Thanks to this product, payments have become magic - they are made with a simple touch of the hand, that's all. The ring has a pleasing outward appearance and has an indefinite shelf life, making it a functional piece of jewellery.

To facilitate access to banking services for SME customers, BASIC and BASIC + Current service packages are available. These are designed for companies with an annual turnover of up to 50 MMDL and offer a range of services in a single package with a single fixed monthly fee: current accounts in lei and foreign currencies, OTP Internet and mobile banking service, Visa Business cards for domestic and international

use, payments in MDL to other bank customers, salary transfers for employees, currency conversion operations.

In May 2023, as part of the promotional campaign „Basic Package - choose the best for your business”, the BASIC package was offered at a promotional price of 0.99 EUR per month for a period of 6 months for new customers, and for newly founded companies - for a period of 12 months. In addition, companies could benefit from Urgent Treasury Payments through OTP Internet and Mobile Banking at a special price of 5 MDL. The main objectives of the campaign were to facilitate clients' access to banking services, to support newly created businesses, to promote carrying out current operations through the remote service - OTP Internet and Mobile Banking.

Additionally, within the MICRO Lending Campaign - 2023, launched on the occasion of the 33rd anniversary of the Bank and dedicated to MICRO clients (including Agrofabrica), as well as within the Restart offer updated in September, clients could also benefit from a 100% Discount on the Basic package for current servicing, for 3 month.

By the end of 2023, the number of SMEs benefiting from advantages within the BASIC and BASIC+ packages has exceeded 4500.

In order to increase customer satisfaction in the use of its services, OTP Bank continues to implement tools that ensure the optimization of service processes, including their digitalization.

In this regard, this year the Bank launched the implementation of the project to connect to the MConnect interoperability platform, which is the technological solution developed by the Government of the Republic of Moldova to facilitate and streamline data exchange and interoperability within the public and private sectors.

The integration with MConnect also will facilitate the development of the digital OnBoarding channel and online KYC update.

During 2023, OTP Bank S.A. launched several financing programs to support SMEs. Among them is listed the **Government Program for supporting entrepreneurs „373”** which was implemented in July 2023 through the Organization for the Development of Entrepreneurship (ODE) and aims to ensure access to financing for Small and Medium Enterprises (with annual turnover up to 100 million lei), for investment projects, by partially compensating the interest rate for eligible investment loans.

Through the **Program „373”**, by ODA the interest on investment loans is compensated to ensure that the interest paid by the beneficiary, does not exceed 7% annually - for the loans in national currency. Interest on loans is compensated for all loan maturity, but not more than 7 years.

Within the **Program „373”**, clients can benefit for financing up to 15 million lei with a minimum 10% down payment from value of the investment project and a grace period up to 3 years without administration and early repayment fees.

In 2023, OTP Bank S.A. continued supporting **entrepreneurs who have a business in agriculture** through **providing professional guidance** and **advantageous solution** for fast and efficient lending solutions, aligned to

the needs and specifics of the activity of **agricultural companies**, inclusively through the financing concept dedicated to farmers - **AgroFactory**.

Additionally, OTP Bank S.A. was in solidarity with the farmers and aligned with the decision supported by the entire banking community, not to charge additional payments for credit restructuring for farmers with a difficult financial situation.

Also, in 2023, OTP Bank S.A. continued to support **entrepreneurs who have a business in agriculture** through the **special AGRO Leasing Offer from OTP Bank with 0% commissions**.

When it comes to modern agriculture, success depends on technology and efficiency. Thus, as part of the offer, farmers could access in leasing

the most modern technologies and equipment, such as tractors, combines, processing equipment or update the administrative fleet, without investing large amounts of money from their own capital and without additional commissions.

Opting for leasing financing from OTP Bank S.A., clients can manage their cash flow more efficiently, have more flexibility in asset management and can benefit from significant tax advantages!

In addition, from September to December 2023, the Bank launched a **Lending campaign for SMEs** with an annual turnover up to 30 million lei, regardless of the field of activity - trade, manufacturing or agriculture.

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In this sense, on the occasion of 33 years since its foundation, OTP Bank came with top offers for customers, such as:

- **3 months – fixed interest from 7% annually for loans in lei;**
- **3 months – FREE Basic package.**

The offer was dedicated to the Bank's clients who needed additional resources to keep their business moving and/or for strategic investments.

OTP Bank S.A. constantly develops financial solutions with an approach adapted to **small and medium-sized businesses**, which offers a preliminary financing decision in a maximum of 1 business day, thereby facilitating access to credit resources and leasing financing.

During 2023, activities and projects were carried out, with the support and expertise of the Group, aimed at boosting 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.

In 2023, the Bank continued to improve the „OTP Internet & Mobile Banking” service, so in November 2023 another software token solution was installed which is PSD2-compliant and enables Quick/momentary login/authorization of payments without the Token application, by entering the access code or biometrics.

## Corporate Banking activity

The commercial activity aimed at the bank's relationship with Large Corporate customers continued to grow, generating consistent profitability in 2023, supported by both lending operations and our other products and services.

In this market segment, represented by the most important national and multinational companies present in the country, the rigors regarding the quality of the bank's products are very high, and success is represented by agility, responsibility and the ability to offering products that best respond to customer needs. The fact that we have maintained our position as a reference bank in this line of business confirms once again the trust of our customers.

OTP Bank's achievements in the corporate business have been confirmed with „Corporate Banking Market Leader 2023" award by the prestigious Euromoney magazine. This is the second year in a row that our performance in this area has been recognized by Euromoney. We dedicate this award to our clients, who make us strive to become better every year.

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Among the successes of the Large Corporate team in 2023, related to achieving the strategic goals of digitization and business volume expansion, the following can be highlighted:

- 99% of corporate customers use the bank's internet banking solution;
  - 98% of corporate customers' payments were processed through the bank's internet banking solution;
  - 25% increase in the number of transactions processed through the bank's internet banking solution;
  - significant increase in the volume of payments made by corporate customers: +17.5%;
  - solid increase in the volume of funds attracted from corporate customers: +45%.
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The sectors of the national economy that we prioritised for funding in 2023 were agriculture and processing, telecommunications, trade and infrastructure development. At the same time, OTP Bank maintained its position as a local partner of international banks and International Financial Institutions, participating together in the most relevant syndicated financing transactions on the market.

Our concern remains the continuous adaptation of our products and services to the needs of the Bank's corporate clients by applying modern financing solutions and cash-management products in line with the latest trends in

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## Leasing activity

The leasing activity, has a small decreased volume, similar to the local market, the main reason being as the geopolitical situation in the region and increasing interest rates for EUR. Leasing product is considered a good viable solution for business area, OTP Leasing still remains one of the top leasing service providers, offering financing into business segment.

At the end of the Q3.23, OTP Bank has ranked as 4th on the local leasing market with a market share of 13% (for total market, including individuals). OTP Bank maintained as stable portfolio volume of active leasing contracts and has financed assets in total amount of 163 Mio MDL.

In the same time, in 2023 were performed an important work within Leasing IT Tool, we have approved for implementation Charisma leasing soft, once with launch in the next year this IT Tool will allow the presence of the OTP Leasing products into the Consumer market.

## Relationship with International Financial Institutions

The OTP Bank S.A. partnership with International Financial Institutions (IFIs) vividly progressed, given the important role that IFIs play in supporting sustainable business development in the Republic of Moldova, leveraging their significant potential in business financing, mobilizing and crowding private sources of funds for country economy development.

The OTP Bank's focus is oriented on developing joint frameworks of collaboration with multilateral development IFIs, extending direct financial assistance in the form of loans, grants, risk-sharing instruments in support and strengthen companies, and for development of the country's priorities.

OTP Bank S.A. is a trusted partner for many IFIs, continuing to engage with a growing number of financial projects, working with over 30 of programs launched in Moldova, through bilateral collaboration with the local Executive Authorities and the IFIs, to aid the SMEs with the necessary liquidity to carry out their activity. In 2023, OTP Bank has disbursed over EUR 20 Mil. to its clients focused on new investment projects and creating or maintaining viable jobs.

Furthermore, after successful assimilation of EUR 35 Mil. under EU4business EBRD Credit Line program and EUR 14.82 Mil. under EaP SMEC phase I, in December 2022 OTP Bank S.A. has signed with EBRD a new loan agreement under EaP SMEC phase II facility with Grant component, increasing its loans Portfolio with EUR 15 Mil. As a further matter, OTP Bank is still the only financial institution in **the country offering financial leasing with a Grant component.**

Likewise, OTP Bank continued actively to promote funding programs among Young Entrepreneurs and Women in Business activating in rural area, facilitating their access to funding under special conditions with discounted price and Grant Component, which was possible thanks to International Fund for Agriculture Development (IFAD) developed program.

The bank has a fruitful collaboration with EIB (Fruit Garden of Moldova) and IFAD Implementation Unit (dedicated to support agro-industrial companies), where the final borrowers benefit from various advantages as Grants (addressed to support Women in Business), Taxes and Duty exemptions, and free technical assistance.

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## 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.

Through services provided by 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 theirs 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 2023, the effort of the Cash Management team was allocated to the strengthening of the „International Account Management” service (MT101/MT940/MT950/MT942) dedicated to International Corporations that are represented by local offices operating in the Republic of Moldova.

Since there is a constant interest for this product, and in order to widen the connection possibilities of International Corporations with OTP Bank, a new collaboration agreement was signed with a first-class International Bank. Now, the automatic processing of payments (local and cross border, treasury, FX) as well as the receipt of statements, allows customers to become autonomous in the managing of payments, with access to the bank accounts information subscribed to this service without the intervention of bank operators and the support of the bank.

At the same time, within the digitalization and process simplification initiatives with the involvement of cross-functional teams, the team contributed to the migration to a new way of logging in and authenticating of the operations initiated in „OTP Internet & Mobile Banking” by integrating advanced technologies, ensuring a simplified flow for the Bank’s clients, but with an increased degree of security and safety.

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## Trade Finance and Factoring

OTP Bank S.A is actively supporting the foreign trade activities of the clients by providing a full product package that reduces to a minimum the risks and help them explore and conquer new markets offering a full range of Trade Finance that represent risk mitigation instruments, as Letters of Credit, Forfaiting, International Guarantees or Stand-By Letters of Credit, as well financing through Letter of Credit discounting and Forfaiting.

Having established relationships with first-class banks and being included in the EBRD and IFC trade facilitation programs, OTP Bank offers Trade Finance products at the highest international standards, being awarded for the 8th year in a row by the EBRD as „The most active issuing bank in Moldova in 2022”.

In 2023 for the first time, OTP Bank acted as conforming bank under EBRD TFP, facilitating the access of international companies in important infrastructure projects in Moldova.

OTP Bank is one of the few banks on the market offering export factoring helping local exporter to boost competitiveness in the global marketplace. In 2023, second year after launching, our market share from total export business from Moldova under FCI \* two-factor System reached more than 70%. For the next year there is ongoing the project for digitalization by implementation of a performant IT solution. This will enable our bank to provide best-in-class asset-based receivable financing services for our clients and grow supply chain finance 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 2023, based on the availability of liquidity, the Bank's total investments in SS and NBC compared to 2022 increased by 8.7 times (for NBC was fixed an increase by 10.5 times, and for SS – an increase of approximately 1.7 times). At the same time, as a result of management of the available liquid assets within the aforementioned operations, and despite to the

decrease in interest rates during the year, the obtained income constituted a 3.6 times increase, compared to the level of the last year. The average volume of SS portfolio maintained for the Bank's clients was over 630 million MDL, representing an increase of about 36% compared to 2022.

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 a decrease of approx. 27%, respectively, the total volume of income decreased by approx. 3.6 times compared to the level of 2022. The turnover of monetary transactions with foreign currency (especially overnight deposit placements in USD) had an increase of 30%, and the income obtained (also due to the increase in interest rates) increased by 3.6 times compared to last year.

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## Monetary Market (Forex)

In 2023, the foreign exchange market marked a high level of volatility determined by geopolitical effects as well as macroeconomic effects. Therefore, the active intervention of the National Bank of Moldova occurred through monetary policy instruments, which influenced the structural changes of assets and liabilities.

In this context, OTP Bank marked a marginal decrease in the volume of Forex transactions by +2.5% compared to the previous year.

At the same time, against the backdrop of the concentration of the competitive environment, OTP Bank generated a net banking income from Forex transactions of MDL 334.3 million, which marked an increase of over +9.7% compared to the previous year.



# **Non-Financial Statement**

# 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, bringing positive change to the economy, the environment and communities.

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. Thus, in 2023, OTP Bank S.A. developed an 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 areas:

## 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 and active ESG risk management practices in banking.

## 2 Responsible Employer:

investment in employee well-being and development, inclusion and diversity, and employee involvement in decision-making through active ESG management tactics, integrated into the governance model and continuous.

## 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”.

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OTP Bank has always been concerned with contributing to the development of the community in which it operates, supporting financial education, the medical and sports sectors, promoting culture and the arts, as well as volunteering.

In 2023, OTP Bank Moldova sponsored social initiatives of 21 associations or institutions in various fields, with the largest share of financial education projects - 65%, followed by sports - 18%, art and culture - 8% and support to local communities - 6%. In 2024 the Bank will direct a larger share of its efforts towards environmental protection and sustainability, and supporting the healthcare.

## Financial Education

One of the priorities for 2023 in CSR activity was to support financial education. Through „OK” Foundation for Financial Education, in four years of activity, over 17,500 children, youth and adults, in 36 regions of the country benefited from free financial literacy programmes. At the same time, 40 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 to primary school students from vulnerable families. As part of the Global Money Week campaign, 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.

Partnerships and collaborations:

- Financial Management for SME (EFSE, EU4Business in Moldova, OK Foundation, OTP Bank), over 100 participants, OTP Bank experts;
- Summer camp for teenagers organized in Vadul lui Voda in partnership with the American Peace Corps
- Financial Academy (EBRD, EBA), over 100 participants, EBRD experts;
- Summer camps and MoneyCamp for children and youth in Chisinau, Cahul, Ungheni, Balti;
- „Bani la feminin” în partnership with UN Woman & Investitii.MD, Proactive.md;
- Green Entrepreneurship (USM, Rezina Business Incubator).

## Culture and art

OTP Bank continues to be a dedicated partner of culture and art, supporting institutions of national importance, such as the National Art Museum of Moldova and from 2023 - „Luceafarul” Republican Theatre. A special edition of the European Night of Museums was organized in 2023, which gathered a very large number of visitors thanks to the diverse cultural program with and a varied programme of visual arts, music and poetry. Two children’s theatre performances were organised for more than 400 employees’ children.

## Investment in Health

OTP Bank continues to honour its commitment to support the country’s public health institutions. Our interest in strengthening the technical capacities of hospitals has proven its effectiveness in critical moments for the health of citizens, such as the pandemic period. With the support of the „Valeriu Ghereg” Medical Foundation, OTP Bank S.A. was able to donate:

- Two units of pneumatic surgical tourniquets for the IMSP Traumatology and Orthopedics Clinical Hospital in Chisinau;
- a PCR Amplifier for the Republican Clinical Hospital „Timofei Moşneaga” IMSP, for the Laboratory Investigations Department, an indispensable equipment for performing kidney transplant procedures.

## 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 Chisinau International Marathon which gathered over 80 employees on the running track; the Hospice Bike Tour to support cancer patients in terminal stages; AIR Cup football tournament, as well as participation with the Business League football team, where OTP Bank was an Official Sponsor.

In line with one of its CSR pillars - promoting sport and an active lifestyle, OTP Bank supports Moldovan football being the Main Partner of „ZIMBRU - 1947” Children’s Football Academy for 4 years already. Almost 500 children train and develop their football skills in the Academy.

## Environment

Concern for environmental protection and responsible consumption of resources has shaped 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. More over, an eco relaxation area was created, with a rustic fountain, all under the aegis of OTP Bank.

## Local communities

Together with the public association „The Moldova Project”, OTP Bank sponsored a library, a play and education centre for children from vulnerable category in Jevreni, Criuleni district. Thousands of children from the village and surrounding villages now have access to a space for play and reading, training and free creative workshops.

Also in 2023, we supported the sports association for children with special needs Special Olympics Moldova to participate in the Special Olympics in Berlin, Germany, by providing sports equipment and plane tickets for 30 team members. In March of the same year, OTP Bank financially supported the social partner „AO Sunshine” which organized a celebratory event for Down Syndrome Day.

The end of the year was highlighted by the successful and popular „I am Santa” campaign which brought together over 200 employees to give gifts to almost 300 children from orphanages and vulnerable families.

OTP Bank became the Main Partner of the „Winter Story” charity concert, headlined by Calancea’s LUPIL and Osoianu’s Sisters with the aim to help the elderly and children from disadvantaged families, promoting Moldovan culture and traditions. About 1000 children and 500 elderly people have benefited from social aid during hikes organized in various localities within the framework of this project.

The social campaign #I’mSanta-Christmas continues for the third year, gathering over 200 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 foster care centres in four regions of the country. During four editions of the campaign, over 1000 children from different regions of the country received help and gifts.

In August 2023, OTP Bank supported cultural and leisure activities by becoming the Official Partner, together with Visa, of Summer Fest - the largest and

most popular music festival in Moldova, with over 50,000 participants enjoying performances and artists from different countries.

The highest award in the nomination „Socially Responsible Trademark” at the National Trademark 2023 competition - „Golden Mercury” 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

# RESPONSIBLE EMPLOYER

In 2023, 110 new employees joined our team. This means that OTP Bank Moldova currently counts a total of 1066 employees, out of which 877 are active. Our staff gender ratio is 819 women and 247 men.

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

- Investing in the development and continuous training of employees;
- Support through training and involvement in the Bank's activities;
- Fair pay and career advancement opportunities based on merit;
- Health and safety in the workplace;
- Talent retention;
- Work in quality conditions and endowment with modern equipment.
- Equal rights, treating employees with respect and fairness, without discrimination;

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The OTP Bank's strategy in the field of human resources is oriented towards consolidating the status of leading 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)** Promoting constructive collaboration through transparent communication focused on sustainable development of the team.



## a. Training and continuous development of employees

As a strategic partner of 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.

During 2023, over 26,000 hours of training were organized, of which 17,166 hours were conducted offline and 8,948 hours were delivered online:

**26.114**

**TRAINING HOURS  
delivered**

**3.264**

**DAYS  
of training**

**29.9**

**HOURS of training/  
PER EMPLOYEE**

Promoting the principles of **ethics** and **professional conduct**, as well as a culture of effective **risk management**, continues to be one of the company's prerogatives and is supported by regular online and offline training.

Thus, this year, at the initiative of the **Human Resources and Institutional Communication Department**, in order to promote risk culture within the Bank, in collaboration with the teams of the **Risk Management Division**, the **Compliance Department** and the **Audit Department**, a new training program „**Internal Control and Risk Awareness**” was developed and implemented. At the end of the program, **32 employees** from different subdivisions of the Bank, selected through an open competition, created the Community of Ambassadors for the promotion of the role of control functions within their teams. The training sessions were held in the Continuing Education Resource Centre of the State University of Moldova (USM), thus offering the possibility of participation to USM professors interested in the program.

Promoting gender equality and supporting women's economic empowerment by developing and implementing gender-sensitive policies and initiatives, as well as eliminating discrimination against women and girls in all areas of activity, are principles that OTP Bank promotes in its day-to-day work.

In the context of OTP Bank's adherence to the Women's Empowerment Principles (WEPs) and the signing of the Memorandum of Understanding on Promoting Gender Equality with UN Women (September, 2023), the Human Resources and Institutional Communication Department organized, with the support of UN Women, a series of webinars aimed at supporting and promoting the WEPs:

- **Gender equality and inequality in different fields and stereotypes;**
- **Transformative masculinity;**
- **Sexual harassment in the workplace and forms of manifestation;**
- **Ensuring pay transparency in the workplace.**

Another prerogative of the Human Resources and Institutional Communication Department has been the development of **mentoring and leadership** culture through the implementation of a new training program: **The Mentoring Academy**.

The program ran from **March to June 2023**, during which **18 colleagues**, full of enthusiasm and energy, passionate about learning and their field of work, benefited from a varied agenda of trainings to improve their mentoring and leadership skills, and eventually become mentors for students doing their internship in our organization.

## b. Supporting internal mobility and developing career programs

OTP Bank continues to support employee development by encouraging internal mobility through the establishment of a career development framework and the organization of development programs, focused on ensuring business continuity, by providing qualified staff for key Front Office positions. Thus, during the year 50 employees successfully completed training programs, giving them the opportunity for career advancement. Also **228 employees** have been transferred or been promoted to various fields of activity.

- **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

During 2023, in order to improve organizational culture and strengthen an environment beneficial to employee health and performance, with a flexible work schedule geared towards establishing work-life balance, several HR projects and initiatives were implemented:

OTP Group Engagement Survey – survey launched for the third consecutive year, centralized at OTP Group level and aimed at all employees. The results gave us an up-to-date picture of engagement indicators, job satisfaction and other important elements in relation to the people who constitute the OTP Group team;

Developing team spirit by organizing internal, corporate and topical events involving colleagues open to development and collaboration:

- Loyalty events for employees with more than 10 years of experience in the bank;
- Managers Day - event dedicated to all managers in OTP Bank;
- Employee reward events for individual performance;
- „Colour your dreams” creative workshop for employees and their children to provide work-life balance;
- Leadership Team Meeting - event dedicated to the leadership community;
- Digital Experience - a series of webinars aimed at developing professional skills, organised and moderated by employees for employees.

**Open Doors** – a monthly exercise to introduce colleagues and units of the Bank in which employees carry out their roles in order to facilitate understanding of activities and collaboration between teams;

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

**Loyalty Bonus** – to each employee with at least 3 years of work experience in the Bank was offered a financial support of **630 MDL**;

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The amount of the Collective Bonus was increased by 1000 MDL (**from 5000 to 6000 MDL**);

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Increase the value of the meal voucher from **55 to 70 MDL**. Exclusive item for OTP Bank employees;

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Material aid for certain categories of employees to pay bills during **January and February 2023**;

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Discounted balneotherapy treatment offers at sanatoriums in the Republic of Moldova.

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These projects, along with others already in place, aim at continuous career development and predictability for each employee regarding their future within the company.

## 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 for the protection and observance of human rights.

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 2023, mandatory e-learning courses, were successfully passed by employees which testifies to the successful training and awareness raising efforts. High ethical standards are being continuously promoted among Bank's employees and clients.



