OTP BANK PLC

INTEGRATED ANNUAL REPORT 2022

(AS DEFINED IN ACT CXX OF 2001 ON THE CAPITAL MARKET)

BUDAPEST, 28 APRIL 2023

Dear Shareholders!

OTP Bank Plc. hereby provides you with the Integrated Annual Report of OTP Bank Plc. for the year 2022, which is based on the audited financial statements approved by the Annual General Meeting of the Company on 28 April 2023.

On behalf of OTP Bank Plc. we declare that, to the best of our knowledge, the separate and consolidated financial statements which have been prepared in accordance with the applicable accounting standards, present a true and fair view of the assets, liabilities, financial position and profit and loss of OTP Bank Plc. and its consolidated subsidiaries and associates, and give a fair view of the position, development and performance of OTP Bank Plc. and its consolidated subsidiaries and associates, describing the principal risks and uncertainties, and do not conceal facts or information which are relevant to the evaluation of the Issuer's position.

28 April 2023, Budapest

dr. Sándor Csányi	László Bencsik
Chairman & CEO	Deputy CEO

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CHAIRMAN GREETINGS

GRI 2-22

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We have taken a number of important steps towards meeting and fulfilling our sustainability goals and commitments in the recent period. Our foreign subsidiaries have prepared their own respective ESG strategies, set out their medium term goals and specified the proportions of their contributions to the group's priority objective of building up a HUF 1,500 billion green loan portfolio by 2025. To ensure that our plans are effectively implemented and facilitate our technical and professional work we have formed local ESG organisations, in view of the subsidiaries' specifics.

The efforts of the past few years have yielded palpable results in sustainability: OTP Bank was the first financial institution in Hungary to receive supervisory approval for the introduction of a corporate green lending framework based on international standards and to issue green bonds in the summer of 2022. Successful fund raising was – in view of the macroeconomic expectations – far from being self-evident, but we experienced considerable interest and definite confidence on the part of investors in the CEE region, including Hungary.

In green lending we had built up the HUF 230 billion target portfolio by end-2022, made up for the most part by corporate green bonds, besides project financing and FGS Green Home Programme loans. A number of other green products are planned to be introduced by the group as part of the transition to a low carbon economy.

In the context of our ESG strategy we pay particular attention to implementing our social sustainability goals, therefore we have set ourselves important strategic goals and performance indicators in this segment as well. We are convinced that the only way to success for the OTP Group is through close cooperation with its employees, with a view to individual and community goals and values, therefore we continue to lay particular emphasis on strengthening our employees' engagement. Development of the financial literacy has – in view of the challenges brought on by year 2022 – become more urgent and necessary than ever before and, being a responsible company, we play a major role in disseminating knowledge on the ways financial and economic processes affect people's everyday finances; organisations associated with the OTP Group organised trainings and programmes aimed at providing information and transferring knowledge, to tens of thousands of young people.

In spite of the war in Ukraine we maintained our financial services – the coherent community of the OTP Group and its employees spared no effort to provide our Ukrainian colleagues and their families, as well as refugees forced to leave their home country, with the most effective assistance possible. We provided Ukrainian customers with a variety of favourable terms and conditions and simplified administrative procedures and worked as hard as we could on delivering all kinds of supports and donations, including those received from our customers.

This document is the OTP Group’s first Integrated Report. You are kindly invited to review the following pages to see the Banking Group's financial results and its activities promoting sustainable development.

Yours sincerely,

Dr. Sándor Csányi

Chairman and CEO

BUSINESS REPORT 2022 (SEPARATE)

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(in HUF million)	Note	31 December 2022	31 December 2021
Cash, amounts due from banks and balances with the National Bank of Hungary	5.	1,092,198	474,945
Placements with other banks, net of allowance for placement losses	6.	2,899,829	2,567,212
Repo receivables	7.	246,529	33,638
Financial assets at fair value through profit or loss	8.	410,012	246,462
Financial assets at fair value through other comprehensive income	9.	797,175	641,939
Securities at amortised cost	10.	3,282,373	3,071,038
Loans at amortised cost	11.	4,825,040	4,032,465
Loans mandatorily measured at fair value through profit or loss	11.	793,242	662,012
Investments in subsidiaries	12.	1,596,717	1,573,008
Property and equipment	13.	94,564	81,817
Intangible assets	13.	69,480	62,161
Right of use assets		39,882	17,231
Investment properties	14.	4,207	4,328
Deferred tax assets	34.	35,742	-
Current tax assets	34.	1,569	-
Derivative financial assets designated as hedge accounting	15.	47,220	17,727
Other assets	16.	329,752	224,488
TOTAL ASSETS		**16,565,531**	**13,710,471**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	17.	1,736,128	1,051,203
Repo liabilities	18.	408,366	86,580
Deposits from customers	19.	11,119,158	9,948,532
Leasing liabilities		41,464	17,932
Liabilities from issued securities	20.	498,709	22,153
Financial liabilities designated at fair value through profit or loss	21.	16,576	20,133
Derivative financial liabilities designated as held for trading	22.	373,401	192,261
Derivative financial liabilities designated as hedge accounting	23.	50,623	18,690
Deferred tax liabilities	34.	-	1,507
Current tax liabilities	34.	3,199	4,776
Provisions	24.	29,656	21,527
Other liabilities	24.	313,188	238,437
Subordinated bonds and loans	25.	294,186	271,776
TOTAL LIABILITIES		**14,884,654**	**11,895,507**
Share capital	26.	28,000	28,000
Retained earnings and reserves	27.	1,655,601	1,845,836
Treasury shares	28.	(2,724)	(58,872)
TOTAL SHAREHOLDERS' EQUITY		**1,680,877**	**1,814,964**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**16,565,531**	**13,710,471**

SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

(in HUF million)	**Note**	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Interest Income:			
Interest income calculated using the effective interest method	29.	721,679	302,373
Income similar to interest income	29.	377,231	105,663
Interest income and similar to interest income total		**1,098,910**	**408,036**
Interest Expense:			
Interest expenses total	29.	**(802,020)**	**(155,491)**
NET INTEREST INCOME		**296,890**	**252,545**
Loss allowance on loan, placement and repo receivables losses	6., 7., 11., 30.	(47,687)	(38,841)
Loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	9., 10., 30.	(53,238)	(1,484)
Provision for loan commitments and financial guarantees given	24., 30.	(5,541)	(130)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	45.4.	11,872	(16,255)
Risk cost total		**(94,594)**	**(56,710)**
NET INTEREST INCOME AFTER RISK COST		**202,296**	**195,835**
		-	-
LOSSES ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST		**(56,195)**	**(2,700)**
		-	-
MODIFICATION LOSS	4.	**(14,856)**	**(7,017)**
Income from fees and commissions	31.	362,444	300,803
Expenses from fees and commissions	31.	(66,087)	(52,276)
NET PROFIT FROM FEES AND COMMISSIONS		**296,357**	**248,527**
Foreign exchange gains and (losses)	32.	541	(5,638)
(Losses) and gains on securities, net	32.	(10,605)	2,104
Losses on financial instruments at fair value through profit or loss	32.	(18,790)	(6,494)
Gains on derivative instruments, net	32.	9,917	3,436
Dividend income	32.	194,526	99,037
Other operating income	33.	13,775	11,265
Other operating expenses	33.	(131,942)	(41,636)
NET OPERATING INCOME		**57,422**	**62,074**
Personnel expenses	33.	(154,303)	(136,126)
Depreciation and amortization	33.	(46,738)	(40,692)
Other administrative expenses	33.	(290,989)	(178,611)
OTHER ADMINISTRATIVE EXPENSES		**(492,030)**	**(355,429)**
PROFIT BEFORE INCOME TAX		**(7,006)**	**141,290**
Income tax	34.	13,638	(15,951)
PROFIT AFTER INCOME TAX		**6,632**	**125,339**
Earnings per share (in HUF)			
Basic	43.	24	455
Diluted	43.	24	455

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(in HUF million)	Note	Year ended 31 December 2022	Year ended 31 December 2021
PROFIT AFTER INCOME TAX		**6,632**	**125,339**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of debt instruments at fair value through other comprehensive income		(55,803)	(37,163)
Deferred tax (9%) related to fair value adjustment of debt instruments at fair value through other comprehensive income	34.	5,185	3,410
Gains / (Losses) on separated currency spread of financial instruments designated as hedging instrument		(4,887)	1,681
Deferred tax (9%) related to (losses) / gains on separated currency spread of financial instruments designated as hedging instrument	34.	440	(151)
(Losses) / Gains on derivative financial instruments designated as cash flow hedge		(5,641)	(6,307)
Deferred tax (9%) related to gains on derivative financial instruments designated as cash flow hedge	34.	-	-
Items that will not be reclassified to profit or loss:			
Gains on equity instruments at fair value through other comprehensive income		2,675	-
Fair value adjustment of equity instruments at fair value through other comprehensive income		61	1,407
Deferred tax (9%) related to equity instruments at fair value through other comprehensive income	34.	(41)	(281)
Total		**(58,011)**	**(37,404)**
TOTAL COMPREHENSIVE INCOME		**(51,379)**	**87,935**

POST-BALANCE SHEET EVENTS

Post-balance sheet event cover the period until 17 February 2023.

Hungary

- On 4 January 2023 OTP Bank announced that the National Bank of Hungary imposed the below additional capital requirements for OTP Group, on consolidated level, effective from 1 January 2023 until the next review:
  - 1.13 pps in case of the Common Equity Tier1 (CET1) capital, accordingly the minimum requirement for the consolidated CET1 ratio is 5.63% (without regulatory capital buffers);
  - 1.50 pps in case of the Tier1 capital, accordingly the minimum requirement for the consolidated Tier1 ratio is 7.50% (without regulatory capital buffers);
  - 2.00 pps in case of the Total SREP Capital Requirement (TSCR), accordingly the minimum requirement for the consolidated capital adequacy ratio is 10.00% (without regulatory capital buffers).
- On 23 January 2023 the Ministry of Economic Development announced that the Gábor Baross Reindustrialization Loan Programme will be launched from February by Eximbank, with a total available amount of HUF 700 billion. Under the scheme, the HUF and EUR denominated loans will be available for all purposes, depending on the loan amount either through commercial banks or directly through Eximbank, but all the funding need will be provided or refinanced by Eximbank. The interest rate of the loans will be fixed throughout the whole tenor, and will be typically maximum 6% in the case of HUF loans and maximum 3.5% in the case of EUR loans.
- On 24 January 2023 the National Bank of Hungary kept the reference rates unchanged . The NBH held a long-term deposit tender on 25 January, and from 1 February discount bill auctions are held on a weekly basis. The NBH said that it will continue to meet foreign currency liquidity needs in the coming months to reach market balance related to the energy account. Furthermore, the Deputy Governor announced that effective from April the mandatory reserve requirement for banks will be increased from 5% to 10%.
- On 27 January 2023 S&P Global Ratings lowered the long- and short-term foreign and local currency sovereign credit ratings on Hungary to 'BBB-/A-3' from 'BBB/A-2'. The outlook on the long-term ratings is stable.
- According to the press release published on 30 January 2023 by S&P Global Ratings, the rating agency downgraded its long- and short-term issuer credit ratings, as well as the long- and short-term resolution counterparty ratings on OTP Bank Plc. and OTP Mortgage Bank Ltd. to 'BBB-/A-3' from 'BBB/A-2', and the senior preferred debt rating of OTP Bank Plc. was also downgraded by one notch to 'BBB-'. The outlook on the long-term issuer ratings is stable.
- The financial completion of the transaction to purchase 100% shareholding of Nova KBM d.d. and its subsidiary in Slovenia – after obtaining all necessary regulatory approvals – has been completed on 6 February 2023.
- According to the press release published on 6 February 2023 by Moody’s Investors Service, the rating agency concluded the ratings review initiated in July 2021. The rating agency downgraded OTP Bank’s subordinated bond rating by one notch to 'Ba2' from 'Ba1'. All other ratings and assessments of OTP Bank have been affirmed. Outlook is stable.

  At the same time, Moody’s Investors Service downgraded the backed long-term domestic currency issuer rating of OTP Mortgage Bank to 'Baa3' from 'Baa2'. All other ratings and assessments of OTP Mortgage Bank have been affirmed. Outlook is stable.
- On 15 February 2023 as value date OTP Bank issued Tier 2 Notes in the aggregate nominal amount of USD 650 million. The Tier 2 Notes with 10.25 years maturity, redeemable at par any time during the 3-month period prior to the Reset Date at 5.25 years, were priced on 8 February 2023.

ACQUISITIONS

On 6 December 2021 OTP Bank signed an acquisition agreement with Alpha International Holdings Single Member S.A. on purchasing 100% shareholding of Alpha Bank SH.A., the Albanian subsidiary of the Greek Alpha Bank S.A. The purchase price has been agreed at EUR 55 million. The financial closing of the transaction was completed on 18 July 2022.

On 31 May 2021 OTP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of Nova KBM d.d. and its subsidiary, which are 80% owned by funds managed by affiliates of Apollo Global Management, Inc. and 20% by EBRD. The financial closing of the transaction took place on 6 February 2023, after obtaining all the necessary regulatory approvals.

On 12 December 2022 OTP Bank signed a purchase and sale contract for the purchase of the majority stake of Ipoteka Bank and its subsidiaries with the Ministry of Finance of the Republic of Uzbekistan. OTP Bank will purchase 100% of the shares held by the Ministry of Finance of the Republic of Uzbekistan (nearly 97% total shareholding) in two steps: 75% of the shares now and the remaining 25% three years after the financial closing of the first transaction. The financial closure of the first transaction is expected in 1H 2023 subject to obtaining all the necessary regulatory approvals.

The the Nova KBM acquisition completed in February 2023 and the pending acquisition of Ipoteka Bank in Uzbekistan (expected to be financially closed in 2Q) may substantially contribute to the consolidated profit after tax; in addition to this, the expected positive after tax effect of one-off items to be booked in relation to the consolidation of Nova KBM (badwill, PPA, initial risk cost, etc.) might reach EUR 230 million.

MACROECONOMIC OVERVIEW

The rapid recovery following the Covid crisis has created capacity bottlenecks in many sectors, which, coupled with rising commodity and energy prices, have significantly increased inflation in advanced economies. In the USA, the rate of inflation has not been at this level since the 1970s. The rapidly rising and increasingly broad-based inflation prompted the Fed to take action and to become the first major central bank to start raising interest rates. This move has significantly strengthened the dollar, and US 10-year yields rose to 4.3%. In the USA, inflation clearly peaked in mid-2022, and has been on a downward trend since then. Inflation also rose rapidly in Europe, where the dramatically growing gas and electricity prices posed the bigger problem. However, inflation also peaked in the euro area by the end of 2022, and has been on a downward trend since October 2022. As the Russia-Ukraine war had a much stronger impact on Europe’s economic outlook, and the labour market was much less tight than in the USA, the ECB was slower to react to the rise in inflation. Still, European short-term interest rates also rose to 2% by the end of 2022.

The USA went into a technical recession in the first half of 2022, but this turned out to be temporary, and the US economy resumed growth in the second half-year. Europe’s economies proved more resilient than had been expected to the effects of the Russia-Ukraine war. In the first half of the year, growth benefited from the sectors that recovered after the pandemic, but the currency area also avoided recession in the second half of the year, and grew by 3.5% in full year 2022.

The main factor that affected Hungary’s economy in 2022 was the war in a neighbouring country. Although the Hungarian economy grew by 8.2% year-on-year in the first quarter and by 6.5% in the second, this was largely fuelled by massive one-off transfers at the beginning of 2022. By the second half of the year, however, the economy had lost steam and entered technical recession (two consecutive quarters of economic contraction) by the end of 2022. As a result, the Hungarian economy grew by 4.6% in 2022 as a whole. Inflation, which went beyond 20% by the end of the year, played a significant role in the downturn, significantly eroding real income, and turning its growth negative by the end of 2022.

The strong domestic demand at the beginning of the year allowed businesses to pass through the ongoing cost shocks to prices. From the second half of the year, a number of administrative measures (tightening of KATA tax rules, windfall taxes, increasing the public heath product tax, scrapping some price caps, etc.) also boosted inflation. As a consequence, Hungary’s inflation decoupled from the developments in the euro area, where inflation peaked around 10%, and from the CEE region, where it peaked at 15-17%. In Hungary, inflation did not peak in 2022.

Given that Hungary is a major net energy importer, the sharp rise in energy prices has significantly worsened the Hungarian economy’s external balance, which put the forint under depreciation pressure. In addition, the continued delay in agreeing on EU funds has increased the risk premium on HUF assets, which also contributed to the forint’s weakening – the MNB could reverse this only by a drastic interest rate hike, when the EUR/HUF was nearing 435. As a result, the effective reference rate rose to 18%. The falling gas prices, and the agreement reached with the EU at the end of 2022 had a benign effect on the HUF’s exchange rate.

Falling real incomes and high interest rates have considerably slowed credit market growth. The housing loan market saw the sharpest slowdown: by the end of 2022 (as the Green Home Programme credit line ended), the contracted amount had fallen to half of the level seen in 2021.

Despite the rapidly eroding real incomes, household consumption was still relatively buoyant. But this came at a price: households' ability to save has sharply fallen. Outflows from demand deposits was particularly strong; these amounts flowed into foreign currency deposits and investment fund units.

DIGITAL AND IT INNOVATIONS

OTP Bank broadens the range of remotely available services continually. By the end of 2022 more than 1.7 million customers have registered to the Digital Contract, which allows them to sign up for further digital services via fully online processes.

In 2022 OTP Bank developed a unique electronic document signing option for the users of the InternetBank. Taking advantage of the strong customer authentication of the netbank platform, our clients can sign on their contracts initiated in the Contact Center.

The new MobilBank serving our retail clients with extensive functionality replaced the previously applied solution completely in March 2022. The new app offers several innovative functions such as: QR-code based cheque payment, Apple Pay integration, credit card installment and OpenBanking option for handling external balances and account information.

The Bank focuses on the continuous upgrades of the Personal Finance Management (PFM) toolset, which supports our users in making more conscious financial decisions. The expense tracker service is already capable of handling user generated, personalized categories as well.

The constant ascent in the ratio of our digitally active clients is supported by targeted online campaigns and continuous user education. Machine learning algorithms help the Bank processing all digital data for displaying relevant, personalized offers to the clients.

Several products are available via end-to-end online processes for example: retail clients can open a new account with selfie-identification, or contract for a personal loan or travel insurance digitally.

The ratio of personal loan applications submitted online has risen from 30 to almost 40 percent during 2022.

VideoBank provides consulting service and application process for mortgages as well. We received numerous positive feedback from clients using the channel.

Our customers have access to the chat feature on the website and via our internet banking service as well, therefore we serve client needs also via identified conversations. Most popular topics raised with customer service are managed by chatbots: by 2022 we already have 35 live end-to-end chatbot processes which provide our clients with automated support around the clock.

In the branch network, paperless administration is supported by the digital signature pads available in all OTP branches, which were already used by 2.4 million customers. Signature pads' self-learning function contributes to a faster verification making branch processes even more effective.

The branch network and the Contact Center uses the same user-friendly front-end system, which handles majority of all business processes, hence shortens the time of training and development.

BRANCH NETWORK OF OTP BANK

The Bank provides a full range of commercial banking services through a nationwide network and its branches are available to customers in Hungary.

1013 Budapest, Alagút utca 3.	1025 Budapest, Szépvölgyi út 4/b.	1055 Budapest, Szent István krt. 1.
1011 Budapest, Iskola utca 38-42.	1039 Budapest, Heltai Jenő tér 2.	1051 Budapest, Nádor utca 16.
1015 Budapest, Széna tér 7.	1037 Budapest, Bécsi út 154.	1054 Budapest, Szabadság tér 7-8.
1024 Budapest, Fény utca 11-13.	1033 Budapest, Szentendrei utca 115.	1066 Budapest, Oktogon tér 3.
1025 Budapest, Törökvész út 1/a	1041 Budapest, Erzsébet utca 50.	1075 Budapest, Károly krt. 1.
1026 Budapest, Szilágyi Erzsébet fasor 121.	1048 Budapest, Kordován tér 4.	1076 Budapest, Thököly út 4
1021 Budapest, Hűvösvölgyi út 138.	1042 Budapest, Árpád út 63-65.	1075 Budapest, Károly krt. 25.
1033 Budapest, Flórián tér 15.	1052 Budapest, Deák Ferenc utca 7-9.	1085 Budapest, József krt. 33.

1085 Budapest, József krt. 53.
1087 Budapest, Könyves Kálmán krt. 76-1.
1081 Budapest, Népszínház utca 3-5.
1083 Budapest, Futó utca 35-45
1191 Budapest, Üllői út 201.
1094 Budapest, Ferenc krt. 13.
1085 Budapest, Kálvin tér 12-13.
1097 Budapest, Könyves Kálmán krt. 12-14.
1095 Budapest, Soroksári út 32-34.
1102 Budapest, Kőrösi Csoma sétány 6.
1103 Budapest, Sibrik Miklós utca 30.
1106 Budapest, Örs vezér tere 25
1106 Budapest, Örs Vezér tere 25/A 1.em
1115 Budapest, Bartók Béla út 92-94.
1117 Budapest, Móricz Zsigmond körtér 18.
1118 Budapest, Rétköz utca 5.
1117 Budapest, Hunyadi János út 19.
1117 Budapest, Október huszonharmadika utca 8-10.
1126 Budapest, Böszörményi út 9-11.
1123 Budapest, Alkotás utca 53
1124 Budapest, Apor Vilmos tér 11.
1055 Budapest, Nyugati tér 9.
1137 Budapest, Pozsonyi út 38.
1062 Budapest, Váci út 1-3.
1138 Budapest, Váci út 135-139
1133 Budapest, Váci út 80.
1134 Budapest, Váci út 17.
1135 Budapest, Lehel út 70-76.
1148 Budapest, Nagy Lajos király útja 19-21.
1149 Budapest, Fogarasi út 15/b.
1149 Budapest, Bosnyák tér 17.
1146 Budapest, Thököly út 102/b.
1152 Budapest, Szentmihályi út 131.
1151 Budapest, Fő utca 64.
1157 Budapest, Zsókavár utca 28.
1163 Budapest, Jókai Mór utca 3/b.
1161 Budapest, Rákosi út 118.
1173 Budapest, Ferihegyi út 93.
1173 Budapest, Pesti út 5-7.
1181 Budapest, Üllői út 377.
1188 Budapest, Vasút utca 48.
1183 Budapest, Üllői út 440.
1195 Budapest, Üllői út 285.
1195 Budapest, Vak Bottyán út 75 a-c
1204 Budapest, Kossuth Lajos utca 44-46.
1238 Budapest, Grassalkovich út 160.
1203 Budapest, Bíró Mihály utca 7.
1239 Budapest, Bevásárló utca 2.
1211 Budapest, Kossuth Lajos utca 86.
1211 Budapest, Kossuth Lajos utca 99.
1221 Budapest, Kossuth Lajos utca 31.
1222 Budapest, Nagytétényi út 37-45.
7621 Pécs, Rákóczi út 44.
7621 Pécs, Rákóczi út 1.
7632 Pécs, Diána tér 14.
7633 Pécs, Ybl Miklós utca 7/3.
7300 Komló, Kossuth Lajos utca 95/1.
7700 Mohács, Széchenyi tér 1
7800 Siklós, Felszabadulás utca 60-62.
7900 Szigetvár, Vár utca 4.
7720 Pécsvárad, Bem utca 2/b
7370 Sásd, Dózsa György utca 2.
7960 Sellye, Köztársaság tér 4.
7940 Szentlőrinc, Munkácsy utca 16/A
7773 Villány, Baross Gábor utca 36.
7754 Bóly, Hősök tere 8/b
6000 Kecskemét, Korona utca 2.
6000 Kecskemét, Szabadság tér 5.
6500 Baja, Deák Ferenc utca 1.
6300 Kalocsa, Szent István király út 43-45.
6200 Kiskőrös, Petőfi tér 13.
6400 Kiskunhalas, Sétáló utca 7
6100 Kiskunfélegyháza, Petőfi tér 1
6430 Bácsalmás, Szt János utca 32.
6087 Dunavecse, Fő út 40.
6070 Izsák, Szabadság tér 1.
6440 Jánoshalma, Rákóczi utca 10.
6237 Kecel, Császártöltési utca 1.
6120 Kiskunmajsa, Csendes köz 1.
6090 Kunszentmiklós, Kálvin tér 11.
6050 Lajosmizse, Dózsa György utca 102/a.
6449 Mélykút, Petőfi tér 18.
6230 Soltvadkert, Szentháromság utca 2.
6060 Tiszakécske, Béke tér 6.
6000 Kecskemét, Dunaföldvári út 2.
6320 Solt, Kossuth Lajos utca 48-50.
6080 Szabadszállás, Dózsa György út 1.
5600 Békéscsaba, Szt István tér 3.
5700 Gyula, Bodoky utca 9.
5800 Mezőkovácsháza, Árpád utca 177.
5900 Orosháza, Kossuth Lajos utca 20.
5540 Szarvas, Kossuth Lajos tér 1.
5520 Szeghalom, Tildy Zoltán utca 4-8.
5630 Békés, Széchenyi tér 2.
5830 Battonya, Fő utca 86.
5510 Dévaványa, Árpád utca 32.
5742 Elek, Gyulai út 5.
5500 Gyomaendrőd, Szabadság tér 7
5650 Mezőberény, Kossuth Lajos tér 12.
5820 Mezőhegyes, Zala György ltp. 7.
5720 Sarkad, Árpád fejedelem tér 5.
5940 Tótkomlós, Széchenyi utca 4-6.
5661 Újkígyós, Kossuth Lajos utca 38.
5530 Vésztő, Kossuth Lajos utca 72.
5525 Füzesgyarmat, Szabadság tér 1.
5600 Békéscsaba, Andrássy út 37-43.
3530 Miskolc, Uitz B. utca 6.
3530 Miskolc, Rákóczi út 1.
3531 Miskolc, Győri kapu 51.
3535 Miskolc, Árpád út 2.
3780 Edelény, Tóth Árpád út 1.
3860 Encs, Bem József utca 1.
3400 Mezőkövesd, Mátyás király utca 149.
3580 Tiszaújváros, Szent István út 30.
3600 Ózd, Városház tér 1/a.
3980 Sátoraljaújhely, Széchenyi tér 13.
3900 Szerencs, Kossuth tér 3/a.
3700 Kazincbarcika, Egressy Béni út 50.
3950 Sárospatak, Eötvös József utca 2.
3630 Putnok, Kossuth Lajos út 45.
3800 Szikszó, Kassai utca 16.
3770 Sajószentpéter, Bethlen Gábor utca 1/a.
3450 Mezőcsát, Hősök tere 23.
3910 Tokaj, Rákóczi út 37.
3527 Miskolc, József Attila utca 87.
6720 Szeged, Takaréktár utca 7.
6720 Szeged, Aradi vértanúk tere 3.
6791 Szeged, Negyvennyolcas utca 3.
6600 Szentes, Kossuth Lajos utca 26.
6640 Csongrád, Szentháromság tér 2-6.
6800 Hódmezővásárhely, Andrássy út 1.
6900 Makó, Széchenyi tér 14-16.
6760 Kistelek, Kossuth Lajos utca 6-8
6782 Mórahalom, Szegedi út 3.
6724 Szeged, Rókusi krt. 42-64.
6724 Szeged, Londoni krt. 3.
8000 Székesfehérvár, Ősz utca 13.
2060 Bicske, Bocskai köz 1.
2400 Dunaújváros, Dózsa György út 4/e.
8060 Mór, Deák Ferenc utca 2.
7000 Sárbogárd, Ady Endre út 172.
2457 Adony, Petőfi Sándor utca 2.
8130 Enying, Kossuth Lajos utca 43.
2483 Gárdony, Szabadság út 18.
8154 Polgárdi, Deák Ferenc utca 16.
8000 Székesfehérvár, Fő utca 7.
8000 Székesfehérvár, Holland fasor 2.

9022 Győr, Teleki László utca 51.
9011 Győr, Győr-Szentiván, Déryné út 77.
9400 Sopron, Teleki Pál út 22./A
9300 Csorna, Soproni út 58.
9200 Mosonmagyaróvár, Fő utca 24
9400 Sopron, Várkerület 96. fszt. 1.
9330 Kapuvár, Szt István király utca 4-6.
9431 Fertőd, Fő utca 7.
9317 Szany, Ady Endre utca 2.
9024 Győr, Bartók Béla út 53/b.
9024 Győr, Kormos István utca 6.
9026 Győr, Egyetem tér 1.
9027 Győr, Budai út 1.
4025 Debrecen, Pásti utca 1-3.
4025 Debrecen, Piac utca 45-47.
4032 Debrecen, Füredi út 43.
4100 Berettyóújfalu, Oláh Zsigmond utca 1.
4150 Püspökladány, Kossuth utca 2.
4220 Hajdúböszörmény, Kossuth Lajos utca 3.
4080 Hajdúnánás, Köztársaság tér 17-18/a.
4200 Hajdúszoboszló, Szilfákalja utca 6-8.
4060 Balmazújváros, Veres Péter utca 3.
4110 Biharkeresztes, Kossuth utca 4.
4130 Derecske, Köztársaság utca 111.
4087 Hajdúdorog, Petőfi tér 9-11.
4138 Komádi, Fő utca 1-3.
4181 Nádudvar, Fő utca 119.
4090 Polgár, Barankovics tér 15.
4242 Hajdúhadház, Kossuth utca 2.
4032 Debrecen, Egyetem tér 1.
4254 Nyíradony, Árpád tér 6.
4025 Debrecen, Hatvan utca 2-4.
3300 Eger, Törvényház utca 4.
3390 Füzesabony, Rákóczi utca 77.
3200 Gyöngyös, Fő tér 1.
3360 Heves, Hősök tere 4.
3000 Hatvan, Kossuth tér 8. fszt. 1.
3021 Lőrinci, Szabadság tér 25/A
3245 Recsk, Kossuth Lajos út 93.
3300 Eger, Széchenyi utca 2.
2800 Tatabánya, Fő tér 32.
2510 Dorog, Bécsi út 33.
2900 Komárom, Mártirok útja 23.
2890 Tata, Ady Endre utca 1-3.
2500 Esztergom, Rákóczi tér 2-4.
2840 Oroszlány, Rákóczi utca 84.
2941 Ács, Gyár utca 14.
2870 Kisbér, Batthyány tér 5.
2536 Nyergesújfalu, Kossuth Lajos utca 126.
2800 Tatabánya, Bárdos László utca 2.
3100 Salgótarján, Rákóczi út 22.
2660 Balassagyarmat, Rákóczi fejedelem utca 44.
3060 Pásztó, Fő utca 73/a.
2651 Rétság, Rákóczi Ferenc utca 28-30.
3070 Bátonyterenye, Bányász utca 1/a.
3170 Szécsény, Feszty Árpád utca 1.
2700 Cegléd, Szabadság tér 6.
2370 Dabas, Bartók Béla út 46.
2100 Gödöllő, Szabadság tér 12-13.
2200 Monor, Kossuth Lajos utca 88/b
2760 Nagykáta, Bajcsy-Zsilinszky utca 1.
2300 Ráckeve, Szt István tér 3.
2000 Szentendre, Pannónia út 1-3.
2600 Vác, Széchenyi utca 3-7.
2120 Dunakeszi, Barátság utca 29.
2030 Érd, Budai út 24.
2750 Nagykőrös, Szabadság tér 2.
2440 Százhalombatta, Szent István tér 8.
2740 Abony, Kossuth Lajos tér 3.
2730 Albertirsa, Vasút utca 4/a.
2170 Aszód, Kossuth Lajos utca 42-46.
2040 Budaörs, Szabadság utca 131/a.
2330 Dunaharaszti, Dózsa György utca 25.
2230 Gyömrő, Szent István út 17.
2340 Kiskunlacháza, Dózsa György utca 219.
2364 Ócsa, Szabadság tér 1.
2721 Pilis, Rákóczi utca 9.
2085 Pilisvörösvár, Fő utca 60
2310 Szigetszentmiklós, Ifjúság útja 17.
2220 Vecsés, Fő utca 170.
2360 Gyál, Kőrösi út 160.
2143 Kistarcsa, Hunyadi utca 7.
2119 Pécel, Kossuth tér 4.
2092 Budakeszi, Fő utca 174.
2040 Budaörs, Sport út 2-4.
2120 Dunakeszi, Nádas utca 6.
2310 Szigetszentmiklós, Háros utca 120.
2141 Csömör, Határ út 6.
2013 Pomáz, József Attila utca 17.
2083 Solymár, Szent Flórián utca 2.
2220 Vecsés, Fő utca 246-248
2112 Veresegyház, Fő út 52
2234 Maglód, Esterházy utca 1.
2030 Érd, Iparos út 5.
2225 Üllő, Pesti út 92/b
7400 Kaposvár, Széchenyi tér 2.
7400 Kaposvár, Honvéd utca 55.
8700 Marcali, Rákóczi utca 6-10.
7500 Nagyatád, Korányi Sándor utca 6.
8600 Siófok, Fő tér 10/a
7570 Barcs, Séta tér 5.
8630 Balatonboglár, Dózsa György utca 1.
8840 Csurgó, Petőfi tér 20.
8640 Fonyód, Ady Endre utca 25.
8693 Lengyeltóti, Csalogány utca 2.
8660 Tab, Kossuth Lajos utca 96.
7561 Nagybajom, Fő út 107.
8638 Balatonlelle, Rákóczi út 202-204.
4400 Nyíregyháza, Rákóczi utca 1.
4900 Fehérgyarmat, Móricz Zsigmond utca 4.
4600 Kisvárda, Szt László utca 30.
4700 Mátészalka, Szalkay László utca 34.
4300 Nyírbátor, Zrínyi utca 1.
4800 Vásárosnamény, Szabadság tér 33.
4561 Baktalórántháza, Köztársaság tér 4.
4233 Balkány, Szakolyi utca 5.
4765 Csenger, Ady Endre utca 1.
4492 Dombrád, Szabadság tér 7.
4501 Kemecse, Móricz Zsigmond utca 18.
4320 Nagykálló, Árpád utca 10.
4450 Tiszalök, Kossuth Lajos utca 52/a.
4440 Tiszavasvári, Kossuth Lajos utca 6.
4244 Újfehértó, Fő tér 15.
4625 Záhony, Ady Endre út 27-29.
5000 Szolnok, Szapáry utca 31.
5000 Szolnok, Nagy Imre krt. 2/a.
5100 Jászberény, Lehel vezér tér 28.
5440 Kunszentmárton, Kossuth Lajos utca 2.
5350 Tiszafüred, Piac tér 3.
5200 Törökszentmiklós, Kossuth Lajos út 141.
5300 Karcag, Kossuth Lajos tér 15.
5310 Kisújszállás, Szabadság tér 6.
5400 Mezőtúr, Szabadság tér 29.
5420 Túrkeve, Széchenyi utca 32-34.
5130 Jászapáti, Kossuth Lajos út 2-8.
5123 Jászárokszállás, Rákóczi Ferenc utca 4-6.
5055 Jászladány, Kossuth Lajos utca 77.
5340 Kunhegyes, Szabadság tér 4.
5321 Kunmadaras, Kossuth tér 3.
5430 Tiszaföldvár, Kossuth Lajos út 191.
5000 Szolnok, Széchenyi krt. 135.
7100 Szekszárd, Szent István tér 5-7.
7030 Paks, Dózsa György utca 33.
7090 Tamási, Szabadság utca 33
7150 Bonyhád, Szabadság tér 10.
7200 Dombóvár, Dombó Pál utca 3.
7020 Dunaföldvár, Béke tér 11.

7081 Simontornya, Petőfi utca 68.
7130 Tolna, Kossuth Lajos utca 31.
7030 Paks, Kishegyi út 44/a
7140 Bátaszék, Budai út 13.
9700 Szombathely, Fő tér 3-5.
9700 Szombathely, Rohonci út 52.
9900 Körmend, Vida József utca 12.
9600 Sárvár, Batthyány utca 2.
9500 Celldömölk, Kossuth Lajos utca 18.
9730 Kőszeg, Kossuth Lajos utca 8.
9970 Szentgotthárd, Mártírok út 2.
9800 Vasvár, Alkotmány utca 2.
9737 Bük, Kossuth Lajos utca 1-3.
9700 Szombathely, Király utca 10.
8200 Veszprém, Brusznyai Árpád utca 1.
8400 Ajka, Szabadság tér 18.
8500 Pápa, Fő tér 22.
8300 Tapolca, Fő tér 2.
8230 Balatonfüred, Petőfi Sándor utca 8.
8100 Várpalota, Újlaky út 2.
8220 Balatonalmádi, Baross Gábor utca 5/a.
8460 Devecser, Kossuth Lajos utca 13.
8330 Sümeg, Kisfaludy Sándor tér 1.
8420 Zirc, Rákóczi tér 15.
8900 Zalaegerszeg, Kisfaludy utca 15-17.
8800 Nagykanizsa, Deák tér 15.
8960 Lenti, Dózsa György utca 1.
8360 Keszthely, Kossuth Lajos utca 38.
8868 Letenye, Szabadság tér 8.
8790 Zalaszentgrót, Batthyány utca 11.
8380 Hévíz, Erzsébet királyné utca 11.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., being registered in Hungary, has a corporate governance policy that complies with the provisions on companies of the act applicable (Civil Code). As the company conducts banking operations, it also adheres to the statutory regulations pertaining to credit institutions.

Beyond fulfilling the statutory requirements, as a listed company on the Budapest Stock Exchange (BSE), the company also makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations. After being approved by the General Meeting, this declaration is published on the websites of both the Stock Exchange (www.bet.hu) and the Bank (www.otpbank.hu).

System of internal controls

OTP Bank Plc., as a provider of financial and investment services, operates a closely regulated and state-supervised system of internal controls.

OTP Bank Plc. has detailed risk management regulations applicable to all types of risks (credit, country, counterparty, market, liquidity, operational, compliance), which are in compliance with the regulations on prudent banking operations. Its risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results. The business continuity framework is intended to provide for the continuity of services. Developed on the basis of international methodologies, the lifecycle model includes process evaluation, action plan development for critical processes, the regular review and testing of these, as well as related DRP activities.

OTP Bank Plc.'s internal audit system is realised on several levels of control built on each other. The system of internal checks and balances includes process-integrated control, management control, independent internal audit organisation and executive information system. The independent internal audit organisation as a key element of internal lines of defence promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient operation of internal control systems, the minimisation of risks, moreover it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares group-level reports on control actions and audit results for the executive boards. Once a year, the internal audit organisation with the prior opinion of the Audit Committee draws up, for the Supervisory Board, the Board of Directors and the Risk Assumption and Risk Management Committee, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions. Furthermore, in line with the provisions of the Credit Institutions Act, reports, once a year, to the Supervisory Board and the Board of Directors on the regularity of internal audit tasks, professional requirements and the conduct of audits, and on the review of compliance with IT and other technical conditions needed for the audits.

In line with the regulations of the European Union, the applicable Hungarian laws and supervisory recommendations, OTP Bank Plc. operates an independent organisational unit with the task of identifying and managing compliance risks. The Compliance Directorate prepares a report quarterly to the Board of Directors, and annually to the Supervisory Board, about the Bank's and the Bank Group's compliance activities and position.

IT Controls

Applications are developed by either in-house group resources or by third parties. OTP Bank applies administrative, logical and physical control measures commensurate with the risk in order to protect the IT systems storing and processing data, as follows:

- access to data/systems is only possible on the basis of a predefined authorisation management process that applies the principle of least privilege, ensures segregation of responsibilities, that has regular access right reviews and ensures that dismissed employees' access is revoked in a timely manner;
- user authentication, authorisation and password management processes are controlled by policies and audited;
- the systems have well-separated test and development environments along with a secure change management procedure, which ensures that program developments or modifications can only be deployed to the operational environment after proper, controlled testing and approval;
- systems are protected by appropriate network perimeter protection, various security devices and network segmentation, furthermore all network communications are protected with state-of-the-art encryption;

- the IT systems that store and process data are regularly backed up and backup media is stored in controlled premises with adequate protection for long-term retention, and the organisation carries out regular backup restore tests;
- adequate redundancy is applied for IT systems that store and process data to ensure business continuity and disaster resiliency;
- has developed DRPs and BCPs for critical systems and critical business processes, which is regularly tested and reviewed;
- the Bank collects and retains the complete log of all major IT operations and IT security relevant data processing activities and the confidentiality, availability, integrity, authenticity and non-repudiation of these audit logs are ensured;
- there is a continuous, up-to-date protection against malicious codes;
- it ensures the regular implementation of vendor patches and updates for the environments used;
- it uses a data leakage protection (DLP) solution to reduce the risk of inadvertent data loss;
- it ensures the continuous monitoring of the operation events of the physical and virtual environment system elements with automated event detection and management tools;
- the above measures are documented at an appropriate level, which ensures the traceability of the implementation of data security requirements in a transparent manner;
- it ensures permanent secure deletion of the data stored on the media, the destruction of the media and the documentation of the destruction of the media during secure operational media disposal processes;
- it enforces data protection requirements already at the design stage of the implementation of the IT systems storing and processing personal data and of the systems operational processes related to them;
- acquire and maintain ability to adequately handle application related security events, including prevention, detection, identification, isolation, analysis, recovery and reporting;
- remote work is regulated in a controlled and documented way, remote accesses are protected with multi-factor authentication;
- ensures IT security compliance within operated regulative framework;
- revision and update of IT security regulations with required frequencies;
- ensures vulnerability assessments and penetration tests are carried out as planned;
- define pools for categorization of installed software into preferred, allowed and prohibited. Ensure policy is followed.
- it ensures that its employees have adequate knowledge of data protection requirements and provides regular data protection and information security awareness training for them.

General Meeting

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Articles of Association, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.

The General Meeting was held on 13 April 2022 in accordance with the general rules, traditionally, with the personal participation of the shareholders, subject to Section 3 (1) of the Government Decree 502/2020. (XI. 16.) on the re-introduction of deviation provisions pertaining to the operation of partnerships and corporations during the state of emergency, also in line with the Act I of 2021 on the prevention of the coronavirus pandemic.

Regulations and information to be presented in the Business Report concerning securities conferring voting rights issued by the Company and senior officials, according to the effective Articles of Association, and ownership structure

The Company's registered capital is HUF 28,000,001,000, that is twenty-eight thousand million one thousand Hungarian forint, divided into 280,000,010 that is Two hundred and eighty million and ten dematerialised ordinary shares with a nominal value of HUF 100 each, and a total nominal value of HUF 28,000,001,000, that is twenty eight billion one thousand Hungarian forint.

The ordinary shares of the Company specified all have the same nominal value and bestow the same rights in respect of the Company.

There are no restrictions in place concerning the transfer of issued securities constituting the registered capital of the Company.

No securities with special control rights have been issued by the Company.

Special Employee Partial Ownership Plan Organization No. I. of OTP Employees and Special Employee Partial Ownership Plan Organization No. II. of OTP Employees (hereinafter referred to as: OTP SEPOPs) were established based on the decision of the Company's certain employees and executives considered as employees pursuant to the Act XLIV of 1992 on Employee Partial Ownership Plan. Management rights of OTP SEPOPs are exercised by a trust named *Alapítvány az OTP Munkavállalók Különleges Résztulajdonosi Programjáért*, founded by the same employees setting up OTP SEPOPs. The Company did not participate either in foundation or in management of OTP SEPOPs.

The Company in line with the ESOP Act initiated an employee share ownership plan having a remuneration purpose and founded OTP Bank ESOP Organization for its execution (hereinafter referred to as ESOP Organization). Pursuant to the laws, the management rights over the ESOP Organization are exercised by a law firm, the so called trustee. In the case of the ESOP Organization Szűcs Law Firm is entitled to exercise the authorities of the trustee. The Company participated in the foundation of the ESOP Organization, however, after its foundation it cannot participate in its management, and according to the laws, it is not entitled to either give orders or to recall the trustee.

Rules on the restrictions of the voting rights:

The Company's ordinary shares confer one vote per share.

An individual shareholder or group of shareholders may not exercise voting rights in respect of in an extent exceeding 25%, or – if the voting rights of another shareholder or group of shareholders exceed 10% – exceeding 33% of the total voting rights represented by the shares conferring voting rights at the Company's General Meeting.

The shareholder is obliged to notify the Company's Board of Directors without delay if the shareholder directly or indirectly, or together with other shareholders in the same group of shareholders, holds more than 2% of the voting rights represented by the shares conferring voting rights at the Company's General Meeting. Concurrently with this, the shareholder is obliged to designate the shareholders through which the indirect voting right exists, or the members of the group of shareholders. In the event of a failure to provide such notification, or if there are substantive grounds for assuming that the shareholder has made a misleading declaration regarding the composition of the shareholder group, then the shareholder's voting right shall be suspended and may not be exercised until the shareholder has met the above obligations. The notification obligation stipulated in this paragraph and the related legal consequences are also incumbent upon individuals who are classified or may be classified as the Company's shareholders under Article 61 of the Capital Markets Act. The Company must also be provided with proof of the conditions for exemption from the notification obligation in accordance with Section 61 (7)-(8) and Section 61 (10)-(11)-(12), of the Capital Markets Act.

Shareholder group: the shareholder and another shareholder, in which the former has either a direct or indirect shareholding or has an influence without a shareholding (collectively: a direct and/or indirect influence); furthermore: the shareholder and another shareholder who is exercising or is willing to exercise its voting rights together with the former shareholder, regardless of what type of agreement between the participants underlies such concerted exercising of rights.

For determining the existence and extent of the indirect holding, the rules of the Credit Institutions Act relating to the calculation of indirect ownership shall be applied.

If the voting rights that may be exercised by a shareholder group exceed the threshold stipulated in the first paragraph of this section, the voting rights shall be reduced in such a way that the voting rights relating to the shares most recently acquired by the group of shareholders shall not be exercisable.

If there are substantive grounds to presume that the exercising of voting rights by any shareholder or shareholders might result in a breach of the rules of the Capital Markets Act relating to the acquisition of a controlling interest, the Board of Directors' authorised representative responsible for the registration of shareholders at the venue of the General Meeting, or the Chairman of the General Meeting, may exclude the affected shareholders from attending the General Meeting or exercising voting rights.

The General Meeting has exclusive authority with respect to the decision regarding the delisting of the shares (qualified majority). When making the decisions, shares embodying multiple voting rights shall represent one share.

The Company is not aware of any kind of agreements among the owners that could give rise to the restriction of the transfer of issued securities and/or the voting rights.

Rules on the appointment and removal of executive officers, and rules on amendment of the Articles of Association:

The Board of Directors has at least 5, and up to 11 members.

When making the decisions, shares embodying multiple voting rights shall represent one share. The members of the Board of Directors are elected by the General Meeting based on its decision uniformly either for an indefinite period or for five years; in the latter case the mandate ends with the General Meeting concluding the fifth financial year following the election. The mandate of a member elected during this period expires together with the mandate of the Board of Directors.

The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company, unless the Board of Directors decides within its competence that the position of Chairman of the Board of Directors and the Chief Executive Officer of the Company are held by separate persons.

The membership of the Board of Directors ceases to exist by

a. expiry of the mandate,
b. resignation,
c. recall,
d. death,
e. the occurrence of grounds for disqualification as regulated by law.
f. termination of the employment of internal (executive) Board members.

The General Meeting has exclusive authority with respect to the following matters:

- the recall of members of the Board of Directors, the Supervisory Board and Audit Committee, and of the auditor; (qualified majority)
  More than one third of the members of the Board of Directors and the non-executive members of the Supervisory Board may be recalled within a 12-month period only if any shareholder holds more than 33% of the shares issued by the Company, which have been obtained by the shareholder by way of a public purchase offer.
- except in the cases referred by these Articles of Association to the authority of the Board of Directors, the establishment and amendment of the Articles of Association; (qualified majority); the General Meeting decides on proposals concerning the amendment of the Articles of Association – based on a resolution passed by shareholders with a simple majority – either individually or en masse.

The Board of Directors is obliged to

- prepare the Company’s financial statements in accordance with the Accounting Act, and make a proposal for the use of the profit after taxation;
- prepare a report once a year for the General Meeting, and once every three months for the Supervisory Board, concerning management, the status of the Company’s assets and business policy;
- provide for the proper keeping of the Company's business books;
- perform the tasks referred to its authority under the Credit Institutions Act, in particular:
  - ensuring the integrity of the accounting and financial reporting system;
  - elaborating the appropriate strategy and determining risk tolerance levels for each business unit concerned;
  - setting risk assumption limits;
  - providing the necessary resources for the management or risk, the valuation of assets, the use of external credit ratings and the application of internal models.

The following, in particular, come under the exclusive authority of the Board of Directors:

- election of the Chairman & Chief Executive Officer of the Company, and exercising employer’s right in respect thereof;
- election of one or more Deputy Chairmen of the Board of Directors;
- determination of the annual plan;
- the analysis and assessment of the implementation of business-policy guidelines, on the basis of the Company’s quarterly balance sheet;
- decisions on transactions referred to the authority of the Board of Directors by the Company's organisational and operational regulations;
- decision on launching, suspending, or terminating the performance of certain banking activities within the scope of the licensed activities of the Company;

- designation of the employees entitled to sign on behalf of the Company;
- decision on the increasing of registered capital at the terms set out in the relevant resolution of the General Meeting;
- decision to acquire treasury shares at the terms set out in the relevant resolution of the General Meeting;
- decision on approving internal loans in accordance with the Credit Institutions Act;
- decision on the approval of regulations that fundamentally determine banking operations, or are referred to its authority by the Credit Institutions Act. The following shall qualify as such regulations:
  - the collateral evaluation regulations,
  - the risk-assumption regulations,
  - the customer rating regulations,
  - the counterparty rating regulations,
  - the investment regulations,
  - the regulations on asset classification, impairment and provisioning,
  - the organisational and operational regulations, which contain the regulations on the procedure for assessing requests related to large loans,
  - the regulations on the transfer of signatory rights;
- the decision on approving the Rules of Procedure of the Board of Directors;
- decision on steps to hinder a public takeover procedure;
- decision on the acceptance of a public purchase offer received in respect of treasury shares;
- decision on the commencement of trading in the shares in a regulated market (flotation);
- decision on the cessation of trading in the shares in a given regulated market, provided that the shares are traded in another regulated market (hereinafter: transfer).

The Board of Directors is exclusively authorised to:

- decide, in the cases specified in the Civil Code, on acceptance of the Company's interim balance sheet, subject to the prior approval of the Supervisory Board;
- decide, instead of the General Meeting, to pay an advance on dividends, subject to the preliminary approval of the Supervisory Board;
- make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association;
- make decision on mergers (if, according to the provisions of the law on the transformation, merger and demerger of legal entities, the approval of the General Meeting is not required in order for the merger to take place).

The Board of Directors directly exercises employer's rights in respect of the Chairman & CEO. The person affected by a decision may not participate in the decision making. Employer rights in respect of the executive directors of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance of the appointment and dismissal of the Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the Chief Executive Officer and by the senior company employees defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors. If the Chairman of the Board of Directors and the CEO are different persons, the employer rights in respect of the other executive directors of the Company (CEO, deputy CEOs) are exercised by the Board of Directors through the Chairman of Board of Directors, with the proviso that the Board of Directors shall be notified in advance of the appointment and dismissal of the CEO and Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the persons defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors.

The Board of Directors may delegate, to individual members of the Board of Directors, to executive directors employed by the Company, and to the heads of the individual service departments, any task that does not come under the exclusive authority of the Board of Directors in accordance with these Articles of Association or a General Meeting resolution.

The Company may acquire treasury shares in accordance with the rules of the Civil Code. The prior authorisation of the General Meeting is not required for the acquisition of treasury shares if the acquisition of the shares is necessary in order to prevent a direct threat of severe damage to the Company (this provision is not applicable in the event of a public purchase offer aimed at buying up the Company's shares), as well as if the Company acquires the treasury shares in the context of a judicial procedure aimed at the settlement of a claim to which the Company is entitled, or in the course of a transformation.

The Company has not made agreements in the meaning of points (j) and (k) in paragraph 95/A of Act No. C of 2000 on Accounting.

Ownership structure of OTP Bank Plc.

Description of owner	Total equity					
	1 January 2022			31 December 2022		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	26.66%	26.97%	74,637,180	31.80%	31.84%	89,040,716
Foreign institution/company	66.69%	67.47%	186,733,858	50.05%	50.11%	140,129,576
Domestic individual	4.79%	4.84%	13,405,389	16.91%	16.93%	47,338,305
Foreign individual	0.11%	0.12%	319,712	0.52%	0.52%	1,464,494
Employees, senior officers[2]	0.48%	0.48%	1,341,018	0.55%	0.55%	1,526,762
Treasury shares[3]	1.16%	0.00%	3,251,484	0.13%	0.00%	354,144
Government held owner	0.07%	0.07%	188,326	0.05%	0.05%	139,946
International Development Institutions	0.04%	0.04%	120,871	0.00%	0.00%	3,183
Other[4]	0.00%	0.00%	2,172	0.00%	0.00%	2,884
TOTAL	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Voting rights in the General Meeting of the Issuer for participation in decision-making.
[2] The shares indirectly owned by György Nagy, a member of the Board of Directors, were reclassified to the domestic individual category as of 31 December 2021.
[3] Treasury shares do not include the OTP shares held by ESOP (OTP Bank Employee Stock Ownership Plan Organization). Pursuant to Act V of 2013 on the Civil Code, OTP shares held by the ESOP are not classified as treasury shares, but the ESOP must be consolidated in accordance with IFRS 10 Consolidated Financial Statements standard. On 31 December 2022 ESOP owned 10,965,752 OTP shares.
[4] Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2022)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	3,251,484	691,233	467,880	365,842	354,144
Subsidiaries	0	0	0	0	0
TOTAL	3,251,484	691,233	467,880	365,842	354,144

Shareholders with over/around 5% stake as at 31 December 2022

Name	Nationality[1]	Activity[2]	Number of shares	Ownership[3]	Voting rights[3,4]	Notes[5]
MOL (Hungarian Oil and Gas Company Plc.)	**D**	**C**	**24,000,000**	**8.57%**	**8.58%**	
Groupama Group	**F/D**	**C**	**14,258,161**	**5.09%**	**5.10%**	
Groupama Gan Vie SA	F	C	14,140,000	5.05%	5.06%	
Groupama Biztosító Ltd.	D	C	118,161	0.04%	0.04%	

[1] Domestic (D), Foreign (F).
[2] Custodian (CU), Public Institution (PU), International Development Institutions (ID), Institutional (I), Company (C), Private (PR), Employee or senior officer (E).
[3] Rounded to two decimals.
[4] Voting rights in the General Meeting of the Issuer for participation in decision-making.
[5] Eg: professional investor, financial investor, etc.

Senior officers, strategic employees and their shareholding of OTP shares as at 31 December 2022

Type[1]	Name	Position	Commencement date of the term	Expiration/termination of the term	Number of shares
IT	dr. Sándor Csányi [2]	Chairman and CEO	15/05/1992	2026	325.047
IT	Tamás Erdei	Deputy Chairman	27/04/2012	2026	43.085
IT	Gabriella Balogh	member	16/04/2021	2026	8.193
IT	Mihály Baumstark	member	29/04/1999	2026	53.600
IT	Péter Csányi	member, Deputy CEO	16/04/2021	2026	9.648
IT	dr. István Gresa	member	27/04/2012	2026	182.858
IT	Antal Kovács[3]	member, Deputy CEO	15/04/2016	2026	114.759
IT	György Nagy[4]	member	16/04/2021	2026	34.800
IT	dr. Márton Gellért Vági	member	16/04/2021	2026	8.500
IT	dr. József Vörös	member	15/05/1992	2026	186.714
IT	László Wolf	member, Deputy CEO	15/04/2016	2026	535.347
FB	Tibor Tolnay	Chairman	15/05/1992	2023	54
FB	dr. Gábor Horváth	Deputy Chairman	19/05/1995	2023	0
FB	Klára Bella	member	12/04/2019	2023	408
FB	dr. Tamás Gudra	member	16/04/2021	2023	0
FB	András Michnai	member	25/04/2008	2023	100
FB	Olivier Péqueux	member	13/04/2018	2023	0
SP	László Bencsik	Deputy CEO			12.744
SP	György Kiss-Haypál	Deputy CEO			10.905
TOTAL No. of shares held by management:					**1,526,762**

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Dr. Sándor Csányi, Chairman and CEO, directly or indirectly: 4,602,174
[3] Number of OTP shares owned by Antal Kovács, Member of Board of Directors, directly or indirectly: 119,059
[4] Number of OTP shares owned by György Nagy, Member of Board of Directors, directly or indirectly: 1,118,955

Committees[1]

Members of the Board of Directors
Dr. Sándor Csányi – Chairman
Mr. Tamás Erdei – Deputy Chairman
Ms. Gabriella Balogh
Mr. Mihály Baumstark
Mr. Péter Csányi
Dr. István Gresa
Mr. Antal Kovács
Mr. György Nagy
Dr. Márton Gellért Vági
Dr. József Vörös
Mr. László Wolf

Members of the Supervisory Board
Mr. Tibor Tolnay – Chairman
Dr. József Gábor Horváth – Deputy Chairman
Ms. Klára Bella
Dr. Tamás Gudra
Mr. András Michnai
Mr. Olivier Péqueux

Members of the Audit Committee
Dr. József Gábor Horváth – Chairman
Mr. Tibor Tolnay – Deputy Chairman
Dr. Tamás Gudra
Mr. Olivier Péqueux

The résumés of the committee and board members are available in the Corporate Governance Report/Annual Report.

[1] Personal changes can be found in the „Personal and organizational changes" chapter.

Personal and organizational changes

On 13 April 2022, concerning the audit of OTP Bank Plc.’s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2022, the Annual General Meeting elected Ernst & Young Ltd. as the Company’s auditor from 1 May 2022 until 30 April 2023.

From 1 January 2023 Antal Kovács' position was taken over by András Becsei as the Retail Division Deputay CEO. Antal Kovács will retain his employment status, thus his position as Deputy CEO until the Annual General Meeting closing the financial year 2022, during which time he will mainly be responsible for group governance.

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company’s executive management body in its managerial function, while the Supervisory Board is the management body in its supervisory function of the Company. It controls the supervision of the lawfulness of the Company’s operation, its business practices and management, performs oversight tasks and accepts the provisions of the Bank Group's Remuneration Policy. The effective operation of Supervisory Board is supported by the Audit Committee, as a committee, which also monitors the internal audit, the risk management, the reporting systems and the activities of the auditor.

In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or other committees, such as the Management Committee, the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee.

To ensure effective operation OTP Bank Plc. also has a number of further permanent committees.

OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report.

The Board of Directors held 6, the Supervisory Board held 7 meetings, while the Audit Committee held 2 meetings in 2022. In addition, resolutions were passed by the Board of Directors on 139, by the Supervisory Board on 73 and by the Audit Committee on 24 occasions by written vote.

Policy of diversity

OTP Bank Plc. determines and regulates the criteria for the selection of senior executives in line with European Union as well as domestic legal requirements and directives fundamentally determining the operation of credit institutions.

When designating members of the management bodies (Board of Directors, Supervisory Board) as well as appointing members of the Board of Directors and administrative members (Management), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence, the versatile educational background, the widespread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women’s participation rate.

OTP Bank Plc.’s Nomination Committee continuously keeps tracking the European Union and domestic legislation relating to women’s quota on its agenda, in that when unambiguously worded expectations are announced, it promptly takes the necessary measures. In accordance with OTP Bank Plc.’s currently approved strategy, the goal is to have at least one female member in both the Bord of Directors and the Supervisory Board.

It is important to note, however, that, as a public limited company, the selection of the members of the management bodies falls within the exclusive competence of the General Meeting upon which – beyond its capacity to designate enforcing the above aspects to maximum effect – OTP Bank Plc. has no substantive influence.

According to OTP Bank Plc.’s Articles of Association, a Board of Directors comprising 5-11 members and a Supervisory Board comprising 5-9 members are set up at OTP Bank Plc. Currently the Board of Directors operates with 11 members and has one female member, the Supervisory Board comprises 6 members and has one female member. The management of OTP Bank Plc. currently comprises 7 members and has no female member.

NON-FINANCIAL STATEMENT – OTP BANK PLC. (SEPARATE)

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

OTP Group is committed to the protection of the environment, the combating of climate change and its impacts, and the preservation and low-impact use of natural resources. OTP Bank's environmental activities are regulated in its Environmental Regulation, which is revised annually. The Regulation ensures legal compliance and the consideration and integration of environmental criteria into the Bank's business operations to minimise the environmental impacts of operating and maintaining the Bank's organisation. It also sets out the rules on implementing the principles of sustainable procurement. OTP Group members operate in full compliance with environmental legislation and received no fines in 2022.

In CDP's Climate Change Questionnaire, OTP Group was rated at B- in 2022, thus retaining its previous rating.

The environmental impacts of the OTP Group are related to the provision of financial services and directly from its operations. In connection with the provision of financial services, the management of environmental risks and the exploitation of environmental opportunities take place within the framework of the Environmental, Social and Governance (ESG) strategy; therefore, these activities are presented in the chapter Non-financial Report.

Our efforts to reduce the direct environmental impact of OTP Group's operations are centred around improving energy efficiency and reducing paper usage. The environmental risks associated with our operations are analysed and managed within our operational risk management process. Potential risks are identified during the annual process-based self-assessment, and the assessment of climate change risks is also included in the scenario analysis of risks with low probability but high impact.

Energy consumption and business travel

OTP Group uses state-of-the-art technology in new construction and renovation projects; we are also continually expanding our use of LED lighting technology. We are constantly seeking opportunities to increase energy efficiency, by analysing the energy efficiency and consumption characteristics of our buildings. As part of our renovation process, we are replacing air conditioning units, always ensuring that the new units use environmentally-friendly coolants.

Whenever a branch of the parent bank is renovated, we always examine the possibility of installing solar panels and heat pumps. In 2022, we installed solar panels at two branches and a heat pump. Our systems generated a total of 2,034 GJ energy from solar power. We are committed to using green electricity. The solar system planned for the three DSK Bank buildings will be installed in early 2023. OTP Bank, Serbian and Croatian subsidiaries covered all their consumption with green electricity, while SKB Bank in Slovenia covered 50%.

The trend in energy consumption during the year was significantly influenced by the fact that a significantly higher proportion of staff returned to work in offices as the restrictions imposed by Covid-19 were lifted. Again, face-to-face meetings, including business travel, became more frequent. This has led to an overall increase in car use across in OTP Group, while online meetings remain a dominant part of the relationship.

The number of business trips and the size of the vehicle fleet are determined by the needs of the business. Our Group's vehicle policy sets carbon limits; moreover, the choice of cars includes environmentally-friendly vehicles in all vehicle categories. OTP Bank's fleet will include 5 electric and 89 hybrid cars by the end of 2022.

Volume of energy consumption, OTP Bank	2021	2021
Total energy consumption (GJ)	251.730	267.883
Per capita energy consumption (GJ)	26,75	26,07

Energy consumption data are derived from readings; the measured consumption volumes are converted to energy using local average calorific values
The projection of the per capita value is the average number of full-time employees (TMD).

Efforts to reduce paper use

We are constantly working to reduce paper use. At OTP Group, office paper use decreased again in 2022, while at OTP Bank it remained practically the same.

OTP Group's paper consumption										
	OTP Bank					OTP Group				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Total quantity of paper used (t)	685	699	478	398	397	1,955	2,350[1]	1,795	1,751	1,551
Quantity of paper used for packaging, document filing and other purposes (t)	43	58	75	90	98	116	117	153	829[4]	1,105[4]
Quantity of paper used indirectly (t)[2]	5	7	584[3]	491	558	511	631	903	732	897

[1] In 2019 our Russian subsidiary also added the paper used in POS sales, which it did not include in prior years. This represented 320 tons of paper.
[2] E.g. marketing publications, account statements
[3] Predominantly the consumption of the former Monicomp
[4] The consumption of Nádudvari Élelmiszer Kft. amounts to 500 tons.

Sustainable use and waste management

We follow the principle of using all our equipment, devices and machines for the longest time reasonably possible. We explicitly aim to use furniture until the end of its lifecycle, reusing it multiple times and ensuring the compatibility of replacements. OTP Bank, DSK Bank, OTP Bank Romania and OTP banka Srbija all follow the practice of making charitable donations of any furniture no longer used but in good condition, as well as functioning IT equipment (mostly computers and laptops), to institutions and organisations in need.

OTP Bank was the first bank in Hungary to issue a bank card made largely (85%) of recycled plastic. In 2022, OTP Bank continued to issue debit cards with a lower environmental impact.

With the aim of reducing plastic waste, in addition to our previous practices, in 2022 Bulgaria, Romania and Slovenia started replacing plastic cups with paper for internal use. In order to reduce waste from the use of toners and ink cartridges, the Croatian, Serbian, Slovenian, Romanian, Montenegrin and Moldovan subsidiaries also use refilled toners.

The selective collection and treatment of hazardous waste and paper containing business secrets is carried out at all members of the OTP Group in accordance with legal requirements. The selective collection of non-confidential paper waste, plastic and metal waste is carried out to varying degrees at the members of the Group. In Moldova, the selective collection of non-confidential paper waste started in 2022. At OTP Bank's headquarters, at the Croatian and Romanian subsidiaries, selective collection of non-confidential paper waste, PET bottles, packaging metal and glass is implemented. In the Serbian subsidiary bank, paper waste is also collected separately at the head office and in branches. SKB Bank collects municipal waste, including degradable food waste, as separately as possible. Our Albanian subsidiary bank collects paper waste separately in its entirety, and our Montenegrin subsidiary bank has implemented this practice for the head office and the archives. Separate collection is carried out at the headquarters of the Ukrainian subsidiary and at the Sofia and Varna sites of the Bulgarian subsidiary.

Attitude shaping

Most members of our Banking Group have a tradition of raising awareness and taking joint action to protect environmental and natural resources. In 2022, we supported several environmental initiatives and encouraged the environmentally conscious behaviour of our employees.

OTP Bank continued the campaign with MastercCard in the Priceless Planet Coalition in 2022 that encourages consumers to protect the environment and actively contribute to this goal themselves. The Priceless Planet Coalition aims to preserve the environment through the restoration of 100 million trees over five years and to help mitigate the adverse effects of climate change. In 2022, OTP Bank has made it possible to plant 75,000 trees, 50 % more than in the previous year.

DSK Bank also supported the One Tree Initiative, which aims to create an interactive map of Sofia's tree stock. The tree survey was conducted by volunteers, registering a total of more than 12,000 trees. The bank also supported the initiative of the Hungarian Cultural Institute, within the framework of which bicycle storage spaces will be installed in front of cultural institutions. The aim of the project was to ensure the environmentally friendly accessibility of cultural institutions.

Our Croatian subsidiary supported Ekotlon, Croatia's largest plogging (garbage collection) race in 2022. More than 500 runners participated in the event. Registration fees were again used to support sports clubs for people with disabilities.

We are also extending the scope of our employee involvement programmes:

- To promote environmental awareness, we wrote about the reduction in paper use and disposable plastics in the OTP Bank's online magazine.
- During the year, the Serbian subsidiary bank commemorated all major international World Environment Day events on its social media channels. It published several messages in its internal newsletter on ways to reduce carbon emissions at work and at home.
- The Slovenian subsidiary has implemented an extensive internal campaign on environmental awareness. The results of the campaign are already visible in the economical use of lighting and heating and are expected to be reflected in consumption in the future. Bank staff planted more than 1,000 honey plants in 2022, and a total of 72 kg of honey was produced in the beehives on the roof of the central office building. The Bank is also working to gather new innovative ideas by joining the Green Network and the Centre for Energy Efficient Solutions (CER) in Slovenia.
- At Ukrainian subsidiary the "Batteries, inward" campaign was limited due to the war, in which used batteries are collected and delivered to a recycling plant in Romania.
- Following its energy renovations, our Montenegrin subsidiary will also train its employees in the energy-conscious use of the systems.
- Many internal communication activities of the Romanian subsidiary are brought together by the Green dot hashtag. Employees participated in volunteer activities, including supporting the Plastic Free Water Association, which works to stop pollution from entering the Danube via the River Zsil. As part of the cooperation, 22 Bank employees also participated in waste collection.

Fight against corruption and against the practice of bribery

The Code of Ethics and the Anti-Corruption Policy of OTP Bank contains provisions on the fight against corruption and against the practice of bribery, also on the acceptance of individual differences and the denial of discrimination (https://www.otpbank.hu/portal/en/EthicalDeclaration https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf, Anti_Corruption_Policy.pdf (otpbank.hu)). As it can be read in the foreword of the Code and the Anti-Corruption Policy as well, the Bank and its management have adopted the principle of zero tolerance towards corruption and bribery, taking a definite stance against all forms of corruption and giving full support to the fight against corruption. In addition, the Code states that "As an ethical and compliant institution, the Bank and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes."

The Bank has set up an ethics reporting system (whistleblowing), which is for the reporting and the handling of the reports on suspected or actual violation of the values set forth in the Code of Ethics, where anonymous reporting of ethics issues is also possible. The Bank conducts inquiries for the purpose of detecting, preventing anomalies in connection with reports made or anomalies it became aware of otherwise.

Through the Bank's ethics reporting system a total of 152 reports were received in 2022. In 70 of these reports, we deemed it necessary to conduct an ethical procedure and 10 case's investigation resulted in declaring ethics offense – though not due to corruption, bribery or discrimination.

The Bank has created and maintains its Code of Ethics to keep reputational risk and financial losses, which may incur in relation to corruption, bribery and discrimination, on a minimum level. Both employees and newcomers receive education on the Code of Ethics, and in addition, the acceptance to be bound by it is a prerequisite for their employment.

In addition, all business partners and clients are communicated about the Anti-Corruption Policy and procedures through the Code of Ethics and Anti-Corruption Policy published publicly on the Bank's website. The Anti-Corruption Policy stipulates that, in view of the fact that existing and established relationships with contractual partners also contain the possibility of corruption, the Bank will act prudently in its dealings with contractors, in particular in the tendering and preparation process, to minimise the risk of corruption. The Bank establishes relationships with its contractual partners based on an assessment of professionalism, competence and competitiveness, and does not apply other non-professional selection criteria that contain the possibility of corruption.

Any requests from third parties affecting human rights are treated by the Bank as a priority.

We manage the risks regarding the fight against corruption and bribery within the framework of our operational risk management process. Our quarterly compliance reports cover the changes in risks as well as the steps necessary steps to manage them. The reports are presented to the Management Committee and the Board of Directors; the annual report is also submitted to the Supervisory Board.

Short description of the business model of the company

OTP Bank is the market leading credit institution in Hungary. As for its business model, the Bank offers high-quality financial services to retail, private banking, micro and small business, medium and large corporate, as well as municipality clients through both its branch network and its steadily developing digital channels. The Bank provides comprehensive banking and other financial services to both retail and corporate customers: its activities include deposit collection from customers and raising money from the money and capital markets; on the asset side, OTP Bank offers mortgage loans, consumer credits, working capital and investment loans to companies, as well as loans to municipalities, whereas its liquidity reserves are invested in money and capital market instruments. Moreover, the Bank provides a wide range of state-of-the-art services, including wealth management, investment services, payment services, treasury and other services.

In addition, OTP Bank's Hungarian subsidiaries deliver a wide range of further financial services. At the end of 2022, OTP Bank and its Hungarian subsidiaries served more than 4.6 million clients in total.

The Bank owns foreign subsidiaries in many countries of Central and Eastern Europe through capital investments.

Non-financial performance indicators

- **Internal audit:** 176 closed audits, 1,142 recommendations, 1,141 accepted recommendations.
- **Compliance with Budapest Stock Exchange (BSE) Recommendations (yes/no ratio):** 72 yes, 0 no.
- **Compliance:** 6 closed consumer protection related investigations.
- **Bank security investigations, reports:** we filed a criminal complaint in connection with a total of 655 cases (728 in 2021), and in 8 cases we filed a report with the various authorities.
- **Official reports made on suspicion of money laundering:** in the relevant period, we filed official reports on suspicion of money laundering in 315 cases. The total amount included in the reports: HUF 13.6 billion.

  Notifications: We made 3,476 notifications to NAV PEI in connection with money laundering. The total amount included in the notifications was HUF 1.1 billion.

  The expected damage value from the discovered crimes is more than HUF 1 billion, which is more than the requested amount of the realized loss last year, which was HUF 445 million (680 million HUF in 2020, 533 million HUF in 2019). The majority of the loss occurred in the area of financial abuse.

  Regarding the year 2022, according to our data, a loss of close to HUF 1.3 billion was prevented by thwarting attempts to defraud the bank.

  (It can be concluded that in the year 2022, the number of abuses committed on the electronic interface to the detriment of customers has increased almost ninefold, compared to last year. The perpetrators rely on the IT education deficiencies and inexperience of the customers. As a result, there is also an exceptional increase in customer losses, which was around HUF 3 billion.)

  In 2022, a total of 1,874 suspicious transactions with a total value of HUF 31.7 billion will be screened in the monitoring filter system used to filter international payment orders.

  Of these, 170 transfers HUF 5 billion in total were confiscated due to suspicion of money laundering, and 1,704 transfers HUF 26.7 billion in total due to suspicion of fraud.

  Compared to 2020 and 2021, an increase can be observed in connection with bank card abuse, both in terms of the number of attempted abuses and the damage. In 2022, the value of successful bank card abuses exceeded HUF 1.9 billion (HUF 820 million in 2021), of which the value of successful transactions with cards issued by OTP amounted to HUF 1.7 billion (HUF 667 million in 2021).

  As a result of the preventive security measures taken by the bank, the value of fraudulent bank card transactions that failed in 2022 is HUF 4,993.4 million. (2021 HUF 5,440.2 million, 2020 HUF 2,159.2 million). Of this, the value of abuses prevented in the case of cards issued by OTP is HUF 4,784.1 million (2021: HUF 5.2 billion).

  Despite the negative tendencies, in the case of OTP the ratio of bank card misuse to turnover remained lower than the European average published by MasterCard (last year's figures: OTP Bank 0.0108%, European average 0.0421%).
- **Ethics issues:** 152 ethics reports, establishing ethics offense in 10 cases.

LIST OF NON-AUDIT SERVICES BY SERVICE CATEGORIES USED BY THE BANK

The statutory audit of OTP Bank is carried out by **Ernst and Young Ltd**., in addition to which the following services were contracted:

- Assurance engagements other than audits or reviews of historical financial information (ISAE 3000)
- Engagements to review historical financial statements and interim financial statements (ISRE 2400, 2410);
- Issue of Comfort letters;
- Engagements to perform agreed-upon procedures regarding financial information (AUP according to ISRS 4400);
- Consultation relating to interpretation and implementation of accounting standards and relating to accounting of potential future transaction.

BUSINESS REPORT 2022 (CONSOLIDATED)

CONSOLIDATED FINANCIAL HIGHLIGHTS[2] AND SHARE DATA

Main components of the adjusted Statement of recognised income	2021 HUF million	2022 HUF million	Change %
Consolidated profit after tax	**456,428**	**347,081**	**(24)**
Adjustments (total)	(40,474)	(245,466)	506
Consolidated adjusted profit after tax	**496,902**	**592,547**	**19**
Profit before tax	587,853	690,022	17
Operating profit	660,391	868,487	32
Total income	1,313,124	1,656,571	26
Net interest income	884,012	1,093,579	24
Net fees and commissions	325,548	397,118	22
Other net non-interest income	103,563	165,874	60
Operating expenses	(652,733)	(788,084)	21
Total risk costs	(72,538)	(178,465)	146
Corporate taxes	(90,951)	(97,475)	7
Main components of the adjusted balance sheet closing balances	2021	2022	%
Total assets	27,553,384	32,804,210	19
Total customer loans (net, FX adjusted)	**16,655,367**	**18,640,624**	**12**
Total customer loans (gross, FX adjusted)	**17,610,471**	**19,643,558**	**12**
Performing (Stage 1+2) customer loans (gross, FX-adjusted)	16,675,058	18,674,389	12
Allowances for possible loan losses (FX adjusted)	(955,104)	(1,002,933)	5
Total customer deposits (FX-adjusted)	**22,173,249**	**25,188,805**	**14**
Issued securities	436,325	870,682	100
Subordinated loans	278,334	301,984	8
Total shareholders' equity	3,036,766	3,322,312	9
Indicators based on adjusted earnings	2021	2022	pps
ROE (from profit after tax)	17.0%	11.0%	(6.0)
ROE (from adjusted profit after tax)	18.5%	18.8%	0.3
ROA (from adjusted profit after tax)	2.0%	1.9%	(0.1)
Operating profit margin	2.62%	2.78%	0.16
Total income margin	5.21%	5.31%	0.10
Net interest margin	3.51%	3.51%	0.00
Cost-to-asset ratio	2.59%	2.53%	(0.06)
Cost/income ratio	49.7%	47.6%	(2.1)
Provision for impairment on loan losses-to-average gross loans ratio	0.30%	0.73%	0.42
Total risk cost-to-asset ratio	0.29%	0.57%	0.28
Effective tax rate	15.5%	14.1%	(1.3)
Net loan/(deposit+retail bond) ratio (FX-adjusted)	75%	74%	(1)
Capital adequacy ratio (consolidated, IFRS) - Basel3	19.1%	17.5%	(1.6)
Tier 1 ratio - Basel3	17.5%	16.1%	(1.5)
Common Equity Tier 1 ('CET1') ratio - Basel3	17.5%	16.1%	(1.5)
Share Data	2021	2022	%
EPS diluted (HUF) (from profit after tax)	1,738	1,288	(26)
EPS diluted (HUF) (from adjusted profit after tax)	1,896	2,204	16
Closing price (HUF)	16,600	10,110	(39)
Highest closing price (HUF)	19,400	18,600	(4)
Lowest closing price (HUF)	12,920	7,854	(39)
Market Capitalization (EUR billion)	12.6	7.1	(44)
Book Value Per Share (HUF)	10,846	11,865	9
Tangible Book Value Per Share (HUF)	10,190	11,257	10
Price/Book Value	1.5	0.9	(44)
Price/Tangible Book Value	1.6	0.9	(45)
P/E (trailing, from profit after tax)	10.2	8.2	(20)
P/E (trailing, from adjusted profit after tax)	9.4	4.8	(49)
Average daily turnover (EUR million)	22	24	7
Average daily turnover (million share)	0.5	0.8	69

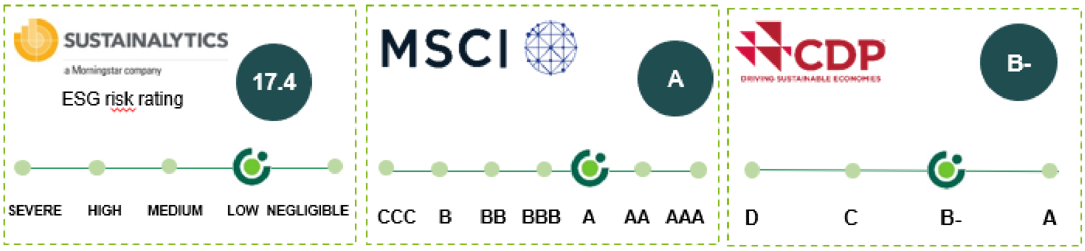
[2] Structural adjustments made on consolidated IFRS profit and loss statement as well as balance sheet, together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of this Report.

ACTUAL CREDIT RATINGS

S&P GLOBAL	
OTP Bank and OTP Mortgage Bank – FX long-term issuer credit rating	BBB-
OTP Bank – Dated subordinated FX debt	BB
MOODY'S	
OTP Bank – FX long term deposits	Baa1
OTP Bank – Dated subordinated FX debt	Ba2
OTP Mortgage Bank – Covered bonds	A1
SCOPE	
OTP Bank – Issuer rating	BBB+
OTP Bank – Dated subordinated FX debt	BB+

Updated: 15/02/2023

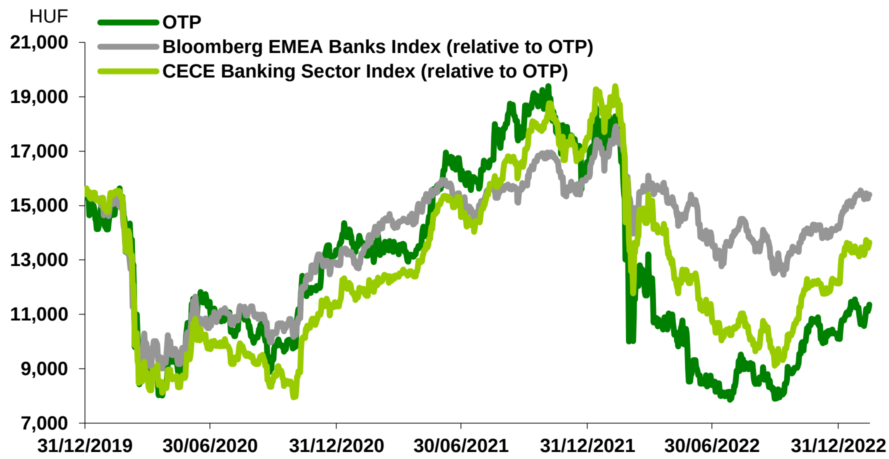
ACTUAL ESG RATINGS



AWARDS

After 2021, **Global Finance** magazine chose OTP Bank as the best bank in Hungary again this year. The OTP Group also received the regional recognition of "Best Bank of Central and Eastern Europe", and the Montenegrin and Slovenian subsidiary banks of the OTP Group also proved to be the best at the local level.
In the **Euromoney** Awards for Excellence 2022 competition, OTP Bank received the "Best Bank in Hungary" award. In addition, the Albanian, Bulgarian, Moldovan and Serbian subsidiary banks of the OTP Group also proved to be the best at the local level. In the annual ranking of **The Banker** magazine, which belongs to the Financial Times group, OTP Group became the "best bank in Central and Eastern Europe". In addition, the OTP Group's Hungarian, Montenegrin, Croatian and Slovenian subsidiary banks received the "Bank of the Year" award.

SHARE PRICE PERFORMANCE



CORPORATE STRATEGY

OTP Group is the leading universal banking group in Central and Eastern Europe, and one of the most successful financial institutions in Europe.

OTP Group's strategic objective is to meet the needs and expectations of its customers, investors, and employees at the highest possible level, and to set a positive example from environmental, social and corporate governance perspective even at international level.

Our skilled and helpful staff, state-of-the-art IT solutions, and universal yet customisable product offering make us a trustworthy partner for customers in eleven countries of the region and, following the financial completion of the already signed purchase agreement, soon also in Uzbekistan. The impressive performance of our employees and the value they create are important building blocks of OTP Group's results. We provide regular training courses to support our highly qualified professionals. OTP Group's innovations also enhance our competitiveness and contribute to further strengthening our international position.

The pillars of our strategy are stability & sustainability, growth, innovation, and profitability.

Stability & sustainability

OTP Group's excellent capital and liquidity position provide the fundamentals for stable operation and growth throughout economic cycles. In addition to full compliance with European and local regulations, we promote transparency and prudence, while laying great emphasis to maintaining stability at all times.

OTP Group is committed to enforcing sustainability in its socio-economic role and in serving customers, as well as in its own operations. Accordingly, OTP Group aims to be the regional leader in financing a fair and gradual transition to a low-carbon economy and building a sustainable future through our responsible solutions.

As part of our social activities, we make a positive impact through our financial awareness raising and donation programmes, and extensive civil society partnerships. As a responsible employer, we have designed complex programmes for employee well-being.

Growth

We believe in the future of the Central and Eastern European region and intend to actively contribute to its progress. Our products and services are designed to help the region grow faster than the EU average. We aim to increase our market share on all our CEE markets through organic growth and acquisitions.

Our acquisition strategy is based on creating shareholder value by achieving optimal scale of economics and leveraging OTP's expertise in the regional markets. We keep exploring new acquisition opportunities, primarily in the CEE region, and in other countries with high growth potential, too.

Innovation

To meet our customers' needs, we develop convenient and contemporary services that are easy and fast to access anytime, from anywhere. OTP Bank's innovations are popular for a good reason – millions of customers use our products and services regularly. Digital developments contribute to enhancing customer experience as well as to improving the efficiency of business processes. To explore new directions and opportunities, we have established our own futurology team, and are incorporating best practices. We have hundreds of developments underway. We are partnering with the region's leading fintech companies, and have made considerable progress in building beyond-banking ecosystems, in addition to building our own successful fintech company.

Profitability

Profitability is crucial for maintaining stable operations, as well as for continuous development and renewal. Our long-term profitability is underpinned by the revenue margin supported by excellent customer experience and cost-efficient processes, along with geographical diversification, which has been increasing in recent years. The market recognises our success in creating shareholder value through favourable valuation compared to European and regional peers.

MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2022 RESULTS OF OTP GROUP

The overall performance of 2022 was shaped mainly by the direct and indirect impact of the war between Russia and Ukraine broken out on 24 February.

As part of the acquisition activity, in 2022 OTP successfully completed the purchase of Alpha Bank in Albania, and the 3Q results already incorporated the balance sheet and P&L numbers of the newly acquired entity.

Consolidated earnings: HUF 347 billion profit after tax, y-o-y stable net interest margin, improving cost efficiency and portfolio quality with FX-adjusted performing loan volume growth of 15% y-o-y without the Russian and Ukrainian volumes, but including the Albanian acquisition

In 2022 OTP Group posted HUF 347.1 billion profit after tax. The significant, y-o-y 24% drop was due to the massive increase of the negative adjustment items. The annual ROE was 11% (-6.0 pps y-o-y).

The total volume of adjustment items amounted to -HUF 245 billion underpinning a y-o-y six-fold increase. The major items were as follows:

- -HUF 91.4 billion tax on financial institutions including both the banking tax and the windfall tax (after tax);
- -HUF 59.3 billion on goodwill/investment impairment charges (after tax);
- -HUF 36.5 billion expected one-of effect of the extension of the interest rate cap for certain loans in Hungary (after tax);
- -HUF 35 billion impairments on Russian government bonds held at OTP Core and DSK Bank (after tax);
- -HUF 10.4 billion effect of the winding up Sberbank Hungary (after tax);
- -HUF 2.5 billion expected one-off negative effect of the debt payment moratorium in Hungary (after tax);
- -HUF 14 billion other items.

The profit after tax, as well as the balance sheet items were substantially affected by the currency moves: the average rate of the Hungarian Forint y-o-y depreciated against all currencies, the most significant weaknenig (-37.5%) was suffered against RUB.

The weight of exposures towards Russia and Ukraine was shaped partially by FX moves, but also by deliberate or forced business policy measures.

In Russia the profit after tax in local currency dropped from RUB 9.1 billion to 3.9 billion (-57% y-o-y); the grow loan portfolio eroded by 12% y-o-y in RUB, within that the corporate exposures decreased by 75%. The intragroup funding declined to nil, and there is a Tier 2 loan expiring in 2031 in the amount of HUF 10 billion. The weight of Russian assets in the consolidated total assets comprised 3.1% by the end of 2022, while net loans represented 3.3%, respectively. Under an unexpected and extremely negative scenario of deconsolidating the Russian entity and writing down the outstanding gross intragroup exposure as well, the effect for the consolidated CET1 ratio would be -71 bps.

In Ukraine the lending activity suffered a major setback after 24 February, loan volumes dropped by 16% y-o-y, however the deposit book advanced by 21%, FX-adjusted. The weight of the Ukrainian assets within the Group comprised 3.2%, while net loans represented 2.2% within the consolidated loan book. The volume of gross intragroup funding towards Ukraine comprised HUF 84 billion. In 2022 the Ukrainian operation posted almost HUF 16 billion loss, however after the negative results in 1H, the bank managed to turn that around and reached a positive result in 2H. The provision coverage of the gross Ukrainian loan book reached almost 22% by the end of 2022 (+14.7 pps y-o-y). Under an unexpected and extremely negative scenario of deconsolidating the Ukrainian entity and writing down the outstanding gross intragroup funding as well, the effect for the consolidated CET1 ratio would be +1 bp.

In the case of Ukraine and Russia OTP management applies a „going concern" approach, however in Russia the management is still considering all strategic options, though a Russian presidential decree in October 2022 prohibited the sale of foreign owned banks.

2022 earnings to a large extent were shaped by the 32% improvement of operating result; total risk costs grew by 146% y-o-y mainly due to higher Russian and Ukrainian provisions. The dynamic increase of total income (+26%) was supported by all lines. The net interest income advanced by 24% y-o-y, whereas the net fee and commission income grew somewhat slower, by 22% y-o-y. Other net non-interest income surged by 60% y-o-y, within that FX results more than doubled.

The consolidated net interest margin remained flat y-o-y (3.51%). Apart from the Russian market, in other geographies rate hike trend continued. In 2022 the Ukrainian, Moldavian and Hungarian policy rates closed at the highest levels (25%, 20% and 18%, respectively). The positive impact of higher rates on the interest income kicks in only gradually as a result of the different dynamics in deposit and loan repricing. In other markets like Bulgaria, Ukraine, Slovenia, Moldova and Romania the NIM improved in 2022 y-o-y; at OTP Core, however it eroded by 28 bps y-o-y.

The consolidated operating expenses grew by 21% y-o-y, the underlying inflation above 10% in most of the countries took its toll through all cost elements. The consolidated cost-to-income ratio improved by 2.1 pps y-o-y to 47.6%; the cost-to-asset ratio (2.53%) declined by 6 bps y-o-y.

Total risk costs for 2022 amounted to -HUF 178 billion, two and the half times higher than in 2021. Within that the total volume of credit risk costs reached -HUF 135.2 billion versus -HUF 46 billion a year ago. The credit risk cost rate stood at 0.73% (+42 bps y-o-y). Without the Russian and Ukrainian operations the yearly credit risk costs would be +HUF 7 billion implying a CoR of -0.04% versus 0.19% in 2021.

The FX-adjusted consolidated performing (Stage 1+2) loan volumes increased by 12% y-o-y. Without the Ukrainian and Russian volumes but incorporating the acquisition impact of Alpha Bank Albania the loan book advanced by 15%. As a result, the growth of the portfolio reached close to HUF 2,300 billion in 2022. Apart from the Ukrainian, Russian and Moldavian subsidiaries, all other operations posted an increase of around or above 10%, whereas in those three countries the decline was 27, 16 and 5% y-o-y, respectively. It was positive that alongside the strong volume dynamics OTP managed to improve its markets shares in many countries and segments.

As for the major segments, the fastest FX-adjusted performing loan volume increase was posted in the corporate sector (+20% y-o-y), followed by MSE loans (+12%) which was also supported by the new subsidized structures in Hungary. The consumer book grew by 3%, while the mortgage book by 10% y-o-y, respectively.

The FX-adjusted deposits grew by 14% y-o-y which corresponds to about HUF 3,000 billion increase. Without the Russian, Ukrainian volumes the growth was 13% y-o-y. In 4Q the deposit growth slowed down to 2% q-o-q.

The consolidated net loan-to-deposit ratio marginally declined to 74% (-1 pp y-o-y).

In 2022 OTP Bank issued two international public bond deals with EUR 400 million and 650 million face value, furthermore it also printed a USD 60 million private placement. In Hungary the Bank also tested the market with 2 additional transactions and raised HUF 36.2 billion in total. All issued bonds were MREL-eligible. In February 2023 OTP Bank issued USD 650 million Tier 2 bonds.

The credit profile of the consolidated loan book kept further improving in 2022, the major indicators shaped favorably. The Stage 3 ratio under IFRS 9 comprised 4.9% of the gross loan exposure by the end of 4Q 2022 underpinning a y-o-y 0.3 pp improvement. The own coverage of the Stage 3 exposures was 61%. On the Group level the Ukrainian and Russian operations had the highest Stage 3 ratio (18.1% and 15.7%, respectively). The consolidated Stage 2 ratio stood at 11.6% at the end of 2022.

The general Hungarian payment moratorium ceased to exist by the end of 2022. At OTP Core and Merkantil Bank altogether 2.1% of their aggregated gross loan volumes were under the expiring moratorium (HUF 148 billion). There is still a moratorium in place for agricultural companies until the end of 2023, the affected volumes comprised HUF 57 billion at OTP Core and Merkantil Group in total (0.8% of their aggregated gross loan volumes).

Acquisitions

On 6 December 2021 OTP Bank signed an acquisition agreement with Alpha International Holdings Single Member S.A. on purchasing 100% shareholding of Alpha Bank SH.A., the Albanian subsidiary of the Greek Alpha Bank S.A. The purchase price has been agreed at EUR 55 million. The financial closing of the transaction was completed on 18 July 2022.

On 31 May 2021 OTP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of Nova KBM d.d. and its subsidiary, which are 80% owned by funds managed by affiliates of Apollo Global Management, Inc. and 20% by EBRD. The financial closing of the transaction took place on 6 February 2023, after obtaining all the necessary regulatory approvals.

On 12 December 2022 OTP Bank signed a purchase and sale contract for the purchase of the majority stake of Ipoteka Bank and its subsidiaries with the Ministry of Finance of the Republic of Uzbekistan. OTP Bank will purchase 100% of the shares held by the Ministry of Finance of the Republic of Uzbekistan (nearly 97%

total shareholding) in two steps: 75% of the shares now and the remaining 25% three years after the financial closing of the first transaction. The financial closure of the first transaction is expected in 1H 2023 subje ct to obtaining all the necessary regulatory approvals.

The Nova KBM acquisition completed in February 2023 and the pending acquisition of Ipoteka Bank in Uzbekistan (expected to be financially closed in 2Q) may substantially contribute to the consolidated profit after tax; in addition to this, the expected positive after tax effect of one-off items to be booked in relation to the consolidation of Nova KBM (badwill, PPA, initial risk cost, etc.) and presented among the adjustments might reach EUR 230 million.

Consolidated capital adequacy ratio (in accordance with BASEL III)

At the end of December 2022, the consolidated CET1 ratio under the accounting scope of consolidation according to IFRS was 16.1% (-1.5 pps y-o-y). This equals to the Tier 1 ratio.

By the end of 2022 the effective regulatory minimum requirement for the consolidated Tier 1 capital adequacy ratio was 10.7% which also incorporated the effective SREP rate, whereas the minimum CET1 requirement was 8.8%.

The risk weighted assets (RWA) under the accounting scope of consolidation increased by more than HUF 3,700 billion in 2022 (+22% y-o-y), partly due to the credit risk RWA growth of 23% y-o-y. The consolidated regulatory capital increased by HUF 374 billion y-o-y as a result of higher revaluation reserves booked in the comprehensive income (+HUF 180 billion y-o-y) due to the weaker HUF. The consolidated regulatory capital incorporated the annual eligible profit (HUF 262 billion after the deduction of the dividend which comprised HUF 84 billion).

Credit rating, shareholder structure

There was no change in S&P Global Ratings credit assessment in 2022, however on 16 August 2022 the rating agency has changed the outlook of its 'BBB/A-2' long and short-term issuer credit ratings on OTP Bank Plc. and OTP Mortgage Bank Ltd. to negative from stable. However, on 30 January 2023 the agency downgraded OTP Bank’s long-term issuer credit rating from 'BBB' to 'BBB-', the outlookis stable; the credit rating of the dated Tier2 instrument issued in February 2023 is 'BB'.

There was no change at Moody’s either in 2022, accordingly, the long-term FX deposit rating of OTP Bank Plc. remained 'Baa1'. However, the dated subordinated FX debt rating was changed to 'Ba2' on 6 February 2023. Simultaneously, OTP Mortgage Bank Ltd.’s long-term issuer rating was downgraded from ‘Baa2’ to ‘Baa3’. Its mortgage bond rating remained 'A1'.

OTP Bank Plc’ issuer rating at Scope Ratings was ‘BBB+’ and the subordinated debt rating ‘BB+’, respectively; on 6 December 2022 the outlook changed from stable to negative.

Regarding the ownership structure of the Bank, on 31 December 2022 the following investors had more than 5% influence (voting rights) in the Company: MOL (the Hungarian Oil and Gas Company, 8.57%) and Groupama Group (5.09%).

SUMMARY OF ECONOMIC POLICY MEASURES MADE IN THE LAST PERIOD AND OTHER IMPORTANT DEVELOPMENTS, AS WELL AS POST-BALANCE SHEET EVENTS

Post-balance sheet event cover the period until 17 February 2023.

Hungary

- On 4 January 2023 OTP Bank announced that the National Bank of Hungary imposed the below additional capital requirements for OTP Group, on consolidated level, effective from 1 January 2023 until the next review:
  - 1.13 pps in case of the Common Equity Tier 1 (CET1) capital, accordingly the minimum requirement for the consolidated CET1 ratio is 5.63% (without regulatory capital buffers);
  - 1.50 pps in case of the Tier 1 capital, accordingly the minimum requirement for the consolidated Tier 1 ratio is 7.50% (without regulatory capital buffers);
  - 2.00 pps in case of the Total SREP Capital Requirement (TSCR), accordingly the minimum requirement for the consolidated capital adequacy ratio is 10.00% (without regulatory capital buffers).
- On 23 January 2023 the Ministry of Economic Development announced that the Gábor Baross Reindustrialization Loan Programme will be launched from February by Eximbank, with a total available amount of HUF 700 billion. Under the scheme, the HUF and EUR denominated loans will be available for all purposes, depending on the loan amount either through commercial banks or directly through Eximbank, but all the funding need will be provided or refinanced by Eximbank. The interest rate of the loans will be fixed throughout the whole tenor, and will be typically maximum 6% in the case of HUF loans and maximum 3.5% in the case of EUR loans.
- On 24 January 2023 the National Bank of Hungary kept the reference rates unchanged . The NBH held a long-term deposit tender on 25 January, and from 1 February discount bill auctions are held on a weekly basis. The NBH said that it will continue to meet foreign currency liquidity needs in the coming months to reach market balance related to the energy account. Furthermore, the Deputy Governor announced that effective from April the mandatory reserve requirement for banks will be increased from 5% to 10%.
- On 27 January 2023 S&P Global Ratings lowered the long- and short-term foreign and local currency sovereign credit ratings on Hungary to 'BBB-/A-3' from 'BBB/A-2'. The outlook on the long-term ratings is stable.
- According to the press release published on 30 January 2023 by S&P Global Ratings, the rating agency downgraded its long- and short-term issuer credit ratings, as well as the long- and short-term resolution counterparty ratings on OTP Bank Plc. and OTP Mortgage Bank Ltd. to 'BBB-/A-3' from 'BBB/A-2', and the senior preferred debt rating of OTP Bank Plc. was also downgraded by one notch to 'BBB-'. The outlook on the long-term issuer ratings is stable.
- The financial completion of the transaction to purchase 100% shareholding of Nova KBM d.d. and its subsidiary in Slovenia – after obtaining all necessary regulatory approvals – has been completed on 6 February 2023.
- According to the press release published on 6 February 2023 by Moody's Investors Service, the rating agency concluded the ratings review initiated in July 2021. The rating agency downgraded OTP Bank's subordinated bond rating by one notch to 'Ba2' from 'Ba1'. All other ratings and assessments of OTP Bank have been affirmed. Outlook is stable.

  At the same time, Moody's Investors Service downgraded the backed long-term domestic currency issuer rating of OTP Mortgage Bank to 'Baa3' from 'Baa2'. All other ratings and assessments of OTP Mortgage Bank have been affirmed. Outlook is stable.
- On 15 February 2023 as value date OTP Bank issued Tier 2 Notes in the aggregate nominal amount of USD 650 million. The Tier 2 Notes with 10.25 years maturity, redeemable at par any time during the 3-month period prior to the Reset Date at 5.25 years, were priced on 8 February 2023.

Bulgaria

- On 17 February 2023 the Minister of Finance announced that the originally planned accession date to the Eurozone of 1 January 2024 will be postponed. The new target date will be declared by the new Parliament formed after the elections scheduled to 2 April.

Serbia

- On 12 January 2023 the central bank hiked the base rate by 25 bps to 5.25%.
- On 9 February 2023 the central bank hiked the base rate by 25 bps to 5.5%.

Slovenia

- On 2 February 2023 the ECB hiked its key interest rate by 50 bps to 3.0%.
- On 7 February 2023 Moody's upgraded the deposit rating of NKBM to 'A3', the outlook is stable. At the same time, the Bank's unsecured non-preferred debt rating was upgraded to 'Baa3'.

Romania

- On 20 January 2023 the central bank hiked the base rate by 25 bps to 7%.

Russia

- Effective from 1 January 2023 the capital conservation buffer in Russia decreased temporarily to 0% from 2.5%, which does not affect the minimum requirement for OTP Group.

Ukraine

- Effective from 1 January 2023 the Ukrainian central bank raised the mandatory reserve requirement for local and foreign currency denominated deposits by 5-5 pps each, to 5% and 15%, respectively.
- On 10 February 2023 Moody's downgraded the Ukrainian sovereign credit rating from 'Caa' to 'Ca', the outlook is stable.

Moldova

- On 7 February 2023 Moldova's central bank cut its key rate to 17% from 20%.

CONSOLIDATED PROFIT AFTER TAX BREAKDOWN BY SUBSIDIARIES (IFRS)[3]

	2021 HUF million	2022 HUF million	Change %
Consolidated profit after tax	**456,428**	**347,081**	**(24)**
Adjustments (total)	**(40,474)**	**(245,466)**	**506**
Consolidated adjusted profit after tax	**496,901**	**592,547**	**19**
Banks total[1]	468,962	535,717	14
OTP Core (Hungary)[2]	213,377	253,232	19
DSK Group (Bulgaria)[3]	76,790	119,885	56
OBH (Croatia)[4]	33,448	42,801	28
OTP Bank Serbia[5]	32,104	36,873	15
SKB Banka (Slovenia)	16,822	23,860	42
OTP Bank Romania[6]	4,253	3,071	(28)
OTP Bank Ukraine[7]	39,024	(15,922)	(141)
OTP Bank Russia[8]	37,624	42,548	13
CKB Group (Montenegro)[9]	4,140	9,791	137
OTP Bank Albania[10]	5,522	10,175	84
OTP Bank Moldova	5,858	9,403	61
Leasing	7,998	10,971	37
Merkantil Group (Hungary)[11]	7,998	10,971	37
Asset Management	6,321	9,621	52
OTP Asset Management (Hungary)	6,116	9,357	53
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[12]	205	263	28
Other Hungarian Subsidiaries	10,205	27,645	171
Other Foreign Subsidiaries[13]	50	(141)	(385)
Corporate Centre[14]	2,887	2,968	3
Eliminations	479	5,767	
Profit after tax of the Hungarian operation[15]	229,194	167,057	(27)
Adjusted profit after tax of the Hungarian operation[15]	241,304	303,873	26
Profit after tax of the Foreign operation[16]	227,234	180,024	(21)
Adjusted profit after tax of the Foreign operation[16]	255,597	288,674	13
Share of Hungarian contribution to the adjusted profit after tax	49%	51%	3
Share of Foreign contribution to the adjusted profit after tax	51%	49%	(3)

[3] Belonging footnotes are in the Supplementary data section of the Report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Main components of the adjusted Statement of recognized income	2021 HUF million	2022 HUF million	Change %
Consolidated profit after tax	**456,428**	**347,081**	**(24)**
Adjustments (total, after corporate income tax)	**(40,474)**	**(245,466)**	**506**
Dividends and net cash transfers (after tax)	729	1,927	164
Goodwill/investment impairment charges (after tax)	1,909	(59,254)	
Special tax on financial institutions (after tax)	(18,893)	(91,353)	384
Expected one-off negative effect of the debt repayment moratorium in Hungary (after tax)	(15,040)	(2,473)	(84)
Expected one-off effect of the interest rate cap for certain loans in Hungary (after tax)	0	(36,585)	
Effect of the winding up of Sberbank Hungary (after tax)	0	(10,389)	
Effect of acquisitions (after tax)	(15,506)	(15,594)	1
Result of the treasury share swap agreement (after tax)	6,326	3,028	(52)
Impairments on Russian government bonds at OTP Core and DSK Bank booked in 2022 (after tax)	0	(34,775)	
Consolidated adjusted profit after tax	**496,902**	**592,547**	**19**
Profit before tax	**587,853**	**690,022**	**17**
Operating profit	**660,391**	**868,487**	**32**
Total income	**1,313,124**	**1,656,571**	**26**
Net interest income	**884,012**	**1,093,579**	**24**
Net fees and commissions	**325,548**	**397,118**	**22**
Other net non-interest income	**103,563**	**165,874**	**60**
Foreign exchange result, net	44,251	90,691	105
Gain/loss on securities, net	9,726	1,579	(84)
Net other non-interest result	49,586	73,604	48
Operating expenses	**(652,733)**	**(788,084)**	**21**
Personnel expenses	(340,201)	(396,304)	16
Depreciation	(72,816)	(84,663)	16
Other expenses	(239,716)	(307,117)	28
Total risk costs	**(72,538)**	**(178,465)**	**146**
Provision for impairment on loan losses	(46,006)	(135,231)	194
Other provision	(26,532)	(43,234)	63
Corporate taxes	**(90,951)**	**(97,475)**	**7**
Indicators	2021	2022	%/pps
ROE (from profit after tax)	17.0%	11.0%	(6.0)
ROE (from adjusted profit after tax)	18.5%	18.8%	0.3
ROA (from adjusted profit after tax)	2.0%	1.9%	(0.1)
Operating profit margin	2.62%	2.78%	0.16
Total income margin	5.21%	5.31%	0.10
Net interest margin	3.51%	3.51%	0.00
Net fee and commission margin	1.29%	1.27%	(0.02)
Net other non-interest income margin	0.41%	0.53%	0.12
Cost-to-asset ratio	2.59%	2.53%	(0.06)
Cost/income ratio	49.7%	47.6%	(2.1)
Provision for impairment on loan losses-to-average gross loans ratio	0.30%	0.73%	0.42
Total risk cost-to-asset ratio	0.29%	0.57%	0.28
Effective tax rate	15.5%	14.1%	(1.3)
Non-interest income/total income	33%	34%	1
EPS base (HUF) (from profit after tax)	1,739	1,289	(26)
EPS diluted (HUF) (from profit after tax)	1,738	1,288	(26)
EPS base (HUF) (from adjusted profit after tax)	1,896	2,204	16
EPS diluted (HUF) (from adjusted profit after tax)	1,896	2,204	16
Comprehensive Income Statement	2021	2022	%
Consolidated profit after tax	456,428	347,081	(24)
Fair value changes of financial instruments measured at fair value through other comprehensive income	(44,877)	(119,378)	166
Foreign currency translation difference	61,729	179,623	191
Change of actuarial costs (IAS 19)	42	1,016	
Net comprehensive income	**473,322**	**408,342**	**(14)**
o/w Net comprehensive income attributable to equity holders	472,281	407,695	(14)
Net comprehensive income attributable to non-controlling interest	1,041	647	(38)
Average exchange rate[1] of the HUF	2021 HUF	2022 HUF	Change %
HUF/EUR	359	391	9
HUF/CHF	332	390	18
HUF/USD	303	373	23

[1] Exchange rates presented in the tables of this report should be interpreted as follows: the value of a unit of the other currency expressed in Hungarian forint terms, i.e. HUF/EUR represents the HUF equivalent of one EUR.

ASSET-LIABILITY MANAGEMENT

Similar to previous periods OTP Group maintained a strong and safe liquidity position…

The primary objective of OTP Bank in terms of asset-liability management has not changed, that is to ensure that the Group's liquidity is maintained at a safe level.

Refinancing sources of the European Central Bank are available for OTP (ECB repo eligible security portfolio on Group level exceeded EUR 1.8 billion).

Total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 31 December 2022 the gross liquidity buffer was around EUR 6.9 billion equivalent. The level of these buffers is significantly higher than the maturing debt within one year and the reserves required to manage possible liquidity shocks.

As of 31 December 2022 OTP Group consolidated liquidity coverage (LCR) ratio was 172% (4Q 2021: 180%) while NSFR compliance has remained comfortable (4Q 2022: 131%).

The volume of issued securities doubled on a consolidated basis y-o-y, mainly because of senior preferred bond issuances in the second half of the year. To meet MREL requirements OTP Bank issued on the international bond markets green bonds in the amount of EUR 400 million in July and USD 60 million in September, followed by a EUR 650 million transaction in December. On the domestic bond market OTP Mortgage Bank issued mortgage bonds in the amount of HUF 92 billion and in the fourth quarter OTP Bank issued notes in the total amount of HUF 36 billion. Bonds were redeemed in the total amount of HUF 6 billion in the course of 2022.

…and kept its interest-rate risk exposures low

Due to the liabilities, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter.

Although the stock of variable interest rate assets decreased as a result of the interest rate cap measures introduced last year, they are still significant at group level (EUR, BGN and HUF) and quickly follow the rise in money market interest rates: the loans get repriced typically in 3 months, the interest rate swaps (IRS) in 6 months, and other liquid assets within 1-3 months. On the deposit side the repricing is not automatic, its extent and speed depends on the level of interest rates and the liquidity position of the Bank.

Market Risk Exposure of OTP Group

The consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 51 billion in total.

OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except for the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore, the group level FX exposure was concentrated at OTP Bank.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OTP GROUP

Main components of the adjusted balance sheet	2021 HUF million	2022 HUF million	Change %
TOTAL ASSETS	**27,553,384**	**32,804,210**	**19**
Cash, amounts due from Banks and balances with the National Banks	2,556,035	4,221,392	65
Placements with other banks, net of allowance for placement losses	1,584,860	1,351,081	(15)
Securities at fair value through profit or loss	341,397	436,387	28
Securities at fair value through other comprehensive income	2,224,510	1,739,603	(22)
Net customer loans	15,743,922	18,640,624	18
Net customer loans (FX-adjusted[1])	**16,655,367**	**18,640,624**	**12**
Gross customer loans	16,634,454	19,643,558	18
Gross customer loans (FX-adjusted[1])	**17,610,471**	**19,643,558**	**12**
Gross performing (Stage 1+2) customer loans (FX-adjusted[1])	**16,675,058**	**18,674,389**	**12**
o/w Retail loans	9,035,587	9,686,987	7
Retail mortgage loans (incl. home equity)	4,338,022	4,787,822	10
Retail consumer loans	3,978,753	4,094,534	3
SME loans	718,813	804,631	12
Corporate loans	6,411,601	7,697,424	20
Leasing	1,227,870	1,289,977	5
Allowances for loan losses	(890,532)	(1,002,933)	13
Allowances for loan losses (FX-adjusted[1])	(955,104)	(1,002,933)	5
Associates and other investments	67,223	73,849	10
Securities at amortized costs	3,891,335	4,891,938	26
Tangible and intangible assets, net	689,290	738,105	7
o/w Goodwill, net	105,640	68,319	(35)
Tangible and other intangible assets, net	583,650	669,786	15
Other assets	454,811	711,230	56
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**27,553,384**	**32,804,210**	**19**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss	1,608,533	1,517,349	(6)
Deposits from customers	21,068,644	25,188,805	20
Deposits from customers (FX-adjusted[1])	**22,173,249**	**25,188,805**	**14**
o/w Retail deposits	15,105,139	16,314,389	8
Household deposits	12,598,433	13,639,627	8
SME deposits	2,506,706	2,674,762	7
Corporate deposits	7,059,715	8,844,168	25
Accrued interest payable related to customer deposits	8,396	30,247	260
Liabilities from issued securities	436,325	870,682	100
o/w Retail bonds	0	35,766	
Liabilities from issued securities without retail bonds	436,325	834,916	91
Other liabilities	1,124,782	1,603,078	43
Subordinated bonds and loans	278,334	301,984	8
Total shareholders' equity	**3,036,766**	**3,322,312**	**9**
Indicators	2020	2021	pps
Loan/deposit ratio (FX-adjusted[1])	79%	78%	(1)
Net loan/(deposit + retail bond) ratio (FX-adjusted[1])	75%	74%	(1)
Stage 1 loan volume under IFRS 9	13,561,883	16,387,792	21
Stage 1 loans under IFRS9/gross customer loans	81.5%	83.4%	1.9
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.0%	0.0
Stage 2 loan volume under IFRS 9	2,194,620	2,286,597	4
Stage 2 loans under IFRS9/gross customer loans	13.2%	11.6%	(1.6)
Own coverage of Stage 2 loans under IFRS 9	10.0%	10.7%	0.8
Stage 3 loan volume under IFRS 9	877,951	969,169	10
Stage 3 loans under IFRS9/gross customer loans	5.3%	4.9%	(0.3)
Own coverage of Stage 3 loans under IFRS 9	60.5%	61.0%	0.6
90+ days past due loan volume	535,445	601,268	12
90+ days past due loans/gross customer loans	3.2%	3.1%	(0.2)
Consolidated capital adequacy - Basel3	2020	2021	%/pps
Capital adequacy ratio (consolidated, IFRS)	19.1%	17.5%	(1.6)
Tier 1 ratio	17.5%	16.1%	(1.5)
Common Equity Tier 1 ('CET1') capital ratio	17.5%	16.1%	(1.5)
Regulatory capital (consolidated)	3,191,765	3,565,932	12
o/w Tier 1 Capital	2,926,882	3,277,984	12
o/w Common Equity Tier 1 capital	2,926,882	3,277,984	12
Tier 2 Capital	264,883	287,949	9
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	16,691,315	20,405,328	22
o/w RWA (Credit risk)	14,992,797	18,477,102	23
RWA (Market & Operational risk)	1,698,518	1,928,226	14
Closing exchange rate of the HUF	2020 HUF	2021 HUF	Change %
HUF/EUR	369	400	8
HUF/CHF	357	407	14
HUF/USD	326	376	15

[1] For the FX-adjustment, the closing cross currency rates for the current period were used in order to calculate the HUF equivalent of loan and deposit volumes in the base periods.

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income	2021 HUF million	2022 HUF million	Change %
Profit after tax without received dividend	**169,067**	**27,274**	**(84)**
Dividend received from subsidiaries	44,310	107,907	144
Profit after tax	**213,377**	**135,181**	**(37)**
Adjustments (total, after tax)	0	(118,051)	
Adjusted profit after tax	**213,377**	**253,232**	**19**
Profit before tax	253,972	296,672	17
Operating profit	257,182	294,257	14
Total income	546,215	637,469	17
Net interest income	369,309	412,611	12
Net fees and commissions	150,578	176,830	17
Other net non-interest income	26,328	48,028	82
Operating expenses	(289,034)	(343,212)	19
Total risk costs	(3,210)	2,415	
Provision for impairment on loan losses	(1,116)	32,850	
Other provisions	(2,094)	(30,435)	
Corporate income tax	(40,594)	(43,440)	7
Indicators	2021	2022	pps
ROE	11.6%	12.6%	1.0
ROA	1.6%	1.6%	(0.1)
Operating profit margin	2.0%	1.8%	(0.2)
Total income margin	4.22%	3.97%	(0.25)
Net interest margin	2.85%	2.57%	(0.28)
Net fee and commission margin	1.16%	1.10%	(0.06)
Net other non-interest income margin	0.20%	0.30%	0.10
Operating costs to total assets ratio	2.2%	2.1%	(0.1)
Cost/income ratio	52.9%	53.8%	0.9
Provision for impairment on loan losses / average gross loans[1]	0.02%	(0.55)%	
Effective tax rate	16.0%	14.6%	(1.3)

[1] The *adjustments (total, after tax)*, the *profit after tax* and the *profit after tax without received dividend* lines of OTP Core were retroactively corrected for 2021.

Main components of OTP Core's Statement of financial position:

Main components of balance sheet closing balances	2021 HUF million	2022 HUF million	Change %
Total Assets	14,207,399	15,758,292	11
Net customer loans	5,310,327	6,278,620	18
Net customer loans (FX-adjusted)	5,387,188	6,278,620	17
Gross customer loans	5,549,248	6,528,001	18
Gross customer loans (FX-adjusted)	5,630,432	6,528,001	16
Stage 1+2 customer loans (FX-adjusted)	**5,373,189**	**6,205,045**	**15**
Retail loans	3,320,881	3,482,945	5
Retail mortgage loans (incl. home equity)	1,613,420	1,656,975	3
Retail consumer loans	1,246,729	1,306,921	5
SME loans	460,732	519,050	13
Corporate loans	2,052,308	2,722,099	33
Provisions	(238,921)	(249,381)	4
Provisions (FX adjusted)	(243,244)	(249,381)	3
Deposits from customers + retail bonds	10,124,795	11,246,795	11
Deposits from customers + retail bonds (FX-adjusted)	**10,319,536**	**11,246,795**	**9**
Retail deposits + retail bonds	6,360,260	6,483,357	2
Household deposits + retail bonds	4,951,603	5,065,562	2
o/w: Retail bonds	0	35,766	
SME deposits	1,408,657	1,417,795	1
Corporate deposits	3,959,276	4,763,438	20
Liabilities to credit institutions	1,117,086	1,251,653	12
Issued securities without retail bonds	531,471	471,773	(11)
Total shareholders' equity	2,011,932	2,016,019	0
Loan Quality	2021	2022	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	4,327,232	5,457,140	26
Stage 1 loans under IFRS 9/gross customer loans	78.0%	83.6%	5.6
Own coverage of Stage 1 loans under IFRS 9	1.0%	0.8%	(0.2)
Stage 2 loan volume under IFRS 9 (in HUF million)	966,727	747,905	(23)
Stage 2 loans under IFRS 9/gross customer loans	17.4%	11.5%	(6.0)
Own coverage of Stage 2 loans under IFRS 9	8.9%	8.6%	(0.3)
Stage 3 loan volume under IFRS 9 (in HUF million)	255,288	322,956	27
Stage 3 loans under IFRS 9/gross customer loans	4.6%	4.9%	0.3
Own coverage of Stage 3 loans under IFRS 9	42.7%	43.2%	0.5
90+ days past due loan volume (in HUF million)	136,003	189,870	40
90+ days past due loans/gross customer loans	2.5%	2.9%	0.5
Market Share	2021	2022	pps
Loans	24.4%	25.5%	1.1
Deposits	28.2%	29.1%	0.9
Total Assets	26.9%	27.5%	0.6
Performance Indicators	2021	2022	pps
Net loans to (deposits + retail bonds) (FX adjusted)	52%	56%	4
Leverage (closing Shareholder's Equity/Total Assets)	14.2%	12.8%	(1.4)
Leverage (closing Total Assets/Shareholder's Equity)	7.1x	7.8x	0.8x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, IFRS)	25.1%	19.2%	(5.9)
Common Equity Tier 1 ratio (OTP Bank, non-consolidated, Basel3, IFRS)	21.8%	16.3%	(5.5)

In 2022 **OTP Core** reached an profit after tax of HUF 27.3 billion without dividends received from subsidiaries, against the previous year's result of HUF 169 billion.

In the period under review, most of the negative adjustment items were related either directly to the war, or to the Hungarian Governmernt measures. Out of those items, the largest were the special banking taxes (-HUF 85.2 billion after tax), the effect of goodwill and investment impairment (-64.9), the expected impact of the interest rate cap scheme (-33.3), and the impairment on Russian government bonds held by OTP Bank (-30.3).

The adjusted operating profit advanced by 14%, mainly driven by the dynamic expansion of business volumes; at the same time, despite the the net interest margin narrowed significantly, by 28 bps to 2.57%. The margin trajectory was determined mainly by the fixed interest rate asset surplus of the Bank, taking into account the steeply increasing rate environment. Still, due to volume expansion the net interest income grew 12% y-o-y.

The net fees and commissions surged by 17%, mainly supported by stronger revenues from deposit-, transaction-, and card-related fees, while income from securities' sales declined. The other net non-interest income leaped by 82%.

In 2022 operating expenses grew 19% y-o-y. Within that, personnel expenses rose by 10% on account of 4% higher average headcount and the implemented wage increases, partly offset by the reduction of employers' contributions by altogether 4 pps effective from 1 January 2022. Amortization increased by 10%. Other costs grew by one-third, driven by, among others, the higher real-estate-related costs (partly because of moving into the new office building), energy costs and supervisory fees (latter largely due to the increase in deposit protection fee effective from the end of 2021).

In 2022 altogether +HUF 2.4 billion total risk costs emerged. Within that, the positive amount of provision for impairment on loan losses reached HUF 32.8 billion, whereas the other risk costs came in at -HUF 30.4 billion. The positive sign of the provision for impairment on loan losses line was determined by the revision of the highly conservative assumptions previously used in the impairment models in 1Q 2022: as the uncertainty about the pandemic and the moratorium abated, provisions were released. Also, in accordance with the relevant regulations, in 2Q 2022 provisions were released in the case of borrowers who exited the moratorium more than six months ago, and have been paying according to their contracts. It was also positive that OTP Factoring continued to realize recoveries mostly on retail claims, moreover in 4Q 2022 such claims held by OTP Factoring were upwardly revaluated, resulting in higher net Stage 3 volumes, too. The other risk costs were related mainly to impairments on government bonds.

Credit quality trends remained overall benign. During 2022 the Stage 2 ratio moderated by 6.0 pps to 11.5% (in 2Q the Stage 2 volumes fell by more than HUF 200 billion as borrowers who left the moratorium in November 2021 and resumed normal payment were shifted back into Stage 1 category). The Stage 3 ratio went up by 0.3 pp y-o-y, driven by the 0.6 pp increase in 4Q. Latter was partly owing to the revaluation of Factoring claims, which resulted in higher net Stage 3 volumes; secondly, certain retail loans that had participated in the moratorium were shifted into the Stage 3 basket.

Although the Stage 1+2 portfolio’s cumulative own provision coverage dropped by 0.7 pp y-o-y, to 1.8%, this is still way above the pre-pandemic level of 1.3% at the end of 2019.

Pursuant to the interest rate cap scheme on variable rate retail mortgage loans, from the beginning of 2022 until 30 June 2023 the reference rate of these loans cannot be higher than the relevant reference rate as at the end of October 2021. From November 2022 until the middle of 2023 the rate cap scheme was extended to market based fixed rate retail mortgages with up to 5 years rate reset period. Furthermore, from the middle of November 2022 until 30 June 2023 the reference rates of certain variable rate loans to micro and small enterprises were also capped at the reference rate levels prevailing end of June 2022.

The general payment holiday expired at the end of 2022. The volume of loans under the payment moratorium available for agricultural companies until the end of 2023 stood at HUF 41 billion at the end of 2022, making up 0.6% of OTP Core’s total gross loans.

The total assets of OTP Core expanded by 11% y-o-y.

Performing (Stage 1+2) loans grew by 15% y-o-y (FX-adjusted), mainly due to the government's and the national bank’s subsidized loan programmes (baby loan, CSOK housing loan, green mortgage loan, home renovation loan, Széchenyi Card scheme).

Loan growth was driven by the corporate segment (+33% y-o-y). Since July 2021 the Government introduced subsidized loan facilities for micro and small enterprises through the *KAVOSZ Széchenyi Card* programme. Under the *Széchenyi Card Go! and MAX* schemes, by the end of 2022 OTP Bank signed loan agreements worth HUF 593 billion in total, of which HUF 158 billion under the *MAX* structure available since August.

In 2022 the contracted amount of baby loans (prolonged till the end of 2024) was HUF 186 billion, thus the outstanding stock reached HUF 784 billion. Performing cash loan volumes rose by 4% y-o-y. The origination of new cash loans increased by 4% y-o-y, so OTP’s market share reached 38% in 2022 (2021: 38.4%).

The volume of performing mortgage loans grew 3% y-o-y. In 2022 as a whole, applications for mortgages dropped 19% y-o-y, but the demand showed a spectacular shift towards subsidized products in the increasing rate environment (+29% y-o-y); on the contrary, demand for market-based mortgage loans declined by 52%.

Assets held with the central bank underwent a significant reshuffling, as overnight deposits and mandatory reserves grew (latter mainly on the back of the increase in the minimum reserve requirement from October), whereas longer term deposits dropped.

The securities book held by OTP Core continued to include mostly fixed interest rate Hungarian government bonds, the average rate of which portfolio significantly lags behind the the prevailing government bond benchmark yields at the end of 2022.

Customer deposits expanded 9% y-o-y (FX-adjusted). The 5% q-o-q increase in retail deposits (including retail bonds) in the first quarter was boosted by the PIT refund in February; then they eroded by 1% q-o-q in each quarter. Corporate deposits grew by 20% over the last 12 months.

As for international bond issuances, there were 2 transactions in 3Q and one in the last quarter, in the total notional of EUR 1,050 million and USD 60 million. These bonds amounted to HUF 478 billion at the end of the year and were presented on the liability side of Corporate Centre, not that of OTP Core.

OTP FUND MANAGEMENT (HUNGARY)

Changes in assets under management and financial performance of OTP Fund Management:

Main components of P&L account	2021 HUF million	2022 HUF million	Change %
Adjusted profit after tax	6,116	9,357	53
Income tax	(788)	(1,234)	57
Profit before income tax	6,904	10,592	53
Operating profit	6,918	10,678	54
Total income	10,044	14,585	45
Net fees and commissions	9,799	14,094	44
Other net non-interest income	245	491	101
Operating expenses	(3,125)	(3,907)	25
Other provisions	(14)	(86)	509
Main components of balance sheet closing balances	2021	2022	%
Total assets	24,988	27,718	11
Total shareholders' equity	12,792	16,993	33
Asset under management	2021 HUF billion	2022 HUF billion	%
Assets under management, total (w/o duplicates)[1]	**1,331**	**1,782**	**34**
Volume of investment funds (closing, w/o duplicates)	942	1,388	47
Volume of managed assets (closing)	389	393	1
Volume of investment funds (closing, with duplicates)[2]	**1,479**	**1,869**	**26**
bond	444	665	50
equity	342	296	(13)
absolute return fund	300	288	(4)
money market	4	287	
mixed	345	285	(17)
commodity market	37	49	33
guaranteed	5	0	(100)

[1] The cumulative net asset value of investment funds and managed assets of OTP Fund Management, eliminating the volume of own investment funds (duplications) being managed in other investment funds and managed assets of OTP Fund Management.
[2] The cumulative net asset value of investment funds with duplications managed by OTP Fund Management.

In 2022 **OTP Fund Management** generated HUF 9.4 billion profit, exceeding the 2021 profit by more than 50%.

The growth of net fees and commissions stemmed from the 26% surge in assets under management, while average fund management fees were the same as in the base year, sales costs declined.

Other income has doubled y-o-y, thanks to the positive revaluation and sale result of the investment units in the Company's own books.

Operating expenses grew by 25% under the pressure of a high-inflation environment. Personnel expenses were 19% higher than in the base year.

In Hungary's fund management market, investment fund volumes were shaped by rising inflation environment, the MNB's interest rate hikes, and the change in government bond yields in 2022. Given the growth of the portfolio under management, the shift between categories is even more striking, particularly at OTP Fund Management's money market fund, whose volumes had marginalised when an EU regulation came into force in January 2019, but hit HUF 287 billion by the end of 2022. Among investment funds, bond funds continue to represent the largest category. Their improving popularity, owing to rising government bond yields, and capital inflows both supported a dynamic 50% y-o-y increase in volumes, which hit HUF 665 billion by the end of 2022. Overall, the volume of investment funds of OTP Fund Management expanded by 26% y-o-y, hitting a new record, and exceeding HUF 1,869 billion (with duplications).

The Company further strengthened its leadership in the securities market, where its market share stood at 27.1% (+4.3 pps y-o-y) at the end of December 2022.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Group:

Main components of P&L account	2021 HUF million	2022 HUF million	Change %
Adjusted profit after tax	7,998	10,971	37
Income tax	(918)	(1,645)	79
Profit before income tax	8,916	12,616	41
Operating profit	11,961	13,930	16
Total income	23,291	24,766	6
Net interest income	20,680	22,537	9
Net fees and commissions	116	921	694
Other net non-interest income	2,495	1,307	(48)
Operating expenses	(11,330)	(10,836)	(4)
Total provisions	(3,045)	(1,314)	(57)
Provision for impairment on loan losses	(3,093)	(1,068)	(65)
Other provision	48	(246)	
Main components of balance sheet closing balances	2021	2022	%
Total assets	782,222	948,735	21
Gross customer loans	444,549	532,054	20
Gross customer loans (FX-adjusted)	446,453	532,054	19
Stage 1+2 customer loans (FX-adjusted)	433,477	517,933	19
Retail loans	4,867	3,148	(35)
Corporate loans	46,897	130,859	179
Leasing	381,713	383,926	1
Allowances for possible loan losses	(14,230)	(12,436)	(13)
Allowances for possible loan losses (FX-adjusted)	(14,286)	(12,436)	(13)
Deposits from customers	8,198	6,151	(25)
Deposits from customer (FX-adjusted)	8,198	6,151	(25)
Retail deposits	5,166	3,713	(28)
Corporate deposits	3,032	2,438	(20)
Liabilities to credit institutions	688,675	852,738	24
Total shareholders' equity	59,246	57,591	(3)
Loan Quality	2021	2022	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	334,732	453,307	35
Stage 1 loans under IFRS 9/gross customer loans	75.3%	85.2%	9.9
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.4%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	96,982	64,627	(33)
Stage 2 loans under IFRS 9/gross customer loans	21.8%	12.1%	(9.7)
Own coverage of Stage 2 loans under IFRS 9	5.3%	4.5%	(0.8)
Stage 3 loan volume under IFRS 9 (in HUF million)	12,836	14,120	10
Stage 3 loans under IFRS 9/gross customer loans	2.9%	2.7%	(0.2)
Own coverage of Stage 3 loans under IFRS 9	60.0%	53.1%	(6.9)
Provision for impairment on loan losses/average gross loans	0.71%	0.21%	(0.49)
90+ days past due loan volume (in HUF million)	5,852	3,655	(38)
90+ days past due loans/gross customer loans	1.3%	0.7%	(0.6)
Performance Indicators	2021	2022	pps
ROA	1.0%	1.3%	0.3
ROE	14.3%	19.1%	4.8
Total income margin	3.05%	2.94%	(0.11)
Net interest margin	2.71%	2.68%	(0.03)
Operating costs / Average assets	1.5%	1.3%	(0.2)
Cost/income ratio	48.6%	43.8%	(4.9)

In 2022, **Merkantil Group** posted HUF 11 billion adjusted profit after tax (+37% y-o-y), which brought its full-year ROE to 19.1%.

Net interest income increased by 9%, while the net interest margin narrowed by 3 basis points.

Net fees and commissions grew and other net non-interest income dropped largely due to technical reasons (in 2022, some items were reclassified from other income to net fees and commissions).

Operating expenses contracted by 4% y-o-y.

In 2022, total risk cost declined, largely because risk model parameters were revised, and agricultural loans subject to the moratorium were reclassified into a riskier category.

Stage 3 loans increased by 10% y-o-y, while the Stage 2 portfolio shrank by 33% as the introduction of new forborne rules, from May 2022, led to the reclassification of the volumes subject to the moratorium from Stage 2 to Stage 3. The ratio of Stage 3 loans declined by 0.2 pp y-o-y to 2.7%, and the share of Stage 2 loans fell by 9.7 pps, to 12.1%.

The annual loan dynamics was materially influenced by an intra-group deal, which increased Merkantil Group's loan volumes, but was eliminated at consolidated level: in relation to the M12 office building, OTP Real Estate Leasing disbursed loan to another group member, which was presented under corporate loans. Without this amount, FX-adjusted performing (Stage 1+2) loans grew by 8% y-o-y, mostly because corporate loan volumes expanded by 72% (largely owing to an increase in non-agricultural capital goods and working capital), while leasing exposures stagnated.

Hungary introduced preferential, subsidized funding for micro and small enterprises through the KAVOSZ Széchenyi Card system in July 2021. Under the programme, Merkantil Bank signed loan agreements worth more than HUF 84 billion in 2022.

In 2022, newly disbursed loan volumes grew by 12% y-o-y, including 45% increase in the financing of capital goods.

Merkantil Bank is market leader in new loan placements.

IFRS REPORTS OF THE MAIN FOREIGN SUBSIDIARIES OF OTP BANK

DSK GROUP (BULGARIA)

Performance of DSK Group:

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

In 2022, **DSK Group** posted HUF 120 billion profit after tax, 56% more than in 2021. This was primarily driven by the improved operating profit (+34% y-o-y), and the favourable development of credit risk costs (-53% y-o-y).

Within the revenues, the realized interest income on customer loans and other securities and placements by group members also increased in parallel with the rise in the interest rate environment. The 29% y-o-y surge in net interest income in HUF (18% in BGN) was supported by the dynamic loan growth, as well as by the increasing net interest margin.

In 2022, net fees and commissions grew by 26% y-o-y, mainly due to the increase in fee income realized on expanding corporate loans and higher transaction fee income in the residential segment.

Other income grew by 50% y-o-y in 2022, mostly boosted by the jump in the fourth quarter, which was largely due to an increase in the revaluation result of swap transactions, as well as proceeds from the sale of real estate and leased assets.

Operating expenses increased by 22% (by 12% in local currency), mostly as a result of an inflation-induced growth in personnel and utility costs. In 2022, the average number of employees decreased further, and the improvements launched in 2021 for the comprehensive transformation of the bank's business and operating model, continued, which improved its operational effectiveness and financial efficiency. Cost efficiency indicators have improved, the cost/income ratio was 38% in 2022.

In 2022, HUF 9.8 billion total risk cost weighed on the profit, 53% less than in the base year. The Stage 3 loans declined to 3.5% by the end of December, while their own provision coverage dropped to 60.2%. The ratio of Stage 2 loans shrunk by 2 pps to 7.8% y-o-y; their own provision coverage was 16% (+0.5 pp y-o-y).

Regarding the lending activity, performing (Stage 1+2) loans expanded by 16% y-o-y (FX-adjusted). The retail loan book growth was chiefly driven by the increase of mortgage lending. The performing retail loan portfolio increased by 15% y-o-y. The FX-adjusted corporate performing loan volume increased by 17% y-o-y, amid rising interest rates.

The FX-adjusted deposit volume increased by 19% compared to the end of 2021, within which it increased by 6% in the fourth quarter, largely driven by the corporate segment.

The Bulgarian bank’s liquidity position is stable, the FX-adjusted net loan/deposit ratio stood at 70% at the end of December (-2 pps y-o-y).

As a result of the bank's digital developments, the number of Mobile Bank users is also expanding: in 2022, their number increased by 33%. Nearly a fifth of the customers actively using the bank’s products and services are also users of its digital services.

DSK Bank’s capital adequacy ratio (19.8%) remained stable above the regulatory minimum (17.3%) at the end of 2022. The CET1 ratio was 19.8% (regulatory minimum: 13.0%).

The bank’s market share by total assets improved to 18.65% at the end of December 2022, thereby jumped to the top of the Bulgarian banking ranking.

OTP BANK CROATIA

Performance of OTP Bank Croatia:

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

The **Croatian bank** generated HUF 42.8 billion profit after tax in 2022, thus its profit jumped by nearly 30% y-o-y, bringing the ROE to 11.4%.

The result was partly determined by credit risk costs. In 2022, HUF 3.1 billion positive risk cost supported profit. Within that, the +HUF 7.1 billion credit risk cost was driven by multiple factors: first, provisions were released in the first three quarters, as retail mortgages that left the moratorium were reclassified from Stage 3 to Stage 1 category, while the macroeconomic outlook turned unfavourable in the fourth quarter, necessitating the revision of the risk model parameter in both the retail and the corporate segments.

Furthermore, HUF 4 billion other risk cost weighed on the result in 2022, owing to impairment on repo receivables, provisions for legal and tax lawsuits, and redundancy payments.

Operating profit improved by 13%. Within that net interest income grew by 16%, chiefly induced by the dynamic increase in performing (Stage 1+2) volumes (+19% y-o-y FX-adjusted), while net interest margin eroded by 13 basis points, to 2.43%.

Net fees and commissions grew by 36% y-o-y, mainly as a result of the post-pandemic rebound in economic activity, and the recovery of tourism starting from the second quarter of 2021. The latter's effect is also palpable in the y-o-y stronger income from ATMs and currency exchange.

Other income fell by 29% last year, partly because of the unfavourable evolution of gain on securities, and in part owing to lower income from currency conversion.

Operating cost level was 17% higher than in the base year, while inflation exceeded 13%, and the number of employees remained unchanged y-o-y. Moreover, additional IT costs and expert fees emerged as the euro was adopted in 2023. The bank saved money y-o-y on marketing expenses. Overall, the cost/income ratio declined by 9 pps, to 52.0%.

In 2022, the share of Stage 3 loans in the portfolio sank further, thus it stood at 4.9% at the end of December. This process was supported by the overall improvement in the loan portfolio, and by the reclassification into Stage 1 category of the mortgages that left the moratorium and are duly paid. In 2022, HUF 5.6 billion worth of non-performing loans were sold/written off (FX-adjusted). The own provision coverage of Stage 3 loans rose to 70.6% (+9.2 pps y-o-y).

Performing (Stage 1+2) loans expanded by an FX-adjusted 19% y-o-y. The retail segment's growth benefited from the subsidized housing loan facility for first-home-buyers, in a scheme resumed on 21 March 2022. The disbursed volume of cash loans remained on the level of the base year 2021. Corporate loan volumes grew at the strongest rate, by 27% y-o-y.

The excellent tourism season, the savings related to the euro conversion, and lower personal consumption preferences led to a 15% y-o-y increase in FX-adjusted deposit volumes. The Croatian bank's liquidity and capital position is stable; its capital adequacy ratio was 19.6% at the end of December 2022.

OTP BANK SERBIA

Performance of OTP Bank Serbia:

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

In 2022, the **Serbian Banking Group** posted HUF 36.9 billion adjusted profit after tax, 15% more than in 2021. The annual profit was shaped by a 44% surge in operating profit and by the y-o-y tripled risk costs.

Over the past 20 months following the completion of the integration, the banking group has been strengthening its credit market position. Based on the latest market data, its market share was 17.3% (+0.7 pp y-o-y) at the end of September 2022, while its total assets rank it second, with 14% market share.

The synergy and saving opportunities stemming from the integration were steadily realized: despite the intensifying inflation operating expenses were stable in local currency. Personnel costs rose by 3% y-o-y in local currency; the average number of employees (on FTE basis) dropped by 7% y-o-y (-209 people). Cost efficiency indicators have been firmly improving. In 2022, the cost/income ratio (44.0%) was one of the lowest ones among group members.

In full year 2022, core banking revenues were favourable, supported by the intensifying business activity. Net interest income grew by 23% y-o-y (by 12% in local currency), which partly stemmed from the increase in performing loans, but the rising RSD and EUR interest rate environment also made its impact on the predominantly variable-interest-rate loans and through the growing deposit volumes. Annual net interest margin (3.03%) narrowed by 2 bps y-o-y, but has been improving since the second quarter.

Net fees and commissions expanded by 25% y-o-y (+13% in local currency) last year, predominantly owing to the rise in account fees.

The annual profit dynamics was chiefly shaped by risk costs. Credit risk costs grew by HUF 14 billion y-o-y, predominantly in the fourth quarter of 2022, owing to the revision of the IFRS 9 impairment model parameters, and as some large corporate exposures were reclassified into Stage 2 category. As a result of the provision for impairment, the own provision coverage of Stage 1, Stage 2, and Stage 3 loans all improved meaningfully y-o-y.

The ratio of Stage 3 loans sank by 0.3 pp, to 2.5% y-o-y.

The y-o-y decline in other risk costs was driven by a high base due to the high provision for litigation in 2021.

The performing (Stage 1+2) loan book grew by 10% y-o-y, driven by the housing loan programme that was supported by a marketing campaign, strong cash loan disbursements, and growth in loans to large corporations.

The deposit book grew by an FX-adjusted 15% y-o-y, mainly due to retail demand deposits and large corporate deposits; the growth rate was above market average, particularly in the large corporate segment. The bank's net loan/deposit ratio declined; it stood at 127% at the end of December.

SKB BANKA (SLOVENIA)

Performance of SKB Banka (Slovenia):

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

On 31 January 2023, Slovenia's competition authority approved the purchase of Nova KBM d.d., and the financial closure of the transaction was completed on 6 February 2023. The balance sheet and P/L figures of the purchased bank will be included into OTP Group's consolidated figures from the first quarter of 2023.

OTP Group's **Slovenian subsidiary** generated almost HUF 24 billion profit after tax in 2022 (+42% y-o-y). The profit improved chiefly as a result of a 23% growth in operating profit, and the fivefold jump in positive risk costs. ROE improved by 2.8 pps, to 12.8% y-o-y.

What distorts the profit dynamic is that the HUF's twelve-month average exchange rate weakened by 7% y-o-y versus the EUR.

The improvement in the operating profit stemmed from the 21% increase in total income; operating expenses grew slower than that (+20% y-o-y).

The rise in net interest income (+11% in EUR) was driven by the combined effect of performing loan volumes' dynamic growth and the improving net interest margin (+9 bps y-o-y). The ECB started to raise its interest rates, which benefited interests on the asset side. The 2.13% annual net interest margin is still above the average of the banking sector.

The 16% y-o-y increase in net fees and commissions (7% in EUR) largely stemmed from the improvement in transaction fee income (transfers, ATMs, cards). Fee income from transactions with securities have also risen. However, charging retail and corporate customers above a certain deposit threshold, a practice launched in 2021, ended in August.

The jump in other income can be mainly attributable to the refund on an insurance cooperation.

The annual volume of positive risk costs exceeded HUF 5.5 billion. First, the provisions set aside during COVID were released; second, based on the forward-looking IFRS 9 model, the probability of defaults, calculated during the maturity, have sharply reduced, which has led to the release of roughly EUR 11 million provision in the third quarter.

The ECB began monetary tightening in July 2022, raising the benchmark interest rate to 2.5%.

Operating expenses have grown by 20% y-o-y (10% in EUR); within that, personnel expenses rose slower, while administrative and amortization costs increased by more than 10%. The bank's annual cost/income ratio sank to 53.2% (-0.5 pp), one of the lowest levels in this sector.

The quality of the portfolio remained stable: the ratio of Stage 3 loans inched up (-0.1 pp), while the Stage 2 ratio dropped by 2.1% y-o-y. The own provision coverage of Stage 3 loans exceeded 68%, which is consistent with 12.2% y-o-y growth.

The FX-adjusted volume of Stage 1+2 loans expanded by 13% y-o-y. Corporate loan growth was outstanding (+27% y-o-y), while mortgages rose by 9% y-o-y in the retail segment. Corporate loan placement growth was mostly linked to financing working capital, and to a lesser extent to investment loans. The Bank's market share has trivially dropped in cash and mortgage loans, but improved in the corporate segment, going beyond 10%.

The net loan/deposit ratio raised to 81% (+1 pp y-o-y). Similarly to loans, the FX-adjusted annual deposit growth (+11%) was also faster in the corporate segment (+20% y-o-y). Making use of the rising interest rate level, the excess liquidity was placed on the interbank market and at the central bank. In June and September, the Bank received EUR 30 million and EUR 50 million subordinated loan capital from OTP Bank, and SKB issued EUR 170 million worth of MREL-eligible bonds in December.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

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

In 2022 **OTP Bank Romania** generated HUF 3.1 billion profit after tax. In a positive development, operating profit nearly doubled y-o-y, but due to the higher risk cost level, profit after rax dropped by 28% y-o-y (-40% in local currency).

Operating profit increased by 76% in local currency, as a result of 23% y-o-y surge in total income and 10% higher operating expenses. In full year 2022, risk costs nearly tripled in local currency, owing to a 50% increase in credit risk costs as well as a rise in other risk costs, partly related to a base effect: in 2021 loan loss provisions related to one-offs were written back, totalling HUF 3.6 billion, but at the beginning of 2022, one-off provisions were put aside in connection with an operational risk event.

In 2022, other income declined, while net fees and commissions increased by 5% in local currency, and net interest income jumped by 35%. The latter benefited from an increase in average performing loan volume, and from the 39 bps y-o-y improvement in net interest margin. The improvement in the interest margin stemmed from the rising trend in benchmark interest rates (primarily the three-month interbank lending rate for corporate loans and the IRCC benchmark index for retail mortgages) throughout the year, which was only partly offset by an increase in borrowing costs.

In 2022, operating expenses grew by 10% in local currency. Regarding the higher cost/income ratio, which was typical in recent years, partly linked to the initial higher costs of the growth strategy, positive signs have appeared in full year 2022: the ratio improved by 8.6 pps, to 72.2% y-o-y.

As to business activity, retail product placements fell by more than 20% in full year 2022 in the rising interest rate environment, while disbursements in the corporate loan and leasing segments increased by more than 10% year-on-year. Early repayments were on the rise, particularly for mortgage loans, while disbursements were decreasing. Accordingly, the FX-adjusted annual growth of performing retail loans (+4%) was slower than that of the MSE, corporate, and leasing segments (+11%, +15%, and 25% y-o-y, respectively).

In 2022, deposits from customers grew fin FX-adjusted terms by 11%; while corporate deposits contracted by 5%, household deposits increased by 28% y-o-y. The net loan/deposit ratio sank to 117%.

As to loan quality, the ratio of Stage 3 loans within the full portfolio sank by half a percentage point, to 5.2% y-o-y, while their own provision coverage declined by 3.4 pps y-o-y (2022: 59.7%). The ratio of Stage 2 loans prints a similar pattern: it slipped by 0.4 pp, to 14.1% y-o-y. In 2022, a total of HUF 10 billion worth of non-performing loans were sold.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

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

OTP Bank Ukraine's financial figures in HUF terms were affected by the UAH/HUF exchange rate's moves: In 2022, the UAH's average exchange rate appreciated by 3% y-o-y. The hryvnia's closing exchange rate vs the HUF depreciated by 14% y-o-y. Therefore, the balance sheet and P&L dynamics in HUF terms differ from the ones calculated in local currency.

OTP Bank Ukraine realized HUF 16 billion loss in 2022, mainly owing to provisions for loan losses, but its operating profit improved, driven by an increase in interest income.

Operating profit was 46% higher (+42% in UAH) than in the base period, chiefly as a result of growing net interest income (+42% in UAH).

Net interest margin strengthened on annual basis by +1.4 pps, mostly as a result of the rising average interest level of financial assets and large corporate loans.

Net fees and commissions declined by 13% y-o-y in HUF, mainly as the use of cards and accounts dropped, and foreign exchange transactions declined as business activity decreased. Business activity picked up in the second half of the year, causing higher spending, card usage, and corporate foreign exchange transaction.

The y-o-y increase in other income was mostly driven by foreign exchange conversion gains.

Operating expenses rose by 5% in UAH, mostly driven by an increase in personnel costs. As a result of strict cost management, the cost/income ratio remained the lowest among group members, it was 28% in 2022.

In 2022, risk costs totalled HUF 93 billion, mainly due to macro parameter revision and because of the reclassification of certain exposures to Stage 2 or Stage 3 as the portfolio deteriorated. The Stage 2 ratio grew by 33.9 pps, to 40.5% y-o-y, the own coverage of Stage 2 loans stood at 18.1% at the end of the year. The Stage 3 ratio grew by 12 pps y-o-y to 18.1%, with 75% own provision coverage (5.7 pps y-o-y). In 2022, the ratio of provisions to gross loans increased to 21.9% (from 7.2% in 2021).

The bank stopped mortgage lending in February, while POS lending, which had fallen to a fraction since February improved in the second half of the year; disbursements started with limited volumes, and pricing reflecting the high interest rate environment. The number of users of the bank's digital application, OTP Credit, and online loan sales began to increase again in the fourth quarter after stagnating in the previous months. The performing retail (Stage 1+2) loan volume fell by 51% y-o-y (FX-adjusted). New corporate lending is mostly limited to the refinancing of existing credit lines. Corporate loan volumes contracted by 20% y-o-y, and the leasing portfolio shrank by 28% (FX-adjusted).

- The deposit book grew by 21% y-o-y FX-adjusted, chiefly boosted by the increase of large corporate deposits.

OTP Bank Ukraine’s capital position is stable; its capital adequacy ratio stood at 27.7% at the end of 2022; the CET1 ratio is at 17.6% (the regulatory minimum is 7.0%).

OTP BANK RUSSIA

Performance of OTP Bank Russia

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

OTP Bank Russia's financial figures in HUF terms were strongly affected by the forint/rouble exchange rate's moves: the RUB's closing exchange rate appreciated by 18% y-o-y. The average exchange rate strengthened 38% y-o-y. Therefore, changes expressed in local currency provide a more accurate picture of balance sheet and P&L developments.

OTP Bank Russia posted HUF 42.5 billion profit in 2022, 13% more than in the base period. The result in rouble was 57% less than in the previous year. The profit was fundamentally boosted by the growth of the operating profit, which offset the increase of risk costs.

In local currency, the 2022 annual operating profit grew by 11% in comparison with the previous year. In rouble, total income increased by 8% y-o-y; within that, net interest income, as well as net fees and commissions declined, while other income grew materially. Net interest income dropped by 6% in rouble last year, it was largely shaped by the shrinking interest income on the declining average volume, and the increased funding costs in a temporarily rising interest rate environment. The net interest margin was at 10.7%, dropping by 2.4 pps y-o-y, mostly as lending activity dropped back and the excess liquidity was placed at lower yields. Net fee and commission income declined by 2% y-o-y in rouble (improved by 37% in HUF), mainly owing to the fall in loan disbursements, which was partly offset by the stronger income from foreign transfers.

Operating expenses rose by 6% in rouble (by +44% in HUF), mostly owing to rising personnel costs, telecommunications expenses, and costs related to IT developments. Nevertheless, cost efficiency indicators have improved, the cost/income ratio was 45% in 2022 (-2.2 pps y-o-y). During the year, digital developments aimed at increasing the proportion of online loan disbursements played an important role in this trend. At the end of the year, 65% of the new personal loan placements took place via digital channels. Online penetration among active customers exceeded 78%.

In 2022, total risk costs amounted to HUF 52 billion, mainly due to increased loan loss provisions as a result of unfavourable macroeconomic effects and negative forward-looking expectations.

The Stage 3 ratio rose by 4.2 pps y-o-y, mainly driven by the large corporate segment.

On an annual basis, the performing (Stage 1+2) loan stock decreased by 16% adjusted for exchange rates, primarily due to the effect of the large corporate loan stock shrinking by 75% as a result of the cessation of active corporate lending. Performing retail loan volumes shank by 3% y-o-y (FX-adjusted).

Deposits from customers grew by 19% y-o-y (FX-adjusted), boosted by the large corporate segment's 93% increase, while retail deposit volumes shrank (-6%). The net loan/deposit ratio fell by 46 pps y-o-y, to 106%.

In the fourth quarter, the Russian operation repaid its expiring intragroup liabilities, so the existing gross intragroup financing was reduced to zero. At the end of the year, only the intragroup subordinated debt due in 2031 remained in the amount of HUF 10 billion. The Bank's capital adequacy ratios remained steadily above the regulatory minimum levels. The Bank's CAR stood at 17.9% at the end of December (vs the regulatory minimum: 10.5%), its CET1 ratio was 15.3% (vs the regulatory minimum: 7.0%).

CKB GROUP (MONTENEGRO)

Performance of CKB Group:

Main components of P&L account	2021 HUF million	2022 HUF million	Change %
Adjusted profit after tax	4,140	9,791	137
Income tax	(817)	(2,184)	167
Profit before income tax	4,957	11,975	142
Operating profit	10,240	15,133	48
Total income	22,046	28,816	31
Net interest income	16,553	20,832	26
Net fees and commissions	4,880	7,106	46
Other net non-interest income	613	878	43
Operating expenses	(11,805)	(13,683)	16
Total provisions	(5,283)	(3,158)	(40)
Provision for impairment on loan losses	647	639	(1)
Other provision	(5,930)	(3,797)	(36)
Main components of balance sheet closing balances	**2021**	**2022**	**%**
Total assets	513,522	664,395	29
Gross customer loans	366,369	447,921	22
Gross customer loans (FX-adjusted)	397,396	447,921	13
Stage 1+2 customer loans (FX-adjusted)	369,636	425,934	15
Retail loans	175,739	193,907	10
Corporate loans	193,897	232,027	20
Allowances for possible loan losses	(23,504)	(21,893)	(7)
Allowances for possible loan losses (FX-adjusted)	(25,495)	(21,893)	(14)
Deposits from customers	386,572	524,479	36
Deposits from customers (FX-adjusted)	420,137	524,479	25
Retail deposits	255,905	289,242	13
Corporate deposits	164,232	235,237	43
Liabilities to credit institutions	19,698	12,443	(37)
Total shareholders' equity	82,029	99,131	21
Loan Quality	**2021**	**2022**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	280,910	389,640	39
Stage 1 loans under IFRS 9/gross customer loans	76.7%	87.0%	10.3
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.2%	0,2
Stage 2 loan volume under IFRS 9 (in HUF million)	59,866	36,294	(39)
Stage 2 loans under IFRS 9/gross customer loans	16.3%	8.1%	(8,2)
Own coverage of Stage 2 loans under IFRS 9	6.5%	8.9%	2.4
Stage 3 loan volume under IFRS 9 (in HUF million)	25,593	21,987	(14)
Stage 3 loans under IFRS 9/gross customer loans	7.0%	4.9%	(2,1)
Own coverage of Stage 3 loans under IFRS 9	66.0%	64.4%	(1,7)
Provision for impairment on loan losses/average gross loans	(0.18)%	(0.15)%	0,03
90+ days past due loan volume (in HUF million)	16,472	13,330	(19)
90+ days past due loans/gross customer loans	4.5%	3.0%	(1,5)
Performance Indicators	**2021**	**2022**	**pps**
ROA	0.9%	1.6%	0.8
ROE	5.2%	10.9%	5.7
Total income margin	4.62%	4.84%	0.21
Net interest margin	3.47%	3.50%	0.02
Operating costs / Average assets	2.48%	2.30%	(0.18)
Cost/income ratio	53.5%	47.5%	(6.1)
Net loans to deposits (FX-adjusted)	89%	81%	(7)
FX rates	**2021 HUF**	**2022 HUF**	**Change %**
HUF/EUR (closing)	369.0	400.3	8
HUF/EUR (average)	358.5	391.3	9

In 2022, the Montenegrin **CKB Group** generated HUF 9.8 billion adjusted profit after tax, twice as much as in the base period in local currency. The improvement in the annual result stemmed from 34% higher operating profit and 38% fall in risk costs. The bank's cost efficiency is steadily improving, the cost/income ratio dropped by 6.1 pps, to 47.5% y-o-y in 2022, and now it is better than the Group's average again, for the first time since 2008.

In full-year 2022, core banking revenues were favourable, supported by the stronger business activity. Total income expanded by 19% in local currency, owing to a 15% surge in net interest income, as well as a 33% jump in net fees and commissions. The increase in business turnover had a benign effect on income, while the annual net interest margin upped by two basis points. Operating expenses rose by 6% y-o-y in EUR; more than half of this increase came from the annual growth in fees to supervisory bodies.

In 2022, total risk cost amounted to HUF 3.2 billion (-40% y-o-y). Within that, provisions for impairment on loan losses increased the profit, partly because of the revision of the impairment model parameters. Other risk cost declined by 36%

Performing (Stage 1+2) loans rose by 15% y-o-y (FX-adjusted). In 2022, newly disbursed corporate loans doubled, while mortgage loans jumped by 61%, and cash loans surged by 55%.

The ratio of Stage 3 loans fell to 4.9% (-2.1 pps y-o-y). One reason for the improvement is that HUF 4.8 billion worth of non-performing loans were sold in 2022. The own provision coverage of Stage 3 loans stood at 64.4% at the end of the year (-1.7 pps y-o-y).

The FX-adjusted deposit book expanded by 25% y-o-y. The net loan/deposit ratio stood at 81% at the end of the year (-7 pps y-o-y).

OTP BANK ALBANIA

Performance of OTP Bank Albania:

Main components of P&L account	2021 HUF million	2022 HUF million	Change %
Adjusted profit after tax	5,522	10,175	84
Income tax	(986)	(2,013)	104
Profit before income tax	6,508	12,188	87
Operating profit	7,213	9,335	29
Total income	13,398	20,232	51
Net interest income	10,619	16,927	59
Net fees and commissions	1,843	3,067	66
Other net non-interest income	936	238	(75)
Operating expenses	(6,186)	(10,896)	76
Total provisions	(705)	2,852	
Provision for impairment on loan losses	(880)	2,505	
Other provision	175	347	98
Main components of balance sheet closing balances	2021	2022	%
Total assets	350,848	635,364	81
Gross customer loans	219,890	370,875	69
Gross customer loans (FX-adjusted)	244,973	370,875	51
Stage 1+2 customer loans (FX-adjusted)	236,959	352,632	49
Retail loans	94,768	156,789	65
Corporate loans	138,049	191,676	39
Leasing	4,143	4,167	1
Allowances for possible loan losses	(10,096)	(16,208)	61
Allowances for possible loan losses (FX-adjusted)	(11,227)	(16,208)	44
Deposits from customers	251,270	516,668	106
Deposits from customers (FX-adjusted)	280,600	516,668	84
Retail deposits	234,809	448,065	91
Corporate deposits	45,790	68,603	50
Liabilities to credit institutions	53,257	30,279	(43)
Total shareholders' equity	35,134	60,827	73
Loan Quality	2021	2022	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	191,308	318,215	66
Stage 1 loans under IFRS 9/gross customer loans	87.0%	85.8%	(1.2)
Own coverage of Stage 1 loans under IFRS 9	1.2%	1.0%	(0.3)
Stage 2 loan volume under IFRS 9 (in HUF million)	21,391	34,417	61
Stage 2 loans under IFRS 9/gross customer loans	9.7%	9.3%	(0.4)
Own coverage of Stage 2 loans under IFRS 9	11.4%	9.4%	(2.1)
Stage 3 loan volume under IFRS 9 (in HUF million)	7,190	18,243	154
Stage 3 loans under IFRS 9/gross customer loans	3.3%	4.9%	1.6
Own coverage of Stage 3 loans under IFRS 9	73.3%	54.4%	(18.8)
Provision for impairment on loan losses/average gross loans	0.46%	(0.83%)	(1.30)
90+ days past due loan volume (in HUF million)	3,624	11,050	205
90+ days past due loans/gross customer loans	1.6%	3.0%	1.3
Performance Indicators	2021	2022	pps
ROA	1.8%	2.0%	0.2
ROE	17.6%	21.1%	3.5
Total income margin	4.43%	4.07%	(0.37)
Net interest margin	3.51%	3.40%	(0.11)
Operating costs / Average assets	2.0%	2.2%	0.1
Cost/income ratio	46.2%	53.9%	7.7
Net loans to deposits (FX-adjusted)	83%	69%	(15)
FX rates	2021 HUF	2022 HUF	Change %
HUF/ALL (closing)	3.1	3.5	15
HUF/ALL (average)	2.9	3.3	13

In accordance with the purchase agreement signed by and between OTP Bank and Alpha International Holdings Single Member S.A. on 6 December 2021, the transaction's financial closure was completed on 18 July 2022. As a result, OTP Bank became the 100% owner of Alpha Bank Albania SH.A., Alpha Bank Group's Albanian subsidiary.

The consolidated financial statements include the acquired bank's volumes from July, while the profit contribution is consolidated into the Group's P&L account starting from August only.

On 1 December 2022, Albania's Court of Registration registered the merger of Alpha Bank Albania SH.A. and Banka OTP Albania SHA.

The Albanian profit and loss account was adjusted for the one-off items directly related to the acquisition; they are presented at consolidated level among the adjustment items. The balance sheet items were not adjusted for these effects.

In full year 2022, **OTP Bank Albania** generated HUF 10.2 billion profit after tax (84% in HUF y-o-y; +64% in local currency), which includes the result of the newly consolidated bank, starting from August. This is consistent with 21.1% ROE, the best return on equity in OTP Group.

Thanks to the acquisition, the market share of OTP's Albanian operation by net loan jumped to 14.6% by the end of December 2022, from 10.6% at the end of December 2021. This ranks it third, up from the fourth place in the market ranking of banks. In terms of total assets, OTP confirmed its fifth place with 9.5% market share.

On 1 December 2022, Alpha Bank Albania merged into OTP Bank Albania, and the integration began. Its first results were realized in the fourth quarter: the total network in Albania has contracted by 15 units (-21%), while the number of employees dropped by 64 people (-8%) q-o-q.

In local currency, operating profit grew by 15% y-o-y. Net interest income grew 28% y-o-y in local currency, net fees and commissions increased by 45%, and operating expenses rose by 53%. Annual net interest margin was 3.4%.

Risk costs amounted to a positive figure, HUF 2.9 billion, as risk parameters were revised at both banks in the fourth quarter, which resulted in risk cost releases.

At the end of 2022, the ratio of Stage 3 loans was 4.9%, whereas the own provision coverage of Stage 3 loans was 54.4%. The reason for the y-o-y decline was that during the consolidation of the newly acquired bank, Stage 3 volumes were netted with the related provisions.

Due largely to acquisitions and to a lesser extent to organic growth, the performing (Stage 1+2) loan book increased by 49% y-o-y, while the stock of deposits grew by 84% y-o-y.

OTB BANK MOLDOVA

Performance of OTB Bank Moldova:

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

OTP Bank Moldova generated HUF 9.4 billion profit after tax in 2022, which presents a 61% y-o-y growth. This was mainly driven by the 124% y-o-y increase of the operating profit, that offset the higher risk costs.

In 2022, total income exceeded that of the base period by 82%, chiefly because net interest income has doubled (+70% in local currency). In the rising interest rate environment (the central bank base rate grew from 6.5% at the beginning of the year to 21.5% by August, and then decreased to 20% in December), variable interest rate assets followed the upward trend. Furthermore, the net interest income was significantly supported by the interest income achieved on the mandatory reserve deposited with the central bank. The required reserve ratio was 40% until December 5, 2022, and the interest rate was 19.5% (after December 5, the required reserve ratio was reduced to 37%, the interest rate to 18%). The annual net interest margin improved by 1.83 pps y-o-y, to 5.55%.

Net fees declined by 3% y-o-y in local currency, largely due to the decrease in commission income related to more restrained retail lending.

Other net non-interest income expanded by 87% y-o-y in 2022, mostly owing to higher income from currency exchange.

In the course of 2022, significant inflationary pressure developed in the country, the inflation rate peaking at over 34% in October-November decreased to 30.2% by December. This was reflected in the 20% y-o-y increase in annual operating expenses in local currency. This is reflected in the 20% y-o-y increase in annual operating costs measured in local currency. Despite this, the cost efficiency indicator improved significantly, the cost/income ratio in 2022 was below 37% (-11.8 pps y-o-y).

The impact of the downturn in the economy and the high inflation affecting income conditions was primarily manifested in the deterioration of the retail loan portfolio; the trend was further exacerbated by the shrinking volumes. In 2022, total risk costs increased sixfold y-o-y, nominally amounting to nearly HUF 7 billion. A large part of this arose in connection with the revision of IFRS 9 parameters.

The Stage 2 ratio jumped by 9.8 pps y-o-y; the coverage of Stage 2 loans' own provisions also improved by 4.7 pps y-o-y to 18.3%. At the end of 2022, the ratio of Stage 3 loans was 2.8% (+0.9 pp y-o-y), their own coverage increased to 61.3%.

The FX-adjusted performing (Stage 1+2) loan portfolio decreased by 5% y-o-y, within which the drop in retail loans was 14%, while the corporate portfolio expanded by 4%. As of the summer of 2022, OTP Bank Moldova has stopped retail lending and significantly reduced its lending activities on the corporate side as well.

The FX-adjusted deposit book declined by 2% y-o-y, mostly because deposits from large corporations contracted (-8%).

At the end of December 2022, the market share of OTP's Moldovan operation by total assets reached 14.2%, thereby maintaining its 3rd place in the banking ranking.

STAFF LEVEL AND OTHER INFORMATION

	31/12/2021				31/12/2022			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	**356**	**1,906**	**135,901**	**10,523**	**352**	**1,866**	**143,078**	**10,985**
DSK Group (Bulgaria)	311	1,046	15,580	5,539	305	998	16,559	5,358
OBH (Croatia)	114	467	11,384	2,279	111	428	11,344	2,294
OTP Bank Serbia	187	298	15,038	2,707	155	265	18,049	2,632
SKB Banka (Slovenia)	49	82	4,940	864	49	81	4,925	875
OTP Bank Romania	95	148	7,843	1,740	97	156	8,325	1,826
OTP Bank Ukraine (w/o employed agents)	85	176	293	2,341	71	150	263	2,134
OTP Bank Russia (w/o employed agents)	134	220	607	4,992	108	191	534	4,471
CKB Group (Montenegro)	34	117	7,251	517	33	116	7,529	497
OTP Bank Albania	39	86	0	454	58	213	831	730
Mobiasbanca (Moldova)	51	151	0	899	53	156	0	896
Foreign subsidiaries, total	**1,099**	**2,791**	**62,936**	**22,332**	**1,040**	**2,754**	**68,359**	**21,713**
Other Hungarian and foreign subsidiaries				568				619
OTP Group (w/o employed agents)				**33,424**				**33,318**
OTP Bank Russia - employed agents				3,783				2,431
OTP Bank Ukraine - employed agents				657				227
OTP Group (aggregated)	**1,455**	**4,697**	**198,837**	**37,864**	**1,392**	**4,620**	**211,437**	**35,976**

Definition of headcount number: closing, active FTE (full-time employee). The employee is considered as full-time employee in case his/her employment conditions regarding working hours are in line with a full-time employment defined in the Labour Code in the reporting entity's country. Part-time employees are taken into account proportional to the full-time working hours being effective in the reporting entity's country.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., being registered in Hungary, has a corporate governance policy that complies with the provisions on companies of the act applicable (Civil Code). As the company conducts banking operations, it also adheres to the statutory regulations pertaining to credit institutions.

Beyond fulfilling the statutory requirements, as a listed company on the Budapest Stock Exchange (BSE), the company also makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations. After being approved by the General Meeting, this declaration is published on the websites of both the Stock Exchange (www.bet.hu) and the Bank (www.otpbank.hu).

System of internal controls

OTP Bank Plc., as a provider of financial and investment services, operates a closely regulated and state-supervised system of internal controls.

OTP Bank Plc. has detailed risk management regulations applicable to all types of risks (credit, country, counterparty, market, liquidity, operational, compliance), which are in compliance with the regulations on prudent banking operations. The Bank Group pays special attention to the management of ESG risks and the implementation of climate protection aspects in business practice. Its risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results. The business continuity framework is intended to provide for the continuity of services. Developed on the basis of international methodologies, the lifecycle model includes process evaluation, action plan development for critical processes, the regular review and testing of these, as well as related DRP activities.

OTP Bank Plc.'s internal audit system is realised on several levels of control built on each other. The system of internal checks and balances includes process-integrated control, management control, independent internal audit organisation and executive information system. The independent internal audit organisation as a key element of internal lines of defence promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient operation of internal control systems, the minimisation of risks, moreover it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares group-level reports on control actions and audit results for the executive boards. Once a year, the internal audit organisation with the prior opinion of the Audit Committee draws up, for the Supervisory Board, the Board of Directors and the Risk Assumption and Risk Management Committee, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions. Furthermore, in line with the provisions of the Credit Institutions Act, reports, once a year, to the Supervisory Board and the Board of Directors on the regularity of internal audit tasks, professional requirements and the conduct of audits, and on the review of compliance with IT and other technical conditions needed for the audits.

In line with the regulations of the European Union, the applicable Hungarian laws and supervisory recommendations, OTP Bank Plc. operates an independent organisational unit with the task of identifying and managing compliance risks. The Compliance Directorate prepares a report quarterly to the Board of Directors, and annually to the Supervisory Board, about the Bank's and the Bank Group's compliance activities and position.

IT Controls

Applications are developed by either in-house group resources or by third parties. OTP Bank applies administrative, logical and physical control measures commensurate with the risk in order to protect the IT systems storing and processing data, as follows:

- access to data/systems is only possible on the basis of a predefined authorisation management process that applies the principle of least privilege, ensures segregation of responsibilities, that has regular access right reviews and ensures that dismissed employees' access is revoked in a timely manner;
- user authentication, authorisation and password management processes are controlled by policies and audited;
- the systems have well-separated test and development environments along with a secure change management procedure, which ensures that program developments or modifications can only be deployed to the operational environment after proper, controlled testing and approval;
- systems are protected by appropriate network perimeter protection, various security devices and network segmentation, furthermore all network communications are protected with state-of-the-art encryption;

- the IT systems that store and process data are regularly backed up and backup media is stored in controlled premises with adequate protection for long-term retention, and the organisation carries out regular backup restore tests;
- adequate redundancy is applied for IT systems that store and process data to ensure business continuity and disaster resiliency;
- has developed DRPs and BCPs for critical systems and critical business processes, which is regularly tested and reviewed;
- the Bank collects and retains the complete log of all major IT operations and IT security relevant data processing activities and the confidentiality, availability, integrity, authenticity and non-repudiation of these audit logs are ensured;
- there is a continuous, up-to-date protection against malicious codes;
- it ensures the regular implementation of vendor patches and updates for the environments used;
- it uses a data leakage protection (DLP) solution to reduce the risk of inadvertent data loss;
- it ensures the continuous monitoring of the operation events of the physical and virtual environment system elements with automated event detection and management tools;
- the above measures are documented at an appropriate level, which ensures the traceability of the implementation of data security requirements in a transparent manner;
- it ensures permanent secure deletion of the data stored on the media, the destruction of the media and the documentation of the destruction of the media during secure operational media disposal processes;
- it enforces data protection requirements already at the design stage of the implementation of the IT systems storing and processing personal data and of the systems operational processes related to them;
- acquire and maintain ability to adequately handle application related security events, including prevention, detection, identification, isolation, analysis, recovery and reporting;
- remote work is regulated in a controlled and documented way, remote accesses are protected with multi-factor authentication;
- ensures IT security compliance within operated regulative framework;
- revision and update of IT security regulations with required frequencies;
- ensures vulnerability assessments and penetration tests are carried out as planned;
- define pools for categorization of installed software into preferred, allowed and prohibited. Ensure policy is followed.
- it ensures that its employees have adequate knowledge of data protection requirements and provides regular data protection and information security awareness training for them.

General Meeting

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Articles of Association, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.

The General Meeting was held on 13 April 2022 in accordance with the general rules, traditionally, with the personal participation of the shareholders, subject to Section 3 (1) of the Government Decree 502/2020. (XI. 16.) on the re-introduction of deviation provisions pertaining to the operation of partnerships and corporations during the state of emergency, also in line with the Act I of 2021 on the prevention of the coronavirus pandemic.

Regulations and information to be presented in the Business Report concerning securities conferring voting rights issued by the Company and senior officials, according to the effective Articles of Association, and ownership structure

The Company's registered capital is HUF 28,000,001,000, that is twenty-eight thousand million one thousand Hungarian forint, divided into 280,000,010 that is Two hundred and eighty million and ten dematerialised ordinary shares with a nominal value of HUF 100 each, and a total nominal value of HUF 28,000,001,000, that is twenty eight billion one thousand Hungarian forint.

The ordinary shares of the Company specified all have the same nominal value and bestow the same rights in respect of the Company.

There are no restrictions in place concerning the transfer of issued securities constituting the registered capital of the Company.

No securities with special control rights have been issued by the Company.

Special Employee Partial Ownership Plan Organization No. I. of OTP Employees and Special Employee Partial Ownership Plan Organization No. II. of OTP Employees (hereinafter referred to as: OTP SEPOPs) were established based on the decision of the Company's certain employees and executives considered as employees pursuant to the Act XLIV of 1992 on Employee Partial Ownership Plan. Management rights of OTP SEPOPs are exercised by a trust named *Alapítvány az OTP Munkavállalók Különleges Résztulajdonosi Programjáért*, founded by the same employees setting up OTP SEPOPs. The Company did not participate either in foundation or in management of OTP SEPOPs.

The Company in line with the ESOP Act initiated an employee share ownership plan having a remuneration purpose and founded OTP Bank ESOP Organization for its execution (hereinafter referred to as ESOP Organization). Pursuant to the laws, the management rights over the ESOP Organization are exercised by a law firm, the so called trustee. In the case of the ESOP Organization Szűcs Law Firm is entitled to exercise the authorities of the trustee. The Company participated in the foundation of the ESOP Organization, however, after its foundation it cannot participate in its management, and according to the laws, it is not entitled to either give orders or to recall the trustee.

<u>Rules on the restrictions of the voting rights:</u>

The Company's ordinary shares confer one vote per share.

An individual shareholder or group of shareholders may not exercise voting rights in respect of in an extent exceeding 25%, or – if the voting rights of another shareholder or group of shareholders exceed 10% – exceeding 33% of the total voting rights represented by the shares conferring voting rights at the Company's General Meeting.

The shareholder is obliged to notify the Company's Board of Directors without delay if the shareholder directly or indirectly, or together with other shareholders in the same group of shareholders, holds more than 2% of the voting rights represented by the shares conferring voting rights at the Company's General Meeting. Concurrently with this, the shareholder is obliged to designate the shareholders through which the indirect voting right exists, or the members of the group of shareholders. In the event of a failure to provide such notification, or if there are substantive grounds for assuming that the shareholder has made a misleading declaration regarding the composition of the shareholder group, then the shareholder's voting right shall be suspended and may not be exercised until the shareholder has met the above obligations. The notification obligation stipulated in this paragraph and the related legal consequences are also incumbent upon individuals who are classified or may be classified as the Company's shareholders under Article 61 of the Capital Markets Act. The Company must also be provided with proof of the conditions for exemption from the notification obligation in accordance with Section 61 (7)-(8) and Section 61 (10)-(11)-(12), of the Capital Markets Act.

Shareholder group: the shareholder and another shareholder, in which the former has either a direct or indirect shareholding or has an influence without a shareholding (collectively: a direct and/or indirect influence); furthermore: the shareholder and another shareholder who is exercising or is willing to exercise its voting rights together with the former shareholder, regardless of what type of agreement between the participants underlies such concerted exercising of rights.

For determining the existence and extent of the indirect holding, the rules of the Credit Institutions Act relating to the calculation of indirect ownership shall be applied.

If the voting rights that may be exercised by a shareholder group exceed the threshold stipulated in the first paragraph of this section, the voting rights shall be reduced in such a way that the voting rights relating to the shares most recently acquired by the group of shareholders shall not be exercisable.

If there are substantive grounds to presume that the exercising of voting rights by any shareholder or shareholders might result in a breach of the rules of the Capital Markets Act relating to the acquisition of a controlling interest, the Board of Directors' authorised representative responsible for the registration of shareholders at the venue of the General Meeting, or the Chairman of the General Meeting, may exclude the affected shareholders from attending the General Meeting or exercising voting rights.

The General Meeting has exclusive authority with respect to the decision regarding the delisting of the shares (qualified majority). When making the decisions, shares embodying multiple voting rights shall represent one share.

The Company is not aware of any kind of agreements among the owners that could give rise to the restriction of the transfer of issued securities and/or the voting rights.

<u>Rules on the appointment and removal of executive officers, and rules on amendment of the Articles of Association:</u>

The Board of Directors has at least 5, and up to 11 members.

When making the decisions, shares embodying multiple voting rights shall represent one share. The members of the Board of Directors are elected by the General Meeting based on its decision uniformly either for an indefinite period or for five years; in the latter case the mandate ends with the General Meeting concluding the fifth financial year following the election. The mandate of a member elected during this period expires together with the mandate of the Board of Directors.

The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company, unless the Board of Directors decides within its competence that the position of Chairman of the Board of Directors and the Chief Executive Officer of the Company are held by separate persons.

The membership of the Board of Directors ceases to exist by

g. expiry of the mandate,
h. resignation,
i. recall,
j. death,
k. the occurrence of grounds for disqualification as regulated by law.
l. termination of the employment of internal (executive) Board members.

The General Meeting has exclusive authority with respect to the following matters:

- the recall of members of the Board of Directors, the Supervisory Board and Audit Committee, and of the auditor; (qualified majority)
  More than one third of the members of the Board of Directors and the non-executive members of the Supervisory Board may be recalled within a 12-month period only if any shareholder holds more than 33% of the shares issued by the Company, which have been obtained by the shareholder by way of a public purchase offer.
- except in the cases referred by these Articles of Association to the authority of the Board of Directors, the establishment and amendment of the Articles of Association; (qualified majority); the General Meeting decides on proposals concerning the amendment of the Articles of Association – based on a resolution passed by shareholders with a simple majority – either individually or en masse.

The Board of Directors is obliged to

- prepare the Company's financial statements in accordance with the Accounting Act, and make a proposal for the use of the profit after taxation;
- prepare a report once a year for the General Meeting, and once every three months for the Supervisory Board, concerning management, the status of the Company's assets and business policy;
- provide for the proper keeping of the Company's business books;
- perform the tasks referred to its authority under the Credit Institutions Act, in particular:
  - ensuring the integrity of the accounting and financial reporting system;
  - elaborating the appropriate strategy and determining risk tolerance levels for each business unit concerned;
  - setting risk assumption limits;
  - providing the necessary resources for the management or risk, the valuation of assets, the use of external credit ratings and the application of internal models.

The following, in particular, come under the exclusive authority of the Board of Directors:

- election of the Chairman & Chief Executive Officer of the Company, and exercising employer's right in respect thereof;
- election of one or more Deputy Chairmen of the Board of Directors;
- determination of the annual plan;
- the analysis and assessment of the implementation of business-policy guidelines, on the basis of the Company's quarterly balance sheet;
- decisions on transactions referred to the authority of the Board of Directors by the Company's organisational and operational regulations;
- decision on launching, suspending, or terminating the performance of certain banking activities within the scope of the licensed activities of the Company;
- designation of the employees entitled to sign on behalf of the Company;
- decision on the increasing of registered capital at the terms set out in the relevant resolution of the General Meeting;
- decision to acquire treasury shares at the terms set out in the relevant resolution of the General Meeting;
- decision on approving internal loans in accordance with the Credit Institutions Act;

- decision on the approval of regulations that fundamentally determine banking operations, or are referred to its authority by the Credit Institutions Act. The following shall qualify as such regulations:
  - the collateral evaluation regulations,
  - the risk-assumption regulations,
  - the customer rating regulations,
  - the counterparty rating regulations,
  - the investment regulations,
  - the regulations on asset classification, impairment and provisioning,
  - the organisational and operational regulations, which contain the regulations on the procedure for assessing requests related to large loans,
  - the regulations on the transfer of signatory rights;
- the decision on approving the Rules of Procedure of the Board of Directors;
- decision on steps to hinder a public takeover procedure;
- decision on the acceptance of a public purchase offer received in respect of treasury shares;
- decision on the commencement of trading in the shares in a regulated market (flotation);
- decision on the cessation of trading in the shares in a given regulated market, provided that the shares are traded in another regulated market (hereinafter: transfer).

The Board of Directors is exclusively authorised to:

- decide, in the cases specified in the Civil Code, on acceptance of the Company's interim balance sheet, subject to the prior approval of the Supervisory Board;
- decide, instead of the General Meeting, to pay an advance on dividends, subject to the preliminary approval of the Supervisory Board;
- make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association;
- make decision on mergers (if, according to the provisions of the law on the transformation, merger and demerger of legal entities, the approval of the General Meeting is not required in order for the merger to take place).

The Board of Directors directly exercises employer's rights in respect of the Chairman & CEO. The person affected by a decision may not participate in the decision making. Employer rights in respect of the executive directors of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance of the appointment and dismissal of the Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the Chief Executive Officer and by the senior company employees defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors. If the Chairman of the Board of Directors and the CEO are different persons, the employer rights in respect of the other executive directors of the Company (CEO, deputy CEOs) are exercised by the Board of Directors through the Chairman of Board of Directors, with the proviso that the Board of Directors shall be notified in advance of the appointment and dismissal of the CEO and Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the persons defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors.

The Board of Directors may delegate, to individual members of the Board of Directors, to executive directors employed by the Company, and to the heads of the individual service departments, any task that does not come under the exclusive authority of the Board of Directors in accordance with these Articles of Association or a General Meeting resolution.

The Company may acquire treasury shares in accordance with the rules of the Civil Code. The prior authorisation of the General Meeting is not required for the acquisition of treasury shares if the acquisition of the shares is necessary in order to prevent a direct threat of severe damage to the Company (this provision is not applicable in the event of a public purchase offer aimed at buying up the Company's shares), as well as if the Company acquires the treasury shares in the context of a judicial procedure aimed at the settlement of a claim to which the Company is entitled, or in the course of a transformation.

The Company has not made agreements in the meaning of points (j) and (k) in paragraph 95/A of Act No. C of 2000 on Accounting.

Ownership structure of OTP Bank Plc.

Description of owner	Total equity					
	1 January 2022			31 December 2022		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	26.66%	26.97%	74,637,180	31.80%	31.84%	89,040,716
Foreign institution/company	66.69%	67.47%	186,733,858	50.05%	50.11%	140,129,576
Domestic individual	4.79%	4.84%	13,405,389	16.91%	16.93%	47,338,305
Foreign individual	0.11%	0.12%	319,712	0.52%	0.52%	1,464,494
Employees, senior officers[2]	0.48%	0.48%	1,341,018	0.55%	0.55%	1,526,762
Treasury shares[3]	1.16%	0.00%	3,251,484	0.13%	0.00%	354,144
Government held owner	0.07%	0.07%	188,326	0.05%	0.05%	139,946
International Development Institutions	0.04%	0.04%	120,871	0.00%	0.00%	3,183
Other[4]	0.00%	0.00%	2,172	0.00%	0.00%	2,884
TOTAL	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Voting rights in the General Meeting of the Issuer for participation in decision-making.
[2] The shares indirectly owned by György Nagy, a member of the Board of Directors, were reclassified to the domestic individual category as of 31 December 2021.
[3] Treasury shares do not include the OTP shares held by ESOP (OTP Bank Employee Stock Ownership Plan Organization). Pursuant to Act V of 2013 on the Civil Code, OTP shares held by the ESOP are not classified as treasury shares, but the ESOP must be consolidated in accordance with IFRS 10 Consolidated Financial Statements standard. On 31 December 2022 ESOP owned 10,965,752 OTP shares.
[4] Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2022)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	3,251,484	691,233	467,880	365,842	354,144
Subsidiaries	0	0	0	0	0
TOTAL	3,251,484	691,233	467,880	365,842	354,144

Shareholders with over/around 5% stake as at 31 December 2022

Name	Nationality[1]	Activity[2]	Number of shares	Ownership[3]	Voting rights[3,4]	Notes[5]
MOL (Hungarian Oil and Gas Company Plc.)	**D**	**C**	**24,000,000**	**8.57%**	**8.58%**	
Groupama Group	**F/D**	**C**	**14,258,161**	**5.09%**	**5.10%**	
Groupama Gan Vie SA	F	C	14,140,000	5.05%	5.06%	
Groupama Biztosító Ltd.	D	C	118,161	0.04%	0.04%	

[1] Domestic (D), Foreign (F).
[2] Custodian (CU), Public Institution (PU), International Development Institutions (ID), Institutional (I), Company (C), Private (PR), Employee or senior officer (E).
[3] Rounded to two decimals.
[4] Voting rights in the General Meeting of the Issuer for participation in decision-making.

[5] Eg: professional investor, financial investor, etc.

Senior officers, strategic employees and their shareholding of OTP shares as at 31 December 2022

Type[1]	Name	Position	Commencement date of the term	Expiration/termination of the term	Number of shares
IT	dr. Sándor Csányi [2]	Chairman and CEO	15/05/1992	2026	325.047
IT	Tamás Erdei	Deputy Chairman	27/04/2012	2026	43.085
IT	Gabriella Balogh	member	16/04/2021	2026	8.193
IT	Mihály Baumstark	member	29/04/1999	2026	53.600
IT	Péter Csányi	member, Deputy CEO	16/04/2021	2026	9.648
IT	dr. István Gresa	member	27/04/2012	2026	182.858
IT	Antal Kovács[3]	member, Deputy CEO	15/04/2016	2026	114.759
IT	György Nagy[4]	member	16/04/2021	2026	34.800
IT	dr. Márton Gellért Vági	member	16/04/2021	2026	8.500
IT	dr. József Vörös	member	15/05/1992	2026	186.714
IT	László Wolf	member, Deputy CEO	15/04/2016	2026	535.347
FB	Tibor Tolnay	Chairman	15/05/1992	2023	54
FB	dr. Gábor Horváth	Deputy Chairman	19/05/1995	2023	0
FB	Klára Bella	member	12/04/2019	2023	408
FB	dr. Tamás Gudra	member	16/04/2021	2023	0
FB	András Michnai	member	25/04/2008	2023	100
FB	Olivier Péqueux	member	13/04/2018	2023	0
SP	László Bencsik	Deputy CEO			12.744
SP	György Kiss-Haypál	Deputy CEO			10.905
TOTAL No. of shares held by management:					**1,526,762**

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Dr. Sándor Csányi, Chairman and CEO, directly or indirectly: 4,602,174
[3] Number of OTP shares owned by Antal Kovács, Member of Board of Directors, directly or indirectly: 119,059
[4] Number of OTP shares owned by György Nagy, Member of Board of Directors, directly or indirectly: 1,118,955

Committees[4]

Members of the Board of Directors
Dr. Sándor Csányi – Chairman
Mr. Tamás Erdei – Deputy Chairman
Ms. Gabriella Balogh
Mr. Mihály Baumstark
Mr. Péter Csányi
Dr. István Gresa
Mr. Antal Kovács
Mr. György Nagy
Dr. Márton Gellért Vági
Dr. József Vörös
Mr. László Wolf

Members of the Supervisory Board
Mr. Tibor Tolnay – Chairman
Dr. József Gábor Horváth – Deputy Chairman
Ms. Klára Bella
Dr. Tamás Gudra
Mr. András Michnai
Mr. Olivier Péqueux

Members of the Audit Committee
Dr. József Gábor Horváth – Chairman
Mr. Tibor Tolnay – Deputy Chairman
Dr. Tamás Gudra
Mr. Olivier Péqueux

The résumés of the committee and board members are available in the Corporate Governance Report/Annual Report.

Personal and organizational changes

On 13 April 2022, concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2022, the Annual General Meeting elected Ernst & Young Ltd. as the Company's auditor from 1 May 2022 until 30 April 2023.

From 1 January 2023 Antal Kovács' position was taken over by András Becsei as the Retail Division Deputay CEO. Antal Kovács will retain his employment status, thus his position as Deputy CEO until the Annual General Meeting closing the financial year 2022, during which time he will mainly be responsible for group governance.

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive management body in its managerial function, while the Supervisory Board is the management body in its supervisory function of the Company. It controls the supervision of the lawfulness of the Company's operation, its business practices and management, performs oversight tasks and accepts the provisions of the Bank Group's Remuneration Policy. The effective operation of Supervisory Board is supported by the Audit Committee, as a committee, which also monitors the internal audit, the risk management, the reporting systems and the activities of the auditor.

In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or other committees, such as the Management Committee, the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee.

To ensure effective operation OTP Bank Plc. also has a number of further permanent committees.

OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report.

[4] Personal changes can be found in the „Personal and organizational changes" chapter.

The Board of Directors held 6, the Supervisory Board held 7 meetings, while the Audit Committee held 2 meetings in 2022. In addition, resolutions were passed by the Board of Directors on 139, by the Supervisory Board on 73 and by the Audit Committee on 24 occasions by written vote.

Policy of diversity

OTP Bank Plc. determines and regulates the criteria for the selection of senior executives in line with European Union as well as domestic legal requirements and directives fundamentally determining the operation of credit institutions.

When designating members of the management bodies (Board of Directors, Supervisory Board) as well as appointing members of the Board of Directors and administrative members (Management), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence, the versatile educational background, the widespread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women's participation rate.

OTP Bank Plc.'s Nomination Committee continuously keeps tracking the European Union and domestic legislation relating to women's quota on its agenda, in that when unambiguously worded expectations are announced, it promptly takes the necessary measures. In accordance with OTP Bank Plc.'s currently approved strategy, the goal is to have at least one female member in both the Bord of Directors and the Supervisory Board.

It is important to note, however, that, as a public limited company, the selection of the members of the management bodies falls within the exclusive competence of the General Meeting upon which – beyond its capacity to designate enforcing the above aspects to maximum effect – OTP Bank Plc. has no substantive influence.

According to OTP Bank Plc.'s Articles of Association, a Board of Directors comprising 5-11 members and a Supervisory Board comprising 5-9 members are set up at OTP Bank Plc. Currently the Board of Directors operates with 11 members and has one female member, the Supervisory Board comprises 6 members and has one female member. The management of OTP Bank Plc. currently comprises 7 members and has no female member.

Fight against corruption and against the practice of bribery

The Code of Ethics and the Anti-Corruption Policy of OTP Bank contains provisions on the fight against corruption and against the practice of bribery, also on the acceptance of individual differences and the denial of discrimination (https://www.otpbank.hu/portal/en/EthicalDeclaration https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf, Anti_Corruption_Policy.pdf (otpbank.hu)). As it can be read in the foreword of the Code and the Anti-Corruption Policy as well, the Bank and its management have adopted the principle of zero tolerance towards corruption and bribery, taking a definite stance against all forms of corruption and giving full support to the fight against corruption. In addition, the Code states that "As an ethical and compliant institution, the Bank and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes."

The Bank has set up an ethics reporting system (whistleblowing), which is for the reporting and the handling of the reports on suspected or actual violation of the values set forth in the Code of Ethics, where anonymous reporting of ethics issues is also possible. The Bank conducts inquiries for the purpose of detecting, preventing anomalies in connection with reports made or anomalies it became aware of otherwise.

Through the Bank's ethics reporting system a total of 152 reports were received in 2022. In 70 of these reports, we deemed it necessary to conduct an ethical procedure and 10 case's investigation resulted in declaring ethics offense – though not due to corruption, bribery or discrimination.

The Bank has created and maintains its Code of Ethics to keep reputational risk and financial losses, which may incur in relation to corruption, bribery and discrimination, on a minimum level. Both employees and newcomers receive education on the Code of Ethics, and in addition, the acceptance to be bound by it is a prerequisite for their employment.

In addition, all business partners and clients are communicated about the Anti-Corruption Policy and procedures through the Code of Ethics and Anti-Corruption Policy published publicly on the Bank's website. The Anti-Corruption Policy stipulates that, in view of the fact that existing and established relationships with contractual partners also contain the possibility of corruption, the Bank will act prudently in its dealings with contractors, in particular in the tendering and preparation process, to minimise the risk of corruption. The Bank establishes relationships with its contractual partners based on an assessment of professionalism, competence and competitiveness, and does not apply other non-professional selection criteria that contain the possibility of corruption.

Any requests from third parties affecting human rights are treated by the Bank as a priority.

We manage the risks regarding the fight against corruption and bribery within the framework of our operational risk management process. Our quarterly compliance reports cover the changes in risks as well as the steps necessary steps to manage them. The reports are presented to the Management Committee and the Board of Directors; the annual report is also submitted to the Supervisory Board.

Non-financial performance indicators

- **Internal audit:** 176 closed audits, 1,142 recommendations, 1,141 accepted recommendations.
- **Compliance with Budapest Stock Exchange (BSE) Recommendations (yes/no ratio):** 72 yes, 0 no.
- **Compliance:** 6 closed consumer protection related investigations.
- **Bank security investigations, reports:** we filed a criminal complaint in connection with a total of 655 cases (728 in 2021), and in 8 cases we filed a report with the various authorities.
- **Official reports made on suspicion of money laundering:** in the relevant period, we filed official reports on suspicion of money laundering in 315 cases. The total amount included in the reports: HUF 13.6 billion.

  Notifications: We made 3,476 notifications to National Tax and Customs Administration Anti-Money Laundering and Terrorist Financing Office in connection with money laundering. The total amount included in the notifications was HUF 1.1 billion.

  The expected damage value from the discovered crimes is more than HUF 1 billion, which is more than the requested amount of the realized loss last year, which was HUF 445 million (680 million HUF in 2020, 533 million HUF in 2019). The majority of the loss occurred in the area of financial abuse.

  Regarding the year 2022, according to our data, a loss of close to HUF 1.3 billion was prevented by thwarting attempts to defraud the bank.

  (It can be concluded that in the year 2022, the number of abuses committed on the electronic interface to the detriment of customers has increased almost ninefold, compared to last year. The perpetrators rely on the IT education deficiencies and inexperience of the customers. As a result, there is also an exceptional increase in customer losses, which was around HUF 3 billion.)

  In 2022, a total of 1,874 suspicious transactions with a total value of HUF 31.7 billion will be screened in the monitoring filter system used to filter international payment orders.

  Of these, 170 transfers HUF 5 billion in total were confiscated due to suspicion of money laundering, and 1,704 transfers HUF 26.7 billion in total due to suspicion of fraud.

  Compared to 2020 and 2021, an increase can be observed in connection with bank card abuse, both in terms of the number of attempted abuses and the damage. In 2022, the value of successful bank card abuses exceeded HUF 1.9 billion (HUF 820 million in 2021), of which the value of successful transactions with cards issued by OTP amounted to HUF 1.7 billion (HUF 667 million in 2021).

  As a result of the preventive security measures taken by the bank, the value of fraudulent bank card transactions that failed in 2022 is HUF 4,993.4 million. (2021 HUF 5,440.2 million, 2020 HUF 2,159.2 million). Of this, the value of abuses prevented in the case of cards issued by OTP is HUF 4,784.1 million (2021: HUF 5.2 billion).

  Despite the negative tendencies, in the case of OTP the ratio of bank card misuse to turnover remained lower than the European average published by MasterCard (last year's figures: OTP Bank 0.0108%, European average 0.0421%).
- **Ethics issues:** 152 ethics reports, establishing ethics offense in 10 cases.

SUSTAINABILITY ACTIVITIES OF THE OTP GROUP IN 2022[5]

NON-FINANCIAL STATEMENT

The following parts of the document called OTP Bank Plc. non-financial statement up to and including subsection 6.2.

SUSTAINABILITY APPROACH

Connecting to the UN Sustainable Development Goals

The 17 Sustainable Development Goals (SDG) formulated by the UN set up a new, universal measure for development by 2030, taking a stand for the elimination of poverty, the fight against climate change and inequalities. The OTP Group is committed to facilitate the SDGs.

The Banking Group can, and wishes to, contribute to the following goals to the greatest extent: 4. Quality education, 7 Affordable and clean energy, 8 Decent work and economic growth, 9 Industry, Innovation and Infrastructure, 13 Climate action. The goals of the ESG strategy are also linked to these.

[5] **Symbols**
@ For more information see another page of the Business Report or the home page.
The symbols for, and the contents of, the indicators GRI 2-1, ST1, TCFD I, FN-CB-240a.4 etc. are to be found in the @GRI content index.
Data and information on specific subsidiary banks and/or countries are marked with the respective country codes: AL BG HU HR MO MD RO RS RU UA SI

GRI 3-3 The SDG goals and indicators are affected[6] by the OTP Group's activities as detailed below:

Stability ST4: 3-3 Impact: The members of OTP Group are key participants in several markets within the CEE region, and through their operations and results they have a significant impact on the respective countries' economies and financial systems, as well as on improving the standard of living.

Contribution: Stability is one of the most important values for the Banking Group, therefore it spares no effort to secure this. Its solid background is demonstrated, among others, by its traditionally high CET 1 and liquidity ratios, its prudent risk management and the low ratio of non-performing loans.

Tax payment GRI 207: 3-3, 207-1 Impact: Through tax payment, the Banking Group makes a meaningful contribution to the provision of community services and the management of social inequalities, thus ultimately to socio-economic stability.

Contribution: The OTP Group is a major taxpayer, committed to maximum compliance with the laws and regulations even when fulfilling its tax payment obligations.

Lending, investment ST1, ST5, ST6, ST10:3-3 Impact: Through responsible placement of funds the Banking Group enables purchases, consumption and the implementation of investments. Therefore, we have an impact not only on the customers but, indirectly, also on economic growth, people's living standards, and basic needs such as housing, and the utilisation of natural resources.

Contribution: The scoring system ensures prudent lending, a crucial requirement for the protection of deposit holders' funds and the prevention of excessive indebtedness. We are committed to promoting our customers' financial welfare and we offer them products that are aligned to their real needs and possibilities. Also very important for the Banking Group is to enable facilities with the involvement of public and international institutions, in many cases going beyond its market share. We contribute to environmentally sustainable economic transition by sustainability risk management and by offering green products.

Access to financial services ST9: 3-3 Impact: We make the use of our services subject to strict conditions – this is equally important for the Banking Group's stability and the interests of our customers. To ensure equal opportunities and promote the principles of social solidarity, however, it is also crucial that the bank's services be accessible, that disadvantaged people also have access to the basic functions required for managing their finances and to funds, as far as possible.

[6] The sub-goals and indicators are global or national, the contribution to achieving these goals is indirect at the company level. It is even more indirect in the case of financial institutions, which can contribute to achieving a number of goals by making the financial resources available.

Contribution: The Banking Group has an extensive network of branches and ATMs and is providing access for a steadily increasing clientele through digital services. We strive to provide equal opportunity in our services to persons living with disabilities. Our retail account packages with all basic functions are available without an account management fee. Our services are available for micro and small enterprises as well.

Development of financial literacy ST10, ST12: 3-3 Impact: Financial products and services may be highly complex – financial literacy is indispensable for one to understand such products and services, for making responsible and good financial decisions as well as for accomplishing one's objectives. Acquiring such knowledge is more difficult for members of vulnerable groups, although this is even more important for them in creating a stable financial background.

Contribution: We always aim to make sure that our communication is clear and straightforward. Training videos and calculators are provided for customers to help them better understand financial services and how they work; they also come in handy in managing their revenues and expenditures. The OK Educational and Innovation Centre and the OTP Fáy András Foundation provide free finance and economics courses in Hungary, Slovakia, Romania and Moldova, helping thousands of students and adults every year to expand their knowledge.

Employment GRI 401, 404, 405, ST3: 3-3 Impact: OTP Group is a major employer both in Hungary and across the region, directly as well as through its intermediary partners and supplier chain.

Contribution: The Banking Group is committed to responsible employment, equal opportunity, the opportunity for personal growth and work-life balance; it provides equitable income that is proportionate to performance and sufficient to finance a decent living standard. Compliance with the requirements laid down in the Code of Ethics is expected on the part of our business partners as well.

Environment ST5, ST6, ST7, ST8, GRI 305: 3-3 Impact: The capital projects and operations implemented with our financing and investments have a significant impact on the use of natural resources and may facilitate the success of efforts to mitigate, and adapt to climate change. The resource requirements of the Banking Group's operations also impact the environment.

Contribution: The OTP Group is committed to green financing, in which it wishes to take the lead. The Banking Group also plays a dominant role in the implementation of initiatives of state and international institutions. Our objective is to reduce the environmental impact of our operations.

Communities Impact: OTP Group is an organic part of society and local communities.

Contribution: In line with our values, we play an active role in the progress of local communities and in supporting disadvantaged persons. OTP Bank is one of the most generous charitable donors in Hungary.

Materiality analysis

GRI 3-1 Materiality analysis is a fundamental and guiding element of our activities promoting sustainable development and our sustainability reports. Materiality can be defined in a variety of ways.

Materiality analysis is based on the GRI Standards requirements and guidelines. Its basic principle is that material topics are the ones that represent the organisation's most significant impacts on the economy, the environment and people, including human rights, (impact materiality).

In the Dow Jones Sustainability World Index approach material are the sustainability factors that have, or may, in the future, have significant impacts on the company's value/value factors, competitive position, including long term shareholder value generation and business performance (financial materiality) [7].

The Union's Corporate Sustainability Reporting Directive (CSRD) will require reporting companies to observe the principle of "double materiality". Accordingly, each dimension (impact and financial) was applied in our analysis – prioritising the GRI requirements.

The potentially material impacts:

- the stakeholder survey,
- the other available stakeholder feedback (customer satisfaction survey, employee engagement survey)
- topics of the GRI Standards
- ESG ratings topics
- identified on the basis of the topics comprised in the UN PRB impact analysis tools

GRI 207-3 The **stakeholder survey** was conducted with the involvement of authorities and public bodies, professional associations and representatives of civil society organisations and scientific organisations with experience in various segments of sustainability, having a comprehensive overview, with adequate information on the activities of the OTP Group, sustainability experts, media representatives, the representative of OTP Bank's trade union and representatives of sales partners.

In-depth interviews were conducted with groups of stakeholders as well as individual stakeholders by an external professional consultant without the involvement of the Banking Group's representatives to

[7] Financial materiality is defined in various ways, which are essentially identical in terms of contents; the Dow Jones Sustainability World Index has been measuring large enterprises' ESG performance since 1999 and has been producing the most comprehensive Corporate Sustainability Assessment (CSA) year after year so far, which is why its definition is regarded as adequately authentic.

encourage the expression of honest opinions. The stakeholders identified sustainability topics considered as material in regard to the Banking Group.

According to the respondents, being a major market participant entails a great deal of responsibility, and they also expect OTP Bank to be an example and provide guidance in relation to sustainability.

Key sustainability topics identified during the stakeholder survey (in the order of importance):

- Green financing (and environmental impact/load)
- Ensuring the operability of the economy
- Digitalisation
- Development of financial literacy
- Gender equality
- Environmental protection in operation
- Environmental awareness raising
- Donations
- Compliance

Additional important topics:

- Consumer protection and product responsibility
- Disadvantaged persons' access to funds
- Protection of personal data
- Access to and application of financial services by persons with disabilities
- Sustainability aspects of procurements

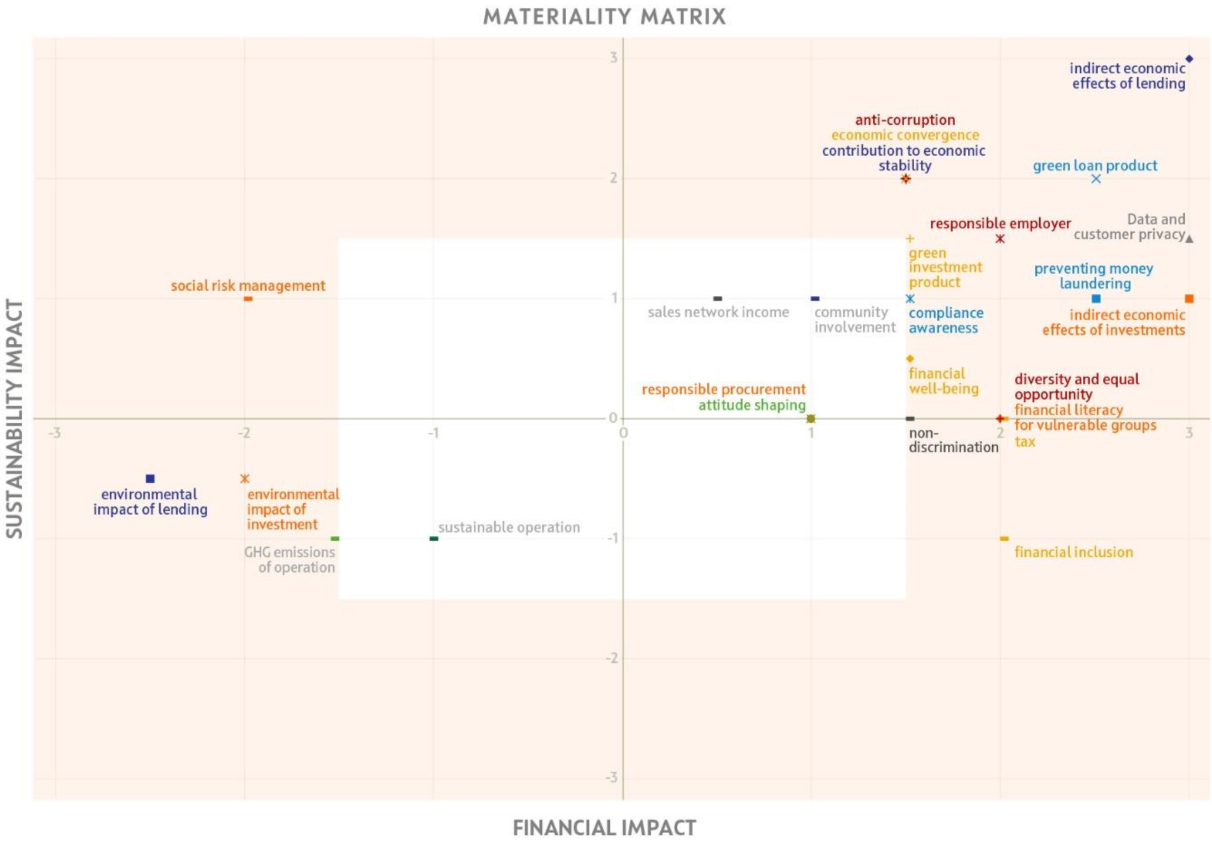
The stakeholders clearly found the environmental impacts of financing more important this time than in earlier surveys and in their earlier feedback.

The OTP Group's **list of impact areas** was put together on the basis of feedback from stakeholders and other sources and evaluated them in the first round on the basis of the impacts on sustainability: economy, environment and society. **Evaluation** was based on objective metrics (e.g. number of stakeholders, degree of involvement, financial indicators, ratios) by expert estimation, with the involvement of an external consultant and the Bank's ESG division. The positive or negative sign, as well as the degree (on a -3 – 3 scale of 7) of each impact was established.

The financial impacts on the Group of the impacts identified from the aspect of sustainability and the relevance of the GRI indicators affecting the various materiality areas were determined with the help of the ESG Subcommittee.

GRI 2-14 The result of the materiality analysis was approved by the ESG Committee.

GRI 3-2 **The OTP Group's material sustainability topics** are those appearing against orange background in the chart.



Material topics in the previous year's report of the OTP Group:

- Socio-economic compliance
- Anti-corruption
- Economic performance
- Preventing anti-competitive behaviour
- Marketing and labelling
- Protection of personal data
- Market presence
- Non-discrimination
- Public policyIndirect economic impacts
- Training and education
- Labour/management relations
- Occupational health and safety
- Security practices
- Product portfolio (sector-specific)
- Employment
- Local communities

Diversity and equal opportunity

BUSINESS MODEL

GRI 2-6 OTP Group's business model is focused on offering high-quality financial services to retail, private banking, micro and small business, medium and large corporate, as well as municipality clients through both the Group's branch network, the steadily developing digital and other remote service channels, as well as through agents and other contractual partners. At the end of 2022, OTP Group served around 15.7 million clients. The aim of the Group is to keep on developing its services in the era of continuous digital and technological advancement, in order for these services to be accessible to the widest possible scope of clients, in a simple, easy and safe manner. Beside digitalisation, the Group has been putting particular emphasis on sustainability, targeting the avoidance of negative impacts on our environment and society, and the harnessing of business opportunities at the same time. The Bank has been playing an active role in the development of households' financial literacy, cultural enrichment, conservation of environmental values and fostering equal opportunity.

Regarding geographical footprint, the Group is present in 11 countries in the Central and Eastern European region. The mother company of the Group, OTP Bank Plc. (referred to hereinafter as Bank) is the leading financial institution in Hungary. Apart from Hungary, the Bank owns foreign subsidiaries in altogether 10 countries in Central and Eastern Europe through capital investments, typically holding 100% or close to 100% share in those affiliates. Amongst foreign operations, OTP also holds market leading position in Montenegro, whereas in Bulgaria, Serbia and (on a pro-forma basis) Slovenia the Bank is the second largest player based on total assets. Our Moldavian bank holds the No. 3 position, while our Croatian operation is the 4th largest on the local banking market.

The Bank and its foreign subsidiary banks provide comprehensive banking and other financial services to both retail and corporate customers: the Group's activities include deposit collection from customers and raising money from the money and capital markets; on the asset side, OTP Bank offers mortgage loans, consumer credits, working capital and investment loans to companies, as well as loans to municipalities. Depending on the balance sheet structure of the given entity, Group members invest their liquidity reserves in money and capital market instruments, or resort to intragroup funding. Moreover, Group members provide a wide range of state-of-the-art services, including wealth management, investment services, payment services, treasury and other services. However, there are differences amongst Group member banks with respect to their business focus, the range of offered products and services and the distribution channels, too. As for the business mix, while in most countries of the Group the weight of retail, as well as corporate and leasing volumes shows a relatively balanced picture, the share of corporate and leasing exposures is close to 90% within the total stock of loans, whereas in Russia the weight of consumer loans exceeds 90%. In both countries, mortgage loans represent a negligible portion in the loan book.

ESG STRATEGIC DIRECTIONS

In the long run the OTP Group is a champion of green and just transition in the Central and Eastern European Region, wishing to be a responsible partner of every single stakeholder, with a commitment to manage the environmental and social impacts of its business operation. We integrate social and environmental risks, and economic considerations, in our business decisions, operation and business development.

Vision

Responsible financial decisions and socially and environmentally adequate, ethical financial solutions are available for all economic participants and citizens in all of the countries covered by the OTP Group's operations.

Mission

For us, sustainability means taking responsibility for our economic, social and environmental impacts. We firmly believe that by our leading role in the Central and Eastern European Region, with our pioneering developments, conscious and ethical business operation and exemplary partnerships we create value and contribute to a sustainable future.

ESG strategy

ST6, 305: 3-3, TCFD II.a,b, IV.c The Management Committee adopted the OTP Group's ESG Strategy by a unanimous decision in 2021.

The strategy rests on the following three pillars: responsible service provider, responsible employer and responsible social actor. Along with business opportunities, the strategy includes the management of the relevant risks, as well as social and corporate governance goals. The time horizon of the strategy covers the period until 2025: by that time, our objective is to implement the comprehensive ESG integration at Group level.

Strategic goals	Long-term KPIs for the OTP Group	End-2022 profit/loss
Responsible service provider • green products and solutions facilitating the green transition of the economy • products and investment services to facilitate investments into the sustainable economy • active ESG risk management	Green loans of a total of HUF 1,500 by 2025	The goal set for 2022 – a portfolio of HUF 230 billion – was accomplished
Responsible employer • active ESG management practices in corporate governance • strengthening employee well-being and development, diversity and employee engagement	Steady increase in the level of employee engagement, to reach a global 75 percentile at a group level (in 2022: 78%)	The level of employee engagement was 70% at a group level
Responsible social actor • strongly reducing emissions from our own operation • significant contribution to social objectives and SDGs through responsible products and services and through donations	Net carbon neutrality by end-2022 (goal met), total carbon neutrality by 2030 for OTP Bank	The goal was accomplished[8]
	OTP Bank will become a member of the S&P Dow Jones Sustainability Index by 2025	The Bank's profit increased by 8 percent year-on-year in 2022.

The subsidiary banks worked out their respective ESG strategies in 2022, setting out their own objectives – aligned with those of the parent bank. The strategies cover segments such as risk management, the

[8] the 2022 emission levels have been pre-determined, so there are residual emissions (see @CO_2 emission)

development of green products, the organisational frameworks, social matters and reducing their operations' environmental impacts. They identified KPIs with which to measure the success of implementation. They review their plans once a year in the context of their ESG reports, of which they also keep OTP Bank's BoD informed. As a consequence of the war between Russia and Ukraine these two subsidiaries and OTP Bank Moldova have not prepared their strategies so far.

UN PRB

It was in late 2021 that OTP Bank signed the United Nations Principles for Responsible Banking (UN PRB), a single framework for a sustainable banking industry. The Principles provide a framework to ensure that banks' strategies and practices conform to the future vision outlined in the UN's sustainable development goals and the Paris Agreement. The Group's Serbian and Romanian subsidiaries plan to sign in 2023.

OTP Bank fulfils its PRB reporting obligation for the first time in this report, in the Reporting and Self-Assessment Template.

GRI 2-6 Summary ESG data of the OTP Group (2022)

	OTP Bank	OTP Group
@Percentage of women on the Supervisory Board	17%	24%
@Percentage of women on the Board of Directors	9%	20%[1]
@Percentage of women in top management	0%	23%[2]
@Amount donated	HUF 2.5 billion	HUF 4.0 billion
Number of customers – total	4.6 million[3]	15.7 million
Number of retail customers	4.2 million[3]	14.8 million
Number of corporate customers	0.4 million[3]	0.9 million
@Young customers[5]	18%	11%
@Micro and small enterprise assets	HUF 570 billion[3,4]	HUF 874 billion
@Medium and large corporation assets	HUF 2.772 billion[3,4]	HUF 7.820 billion
@Percentage of accessible branches and customer offices	99%	78%
@Customer satisfaction (TRI*M)[6]	66 points	varies by country
@Number of participants in the financial education trainings of OK Educational Centres	29,307	35,237
@Number of employees (active, as at 31.12)	10,516	38,775
@Percentage of women	69%	64%
@Female-to-male earnings ratio (in the same job category)	98.57%	90.47%
@Turnover	12.2%	26.9%
Turnover (excluding agents employed)	12.2%	20.4%
@Average training hours	80	35
@Employee satisfaction/engagement	76%	70%
@Energy consumption (GJ)	268,934	1,091,006
@Energy consumption per employee (GJ)	26.17	29.22
@CO_2 emission (Scope 1+2, tCO_{2e}) – market-based	7,675	73,701
@CO2 emission (Scope 1+2, tCO2e) – offset	675	66,701
@CO_2 emission per employee (tCO_{2e}) – market-based	0.75	1.97
@CO_2 emission per sales revenue (tCO2e/million HUF)	0.014	0.044
@Total paper consumption (tonnes)	1,053	3,554

[1] Consolidated data for the Boards of Directors of the parent bank and subsidiary banks.
[2] Consolidated data for the parent bank and subsidiary banks.
[3] OTP Core
[4] Consolidated by country.
[5] As a percentage of retail customers.
[6] On a scale of -66 to 134 points, national data.

1. ESG GOVERNANCE, RESPONSIBILITIES

GRI 2-9, 2-12, 2-13, TCFD I.a,bThe ESG Committee is a standing committee set up by the Bank's BoD, whose chair is appointed by the Chairman and CEO from the members of the BoD and whose members include OTP Bank's the Deputy CEOs and elected directors. The Committee's tasks are to

- identify ESG business opportunities and risks within the Bank and the Banking Group;
- formulate the strategy, plans and policies related to ESG;
- take responsibility for setting and evaluating ESG and performance targets and
- support the Bank's governing bodies in the performance of ESG-related tasks.

The Committee is collectively responsible for the implementation of the Bank's ESG transformation. The ESG Committee cooperates with individual domains of the Bank in the process of ESG business transformation and in the management of ESG risks, and aspires to enforce ESG criteria in product development, pricing and planning, as well as in the corporate governance activity.

The Board of Directors is provided with a comprehensive report on the implementation and furtherance of OTP Bank's ESG strategy.

GRI 2-13, 2-17 The ESG Committee established the ESG Operational Subcommittee, which meets regularly for its professional and operational support and as a pre-decision making forum. The head of the Subcommittee – who is also the leader of the ESG business transformation – is the director of the Green Program Directorate.

GRI 2-19 Compliance-conscious operation and CSR each makes up at an at least 5 percent share of the targets set out for each of OTP Bank's Chairman & CEO, Deputy CEOs and executive directors. These two elements comprise the satisfaction of sustainability criteria as well. Sustainability targets are also among the performance-based incentives of the managing directors of all foreign subsidiary banks.

A number of standing committees are directly involved in the management of the Group's environmental, social and economic impacts. They are discussed in the @Responsible Corporate Governance Report.

GRI 2-12, 2-16 The Board of Directors and the Supervisory Board are kept informed by regular (annual, semi-annual) reports from the various committees and divisions. The members of the managing bodies can access the documents of all of the committees and boards, and can ask any division of the bank for information through the Management Information Portal.

No critical stakeholder remarks were made in 2022; nonetheless, the governing bodies are provided with information on feedback from stakeholders, including employees, customers and shareholders:

- Reports are prepared for the Supervisory Board on the process and results of the OTP Group level engagement survey.
- The Compliance Directorate prepares quarterly reports to the Board of Directors, in accordance with the MNB Recommendation on Internal Lines of Defence.
- Semi-annual reports are prepared for the BoD and the SB on customer complaints and the lessons drawn from their management as well as the MNB's consumer protection audit. They were also informed about customer complaints received by the foreign subsidiaries.

GRI 2-9 OTP Bank's Supervisory Board, Board of Directors and standing committees had a total of 129 members on 31 December 2022. Some of them are members of more than one bodies. 27 of the members are independent[9] and 10 of them are women. There are a total of three employee delegates in the Supervisory Board and the Ethics Committee. The Supervisory Board, the Board of Directors, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Management Committee are also described separately; information on their members, their other important positions and engagements is to be found in their respective CVs. Other committees, with the exception of the Risk Assumption and Risk Management Committee, are – by virtue of their tasks – made up nearly exclusively of OTP Bank managers; their members do not have any other external important positions or engagements. The primary criterion in the selection of the committees' members is professional expertise.

[9] According to the @definition of independence they do not, at the same time, fulfil any managerial position at OTP Bank.

For information on OTP Bank's organisational structure and governance levels see its @ organisational chart.

GRI 2-13, 3-3, TCFD I.b The governance and regulation of individual sustainability and ESG domains are implemented as follows:

ESG / sustainability domain	Responsibility, manager	Policy	References
Compliance: - responsible corporate governance, - non-discrimination,	In terms of compliance, governance and organisational responsibility lies with the Board of Directors and the Supervisory Board. Compliance officer, consumer protection officer: Executive Director heading the Compliance Directorate	@ Compliance Policy: - approved by: Board of Directors - declares the requirement to observe the law, the directives and guidelines of national and international supervisory authorities and the internal regulations; its Annexes:	@ reporting, monitoring, measures @ risk assessment
- consumer protection		- @ Consumer Protection Compliance Programme	
- anti-corruption (ABC),		- @ Anti-Corruption Policy	
- international sanctions requirements,		- @ Sanctions Policy - @ Financing services related to the defence sector	
- processing and protection of personal data,	Manager responsible for the Bank's data processing and the protection of customers' personal data: Deputy CEO of the Digital Division and the data protection officer (reporting directly to the top management of the controller or the processor, not accepting instructions from anyone regarding the discharge of their duties)	- GRI 418: 3-3 @ Data Protection Policy	@ data protection training @ fraud
- business ethics, conflict of interest (including the whistleblowing system)	Ethics Committee: guidance, second-tier decision-making regarding reports of ethical offences	GRI 2-23 @ Code of Ethics - approved by: Board of Directors	@ reporting ethical offences, training
- regular statutory reporting to supervisory and other government bodies	Heads of division and managers of regional profit centres		
Security: - overall security,	Responsibility for security rests with the Board of Directors and the Supervisory Board. Manager responsible for compliance with IT security and bank security requirements: Managing Director of the IT and Bank Security Directorate	Security policy: - approved by: Board of Directors - sets forth the principles and main guidelines concerning security at the Bank, - declares the Bank's commitment to maintaining and preserving security at all times.	@ reporting, risk assessment @ training @ fraud
- cybersecurity		Group Information Security Policy: - approved by: CEO - it declares the directions of development and relevant requirements Group Cyber Defence Strategy	
- protection from money laundering and terrorist financing	Anti-Money Laundering Committee: decisions on sustaining or creating high-risk business relationships within its competence	@ Anti-money laundering	

ESG / sustainability domain	Responsibility, manager	Policy	References
Risk Management: - all risk types	Audit Committee and Risk Exposure and Risk Management Committee: they monitor the risk management activity. Risk Committees (Credit and Limit Committee, Work-out Committee, Group Operational Risk Management Committee): ultimate decision-making competence on the cornerstones of risk management methodologies. Officer in charge of risk management: Deputy CEO responsible for the Credit Approval and Risk Management Division	Risk Assumption Strategy: - approved by: Board of Directors - defines the risk management framework and the principles and guidelines for risk assumption.	@ rules, functions @ exclusions @ lending policy, responsible lending @ operational risk assessment @ debtor protection
Green finance:	Green Programme Directorate: Supporting all members of OTP Group in taking maximum advantage of the opportunities in green financing.	@ESG strategy	
Product development, sales:	Product Development, Sales and Pricing Committee: adopts decisions applicable to OTP Bank and the Hungarian group members on the development, introduction, discontinuation, pricing and terms of new schemes and product variants, and on sales and incentives. Approves plans for image campaigns and for advertising specific banking schemes. International Product Development, Sales and Pricing Committee: approves the annual action plans of foreign subsidiaries.	@ Compliance Policy: - approved by: Board of Directors - declares that, in designing its products and services, the Bank pays special attention to the enforcement of consumer protection principles, and to reducing the information asymmetry between customers and the bank. The @Consumer Protection Compliance Programme constitutes an annex to the policy Accessibility strategy: - the goal is to ensure equal opportunity in service.	@ objective, clear information @ responsible selling @ responsible products @ accessibility
Human resource management: - HR overall, - diversity and equal opportunity, - occupational health and safety	Manager responsible for human resource management: Executive Director heading the Human and Organisation Development Directorate Manager responsible for health and safety: Managing Director of the Property Investments and Supply Chain Directorate	HR strategy: - approved by: Management Committee - determines the medium-term areas of focus for human resource management. @Diversity Policy: commitment to diversity among the members of management bodies and management. @Strategy to create Gender Equality Health and Safety Regulation: - approved by: Chief Executive Officer - uniform and comprehensive preventative health and safety strategy to implement safe working conditions that do not constitute a health risk.	@ turnover @ training @ income @ freedom of association @organisational diversity @ reporting, risk assessment, training, accidents
Procurement/purchasing - expectation of ethical conduct, - sustainability, environmental criteria	The procurement activity is performed by the requesting organisation.	Procurement policy: - approved by: CEO - regulates the procurement process, spheres of responsibility, procurement principles; stipulates that the procurements of members of the Banking Group are supervised and coordinated by OTP Bank.	@ rules @ materials used

ESG / sustainability domain	Responsibility, manager	Policy	References
Environmental protection: - environmental protection in operations, - environmental awareness in procurement	The Chairman & CEO is responsible for the Bank's environmental protection activities. Manager responsible for supervising environmental protection activities: Managing Director of the Property Investments and Supply Chain Directorate	Environmental Code: - approved by: CEO - ensures legal compliance and facilitates the consideration of environmental criteria and their integration into the Bank's business operations in order to minimise the environmental impacts of operating and maintaining the Bank's organisation; it sets out the guidelines on environmentally aware procurement.	@ reporting, training @ CO2 Emission

2. ENVIRONMENTAL AND SOCIAL IMPLICATIONS OF FINANCIAL SERVICES

GRI 3-3, 203-2

Impacts[10]: *Social impacts and indirect economic impacts of lending, Indirect economic impacts of investments:* By way of responsible placement of customers' funds enabling consumption and investment projects through lending and investment. Impact on the population's living standards, contribution to the achievement of housing objectives, to the development of businesses and the economy as a whole and, indirectly, facilitating job creation. The impacts might even be negative as the case may be, through excessive indebtedness and/or consumption.

Financing of high social risk sectors: The risk of negative social impacts is potentially higher in the case of these funded activities, which however, can be mitigated by prudent lending.

The environmental impacts and GHG emission, Investments' environmental impacts and GHG emission: Both lending and investment involve the use of environmental resources and the emission of greenhouse gases. Their extent largely depends on the attributes of, and the efforts made towards mitigation by, the organisation or individual performing the activity.

Green loan products, Green investment products: Such products provide funding for activities having positive environmental impacts, facilitating their growth/expansion. The positive impact can occur if activities generating actual environmental benefits are financed.

Objectives: Making funds accessible for businesses and residents of the region
Prudent service provision and lending
Supporting the long-term sustainable progress of society and the economy
Regional leader in green transition
Helping access to basic needs
Avoiding, alleviating potentially negative impacts

Acts: Active lending in the region
Strict, conservative risk management by integrating ESG risks
Ethical and fair product design
Debtor protection programmes
Active role in national and international programmes
Products for vulnerable social groups (among others, the youth and pensioners)
Serving the financial needs of micro, small and medium-sized businesses at a high standard of quality
Supporting the transition to green economy and a low-carbon economy

Stakeholder involvement/compliance: reviewing customer feedback/exploring their needs, cooperation with international institutions in relation to product facilities, compliance with regulations, Disclosure of ESG strategic objective

For further information visit our @website.

[10] With a focus on material topics.

2.1. Sustainable finance framework

It was in 2022 that the OTP Group adopted its group-wide Sustainable Financial Framework, in line with its broader corporate responsibility strategy – covering the social element of sustainability –- after the adoption of the parent company's green lending framework (2022) and OTP Jelzálogbank's green mortgage bond framework (2021). OTP Bank was the first company in Hungary to issue green bonds in 2022.

GRI 201-2 The purpose of the creation of the @framework – on which an external expert issued its opinion[11] – was to enable the Banking Group to issue financial instruments to finance and refinance projects facilitating the transition to a low-carbon and climate change resilient economy and/or have positive social impacts and alleviate social problems. The OTP Group is committed to encouraging sustainable business operations in the industries and regions in which it is present. By issuing sustainable financial instruments the Banking Group ensures increased transparency regarding supported projects and assets generating environmental and social benefits, potentially facilitating additional investments into environmentally and socially sustainable assets which contribute to the achievement of the targets set out in the SDGs enshrined in the Paris Agreement as well as those established by the UN.

The Bank and any of its subsidiaries may issue green and social financial instruments, including bonds and medium term units under the framework (sustainable financial instruments). The framework was worked out on the basis of the ICMA[12] Green Bond Principles, 2021; the ICMA Social Bond Principles, 2021, the LMA[13] Green Loan Principles, 2021 and the LMA Social Loan Principles, 2021.

Sustainable financial instruments cannot be used for financing loans relating to fossil power generation, nuclear power generation, arms and defence, mining, gambling or tobacco.

Eligible green categories[14]:

- green buildings,
- renewable energy,
- clean transportation.

Eligible social categories:

- job creation, programmes aimed at preventing and/or alleviating unemployment resulting from social and economic crises, including cases taking place through potential impacts of the financing and microfinancing of SMEs.

OTP Group reports to investors within one year of the date of the transaction relating to the sustainable financial instrument and thereafter once a year until the complete allocation of the revenues. No such allocation and impact assessment report has so far been prepared for 2022.

In the summer of 2022 OTP Bank was the first bank in Hungary and one of the first ones in the Central and Eastern European region to issue **green bonds** in a total amount of EUR 400 million (HUF 155.8 billion), for a 5.5 percentage return. The Bank uses the funds so raised for financing part of the green loans in its books. The green loans were issued in Hungary and the Balkan countries in which we have subsidiaries, renewable energy, sustainable real estate and mobility (primarily electro-mobility) projects (see subsection @2.2). The use of the funds is strictly regulated under the Sustainable Financing Framework; for instance, real estate projects have to meet energy efficiency requirements, while renewable energy projects must not exceed the applicable whole life cycle CO_2-emission limits.

OTP Jelzálogbank releases the key financial and environmental impact data relating to the green mortgage bond it issued in 2021 (allocation report) once a year on its @website. The first such report was prepared in 2022. The mortgage bonds – of a total of HUF 95 billion – enable the saving of 45 GWh (163 thousand GJ) energy and the avoidance of the emission of 10 thousand tonnes of carbon dioxide per year.

[11] SPO: Second Party Opinion
[12] International Capital Market Association
[13] Loan Market Association
[14] The precise criteria are specified in the framework.

2.2. Green products

GRI 201-2, ST6: 3-3, TCFD II.a,b, IV.a,c ***One of the most important goals of OTP Bank's ESG strategy is for the OTP Group to be a regional leader in the funding of just and gradual transition to a low carbon economy and in building a sustainable future by offering a balanced financing products and services. In 2022 the Group considerably expanded its green loan portfolio.***

The subsidiary banks have set their goals regarding the sizes of their green loan portfolios – as part of their respective ESG strategies – which were approved by OTP Bank's ESG Committee in 2022.

OTP Bank was the first financial institution in Hungary to prepare its green lending framework to regulate the Bank's green lending activities. Its aim is to identify projects enhancing positive environmental impacts and reducing negative ones as well as helping businesses and societies adapt to the impacts of climate change. The framework introduced a number of categories making it possible to identify the green lending activities pursued by OTP Bank. The criteria are based on the EU Taxonomy Regulation and the Taxonomy of the Climate Bond Initiative, therefore they are more complex than the guidelines of the @Sustainable FinanceiFramework. The Green Lending Framework – supported by an external expert opinion as well – was approved by the Mational Bank of Hungary (MNB) on 16 March 2022 and is available on the Bank's @website. For the green loans the Bank will also lay down transaction-specific environmental/social/governance requirements and criteria to be met during the entire term of the each contract, in order to encourage the highest possible level of sustainability of the transactions concerned.

The OTP Group met its target: by end-2022 the amount of its green loan portfolio reached HUF 266 billion. Our goal is to continue to increase the portfolio towards the 2025 target laid down in the ESG strategy, and to extend the green lending framework to the whole of the Group in 2023.

Disclosure according to the Taxonomy Regulation

The mandatory disclosures of the OTP Group and the banks operating in EU Member States under Regulation (EU) 2020/852 (Taxonomy Regulation) are listed in the following table.

Simplified disclosure is on a consolidated basis, for the Group as a whole, and the carrying values of the exposures are as of the reference date of 31 December 2022.

Disclosure as per the delegated regulation relating to Article 8 of the Taxonomy Regulation		
OTP Group consolidated		
Article 10(3)(a),	*The proportion in their total assets of exposures to Taxonomy-eligible economic activities **	10.79%
Article 10(2)(a),	*The proportion in their total assets of exposures to Taxonomy non-eligible economic activities **	22.74%
Article 10(2)(b)	*Proportion in their total asset of derivative transactions **	1.11%
Article 10(2)(c),	*Proportion in their total asset of exposures to undertakings that are not obliged to publish non-financial information pursuant **	41.22%
Article 10(2)	*Proportion in their total asset of on demand inter-bank loans **	5.90%
Article 10(2)	*Proportion in their total asset of the trading portfolio*	0.31%
Article 10(2)(b)	*Proportion of exposures to central governments, central banks and supranational issuers*	24.00%
Article 10(3)(a),	DSK Bank: *The proportion in their total assets of exposures to Taxonomy-eligible economic activities **	16.30%
Article 10(3)(a),	OTP Bank Croatia: *The proportion in their total assets of exposures to Taxonomy-eligible economic activities **	2.54%
Article 10(3)(a),	SKB Bank: *The proportion in their total assets of exposures to Taxonomy-eligible economic activities **	11.13%
Article 10(3)(a),	OTP Bank Romania: *The proportion in their total assets of exposures to Taxonomy-eligible economic activities **	31.98%

Disclosure as per the delegated regulation relating to Article 8 of the Taxonomy Regulation	
Article 10(3)(d),	*Annex XI, quality information*
	Contextual information in support of the quantitative indicators including the scope of assets and activities covered by the KPIs, information on data sources and limitation: Exposures to eligible economic activities include retail exposures contained in the banking book (limited to loans covered by residential real estates or home renovation loans and to motor vehicle financing), in observance of the restrictions specified by the applicable statutory regulations. The following categories of residential real estates were taken into account: Modernisation of existing buildings (7.2)[15] Commissioning, maintenance, repair and modernisation of energy efficiency equipment (7.3)[15] Commissioning, maintenance and repair of charging stations for electric vehicles inside buildings (and in parking places belonging to buildings (7.4) [15] Commissioning, maintenance and repair of instruments and equipment for measuring, regulating and controlling the energy efficiency of buildings (7.5) [15] Commissioning, maintenance and repair of renewable energy technologies (7.6) [15] Purchase and ownership of buildings (7.7) [15] In the retail motor vehicle financing segment only motor vehicle loans provided from the first day of the application of the disclosure requirements, for the sub-categories specified in the technical filtering criterion. In relation to exposures to non-financial undertakings the disclosures referred to in Article 8 (4) of the Taxonomy Regulation must be based on actual information received from the companies concerned; if however, no such data are available, the financial undertaking may take the option under which it estimates the ratio of the eligible economic activities as part of their voluntary financial statements. In the segment of non-financial undertakings the exposures to eligible activities were examined on the basis of the applicable NACE codes. Listed companies with more than 500 employees were considered as coming under the scope of the NFRD. * Without the exposures to be eliminated from the KPI nominators according to the Regulation.
	Explanations of the nature and objectives of Taxonomy-aligned economic activities and the evolution of the Taxonomy-aligned economic activities over time, starting from the second year of implementation, distinguishing between business-related and methodological and data-related elements; This time we focused on Taxonomy-eligible activities. Our goals relating to green financing and the activities we have implemented are discussed in the textual descriptions outside the table.
	Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business strategy, product design processes and engagement with clients and counterparties Our goals relating to green financing and the activities we have implemented are discussed in the textual descriptions outside the table.
	For credit institutions that are not required to disclose quantitative information for trading exposures, qualitative information on the alignment of trading portfolios with Regulation (EU) 2020/852, including overall composition, trends observed, objectives and policy; This time we focused on Taxonomy-eligible activities.
	Additional or complementary information in support of the financial undertaking's strategies and the weight of the financing of Taxonomy-aligned economic activities in their overall activity. This time we focused on Taxonomy-eligible activities. Our goals relating to green financing and the activities we have implemented are discussed in the textual descriptions outside the table.

Indicators identified by OTP Bank as part of voluntary reporting

We have reviewed the Banking Group's corporate portfolio from the aspect of the Taxonomy Regulation's climate change mitigation and climate change adaptation goals on the basis of the NACE codes that can be particularly assigned to the activities specified in the delegated acts[16]

The OTP Group's corporate lending activity in relation to Taxonomy-eligible activities is linked to environmentally sustainable economic activities in the EU Member States in the following ways and to the following extents.[17]

The proportion in the total assets of the Taxonomy-eligible corporate portfolio, coming under the scope of the NFRD: 0.39%.

The proportion in the total assets of the Taxonomy-eligible corporate portfolio of the Core and subsidiary banks operating in the territory of the European Union is 8.73%.

The proportion in the total corporate portfolio of the Core and subsidiary banks operating in the territory of the European Union, of the Taxonomy-eligible corporate portfolio of the Core and subsidiary banks operating in the territory of the European Union is 44.10%.

[15] Pursuant to the EU Taxonomy Regulation
[16] According to the delegated act on environmental goals published in the EU Official Journal on 9 December 2021.
[17] The exposures under review are limited to the following: OTP Nyrt, DSK Banka EAD, OTP Bank Romania S.A, OTP banka Hrvatska d.d, SKB banka d.d.

Green lending activity strengthened during 2022 in both the retail and the corporate segments.

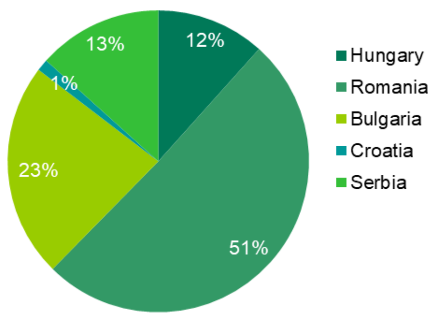
OTP Bank clarified in 2022 the requirements and conditions pertaining to the various green products and created an internal green loan registry system which enables more accurate identification and statistics. Green products are planned to be developed in several business divisions in 2023. Quantitative green portfolio KPIs will be prescribed for the group as a whole in 2023.

Corporate lending

OTP Bank's 2022 Corporate Lending Policy added the financing of **green energy generation** to the preferred category. The list of the projects financed by the Group, planning to generate at least part of their income from selling electricity on the free market, increased. The renewable energy sector accounted for some 30 percent of new project financing transactions.

Contracts for as many as four new renewable energy transactions were concluded in 2022 in the project financing division – at a group level – in a total amount of HUF 55.0 billion, of which OTP Bank's share amounted to HUF 34.8 billion. The projects utilise wind and solar energy and biomass. The placements took place in Hungary, Bulgaria, Croatia and Serbia. The projects concerned have a total combined renewable energy capacity of 248 MW. The total capacity of the renewable energy projects in the portfolio was 1,183 MW at end-2022. About 50% and 25% of the projects were solar and wind farms, respectively, the remaining projects financed by the Banking Group were utilising biomass or hydraulic energy. The projects concerned are financed for the most part by the OTP Group – only a handful of them are funded with the involvement of third parties.

Capacity of renewable energy sources (MW)
Project financing portfolio
31 December 2022



The Bank paid particular attention to dealing with the **real estate sector** in 2022. In office development financing most transactions do have green certification, which the Bank takes into account as a positive factor in credit scoring.

The Group's corporate green loan portfolio amounted to HUF 160 billion at the end of 2022.

A significant part of the green loan segment of corporate lending is made up of corporate green bonds in Hungary. Moreover, Merkantil Bank's portfolio comprises a significant proportion of green loans in the leasing product called new electric vehicles. OTP Bank aims to create programmes for energy rationalisation in every segment.

In the category of investments generating environmental benefits, energy efficiency improving and energy cost cutting projects, that could be implemented with short payback periods in the market and economic environment of 2022, were most in demand last year. In Hungary, energy efficiency and renewable energy projects were provided with particularly high rates of support through the state-subsidised Széchenyi Investment Loan MAX scheme. The product became available at OTP Bank from August and part of them, meeting its requirements, were also accounted for in the MNB's Green Preferential Capital Requirement Programme.

OTP Bank also launched a green financing pilot project in connection with the green loan purposes with the aim of gathering experience concerning the practical application of the green lending guidelines. About half of the transactions implemented in the pilot related to energy generation and energy efficiency, about a third of them to real estate development and some to the procurement of equipment for irrigation development, forestation and precision cropping.

The OTP Group provides its customers with funding in the context of the European Union's New Common Agricultural Policy as well, where environmental and climate protection efforts must be taken in consideration on a mandatory basis. Loans provided in connection with the Rural Development Programme also promote environmental purposes, for instance by supporting precision farming projects required for the digital transition of the economy, the development of the agricultural water management sector or the transition to organic farming. Through its Green Corridor service OTP Bank offers pre-financing and co-financing, facilitating the utilisation of support under the Rural Development Programme through a simplified lending process. We give a bank guarantee for drawing down the subsidy advance, pre-finance the remaining amount of the subsidy, and extend an investment loan to cover any gaps in own funds; the loan is offered against a low own funds requirement and attractive collateral terms. A total of 16 new contracts were concluded under the Green Corridor service in a total amount of HUF 4.25 billion in 2022. In connection with the Rural Development Programme the Bank provided financing for a total of 42 transactions in an amount of HUF 23.2 billion. The transactions relating to the Rural Development Programme cannot be separated within the portfolios of the subsidiary banks. (These loans are not included in the green loan portfolio because they are not provided exclusively for environmental purposes.)

The subsidiary banks' typical green loan products are described below:

BG More than 150 loans provided specifically for renewable energy utilisation and energy efficiency improvement are comprised in the Bulgarian subsidiary's portfolio. About 80 new transactions were concluded in 2022 for solar panel farm construction – of a total capacity of about 200 MW.

The Regional Urban Development Fund manages European Union funds within the Regional Development and Growing Regions Operational Programmes. The subsidiary provides financing through the Fund for improving the energy efficiency of public buildings (e.g. community centres, stadiums, swimming pools, historic buildings) and for purchasing transportation vehicles in the larger cities of Bulgaria and in Northern Bulgaria. The Fund is obliged to report on the expected annual greenhouse gas emission savings.

HR The Croatian subsidiary bank provides loans for condominiums' energy efficiency improvements. Even the Environmental Ministry provides subsidies for about 10 percent of the loans.

RS The Serbian subsidiary bank's green loan portfolio is focused on the electrification of the railway network. Loans are also provided for real estate energy efficiency projects and renewable energy projects. The Bank signed a loan agreement with the EBRD (European Reconstruction and Development Bank) in 2022; the credit facility stipulated in the agreement can be used for the financing of green loans in line with the EBRD's green financing principles. Moreover, the Bank is actively seeking for possibilities for involving funds of IFIs (International Financing Institutions) in green lending.

SI SKB Bank provided funds for electro-mobility and solar panel development in 2022.

RO OTP Bank Romania participated in financing the GreenWEEE electronic waste recycling plant project. Moreover, its portfolio comprises the financing of green certified office. After its 2021 campaign the Romanian leasing firm launched yet another Green Leasing campaign to promote the procurement of electric and hybrid cars.

MD After the successful closure of the earlier EU4Business programme the Moldavian subsidiary launched new cooperation in the context of the SME Competitiveness Programme in the Eastern Partnership (EaP SMEC). The financing facility promoting micro, small and medium-sized enterprises' long term projects is aimed at enabling the development of productive processes and equipment and at least 70 percent of the loans is used for green technologies.

Retail loans

The year-end green loan portfolio amounted to HUF 106 billion.[18]

The **Green Home Programme** (GHP) launched in late 2021 was highly popular therefore the National Bank of Hungary (MNB) increased the original HUF 200 billion limit by another HUF 100 billion, tightening at the same time the energy efficiency criteria. OTP Bank concluded contracts for a total of HUF 175.4 billion during the entire programme, securing a 60 percent market share.

The programme enabled customers to apply for a preferential (max. 2.5%) fixed-rate loan for the purchase or construction of newly built residential property with an energy efficiency rating of at least BB and a primary

[18] This amount comprises only the Hungarian portfolio already accounted for towards the MNB in the latter's Green Preferential Capital Requirement Programme in the case of which the disbursed amount is slightly higher, and it does not include the mortgage loan portfolio dedicated to energy efficient real estates financing not included in the Green Home Programme.

energy consumption threshold of 90 kWh/m^2 (after the limit increase: 80 kWh/m^2) per year. The MNB provided refinancing at a 0 percent interest rate for credit institutions participating in the programme.

The foreign subsidiaries worked on the preparation of retail green lending in 2022.

BG DSK Bank introduced a preferential mortgage loan product – charging no approval fee – in late 2022 for residential real estates of energy efficiency category BB or better.

RO It has been since December 2022 that the Romanian subsidiary bank has been collecting energy efficiency data in connection with new housing loans to enable identification of the proportion of green loans.

HR The Croatian subsidiary bank is financing energy efficient purchases (of electric, hybrid and plug-in hybrid vehicles) together with the Environmental and Energy Efficiency Fund.

Other green services

So-called MFB Points have been present in Hungary since 2017 in OTP Bank branches, intermediating the Hungarian Development Bank's (MFB) products funded by the European Union and MFB itself. We operated a total of 167 MFB Points in 2022 (in 47 percent of our branches). Schemes designed for the retail and corporate clientele were also available at MFB Points.

The loans available to individuals, condominiums and housing associations are intended specifically for environmental protection purposes: we offered the EU-refinanced interest-free loans until the end of 2022 for energy efficiency and renewable energy consumption projects under the Széchenyi 2020 programme. The number of newly concluded contracts decreased significantly in 2022, to 195 and a total amount of HUF 647 million. Between 2017 and 2022 we intermediated loans under this scheme at a total value of HUF 42.6 billion.

BG DSK Bank joined Mastercard's Wild Life Impact programme in 2021 – the DSK Mastercard Wildlife Impact deposit card was brought out in 2022. The joint initiative is aimed at protecting endangered animal species from extinction. Upon the issuance of every new card the Bank and Mastercard contributes one dollar to the costs of protecting and restoring natural habitats. For awareness raising the card's expiry date is the same as the date by which the endangered species featured on the card is expected to go extinct. The use of recycled and recyclable material for the manufacture of the card results in a 63 percent reduction in emissions in comparison with conventional bank cards. The bank supported the issuance of the card with an extensive biodiversity communication campaign, and it also sponsors the Sofia Zoo's conservation programme. The business objectives set for the programme have been achieved: the number of deposit card contracts increased by 15 percent year-on-year, among other things.

RS As a member of the Mastercard Priceless Planet Coalition the Serbian subsidiary bank always plants a tree whenever a new account is opened or when the Google Pay or the Apple Pay service is activated for an existing account. They planted as many as 15 thousand trees in 2022 by donating HUF 12 million.

Be free!

UA The Ukrainian subsidiary bank launched a prize game for its deposit holder customers. One had to place a new deposit in order to participate in the "Be Free!" campaign. During the fuel crisis caused by the war they raffled off five electric scooters bi-weekly, while during frequent power failures customers could win portable solar generators.

OTP Hungaro-Projekt helped its customers in drafting applications and in winning grants in 2022 as well. A total of 115 applications with environmental benefits, prepared by the company, were awarded grants under the EU Rural Development Programme. 111 projects were submitted for grants to support precision farming developments for the digital transition of agriculture, three for the development of agricultural water management and one in response to the Innovfund invitation for applications. The overall total budget of the projects was HUF 30.6 billion of which the amount of grants awarded was HUF 14.8 billion.

The company has, since 2022, been promoting green activities by way of its consultancy activities as well. Its environmental consultancy covers the estimation of the environmental risks of real estates, inspections and examinations required for authorisations, licences and permits as well as green strategy development, etc. Moreover, Hungaro-Projekt undertakes to work out frameworks in relation to green bond issues, along with complex consultancy in relation to sustainable/green corporate investments.

Gamechanger

RS Generator (Gamechanger) is the Serbian subsidiary bank's programme that has been helping local startups for a number of years now. The Generator Zero competition launched in the context of the programme in 2021 sought for and rewarded specifically innovative carbon footprint reducing solutions in

2022. In addition to the HUF 6 million financial reward the winner received mentoring assistance as well. Of the 72 applications, 10 projects made it to the finals; preference was given to projects that could be implemented within 6 months of winning the prize. Numerous external partners recognised the importance of the initiative (e.g. Mastercard, Schneider Electric, OTP LAB) and, joining the programme, they offered prizes for the best finalists. The winner of the programme was the B-FRESH Technologies team; their product helps keeping fruits and vegetables fresh, with the help of an emulsion that can be sprayed onto any packaging material to form a water-resistant protective layer. The Generator programme was the most vigorously communicated responsibility project in the Serbian bank sector. It won multiple prizes and awards in Serbia.

2.3. Investments

ST2, ST7, ST8: 3-3, TCFD II.a,b, III.a,b,c, IV.a **Sustainability endeavours regarding investment funds and investment services are determined by strong statutory requirements. The Banking Group's fund managers offer a number of ESG funds to their customers.**

FN-IB-410a.3. In 2022 – in accordance with the SFDR[19] – each of the OTP Group members concerned adopted its investment sustainability risk management policy and supplemented the information provided for its customers with information on that policy. The members of the Banking Group published on their websites the statements on the integration of sustainability risks and on the principal adverse impact of investment decisions on sustainability factors (PAI). Environmental impacts must be measured and monitored from 2023 under the SFDR.

From the end of 2022 we will provide publicly available information on the adverse impacts of the portfolios managed in the framework of our portfolio management services on sustainability factors. In the case of this service we introduced so-called cumulative risk limits in relation to ESG. Portfolio managers put together their portfolios making sure that the aggregated weight of the lowest scoring elements from the perspective of sustainability – i.e. those categorised as CCC, B and BB on the 7-grade MSCI scale – is as low as possible.

The selection of the funds recommended in the context of investment advice is based on quantitative and qualitative criteria, including sustainability risk considerations *inter alia*. Excluded from investment advice are investment funds with high or medium sustainability risks (CCC and B on the MSCI scale).

The fitness test of the MIFID2[20] framework – the purpose of which is to protect investors' interests and to ensure high standard service provision for customers – is aimed at assessing the customer's financial knowledge, investment objectives, risk bearing capacity as well as financial situation and income, to help the Bank offer the customer products aligned to these factors. Since 2022 the questionnaire explores sustainability preferences and objectives more thoroughly than before. In the context of our investment advice and portfolio management services we primarily offer products and services accordingly. A customer is provided with feedback on its conformity to the sustainability preferences in the suitability report.

OTP Bank plans to create portfolios promoting sustainability targets.

GRI 203-2 The investments of investment funds are selected as described in the funds' management policies. Some of OTP Alapkezelő's funds (OTP Közép-Európai Részvény Alap/OTP Central European Equity Fund, OTP Quality Alap/OTP Quality Fund, BUX ETF Alap/BUX ETF Fund) focus their investments specifically on the Central and Eastern European region. Such investments accounted for 2.79 percent of the assets managed at the end of 2022.

Responsible investments

ST8: 3-3, GRI 201-2 The OTP Group's three funds are products promoting environmental and/or social characteristics, i.e. products corresponding to Article 8 under the SFDR.

The purpose of OTP Alapkezelő's @Klímaváltozás Részvény Alap (Climate Change Equity Fund) is to select equities that may be potential winners or losers of the global climate adaptation process. At least 50 percent of the final portfolio must be made up of equities of companies that have a good – "sustainable" – ESG

[19] REGULATION (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.
[20] DIRECTIVE 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, and the relevant regulations

rating besides contributing, in our opinion, to the conservation of planet Earth. OTP Alapkezelő is planning to ensure the fund's conformity to Article 9 of the SFDR.

The fund manager has been promoting OTP Klímaváltozás Részvény Alap for some years through PR appearances as well, drawing attention at the same time to responsible investments. For the sixth time in 2022, the Fund won Privátbankár.hu's Klasszis award: The Best Global Equity Fund 2022 award. Investment Director Gábor Czachesz – the manager of the fund – won the Klasszis 2022 – Portfolio Manager of the Year award.

As to the fund called @Omega Alapok Alapja (Omega Fund of Funds) the aim is to make sure funds that conform to Article 8 or Article 9 of the SFDR make up at least 70 percent of the fund. Again, at least 50 percent of the final portfolio must be made up of equities of companies that have a good – "sustainable" – ESG rating.

These two ESG funds do not invest in tobacco production and sales, defence and arms and the gambling industry[21]. The limits covered by the risk management regulation are checked on a weekly basis.

At end-2022 the assets of OTP Klímaváltozás Részvény Alap and OTP Omega Alapok Alapja amounted to HUF 35.1 billion and HUF 33.4 billion, respectively. **The two ESG funds accounted for 3.03% of the total asset managed by OTP Alapkezelő.**

RO OTP Asset Management Romania – the Group's asset management company in Romania – was the first such company in Romania to launch investment fund matching Article 8 of the SFDR. The investments of @OTP Innovation Fund are aimed at international companies that spend a significant proportion of their revenues on research and development (R&D). The investments are effected in the technological, biotechnological, e-commerce and automotive sectors, to name but a few. The aim is to keep the fund's aggregate sustainability risk profile low and make sure that at least 85 percent of the portfolio is made up of medium or low sustainability risk elements, which the fund manager also measures in terms of the MSCI ratings. The fund applies an exclusion policy as well. The fund's total asset amounted to HUF 304 million and had nearly 300 investors at the end of 2022.

As well as the Banking Group's own ESG funds, other fund managers' ESG funds are also available for customers. At the end of 2022 a total of 2.52% of the retail securities account portfolio was made up of the portfolios of investment funds meetings the requirements of Articles 8 and 9 of the SFDR.

2.4. Management of ESG risks

GRI 201-2, TCFD II.a,b, III.a,b,c, IV.a The integration in the risk management processes of environmental, social and corporate governance risks continued in 2022 – the Banking Group continued to make significant progress in this field.

Lending risks

FN-CB-410a.2, FN-MF-450a.3. Every single OTP Group subsidiary worked out, and introduced, its ESG credit risk management framework in the business division in early 2022. The purpose of ESG risk management during the lending process is to identify and mitigate the risks arising from environmental, social and governance factors. In the wake of the subsidiaries' introduction of their respective frameworks OTP is now applying the ESG risk heat map in a uniform way across the Group, together with the ESG exclusion list and the ESG risk ratings system. Work on the development and improvement of the risk management methodology is planned to be continued.

GRI 2-13, TCFD I.a Work on the development of the internal ESG credit risk exposure reporting got under way in 2022; due to data cleansing tasks the system will be finalised in 2023. Reports will be prepared on a quarterly basis. The Supervisory Board will also receive reports on the loan portfolio.

the Banking Group worked during the year on the ESG lending appetite framework as well. The 2022 Risk Appetite Statement specifies limits regarding the ESG risks which are backtested on a quarterly basis. In addition to using an exclusion list we introduced a new indicator to help restrict the proportion of new high ESG risk transactions. The indicator has been applied first by OTP Bank, since the beginning of 2023. Our subsidiary banks operating in three EU Member States (Bulgaria, Croatia and Slovenia) are introducing similar limits in their Lending Policies.

[21] Based on Bloomberg Industry Classification data

In the case of commercial real estates serving as collateral the sustainability considerations will form a separate element of assessment in real estate appraisal. The application of the ESG assessment methodology developed by OTP Jelzálogbank was started in the Hungarian operation at the beginning of 2023. Decision on the group-wide application of the methodology will be made in view of practical experience.

The energy efficiency characteristics of collateral residential real estates – established during the value appraisal procedure – are reflected by the market value and in the credit collateral value. The collateral portfolio has been reviewed in the retail segment from the aspect of energy efficiency on the basis of the energy efficiency ratings of the real estates comprised in the portfolio. In view of the findings a total of four ESG real estate risk categories were formed in 2022 in the Hungarian practice for further analysis of the collateral portfolio. One of the key objectives is to maximise the proportion of real estate collaterals on which the energy ratings are available, in the bank's records.

The ESG criteria will be integrated in retail lending in the case of retail loans secured by real estate collaterals because these are the products in which the ESG criteria are the most significant.

HR The Croatian subsidiary bank carried out the geographical mapping of mortgage collaterals, and on the basis of that, the materiality assessment of climate and environmental risks.
ST14: 3-3 The ESG **exclusion list** of the ESG credit risk management framework of the business segment includes activities and behaviours that, due to their disputed nature or effects, cannot be reconciled with the core principles of OTP Group, the protection of human rights and the promotion of sustainable development.

Among others, the list includes the following exclusions:

- customers whose financing is forbidden in international accords, EU acts or national laws;
- customers and transactions who/which violate the legislation of the country concerned or international laws (e.g. illegal arms trade, prohibited gambling, illegal trade of drugs and medicines);
- financing in relation to controversial weapons (nuclear, biological or chemical weapons, anti-personnel mines);
- manufacturing and trading products that contain PCBs;
- trading in specimens of wild animals under the CITES Treaty or in the products made from them.

The full ESG exclusion list is laid down in the Bank's internal regulations.

Customers are required, as a minimum, to comply with the relevant and applicable environmental and social laws and regulations and have the relevant permits, licences and authorisations.

During the credit approval process the customer's and the transaction's ESG risk rating is seen, and taken into account, by the decision maker, in decision making.

GRI 201-2 The first **climate change stress** testing took place for the first time in 2022, as part of the internal capital adequacy assessment process. The stress test (CChSTs) was focused on identifying climate change-induced financial losses; the exposure of the OTP Group's portfolio to physical and transition risks in the long run (up to 2050) was examined. The results show that the annual losses would only increase modestly (by about 0.15 percentage point as a proportion of the exposure) up to 2050 even under the most disadvantageous so-called Hot House scenario in comparison with the climate-neutral trajectory. There is, of course, a considerable uncertainty factor in these assessments. The OTP Group's exposure to physical risks is in line with the average exposure of banks in the euro area. This type of risk is higher in two countries: Russia and Romania. The OTP Group's exposure to transition risks is somewhat higher than that of average banks in the euro area – because of the higher carbon intensity of the economies in the Central and Eastern European region. In the area of the Banking Group's operations the economies of Bulgaria and the non-EU member states are significantly more carbon intensive.[22] Short term climate stress testing is planned to be carried out in 2023 regarding transition risks, covering lending, market and operational risks as well. Moreover, a pilot project has been launched in Hungary to model the physical risks of climate change.

GRI 305-3, 305-5, TCFD II.c, IV.b The **estimate of Scope 3 (indirect) greenhouse gas emissions has been worked out** as one of the first steps towards mitigating climate risks. The calculation – in accordance with the methodology based on the PCAF (Partnership for Carbon Accounting Financials) Greenhouse Gas Protocol – was carried out with the help of the consultancy firm Klima.Metrix, for the end-2021 Group portfolio. Four segments were formed as prescribed by the PCAF protocol: corporate loans, retail mortgage loans, commercial real estates and motor vehicle loans. In lieu of adequate guidance, unsecured real estate loans were not included. On the whole, the calculation covers 81.3% of the total loan portfolio. The PCAF specifies five categories in terms of accuracy, with Category 1 being the most accurate. Due to data accessibility problems most results are Category 4 or 5; the calculation is based primarily on average

[22] At purchasing power parity, as a proportion of GDP.

emissions at a macroeconomic level and where the data were not accurate enough or were not available at all, we resorted to substitution. The calculation is the current best available approximate estimate.

The parent bank communicated the results to the subsidiary banks. We aim to improve the calculation's accuracy, which is expected to be enabled by increases in the quantity and range, and an improvements in the quality, of publicly reported data. The Banking Group will work out its decarbonisation strategy by 2025 and plans to disclose the Scope 3 financed emissions for the first time regarding year 2024.

The adequacy of ESG risk management is assessed primarily from the perspective of conformity to the MNB's Green Recommendations[23] and the requirements of the European Central Bank. The Bank monitors progress in terms of the requirements laid down in the Green Recommendation and keeps both the Management Committee and the ESG Committee regularly informed. The development and application of the new processes take, in some cases, more time and resources than planned in advance, partly because these processes are altogether new in the whole of the market and because the subsidiary banks are being faced with questions and tasks that are different from the ones the parent bank has to deal with.

Operational risks

The possible impacts of the climate change risk were integrated into both the business impact analysis and the business continuity plans. A Group ESG risk tolerance value was worked in early 2022, for quarterly monitoring.

ESG risks were integrated in operational risk management as early as in 2021. During the annual process-based risk and control self-assessments respondents asses the next year's losses expected from the aspect of ESG relevance as well. Mitigating actions are expected to be worked out by the divisions concerned for risks of over HUF 200 million losses expected. The list of risks was refined and the actually relevant ESG risks were identified in 2022. Loss data are also monitored from the aspect of ESG relevance.

the Banking Group uses scenario analysis for the assessment of events of low probability but high potential impact. The impacts of climate change have been examined under a separate scenario since 2021 (together with all risks of environmental relevance). The same methodology is applied in the scenario analyses for the parent bank, foreign subsidiaries and Merkantil Bank. Of the group members OTP Bank Ukraine identified the greatest loss expected in relation to climate change in 2022 (the financial impact of the materialisation of the risk), in an amount of HUF 1.9 billion, three times more than in the previous year. In addition, the Bulgarian, the Romanian and the Croatian subsidiary bank calculated significantly larger losses expected than in 2021. Out of the 17 scenarios analysed, the value of loss expected under the climate change scenario was among the smaller expected losses at all Group Members.

Reputational risks relating to ESG considerations were also assessed and evaluated in 2022 in the context of the ECB (European Central Bank) climate stress test. As many as six reputation scenarios were assessed, as required by the ECB. "Media campaigns relating to environmental issues, contributing to the deterioration of the institution's reputation" was the scenario for which the largest amount loss expected – HUF 705 million – was established.

Continued development of ESG risk management was identified as a separate programme in OTP Bank's new medium term risk strategy.

2.5. Products with social benefits

ST1: 3-3 ***Several members of the OTP Group have traditionally been paying particular attention to catering for the financial needs of the young and the elderly and to making available preferential facilities for housing purposes. The member companies concerned continued to increase the number and variety of such products in 2022 as well.***

The sustainable financial framework identifies the eligible social category exclusively in the segment of loans and credits available for financing and/or refinancing SMEs. Products beyond this target group are also described below.

Large numbers of refugees fled from war-torn Ukraine to most countries in which the Banking Group members are operating; we provided them with assistance in the way of financial services as well. Every

[23] Recommendation No. 10/2022. (VIII.2.) of the National Bank of Hungary (MNB) on climate change and environmental risks and the integration of environmental sustainability aspects in the activities of credit institutions

subsidiary bank made it possible for **Ukrainian refugees** to exchange money, open accounts, rent safe deposit boxes and use other services. Moreover, many of our subsidiaries offered them preferential facilities.

HR SI MD ME The Croatian subsidiary bank created a specific account package – comprising all basic services free of monthly charge, including cross-border transfers free of charge – for Ukrainian refugees. The Moldavian subsidiary also provide multiple banking services free of charge for Ukrainian citizens, along with a simplified money exchange service. The Slovenian subsidiary also opens basic account packages free of charge, for use free of charge for three months, for Ukrainian refugees. Likewise, the Montenegrin subsidiary, charges no fee for account opening for Ukrainian refugees, and for their the use of such accounts, for six months.

SI The Slovenian subsidiary did not charge transfer fees to humanitarian organisations in 2022 either. Accordingly, their donors and sponsors can transfer them amounts, free of the transfer fee.

The OTP Group offers special preferential products for young people in 9 countries[24]. A total of 11 percent of the whole Group's customers (1.7 million persons) are aged below 26. The selection of products varies from country to country. It includes account packages, savings for children, overdraft facilities, bank cards and student loans. Some subsidiaries (e.g. CKB) provide preferential terms for accounts held for the receipt of scholarships.

HR OTP Bank Croatia integrated a preferential condition in its service provided for young people in 2022: domestic transfers free of charge through mobilbank.

RO The Romanian subsidiary also provided additional preferential terms and conditions; this time they provided more favourable conditions for debit card use.

The number of **pensioner customers** typically surpasses that of younger customers at the banks of OTP Group. Tailored to their needs, special products are available for this customer segment in six countries: Bulgaria, Serbia, Croatia, Montenegro, Albania and Ukraine. No new product/service was introduced in this segment in 2022.

Minimum packages are available for customers who require a narrower range of services. Access to basic financial services is provided by such accounts. The Croatian bank offers a preferential package for socially disadvantaged customers. The demand for such basic packages has been rather low for years now; not more than a few hundred customers uses them at any one of our banks.

In view of the prevailing macroeconomic circumstances OTP Bank made account management free of charge for customers who lost their jobs in a broader range of account packages in 2022. The Bank waives the monthly fee in the case of customers receiving job seeking allowance, for a period of 4 months, to help them manage their difficult situation in life.

DSK Bank provides customers with reduced mobility accounts with debit cards under preferential terms and conditions, which were used by more than 42 thousand customers at the end of the year. The Moldavian subsidiary offers eligible customers meeting certain criteria with special facilities for pensioners. Customers with reduced mobility can apply at OTP Bank for support for making their homes barrier-free, which was used by some four hundred customers in 2022.

The subsidised loan offered in Hungary to families planning to have / expecting children was available until the end of 2022. Demand for the product declined substantially during the year but it still represents a dominant proportion of the total volume of consumer loans. It is an important feature of the maximum HUF 10 million interest-free loan that the outstanding debt on the loan will convert into a non-repayable state subsidy if minimum three children are borne during the term. OTP Bank had a 42% share of disbursements and the existing portfolio as well, in 2022.

Access to real estates, modernisation

GRI 203-2 Members of the Banking Group play an important role in the implementation of housing goals primarily through mortgage loans[25]. We are providing our customers with predictable loans geared to their debt servicing capabilities and promoting the use of energy efficient solutions. At the end of 2022, the number of housing loans outstanding at OTP Group was around 400 thousand, new loans stood at 51 thousand. Besides Hungary and Bulgaria, Serbia, Slovenia, Romania and Croatia contributed the most to house purchases and renovations.

[24] Hungary, Bulgaria, Montenegro, Croatia, Slovenia, Romania, Albania, Ukraine, Moldova. The age limit is not 26 for all schemes.
[25] OTP Bank Russia does not offer mortgage loans and nor does this type of service account for much of OTP Bank Ukraine's operations either.

The decrease in the number of new housing loans, that started in Hungary in the second half of 2021, continued in 2022. Nearly 30 contracts were concluded during the year. In Hungary[26], the number of housing loans outstanding stood at 221 thousand at the end of the year.

The Housing Subsidies for Families (CSOK) programme – under which non-refundable subsidy can be applied for – has been available and popular for years now. The Home Renovation Loan was also introduced in 2021, making it possible for people raising children to borrow preferential rate, interest-subsidised loans. The Bank placed 4,600 loans in 2022, in a total amount of HUF 23.7 billion. The Green Home Programme (GHP) is also aimed at helping customers purchase residential real estates; for details, see subsection @2.2. The proportion of subsidised loans relative to the total of disbursed real estate loans is substantial: in 2022 they accounted for about two thirds of all loans, of which the share of the GHP was 46%. OTP Bank had a 54% market share in subsidised loans.

Most housing loans (47%) are borrowed in Hungary for purchasing used homes; new home purchases however, increased by 8 percentage points year-on-year to 19% in 2022. Renovation and modernisation accounted for 19 percent, construction and extension made up 16 percent.

As well as mortgage loans, OTP Bank offers Personal Loan for Renovation for housing purposes. This product was used by customers in 2022 primarily for prefinancing the home renovation subsidies. Personal loans made up 4% of the total amount disbursed during the year.

The preferential home leasing facility continued to be available in 2022 at OTP Ingatlanlízing Zrt. for customers employed by the Hungarian Defence Forces. More than 200 customers used this product during the year.

HR The Croatian subsidiary bank also participated in programmes in cooperation with the state, providing preferential loan conditions – lower interest rates and fixed interest rates for longer periods of time – for customers purchasing their first homes. This product was used by 1,113 customers in 2022 in a total amount of HUF 45.1 billion, making up 24 percent of all housing loan transactions.

A decision was adopted back in November 2021, on the bank's participation, joining a facility initiated by the Government, in the rebuilding of condominiums damaged by the earthquakes of 2020. Since however, the envisaged legislative background of the state aid had not been worked out, demand for the facility remained very low (a total of 4 applications were submitted). To enable reconstruction nonetheless, the Bank is offering its own loan programmes for condominiums.

RO The Romanian subsidiary continued to provide mortgage loans with state guarantee to help young people purchase their first homes, in 2022 as well. Loans were placed under a total of 140 transactions in an amount of HUF 2.4 billion in 2022 and the facility was much in demand even while demand for loans declined in general as a consequence of rising interest rates.

MD The Moldavian bank also continued participating in the First Home Programme, under terms and conditions the same as in the preceding year. The bank disbursed 14 new loans in an amount of HUF 134 million in 2022.

ME In Montenegro a state-subsidised programme called 1000+ apartments provides preferential-rate loans for disadvantaged and endangered social groups, in the way of support for housing purposes. The subsidiary bank disbursed a total of 18 loans to customers during the year in a total amount of HUF 370 million, significantly less than in 2021.

BG The Bulgarian subsidiary bank launched a new electronic platform in cooperation with the company called OCENIME.BG: www.dskhome.bg-ot. The website offers complex services for those looking for homes, ranging from finding real estates to the complete loan application process. As a new function, signing loan agreements was introduced on the platform by the end of 2022.

OTP Bank plays an important role in serving the financial needs of **condominiums**. At the end of 2022 the number of condominium customers was more than 39 thousand, securing a 67% market share for the Bank. No new products or services were introduced in 2022. The Group had a total of 47 thousand condominium customers.

OTP Condominium grant scheme

OTP Bank has been traditionally inviting applications for grants to support the modernisation of condominiums, in a total of HUF 15 million. In 2022 the Bank laid particular emphasis on facilitating efforts aimed at making retail communities more sustainable and their environment greener. A considerable number – 650 – applications were submitted under the scheme this year again. Grants were awarded by a

[26] OTP Core and OTP Ingatlanlízing

professional panel in view, for example, the interests of the communities concerned and the improvements in the quality of their environment. Grants were awarded to a 9 condominiums in Budapest and 11 condominiums in rural Hungary.

In Budapest, the awardees in the "More Sustainable Homes" category were provided with support for the modernisation of condominiums' energy systems, and one project for making the condominium barrier-free. The amount so won can be spent in Tiszaújváros on draft booster turbines utilising wind energy, while the residents of a condominium in the town of Szeged will use this amount on the replacement the stairwell doors and windows, modernising the building's thermal insulation.

Of the "Greener Residential Environment" awardees two condominiums in Budapest and one in Tata received grants for creating and improving green spaces. In one condominium in the town of Nagykanizsa playground facilities will be installed in an already existing yard, while in Budapest the worn and dangerous rubber mats of the playground of a condominium will be replaced with new ones. The grant will be used by a condominium in the town of Hajdúböszörmény for the installation of a used oil container facility while residents of a condominium in the town of Vác put in place a selective waste collection system.

The Banking Group participated in the development of a number of services that go beyond banking services *per se* and generate social utility as well.

RO OTP Bank Romania contributed to developments aimed at rendering the use of the local public transport services more convenient in three large towns in Romania by providing self-service electronic payment terminals. Customers can purchase tickets and passes from the contactless ticketing machines.

The subsidiary bank and a number of service providers together introduced contactless payment on delivery for products purchased from them on-line. The solution's distinguishing feature is that this was the first time a corporate device was turned into a POS terminal. The Mastercard certification proves that this payment method meets the highest data security standards.

OTP Startup Booster Program

Under the OTP Startup Booster Programme we seek for cooperating partners based on needs for innovation as they emerge year after year. 265 startups from 55 countries registered for the 2022 programme. Bank managers, professional mentors and external experts lend their support to participating companies in perfecting their products in a 12-week intensive programme in 40 hours of workshop activity and 100 hours of individual mentoring. In its autumn pilot period the programme enabled 11 expansion-stage startups to implement a joint test project with the help of various specific divisions (5 from the parent bank and 6 from subsidiary banks).

The programme was closed by an on-line Demo Day providing the teams with substantial international visibility. The startups with which we will conclude long term cooperation agreements will be selected in the next period.

With growing emphasis having been laid on sustainable solutions and the fight against climate change we introduced in 2022 the Beyond banking and sustainability category in which startups working on solutions that are outside the Bank's core activities, that are related to ESG goals, agricultural solutions, or solutions relating to real estate ecosystems and other sustainability and/or green subjects could register.

Four pilots were selected from the registered ones but no long term decision has been made yet on any one of them. Two selected startups are providing agricultural services: Agremo works out yield analyses and forecasts for agricultural areas on the basis of drone and satellite images, Yieldsapp offers data-based recommendations relating to crop production on the basis of satellite images. The Cogo carbon footprint calculator is able to calculate the carbon dioxide emissions of retail customers and encourage reductions at the same time. MClimate calculates increments of buildings' energy efficiency and improvements in the comfort perception of people working in them, with the help of IoT sensors. (see Section @6.)

Micro, small and medium-sized business customers

ST1: 3-3 Year 2022 was a year full of challenges for many a small and medium-sized enterprise. Although varying in severity problems were caused in every single country of our region by disruptions in the supply chains in the wake of the coronavirus pandemic, the war and the accelerating inflation. The OTP Group continued to play an active role in providing small and medium-sized enterprises with access to funding even in such circumstances. The loan portfolios of micro and small enterprises increased at most of the Group's banks; we participated in numerous state and international institutional initiatives with the aim of providing preferential financing arrangements.

The micro- and small corporate loan portfolio of the Hungarian OTP Group increased by 16 percentage points during the year. The segment was dominated by the products of the state interest-subsidised Széchenyi Programme.[27] Our goal was to be the first institution to introduce the product in the market and carve out the largest market share. We accomplished both goals: the Bank's market share was 33% with the Széchenyi Újraindítási GO! product which was available in the first half of the year, and 37% with the Széchenyi Újraindítási MAX product which was launched in the second half of the year.

GRI 203-2 The credit products were available at the MFB Points for businesses as well (see also @2.2). The MFB Points were set up earlier to help businesses facing difficulties access funding; in 2022 – as a consequence of the pandemic and the impacts of the war between Russia and Ukraine – the range of businesses concerned increased considerably. OTP Bank's role and market share also increased during the year. In view of the fact that the previous EU budget cycle had ended, it became possible in 2022 to start selling a new loan programme through the MFB Points: loan purpose "B" of the loan programme whose purpose is "technical modernisation of micro, small and medium-sized enterprises" is to help manage economic difficulties caused by the war between Russia and Ukraine. The working capital credit facility was available for operating costs, wages and contributions as well as standing charges. In terms of credit applications OTP Bank's market share was higher than 60 percent. As many as 1257 contracts were concluded for the disbursement of a total of HUF 28.5 billion by the end of the year.

In the wake of the introduction of changes to the flat-rate tax for small taxpayers (KATA) OTP Bank offered a preferential entrepreneurial account management package for private entrepreneurs obliged to have payment accounts with financial institutions under the amended law. During the 4-month campaign our customers opened more than 5,000 new accounts.

The MSE loan portfolios of the Croatian and the Romanian subsidiary banks increased by about 20 percent; that of the Bulgarian subsidiary increased by an even more substantial 26 percent. The Ukrainian and the Serbian subsidiary's MSE loan portfolios increased by about 10% and 5%, respectively, while the corresponding portfolios of the Slovenian and the Albanian subsidiaries remained unchanged. The MSE portfolio shrank in Montenegro partly as a consequence of businesses' financial difficulties and the termination of the EIF products. The MSE portfolio decreased in Moldova as well. Lending in Russia was suspended in February 2022, therefore the portfolio dropped dramatically there.

Our subsidiaries cooperate with numerous state and international institutions in support of the SME sector.

RO Our Romanian subsidiary joined a programme supporting SMEs and sole proprietorships as a partner bank. The programme is aimed at promoting the establishment and development of small and medium-sized enterprises with the help of state aids. The Bank opened dedicated accounts for its customers through which the aid amounts are channelled to the recipients. Applications for credit facilities enabling the pre-financing of the aids may also be submitted to the Bank.

OTP Bank Romania participated in the government's IMM Investment Programme, as one of the first financial institutions to make available the products concerned, in 2022 as well. Businesses can borrow interest-free loans under the programme, with up to 90 percent government guarantee. The loan was available for agricultural businesses as well. As many as 459 loans in a total of HUF 33.8 billion were provided in 2022.

In response to the great demand experienced in the previous year the subsidiary announced its Black Friday campaign twice in 2022, offering account opening with account management for free and other preferential terms and conditions on not only one but two days.

HR The Croatian subsidiary continued to cooperate with the Croatian Bank for Reconstruction and Development (CBRD), to help exporters. In 2022 they offered Covid-19 insurance to working capital loans and provided loans of HUF 1.7 billion under two contracts during the year.

In response to the impacts of the Covid-19 pandemic the Bank entered into a cooperation arrangement with the European Investment Fund (EIF) as well, in 2022. The EIF provides guarantee under the programme therefore customers can borrow loans at lower interest rates and with reduced collateral coverage. In 2022 they provided 15 loans in a total amount of HUF 3.4 billion.

RS The Serbian subsidiary participated in the grant programme announced by the Ministry of Finance to help small businesses purchase assets. As many as 38 loans were disbursed by the end of 2022 in a total amount of HUF 912 million.

ME The EU Micro Loan for Working Capital of CKB contributed to the funding of micro enterprises in 2022 as well. The Bank provided loans in cooperation with the European Programme for Employment and Social

[27] These products were available for large enterprises as well.

Innovation (EaSI) of the European Investment Fund under an EU guarantee agreement, until the termination of the product in the first quarter of 2022. Loans of HUF 1.8 billion were active under 1,040 contracts in 2022. The loan was available for agricultural businesses as well.

MD The IFAD's (International Fund for Agricultural Development) Young Entrepreneurs Loan was available at our Moldavian subsidiary. Owing to the prevailing macroeconomic circumstances only 2 new customers availed themselves of the preferential facility, in a total of HUF 25 million.

OTP Bank uses the technique of factoring for pre-financing EU **agricultural** subsidies; in addition to area payments the grants for greening, agricultural environmental management and young farmers, compensation payments for Natura 2000 grasslands are delivered in this way. The scheme was available for the pre-financing of 35 grant titles in 2022. With this product, our customers can access funding within just a few days, at conditions that they can meet more easily. The closing factoring portfolio was HUF 17.0 at the end of 2022. The Hungarian State Treasury has, since October 2022, been paying advances on aids; consequently, demand for the Bank's facility has decreased; in the first three quarters of the year however, a year-on-year increase of more than 20 percent was recorded.

GRI 203-2 In Hungary, subsidies for a land area of almost 1.3 million hectares are credited to the accounts held with OTP Bank; our employees assist in their utilisation.

BG HR RO SI Prefinancing of area payments [28] (Double SAPS) is one of the key agricultural products of every OTP bank operating in EU Member States with the exception of Slovenia. One of the significant advantages of this service is the fact that a single application and credit approval process is now sufficient for the two-year pre-financing of EU direct subsidies, which has halved administrative costs. Even the application for three years (Triple SAPS) was introduced in Romania in October 2022. Our plans include creating the conditions for pre-financing direct grants in Slovenia as well, but owing to the ongoing bank acquisition process the product was not developed in 2022.

A number of OTP Group members provide special product packages to agricultural small businesses and farmers in cooperation with state agencies or EU organisations.

RO OTP Bank Romania launched a new product called "Ceiling for the financing of crop producers", offering up to RON 5 million (HUF 395 million) credit limits for the financing of the production of spring and winter crops as well as maize. The advantage lying in the product is that it is available without the customers having to provide supplementary collateral. A total of HUF 195 million was disbursed in 2022.

In 2022 the Bank became a partner bank the delivery of non-repayable state grants provided for agricultural and food industry companies, therefore it opened dedicated accounts and transmitted the grants to the programme's beneficiaries.

MD Our Moldavian subsidiary continued to provide the EIB Fruit Garden scheme for horticultural and viticultural undertakings under unchanged conditions in 2022 as well. The Bank financed as many as 18 projects during the year in an amount of HUF 974 million; the number of active customers participating in the scheme was 102, and total loans amounted to HUF 5.7 billion at the end of the year.

OTP Hungaro-Projekt and OTP Consulting Romania

The member companies contributed to the achievement of social goals by preparing applications and providing project management services.

In 2022 the OTP Hungaro-Projekt drafted and submitted 9 applications under EU support schemes, in the categories of support for micro and small enterprises operating in disadvantaged regions, development of companies' research, development and innovation activities as well as technology modernisation of micro-, small and medium-sized enterprises. 8 of the 9 applications were awarded grants. The total cost of the winning projects amounted to HUF 3.7 billion of which the grants covered HUF 2.4 billion.

RO The Romanian subsidiary participated in the implementation of three EU-funded projects in 2022 which were aimed at enhancing environmental awareness and promoting the development of vulnerable and disadvantaged local communities through human capital development.

The purpose of the two-year-long AID4NEETs project was to assist young unemployed persons in the North-Eastern and central part of the region. The programme pays special attention to equal opportunity; there are minimum criteria for the Roma communities, those living in rural regions and disadvantaged people. Two other projects were aimed at the encouragement of students to start a business in the least developed seven

[28] Companies may use these products without any limitation in size.

regions of Romania. The aim of the projects is to create as many as 130 new jobs. The programmes included concrete actions regarding the introduction of green practices as well.

PortfoLion

The venture capital fund manager invests in early stage, growth stage and expansion stage startups. The company does not invest in high ESG risk undertaking; they are automatically excluded from cooperation. The sustainability risk management policy is available here: @website.

New investments whose activity contributes to social or environmental objectives were added to the company's portfolio in 2022 as well.

Mindgram provides services aimed at developing and improving mental health and professional and managerial skills in the form of complex solutions. The concept's first pillar provides solutions for prevention and personal development, the second one provides early intervention and work-private life services, while the third pillar offers targeted on-line psychotherapy.

Tiney offers solutions for daycare combined with high quality education for children up to the age of 5, based on a method not used in Great Britain before.

Owner of 18 retail parks, GRADUW Invest[29] enables energy efficiency improving ESG projects in its real estates.

[29] At the time this report is drafted it is called Shopper Park Plus Zrt.

2.6. Portfolio components by sector

GRI 2-6, FS6, FN-CB-410a.1

Micro and small enterprises **Assets by sector, on-balance sheet exposure to own customers without leasing and consolidation, 31.12.2022[30]**	Hungary	Bulgaria	Croatia	Serbia	Russia	Ukraine	Slovenia	Romania	Montenegro	Albania (with Alpha Bank)	Moldova
Agriculture, forestry, fishing	6%	22%	18%	2%	1%	0%	4%	7%	4%	3%	43%
Mining, quarrying	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Manufacturing	9%	13%	8%	25%	9%	2%	20%	11%	11%	13%	10%
Electricity, gas, steam and air conditioning supply	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
Water supply; sewerage, waste management and remediation activities	0%	0%	0%	1%	0%	0%	0%	1%	0%	0%	0%
Construction	18%	7%	7%	8%	24%	0%	16%	14%	8%	3%	4%
Wholesale and retail trade; repair of motor vehicles and motorcycles	29%	30%	12%	35%	42%	4%	22%	32%	32%	24%	25%
Transportation and storage	6%	11%	5%	7%	5%	0%	11%	10%	14%	2%	5%
Accommodation and food service activities	4%	3%	7%	3%	4%	0%	6%	4%	13%	27%	2%
Information, communication	3%	1%	1%	2%	1%	0%	2%	2%	3%	1%	0%
Financial and insurance activities	0%	0%	0%	0%	0%	0%	0%	3%	0%	0%	1%
Real estate activities	6%	2%	1%	0%	5%	0%	1%	2%	2%	0%	2%
Professional, scientific and technical activities	5%	3%	3%	5%	4%	0%	10%	7%	5%	1%	2%
Administrative and support service activities	4%	2%	34%	2%	3%	0%	3%	3%	3%	3%	0%
Public administration and defence; compulsory social security	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%
Education	1%	0%	1%	1%	0%	0%	0%	1%	0%	1%	0%
Human health and social work activities	1%	3%	2%	1%	0%	0%	2%	3%	1%	2%	2%
Arts, entertainment and recreation	1%	0%	1%	0%	1%	0%	1%	0%	0%	0%	0%
Other services	5%	1%	1%	1%	1%	0%	1%	1%	3%	4%	1%
Activities of households as employers; undifferentiated goods for own use	0%	0%	0%	0%	0%	60%	0%	0%	0%	0%	1%
Not classified	0%	0%	0%	7%	0%	32%	0%	1%	1%	16%	1%
Total (HUF billions)	569.9	93.9	57.8	57.6	0.8	1.5	20.5	25.0	4.7	29.7	12.9

[30] The table contains the data of only those sectors whose share is above 0.5 percent. Because of that and because of rounding, not all columns add up to 100%. Industrial classification is according to UN (ISIC) classification. Company sizing complied with the relevant legal categorisation.

Medium and large enterprises **Assets by sector, on-balance sheet exposure to own customers without leasing and consolidation, 31.12.2022**[31]	**Hungary**	**Bulgaria**	**Croatia**	**Serbia**	**Russia**	**Ukraine**	**Slovenia**	**Romania**	**Montenegro**	**Albania** (with Alpha Bank)	**Moldova**
Agriculture, forestry, fishing	5%	4%	4%	7%	3%	18%	2%	18%	1%	1%	8%
Mining, quarrying	0%	0%	0%	7%	1%	0%	0%	0%	0%	2%	0%
Manufacturing	10%	26%	15%	20%	15%	28%	28%	13%	4%	9%	18%
Electricity, gas, steam and air conditioning supply	8%	10%	12%	14%	0%	0%	13%	2%	1%	14%	0%
Water supply; sewerage, waste management and remediation activities	0%	1%	2%	0%	3%	0%	1%	1%	0%	0%	0%
Construction	5%	5%	12%	7%	14%	0%	1%	12%	9%	9%	2%
Wholesale and retail trade; repair of motor vehicles and motorcycles	14%	19%	12%	18%	36%	38%	19%	17%	33%	26%	45%
Transportation and storage	4%	6%	6%	6%	0%	6%	12%	4%	2%	0%	2%
Accommodation and food service activities	3%	5%	8%	1%	0%	0%	1%	3%	21%	4%	0%
Information, communication	0%	4%	4%	7%	0%	3%	5%	0%	0%	5%	5%
Financial and insurance activities	9%	1%	1%	0%	3%	0%	4%	6%	1%	1%	6%
Real estate activities	15%	11%	2%	6%	23%	5%	3%	17%	0%	1%	4%
Professional, scientific and technical activities	5%	7%	3%	1%	2%	0%	2%	1%	1%	0%	1%
Administrative and support service activities	2%	0%	1%	1%	0%	0%	1%	1%	1%	2%	0%
Public administration and defence; compulsory social security	3%	1%	15%	4%	0%	0%	7%	2%	26%	2%	2%
Education	0%	0%	0%	0%	0%	0%	1%	0%	0%	1%	1%
Human health and social work activities	0%	1%	1%	0%	0%	0%	1%	1%	0%	2%	7%
Arts, entertainment and recreation	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other services	7%	0%	0%	0%	0%	0%	0%	0%	0%	5%	0%
Not classified	9%	0%	0%	1%	0%	0%	0%	0%	0%	16%	0%
Total (HUF billions)	2,772.0	1,194.9	962.9	989.0	57.4	300.8	455.8	563.7	243.5	199.5	80.1

The environmental and social risks of economic activities are defined for Level 4 NACE codes. All activities are high-risk within the Mining and Quarrying sector group. In the case of the activities involved in Real Estate Activities, Administrative and Support Services, Human Health and Social Work Activities and Other Services, the highest consolidated environmental and social risk rating is medium. Professional, Scientific and Technical activities are low-risk activities. The risk rating of activities in the rest of the sector groups ranges from low to high.

Exposure calculations are not based on Schedule RC-C and Schedule RC-I, and the classification is not in line with the NAICS classification.

[31] The table contains the data of only those sectors whose share is above 0.5 percent. Because of that and because of rounding, not all columns add up to 100%. Industrial classification is according to UN (ISIC) classification. Company sizing complied with the relevant legal categorisation.

3. FINANCIAL WELFARE, RESPONSIBLE CUSTOMER SERVICE

GRI 3-3

Impacts: *Financial welfare:* As well as with its products, the Banking Group can contribute to financial welfare and to enabling customers make the best possible financial decisions in their particular situations in life, by the way in which it provides its services. The extent to which the conditions and requisites for responsible management of funds are given or limited is affected by the group's practices, as well as by the financial and social conditions of the customers themselves.

Equal opportunity in accessing financial services: Accessibility is one of the basic prerequisites for financial welfare: A positive social/economic impact can only take place if disadvantaged groups can also manage their finances effectively – by making a reasonable effort – through digital channels, at branches or through ATMs. The previous chapter described the products available for vulnerable groups.

Objectives: Correct and fair information and customer service
Transparent and understandable product structure
Making tools and knowledge enabling good financial decisions available
Barrier-free service provision for persons with disabilities
Accessibility even for socially and economically disadvantaged people

Acts: Development of practices relating to responsible marketing communication
Highly visible information in plain language
Thorough exploration of customer situations and requirements
Responsible selling and product offers
Provision of services for Ukrainian customers in both Ukraine and abroad
Videos presenting banking products and context
Financial calculators
Expanding online services
Maintaining the option of personal customer service, strengthening the advisory function
Developing accessibility

Stakeholder involvement/compliance: reviewing customer feedback/exploring their needs, mystery shopping, complaint management, cooperation with civil professional organisations.

For more details on our principles and overall objectives, please visit @our website.

3.1. Responsible communication and sales

ST10: 3-3 The provision of information on, and communication regarding, banking products and services is a heavily regulated segment in most of the countries in which the OTP Group has its subsidiaries. The members of the banking group spare no effort to always comply with the changing regulations; moreover, they keep using their best effort to provide adequate information year in year out.

The OTP Group aims to make sure that the products it offers and sells to its customers are aligned to their situations in life and their needs, and help them achieve their financial objectives.

Straightforward communication continues to be one of the main pillars of customer orientation. We go out of our way to ensure that our messages are understandable and help customers keep informed and select the products that best suit their needs.

OTP Bank worked out in 2022, and posted on its website, its @Responsible Marketing Policy, in which it laid down the basic principles of fair commercial communication and of the provision of correct information and product offering. The policy also sets out the principles of sustainability and non-discrimination.

To facilitate the implementation of OTP Bank's @Consumer Protection Compliance Programme, launched in 2021, a checklist was put together setting out the requirements – in general and for each communication channel specifically – which must always be observed and complied with. The programme is supported by an IT system, strengthening transparency and retrievability.

The Tone of Voice manual regulating the OTP Group's style of communication serves as a model and provides guidance for foreign subsidiaries when it comes to preparing their own respective manuals.[32] The use of plain language is prescribed in the manual as a basic goal and requirement.

A guide, summing up the OTP Group's campaign and communication principles, has been put together, in which both customer orientation and sustainable operation appear along the most important objectives. To support customer oriented operation and easy-to-understand wording OTP Bank set out the process and principles of its naming practice regarding both its products and services.

A number of internal **training** programmes took place at OTP Bank in 2022 as well, to ensure that as many as possible of our specialists engaged in external communication actually apply the above principles in practice. To continue basic training on easy-to-understand wording we developed a so-called advanced module as well.

GRI 3-3 A **style survey** conducted in 2022 revealed that customers found OTP Bank's communication to be easy to understand and transparent on the whole and its tone of voice adequate, along with its appearance in terms of content and format. Customers found our promotional direct marketing e-mails to be the best.

A number of our subsidiary banks improved their practices during the year.

HR The Croatian subsidiary started to review and modify their documents to simplify their wording, clarify their structure and enhance their transparency.

Moreover, the subsidiary bank produced information materials – videos, brochures, posters – regarding the introduction of the euro to help customers understand its impacts on banking products. In line with that, they modified the instructions concerning the use of various products and sent personal letters to customers with consumer loans explaining the impacts of the changes.

The subsidiary also expanded the information provided for students, by explanations on account packages and products designed for them. An electronic product selection function was also created for them.

RO The Romanian subsidiary prepared a guide summing up the main steps of taking out a mortgage loan to help customers understand the characteristics of this type of loan and prepare for applying for it. The leasing firm posted a questions and answers document and knowledge sharing articles on its website during the year.

RU The Russian subsidiary POSTED a FAQ list in a plain and understandable language and set up a separate e-mail channel for communication with customers and partners, answering all questions regarding products, central bank restrictions and other matters.

ME CKB deposited product information flyers in the branch offices describing each product separately, together with its advantages, in a clear, easy-to-understand and user-friendly manner.

The banks of the OTP Group helped **Ukrainian citizens** fleeing their country by providing them **with information** and access to financial services in a variety of ways. Information and guide on how to open retail bank accounts was posted in Ukrainian on the main page of the parent bank's website. The terms and conditions applying to retail bank accounts are also available in Ukrainian, along with a questions and answers document. The subsidiary banks also feature their services and preferential terms and conditions offered specifically for Ukrainian refugees, in a dedicated form. In the branch network we made efforts to promptly serve Ukrainian customers.

No substantial change was made to the Bank Group's **sales process** during 2022; it is aimed at identifying, and catering for, actual customer requirements, always in line with the relevant local regulations. In the incentive system the remuneration criteria are aligned to the local market environment, instead of being uniform across the Group.

Improving financial awareness regarding banking services

OTP Bank's mobile bank service has a Personal Finance Manager function making it simple and transparent for customers to keep an eye on their daily and monthly spending. The categorisation of expenditures was

[32] It has been available for, and used by, the parent company for years now.

automated by software development in 2022 and now more and clearer information is shown regarding spending items (e.g. the well-known brand name appears instead of the name of the service provider). It was in accordance with requests and requirements communicated by the customers that the Bank introduced the possibility of setting individual categories and rules. The fine tuning of automatic categorisation is an ongoing process.

Every customer who has registered for the electronic service – more than 1.7 million – sees the Personal Finance Manager when logging in, therefore it is now widely known and used on a daily basis. The function is planned to be supplemented in the medium term with services aimed at achieving the sustainability goals.

RS In 2022 the Serbian subsidiary bank also introduced the My Finance function in its InternetBank and MobileBank service to make monitoring and controlling expenditures easier.

This function is also planned to be launched by all other subsidiaries of the Banking Group.

Animation videos helping customers learn finance basics are also available on OTP Knowledge Bank's YouTube channel. The videos show the operation of various financial products and services in an easy-to-understand and illustrative manner with examples shown. The content is renewed and enhanced on a continuous basis; three new videos on general subjects – not specifically OTP Bank services – were produced in 2022, focusing on housing loans and what to do against data phishing. During the year, 26 short films dedicated to general financial education were available. They were supplemented by videos specifically presenting the services of OTP Bank. The short films with general content were viewed 26 thousand times in all.

The Bank renewed its publication "Save Smart" (*Gazdálkodjon okosan*), the purpose of which is to educate customers, emphasise the importance of saving, self-provision and financial planning as well as describe the main characteristics of various forms of saving. The publication is available at OTP Bank's branches.

OTP Bank pays particular attention to raising awareness and disseminating knowledge among customers regarding the use of new InternetBank and MobileBank channels. Before the first use of the service customers are shown an educational description they have to read on a mandatory basis.

HR RS RO UA Several members of the Banking Group post basic financial literacy elements on their websites, with detailed explanations of banking products and practical advice, pointing out financial facts and relationships. The regularly updated contents also respond to topical situations and novelties (e.g. Covid, ESG).

SI The Slovenian subsidiary uses its electronic channels on a regular basis for communicating educational messages. It has also conducted a communication campaign to enhance financial awareness on advertising surfaces as well.

The Banking Group pays particular attention to developing **young people's financial awareness**. Sales objectives are sometimes intertwined with the dissemination of knowledge.

The central theme of OTP Bank's junior account opening campaign in 2022 was that the Bank helps its customers make responsible financial decisions and accomplish their goals. The campaign included roundtable discussions to which the Bank invited influencers reaching both young people and their parents, and where current challenges facing young people were discussed.

The Bank is continuously developing its **OTP Junior Next** application, whose primary purpose is to enhance 16-24-year olds' financial awareness and help them in making their career choices. The financial awareness raising content elements accessible in the application are updated on a continuous basis. Statistics show that the most popular functions are related to career guidance, conscious money management and OTP's new mobile banking functions. The new functions in 2022 included a quiz for developing financial literacy in the form of a game. The number of registered users of the application was nearly as large as 70 thousand at end-2022, 60 thousand them OTP's customers. The application is even more popular now than had ever been expected and the score of 4.6 in the application store is also favourable feedback.

RS In 2022 the Serbian subsidiary started a TikTok channel with native videos demonstrating the use of the bank's products and services, primarily to young people.

3.2. Debtor protection

ST1, ST10: 3-3 ***A number of conditions need to be met – from a correct assessment of possibilities to the Bank's prudent risk management, to an adequate regulatory environment – for borrowing to actually be the way forward. The extraordinary events of the past few years posed severe challenges to many of the borrowers; even the government took some strong actions to protect them through imposing stricter regulations on the conditions of lending and making repayments easier.***

The interest stop introduced in Hungary in 2022 further mitigated customers' interest risks and the system of certified consumer-friendly loans was also put in place for this purpose. These loans became a dominant product in the segment of real estate loans, and thereafter in personal lending as well. OTP Bank is no longer providing floating rate loans in the real estate segment. Nearly 50 percent of the personal loans disbursed in 2022 were Certified Consumer-Friendly Personal Loans.

Of the loan repayment moratoriums introduced during the coronavirus pandemic the option of suspending repayments remained in effect in Hungary in 2022 for retail customers. Agricultural participants facing difficulties as a consequence of the extreme weather conditions and the price increases were also allowed to suspend repayments of their loans until the end of 2023. Customers were provided with information on a dedicated sub-page at @website on the choices relating to the moratorium and on repayments after its termination. Customers took this option in relation to about 4 percent of the total loan portfolio – about 40 thousand loans – until the end of the moratorium. Some 80 percent of this portfolio was made up of mortgage loans and personal loans. The Bank expects a significant proportion of the customers who made use of the moratorium to be facing risks of major payment difficulties, for which the Bank got prepared with its own debtor protection solutions.

RO Of the countries in which group members are operating a new moratorium was introduced in Romania to preserve the good quality of the loan portfolio.

The debtor protection programmes have been available for several years in the Group; they are used by debtors in relation to a small proportion of the total loan portfolio. A review of the programmes got under way in 2022 from the perspective of available solutions and the process itself. A video on the solutions available in the case of payment difficulties was produced and made available during the year through the Knowledge Bank channel described in the previous section.

UA The Ukrainian subsidiary made it possible for private individuals to apply for loan restructuring on-line as well. To help customers who have lost their jobs and homes they suspended the obligation to make repayments for three months after the outbreak of the war.

Proportion of past-due loans in the retail segment* (31.12.2022)				
	OTP Core		OTP Group	
Mortgage loan	HUF 118 billion	6.7%	HUF 214 billion	4.3%
Consumer loan	HUF 103 billion	7.3%	HUF 385 billion	8.7%

*more than 90 days past-due

3.3. Customer satisfaction

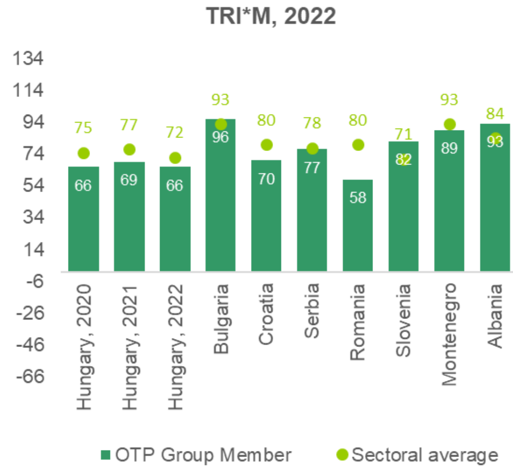
GRI 2-29 ***The OTP Group explores the needs and requirements of its customers in a variety of ways, including asking for feedback on existing or prospective products and services, integrating the findings in product and service development.***

The satisfaction of our retail customers is measured with the standard TRI*M method across the Group, which some of the member companies supplement with the NPS or the SQM methodology.

TRI*M gauges the overall satisfaction and loyalty of our own customers as well as customers of all of our major competitors, along with the main factors for satisfaction. Information is also analysed by customer segment (e.g. career starters, juniors, premium customers). We perform one measurement per year per country on a representative[33] sample of 1,000 persons. No measurement took place in 2022 because of the war and the survey was put off to early 2023 in Moldova for the same reason.

[33] Based on distribution by age, sex, education, municipality type, region. Online interviews were conducted in Hungary, Croatia, Romania, Serbia and Slovenia. Personal interviews were conducted in the rest of the countries.

OTP Bank's customer retention score was 66[34] in 2022, down 3 points year-on-year. Satisfaction also dropped – by five points from 2021 – among the competitors as well. The average TRI*M value of competitors was 72 points. Satisfaction improved among junior customers at OTP Bank, while at competitors it deteriorated, i.e. in this segment OTP Bank outperformed the average of its rivals. Due to the nature of the scale a few points' change cannot be regarded as significant.



Satisfaction with the services provided by the members of the OTP Group increased in most countries; the greatest improvements were recorded in Serbia and Romania. A slight deterioration was observed in the case of the Slovenian and the Albanian subsidiary (down 3 and 2 points, respectively). The customer retaining capability of these two banks is still significantly stronger than that of their competitors. The Bulgarian subsidiary achieved the highest level of satisfaction. Overall satisfaction with banks is still well above the regional average in Bulgaria; satisfaction with DSK Bank was at the same high level in 2022 as well. The performance of the Romanian subsidiary is significantly affected by the fact that OTP is a secondary bank for most customers and satisfaction with their primary banks is typically significantly higher. It is clear in the case of OTP Bank Romania that customers opting for OTP as their main bank have better opinions of its performance.

RU Our Russian subsidiary uses the Net Promoter Score methodology for assessing customer satisfaction. In 2022 the NPS was 19[35], 7 points up year-on-year. The bank reached its target with this score. The performance of the subsidiary is significantly influenced by the fact that, focusing on consumer credit, the Bank is typically a secondary bank for customers. The improvement in performance was enabled primarily by an increase in on-line services and accelerated processes, among other things.

OTP Bank measures customer service (Service Quality Management, SQM) in retail and MSE (micro and small enterprise) branches by contacting customers online[36]. The quality of service was nearly 88% in the retail segment and 93% in the segment of entrepreneur customers, each exceeding the targets set for 2022.

SI The Slovenian subsidiary also uses the same technique; in 2022 satisfaction with service provision at branches, and through the contact centre, was 95 percent and 90 percent, respectively.

RO The Romanian subsidiary introduced SQM measurement for customer interactions through the contact centre in 2022. Each customer giving a negative feedback is called by telephone to understand the reasons for dissatisfaction and make the necessary improvements.

3.4. Accessibility of financial services

ST9: 3-3 **Technological development creates an increasing variety of ways for doing business with customers as regards finances and the OTP Group continuously seeks for solutions for making the use of its services even more convenient for its customers with different needs and requirements.**

[34] The TRI*M score falls between -66 and +134 points.
[35] On a scale of -100 to +100.
[36] All branches are measured either on a semi-annual or on a quarterly basis. The number of questionnaires depends on the frequency of transactions in the preceding period.

Our customers typically welcome the introduction of new possibilities and regard them as positive developments.

UA Making the bank's services accessible posed a major challenge in Ukraine in the wake of the outbreak of the war but the efforts made by the personnel of OTP Bank Ukraine ensured that the Bank continuously operated even through its channels for in-person service provision, including both the contact centre and the branches. On its website and Facebook page alike, the Bank kept its customers informed on a daily basis of the list of branches open for business and operated a dedicated page on the website to communicate changes in banking services as a consequence of the war.

Remote access through digital channels

The expansion of digital channels is a continuous and long term trend. To satisfy customer needs and requirements as fully as possible the Group is expanding the range of remotely accessible services and functions. The use of the digital channels is encouraged by education as well.

OTP Bank offers a new option in relation to real estate secured loans. Comprehensive expert information is available and applications can be submitted through the video bank function. But for the conclusion of the contract, all steps of the process take place on-line or by telephone. The contracts need to be concluded at branches for the time being, owing to statutory requirements. Customers using the video bank service took positive views of the process; in their feedback they highlighted flexibility, the pleasant customer experience during the transaction and the advisors' helpfulness, for example, in filling out documents. Information on real estate secured loans was provided via video bank about 50 times a month on average in 2022.

The Bank has introduced a semi-digital account opening service for MSE customers; the contract itself is concluded at a branch office in this case as well because only a few types of business undertakings are allowed in the prevailing regulatory environment to conclude contracts on-line.

The Bank has created and tested a process minimising customer presence for corporate customers as well by setting up an account managing centre, where businesses are provided with services through directly accessible account management contact persons. The process will be made available in all regions in 2023.

Digital channels are growing more and more popular, as is indicated by the fact, for example, that the proportion of personal loan applications submitted on-line to OTP Bank increased from 30 percent at the beginning of the year to 40 percent by the end of the year.

BG HR RS ME AL DSK Bank, CKB, OTP Bank Croatia, OTP Bank Serbia and OTP Bank Albania laid particular emphasis in 2022 on boosting the use of the digital channels and on automating cash transactions (e.g. deposit ATM), through educational and promotional campaigns.

HR RS The Croatian subsidiary also introduced the video bank service and enabled on-line account opening through it – more than a thousand accounts had been opened on-line by the end of the year. Customer feedback was definitely positive in this case as well. The Serbian subsidiary also introduced its video bank service – they receive 500-1000 requests through this channel every month.

RO The Romanian subsidiary introduced on-line account opening for micro, small and medium-sized enterprises in 2022 regarding 10 different account packages.

AL The Albanian subsidiary's new on-line loan application service enables the submission of part of the documentation on-line, so customers do not have to call at a branch as many times as they had to before. The bank expanded the range of on-line payment functions as well.

The Group's objective is to broaden the range of products that are partly or fully digitally accessible, paying attention to make sure that the processes are accessible as conveniently, and for as many customers, as possible.

The Banking Group also lays emphasis on transferring the knowledge required for the use of the on-line channels. OTP Bank regularly sends educational messages, aligned to the customers' usage patterns; moreover, it also often shares such content on its own social media pages. A dedicated website shows all InternetBank and MobileBanking functions, in the form of screenshots and videos, together with useful tips for use. The bank advertised that website even through paying platforms; the demonstration of the advantages of our electronic services is also supported by external communication. We pay particular attention to providing information on methods of financial fraud. The educational messages appearing on the on-line channels facilitate secure and knowingly effected on-line financial transactions. Thanks to the Bank's efforts the number of digitally active customers has been steadily increasing.

HR The Croatian subsidiary opened its Klik web application in 2022, turning authentication into a two-factor process, thereby enhancing security. The process of asking for indicative proposals for consumer loans is also made simpler and easier in the application. The Bank plans to introduce its new mobile application in 2023.

In-branch and ATM service

The OTP Group is at the service of its customers through its extensive networks of branches and ATMs – at the end of 2022 it operated about 1400 branches (@Staff level and other information[37]). The roles of both the branches and the ATMs are changing now but branches are still major customer service venues besides the increasingly complex digital channels. Functions available through these channels are also being continuously enhanced, the ways and modes of service provision being more and more closely adapted to customers' needs and requirements.

GRI FS13 The Banking Group has the largest branch and ATM network in Bulgaria and Montenegro, and the availability of branches is outstanding in Hungary, Serbia and Moldova. As a result of the integration process we executed a major rationalisation process involving the closure of branches in Serbia in 2022; a substantial number of branches were also closed in Ukraine and Russia. 3 branches were closed in Ukraine on a temporary basis, because of the war.

OTP Bank is operating a dedicated innovation branch as well, where we continuously seek and test innovations to simplify and digitise processes for our customers so that, on the basis of their feedback, we can provide services that suit customer requirements even better.

The process of **renewing service provision at branches** is continuous within the Group. Renewal of service provision at OTP Bank's branches got under way in 2022, focusing on customer oriented dedicated consultancy based on appointments made in advance. Its most important element is deepening the relationship between bank officer and customer and the development of a long term relationship of trust while dealing with the customer.

BG RS SI Consultancy functions gain dominance anyway in cashless branches, therefore in 2022 we continued to increase the number of such branches. At end-2022 there was a total of 13 cashless branches in Hungary, 4 in Serbia and 2 in each of Bulgaria, Romania and Slovenia. Transactions involving cash can be executed in such branches through smart ATMs.

Also in line with the renewal of the customer service process we introduced at OTP Bank in 2022 an arrangement whereby customers can also pay real estate loan and building society charges and fees through POS terminals, using their cards.

Digital devices also facilitate doing business at part of the branches in Hungary.

The **remote expert system** was available at 117 smaller OTP Bank branches in 2022 for customers interested in taking out real estate loans. Residents of microregions are also provided with high standard services at branches through the system with the help of our highly experienced specialists, via videophone connection. A considerable percentage of our customers enquired in 2022 about state support possibilities.

Through the in-branch VideoBank service, customers can contact branch employees on-line from their homes. In 2022 we extended the system to provide general information for MSE customers.

The Banking Group is continuously increasing the number and proportion of ATMs because they are suitable for the provision of a wide variety of other financial services besides taking cash deposits. The amount deposited through ATMs increased in Hungary by more than 25 percent year-on-year, partly as a result of a dedicated marketing campaign.

The number of smart ATMs increased in 2022 by more than 20 percent to 330; by the end of 2023 Q1 there will be such machines in place at every single branch. The increase in the number of ATMs continued at a number of our subsidiaries; more than 1,100 (~25%) deposit ATMs are available for customers across the Group.

GRI 3-3, FS13 Owing to its extensive branch network, , OTP Group provides greater access to the population of disadvantaged regions in several countries for handling finances in person[38].

[37] In addition to the above, OTP Pénzügyi Pont and OTP Ingatlanpont have 6 and 32 customer service points, respectively, and Merkantil Bank has one branch. The figures in the referenced chapter also include the figures of the former Alpha Bank for OTP Bank Albania.
[38] For competitors, the organisation only has information on all access points.

Access points in disadvantaged regions*	Branch	ATM
OTP Bank – Hungary**		
Number of access points (as a % of the total number of access points)	67 (19%)	187 (10%)
Number of new access points (as a % of all new ones)	0 (-[39])	5 (12%)
Number of terminated access points (as a % of total terminated)	1 (25%)	5 (6%)
Change from the previous year	-1%	0%
DSK Bank – Bulgaria		
N/A – there are no disadvantaged regions defined		
OTP Bank Croatia		
Number of access points (as a % of the total number of access points)	20 (18%)	28 (7%)
Number of new access points (as a % of all new ones)	0 (-)	0 (-)
Number of terminated access points (as a % of total terminated)	0 (-)	2 (3%)
Change from the previous year %	0%	-7%
OTP Bank Serbia		
Number of access points (as a % of the total number of access points)	8 (5%)	42 (16%)
Number of new access points (as a % of all new ones)	0 (-)	2 (40%)
Number of terminated access points (as a % of total terminated)	1 (3%)	2 (7%)
Change from the previous year %	-11%	0%
SKB Bank – Slovenia		
Number of access points (as a % of the total number of access points)	15 (31%)	16 (20%)
Number of new access points (as a % of all new ones)	0 (-)	0 (-)
Number of terminated access points (as a % of total terminated)	0 (-)	0 (-)
Change from the previous year %	0%	0%
OTP Bank Romania		
Number of access points (as a % of the total number of access points)	42 (43%)	48 (31%)
Number of new access points (as a % of all new ones)	0 (-)	6 (100%)
Number of terminated access points (as a % of total terminated)	0 (-)	0 (-)
Change from the previous year	0%	+14%
OTP Bank Ukraine***		
Number of access points (as a % of the total number of access points)	2 (3%)	n.a (-)
Number of new access points (as a % of all new ones)	0 (-)	n.a (-)
Number of terminated access points (as a % of total terminated)	0 (-)	n.a (-)
Change from the previous year %	0%	n/a
OTP Bank Russia		
Number of access points (as a % of the total number of access points)	8 (7%)	8 (4%)
Number of new access points (as a % of all new ones)	0 (-)	2 (12%)
Number of terminated access points (as a % of total terminated)	5 (19%)	3 (12%)
Change from the previous year %	-38%	-11%
CKB – Montenegro****		
Number of access points (as a % of the total number of access points)	0 (0%)	2 (2%)
Number of new access points (as a % of all new ones)	0 (-)	0 (-)
Number of terminated access points (as a % of total terminated)	0 (-)	0 (-)
Change from the previous year %	0%	-33%
OTP Bank Albania		
N/A – there are no disadvantaged regions defined		
OTP Banka Moldova****		
Number of access points (as a % of the total number of access points)	5 (-)	14 (9%)
Number of new access points (as a % of all new ones)	0 (-)	2 (7%)
Number of terminated access points (as a % of total terminated)	0 (-)	0 (-)
Change from the previous year %	0%	+180%

* Sub-regions and districts defined as such under the laws of each country, determined according to social and demographic indicators, and indicators related to housing and living conditions, the local economy and labour market, infrastructure and the environment.
** At this time, the branches/offices of OTP Ingatlanpont, OTP Pénzügyi Pont, OTP Merkantil and OTP Faktoring are not present in disadvantaged regions.
*** As a result of the war, no reliable statistics are available on the current populations of cities and towns – therefore the subsidiary could not report data.
**** The classification methodology has changed. As a consequence of the change, a number of towns and villages were shifted into the disadvantaged category in Moldova.

3.5. Accessible customer service

ST9: 3-3 ***Even as we specified in our accessibility strategy, we are making efforts to provide equal access for persons with disabilities through service provision adapted to their special needs.***

OTP Bank's branch personnel participated in mandatory on-line sensitising training in 2022, with contribution from the civil society organisation for inclusion called Egy sima egy fordított – Egyesület az Inklúzióért. A total of 89 percent of the approx. 4,000 employees concerned had completed the training by the end of the year. The Bank made the training material available for the headquarters employees as well and encouraged the completion of the training through an internal campaign. A three-hour in-person sensitisation training was

[39] None, not applicable.

delivered in 2022 to smaller group of administrative employees working in the Bank's busiest branches. The participants gave highly positive feedback on the training.

MKB carried out mystery shopping at branch offices during the year, to test accessibility, finding that staff members are very helpful when it comes to dealing with persons with disabilities. The identifiability of special service needs is particularly important because in cases where the customer's involvement was not obvious, the Bank's employees were less able to provide the required assistance. The characteristics of the various disabilities and the applicable methods of communication were summed up for the employees based on the lessons drawn from the mystery shopping exercise. An aggregated tutorial was prepared regarding the means and methods of communication our employees can rely on when providing banking services for customers with various disabilities.

Specialists were engaged in designing and reviewing the accessibility of digital platforms. From the results of the research we set ourselves an aim of making sure that regardless of the type of the disability, or the age, or the schooling attainment, of the customer concerned, the platforms and functions should be equally understandable for all. Implementation is also facilitated by the availability of the widest range of concrete format proposals, supporting functions that can be integrated and communication channels.

Our customers were provided with services with the help of the following already proven means and instruments:

We assist our customers with reduced mobility as follows:

- Physical accessibility is provided in all branches in Hungary, with one exception[40]. All branch offices are barrier-free in Slovenia. With the exception of the Serbian and Albanian subsidiaries, more than 50% of the branches at our subsidiaries are accessible for people with reduced mobility. 78 percent of the branches of the Banking Group are accessible for customers with reduced mobility.
- We also strive to make ATMs wheelchair accessible.
- The OTP Bank website supports one-handed use.

We assist our blind and visually impaired customers as follows:

- There is a tactile push button on the branch ticket dispenser at every branch of the parent bank with ticket dispenser, to enable our visually impaired customers to signal their arrival. A tactile strip helps locate the push button and navigation is assisted with Braille signs. The same solution is available in almost all branches of our Russian subsidiary.
- Tactile guide strips are available in 138 OTP Bank’s branches, while all of our Russian branches have a tactile sign at the entrance.
- Nearly all of our ATMs feature Braille script at Group level. The number of ATMs equipped with text-to-speech software increased at OTP Bank: 1,059 terminals (57%) switch to speech mode automatically when earphones are plugged into the device. Some ATMs of our Moldavian subsidiary also provide audio assistance.

We assist our hearing impaired customers as follows:

- In Hungary, KONTAKT Interpreter Services can be used by customers in 167 branches; this service enables a sign language interpreter to assist with administrative tasks in the branch through live video chat. Experience shows that the rate of its utilisation is rather low therefore we aim to raise awareness, and increase the use, of this particular service in 2023. This option is available to customers in 24 branches of our Serbian subsidiary.
- We equipped 109 designated branches of the parent bank with mobile amplifiers for customers using hearing aids.
- Two branch employees from each of OTP Bank’s larger branches in Budapest and at county seats have now attended sign language training to learn basic sign language as well as specific banking phrases.
- 29 branches of the Serbian subsidiary have employees with sign language skills.

Digital accessibility has been implemented most extensively at OTP Bank and Merkantil Bank[41]. The Web Content Accessibility Guidelines – WCAG 2.1 "A", and in some cases "AA" level recommendations – were taken into account in the design and development of the website and in content editing, to facilitate navigation with alternative devices as well as the use of text-to-speech software. "AA" level conformity is our target for the InternetBank function. An even higher level accessibility is planned to be accomplished in

[40] Accessibility is not feasible at this branch due to the listed building regulations and the characteristics of the building and its environment (there is a significant height difference between street level and the branch floor level, connected by stairs).
[41] The company only has a website.

the case of the mobile application. Wherever feasible, our target is the "AAA" level. Verification of the conformity of earlier implemented InternetBank and MobileBank functions has got under way. OTP Lakástakarék, OTP Otthonmegoldások and OTP Alapkezelő are planning to factor in accessibility considerations right from the design stage in the next due renewal of their websites. These are the Hungarian subsidiaries of the Group where accessibility is the most relevant for service provision.

The foreign subsidiaries have implemented, for the most part, partial digital accessibility.

HR The Omoguru widget (mini app) is operating on the website of our Croatian subsidiary; it helps customers suffering from dyslexia and reading difficulties understand the content of the website. The InternetBank and the MobileBank services comprise functions facilitating access for visually impaired users.

RS, BG, SI The digital platforms of our Serbian subsidiary include functions for visually impaired users to help them understand the processes and they plan to subtitle their videos in the future. DSK Bank's website is accessible for visually impaired users. The website and the InternetBank function of the Slovenian subsidiary does not support automatic display change. The Romanian subsidiary's platforms are also partially accessible.

RU The Russian subsidiary offers a variety of options for intellectually disabled customers.

4. ETHICAL BUSINESS PRACTICE

GRI 3-3

Impacts: *Compliance awareness; tax payment; prevention of money laundering, anti-corruption activities and non-discrimination*: through our practices we affect the reliability of the financial sector, our employees' standards of ethics, their morale, and the prevalence of (financial) crime in general.

Data security: secure processing of data affects our customers' material welfare as well and we also influence the general levels of financial crime.

The greater our weight in the market, the greater impact we may have; by introducing good practices however, even a smaller market participant can have a pull effect on the sector.

Objectives: Maximum legal compliance, ethical operation

Prevention of corruption and money laundering, investigation and management of detected cases

Comprehensive, quick and fair customer complaint management

The best possible protection of the data and IT systems of our customers

Proper payment of our tax liabilities

Acts: Operation of compliance officer network

Further development of the system in place for internal communication of information on changes in the relevant legislation

Establishment of minimum compliance standards to be met by all members of the Group

Development of the sanctions pre-screening function

Operation of Code of Ethics and whistleblowing system

Fair complaints handling

Internal cyber security audits

Security awareness raising among customers/residents and employees

Continuous development of security systems and work processes, training of our employees

Stakeholder engagement/compliance: Cooperation with financial control/supervisory/audit bodies and authorities, and the police, in relation to the prevention and detection of crime. Complaint management, and cooperation with the Financial Arbitration Board.

For our core principles and comprehensive objectives relating to compliance[42] and security, see @our website).

4.1. Compliance and adherence to laws and regulations

GRI 3-3 ***We consider it a fundamental principle to adhere to the law, international standards and norms and ethical requirements.***

GRI 2-13 Under our group level Compliance policy, we must place emphasis on the prevention of breaches of compliance at all times. When an action or incident constituting a breach nevertheless occurs, we take appropriate and effective measures in order to address it. We are operating a group-wide compliance officer network. The Head of Compliance reports on compliance quarterly to the Bank's Board of Directors, and annually to its Supervisory Board. An abstract of the policy is accessible on the Bank's @website.

A competition law policy was prepared in 2022, which is also accessible here @website.

We are continuously monitoring the EU regulations and changes taking place in the regulatory environment (including the requirements of the European Banking Authority (EBA), the European Securities Market

[42] Compliance with legislative requirements and international norms and standards on ethical business conduct

Authority (ESMA), the European Central Bank (ECB)) and process pieces of legislation applying to the Banking Group and/or its operation.

In line with the recommendation made by the MNB on the basis of its comprehensive audit OTP Bank has modified **its system for the internal communication of information on changes in legislation**. Every internal regulation officer of the Bank has, since 2022, been immediately notified of the release of the summary of changes in legislation. In this way they are able to more quickly respond to changes in legislation.

After the introduction of the single compliance policy we identified the **identical minimum standards to be met by all members of the Group** and the areas where the same practices are to be applied across the Group. Such minimum standards are continuously communicated to the subsidiaries in a prioritised order. The first package was introduced in 2022 regarding customer protection on the one hand (including complaint monitoring, consumer protection audits and the management of requests from the supervision) and the areas ensuring capital market compliance on the other hand. In capital market compliance the integration of two internal software functions enable more effective insider trading and market monitoring activity and personal transaction controlling.

The first line of defence was reinforced by introducing the World-Check On-line service supporting **sanctions pre-screening** and the checklist supporting the evaluation of the screening results, across the Group. OTP Bank's relevant employees are provided with intensive training in relation to sanctions pre-screening.

During the **compliance risk assessment** performed annually in two separate cycles, we did not identify any high risks in 2022 that would require group level action. The assessment of ethical and corruption risks is also part of the risk assessment process. The result of the assessment is forwarded to the Group Operational Risk Management Committee and it is also a part of the annual Compliance Report. Where high-risk areas are identified, we expect the relevant functional areas to draft and implement action plans. The compliance risk assessment system is supported by an IT application. Of the risks assessed at OTP Bank in 2022the highest risks were identified in the case of consumer protection, conflicts of interest and transactions under sanctions/sensitive transactions, while in the second half of the year the highest risks were identified in incentive management regulated by MiFID2 and the Chinese Wall. None of them exceeded, however, the level above which an action plan would have had to be prepared.

Enhancing compliance awareness

ST13: 3-3, 2-15 Training the employees – based on identical principles across the Group – is one of the key elements of enhancing compliance awareness. The training of the employees is monitored and where deficiencies are identified, arrangements are made to update or transfer knowledge, as necessary. Special training courses are also provided on a continuous basis with a focus on specific compliance topics.

Mandatory compliance trainings at OTP Bank:

- Compliance orientation material – Content: compliance function and organisation, ethics and conflicts of interest, personal transactions, market abuse, "Chinese wall" rules – Timing: a mandatory requirement for every newly hired employee when they come on board.
- Compliance I training material – Content: compliance risks and policy, Code of Ethics, non-discrimination and conflicts of interest, forms of insider trading and market abuse – Timing: annual refresher
- Consumer protection training – Content: main rules and their application, damage to reputation, customer loss, avoidance of consumer protection fines – Timing: annual refresher
- Data protection training – Content: the importance of data protection, data protection organisation at the Bank, processing of personal data, data impairment – Timing: annual refresher
- Risky transactions – Content: transactions under sanctions and sensitive transactions – Timing: annual refresher

The compulsory training courses are followed by tests in which a score of at least 70% is required. Failure to complete the training may – after several warnings – result in consequences under the labour law.

Compliance awareness raising took place at OTP Bank through the following channels:

- A series of articles on the internal communication portal (Intranet): in 2022 on the Framework for reporting unethical conduct, the Code of Ethics, reporting of ethics infringements, Gift Policy and Social Media Policy.
- Newsletters for the Compliance Officer Network
- Compliance Officer Forum: SharePoint based IT platform with important information, training materials and newsletters.

- Compliance Officers' Professional Conference: annual professional training with a focus on key compliance topics, current matters, changes in regulations, best practices, discussion of case studies. 95 percent of the participants said that the information shared during the conference contributed to the growth of their compliance awareness.
- An e-learning course was delivered on insider matters.

In addition to the generally applied practices:

BG The Bulgarian subsidiary delivered targeted compliance training courses in 2022 on subjects including sanctions, conflicts of interest and data protection.

HR The Croatian subsidiary joined the code of ethics – issued by the Ministry of Economy – on the transition from the kuna to the euro.

AL The Albanian subsidiary delivered an intensive compliance training course after the merger for the former Alpha Bank employees. An awareness raising campaign was conducted among employees concerning the importance of reporting of ethical offences.

Code of Ethics and reporting of ethical offences

GRI 2-23, 2-24, 406: 3-3 The basics and principles of ethical business conduct is summed up in the Code of Ethics. The Code was supplemented by matters of relevance to ESG *inter alia*, in 2022. All employees were notified of the changes.

GRI 205-2 All new employees, executive officers and sales agents must sign our Code of Ethics; moreover, its acceptance is a mandatory element of the supplier contracts at OTP Bank and a number of subsidiaries. Some of the Banking Group members run dedicated training courses about the Code of Ethics. Completing this course is mandatory for new hires and sales agents within a certain time limit from starting to work. Both the Code of Ethics and conflict of interest are compulsory parts of the annual compliance training;

GRI 2-26 Every bank of the OTP Group operates a whislewblowing system. The conditions for filing whistleblowing reports and the relevant contact information is provided in the publicly available Codes of Ethics on the Banks' websites, and additional detailed information is provided on the parent bank's website in a separate document entitled @OTP Bank Plc.'s whistleblowing system. Such reports can be filed in each country in its official language. Reports received by complaint management regarding matters of relevance to the Code of Ethics or the Bank as a whole are transferred to the Ethics Department on the basis of a separate rule. OTP Bank tested this process in 2022 and the complaint management department was provided with specific targeted training to prevent shortcomings. This resulted in an increase in the number of report on ethics offences.

A total of 198 notifications were made in the Group in 2022 through the ethics hotlines, more than two and a half times the number of notifications recorded in the preceding year as a consequence of an increase in the number of cases at OTP Bank. Together with cases carried over from previous years, a total of 203 reports were closed, of which only 79 cases were qualified as ethical issues. Ethical offences were identified in 12 cases, nine of which had occurred at OTP Bank, one at DSK Bank, one at SKB Bank and one at OTP Faktoring – i.e. no large number of cases occurred at any particular Group member. One case of harassment was reported at DSK Bank. It was found to have been well-founded. Disciplinary action was taken against the employee who had perpetrated the harassment.

Discrimination is prohibited by the Code of Ethics. The Bank is making efforts to create a working environment in which individual differences are accepted and appreciated. Any negative discrimination based on a person's actual or perceived characteristics or traits is prohibited.

GRI 406-1 Four reports relating to discrimination were submitted at OTP Bank, three at the Romanian subsidiary. Each of the seven cases were investigated by the companies concerned – none of them was well-founded.

GRI 410-1 78 percent of the security guard personnel employed through subcontractors are provided with training on the Code of Ethics – including requirements pertaining to human rights – across the Group. Such training is fully provided at OTP Bank and the Albanian, Moldavian, Russian, Montenegrin, Croatian, Serbian and Ukrainian subsidiaries. No such training is delivered at the Bulgarian and the Romanian subsidiary. In Slovenia the employer of external security guard personnel accepts the Code of Ethics as binding on itself and provides for its observance. As many as 88 percent of the security guard personnel – including security service staff employed by the bank – are provided with training on the Code of Ethics.

Anti-corruption activities

GRI 205: 3-3 The OTP Group is committed to combating corruption, and declared zero tolerance towards all forms of bribery and the gaining of unfair advantages as part of the Compliance Policy, attached to which is the @Anti-corruption policy. The policy lays down the principles of the Group's anti-corruption activity, identifies the areas particularly exposed to the risk of corruption and serves as a core document for the formulation of the regulatory documents required for the Banking Group's anti-corruption efforts and for the anti-corruption activity of the employees concerned. The basic principles and provisions laid down in the policy are applicable across the whole of the organisation of each group member, fully covering all facets of their operations from the drafting of their internal regulatory documents, to the contracts to be concluded with their partners, to all actions of every individual employee, in all of the activities of the group members. The scope of the policy covers all employees and contracted partners of the group members as well as all other persons participating in the performance of their activities in any way.

GRI 205-2, 2-15 OTP Bank's Code of Ethics also defines and prohibits all activities involving, or relating to, corruption and lays down rules relating to gifts. The annual compliance training covers the fight of corruption as well, via the Code of Ethics. About 98 percent of the contractual partner were provided with information on the relevant provisions of the Code of Ethics and the Anti-Corruption Policy during the year – either directly or on the websites of OTP Bank and its subsidiaries[43].

GRI 205-1 As part of compliance risk assessment the Banking Group also carried out a corruption risk assessment in 2022. The risks of corruption were assessed at 540 (84%) of the 640 organisational units[44] of the Group. The risk of corruption is low; a modest risk was identified in some special segments (e.g. in the management of large corporate customers).

GRI 205-3 There was no confirmed incident of corruption or any public legal case involving corruption in the Banking Group in 2022.

Thanks to targeted awareness raising and the warnings awareness regarding the accepting of gifts improved considerably at the relevant divisions of OTP Bank in 2022. Employees reported a total of 653 gifts in 2022 (2021: 382). OTP Bank plans to send a so-called transparency letter from 2023 to its partners in relation to its organised events to inform them of the value of the invitation and of the fact that the event concerned is aimed at strengthening business relationships.

Lobbying

It is predominantly through the Hungarian Banking Association and the Association of Investment Service Providers that OTP Bank participates in the reviewing of legislation concerning the financial sector and coordinating that review process. It also takes part in the work of the Corporate Governance Committee of the Budapest Stock Exchange.

In 2022 we expressed our opinion for example on matters of relevance to the regulation of electronic documents, topics relating to the preparation of the new legislation on the land register, ESG compliance and bank digitalisation, along with legal regulations on the extra profit tax, the interest stop and moratoriums, through the Hungarian Banking Association. We also participated in the cooperation aimed at facilitating the Banking Association's lobbying activity, in the form of expressing our opinion on draft EU regulations and proposals on matters involving the Bank/Banking Group.

Foreign subsidiaries are also members of local banking associations, while our Croatian subsidiary participated in public consultations organised by advocacy organisations.

Supplier qualification

Suppliers are pre-qualified by OTP Bank if the value of the procurement is expected to exceed a gross amount of HUF 1 million or, in the case of IT procurements, HUF 3.6 million. The pre-qualification system requires that the supplier has no public debts and that it complies with statutory requirements regarding health, security and environmental protection. Sanctions screening was integrated in the qualification process in relation to the war in Ukraine. The extensive pre-qualification system was introduced in 2022 at SKB Bank, in Albania and at DSK Bank. Minimum pre-qualification standards were introduced at the other subsidiaries.

[43] Exceptions are a few small subsidiaries which do not have websites.
[44] The number of the organisational units of only the companies that participated in the assessment. Corruption risks were assessed among subsidiaries subject to consolidated supervision with OTP Bank Plc., covered by the group governance function of OTP Bank Plc.'s Compliance Directorate.

At OTP Bank the handover of the data protection requirements and the data protection templates was brought forward to the beginning of the procurement process so that partners and suppliers can review them in an early phase of procurement.

GRI 2-6, 205-2 The procurements of the OTP Group are related primarily to making sure that the requisites for the performance and sale of services are available. OTP Bank's procurement policy declares the requirement of responsible and ethical conduct on the part of suppliers (see above, Anti-corruption activities). OTP Bank cooperated with as many as 4,564 suppliers in 2022. The OTP Group had approx. 20,000 suppliers. The procurement strategy assigns special significance to sustainability considerations. The aim is to maintain business relations only with suppliers and entrepreneurs that undertake environmental and social responsibility in compliance with Hungarian and international treaties, standards and laws. The environmental aspects of procurements are listed in the Bank's Environmental Policy. Details on our procurement principles are available on @our website.

Proceedings by authorities, and other legal procedures

GRI 2-27 There were 3 major[45] cases dealt with by authorities/legal cases involving the Banking Group in 2022, two of which were closed and one remained pending:

- The decision closing the comprehensive audit started by the MNB in 2021 was handed over to OTP Bank and its domestic subsidiaries in September 2022. In the wake of the comprehensive audit OTP Bank was fined HUF 55 million and the subsidiaries (Merkantil Group, OTP Lakástakarék, OTP Faktoring, OTP Jelzálogbank, OTP Ingatlanlízing) were fined another HUF 34 million, for shortcomings relating to IT security, credit risk, capital adequacy, corporate governance, supervisory data supply and deposit insurance, *inter alia*.
- OTP Bank Serbia was fined HUF 7.5 million by the National Bank of Serbia because its organisational structure did not adequately guarantee the prevention of conflict of interests, and transparent and documented decision making, in relation to the members of the managing bodies, and employees in managerial positions.
- Interchange case – procedure pending in 2022. The Hungarian Competition Authority (HCA) fined OTP Bank HUF 281 million in the so-called interchange fee case (together with Mastercard, Visa and some other banks) in 2009. OTP Bank challenged the decision before the court: by its final and binding judgement the court of the second instance annulled in March 2017 the HCA's decision, whereby it fined the Bank and ordered the HCA to conduct a new proceeding. That decision was upheld by the Curia and thus the year 2009 decision levying the fine was annulled for good. The amount of the fine paid by the Bank had already been repaid by the HCA. The competition authority instituted a new (repeated) competition supervisory proceeding against the entities concerned in June 2021, which was still in progress in 2022.

The thematic audit of the moratorium was closed by the MNB without charging fines in the case of OTP Bank, OTP Jelzálogbank and OTP Lakástakarék alike. The MNB found infringements to have been committed by the Bank and OTP Lakástakarék but levied no fine because of they were minor infringements and were adequately and proactively taken care of.

GRI 206-1 In 2022 the Romanian competition authority launched onsite inspections at 10 Romanian banks including OTP Bank Romania on account of their presumed conduct relating to the 3-month ROBOR (Romanian Interbank Offer Rate). The investigation has not been closed yet.

[45] Major case: the fine charged in one case, or in multiple cases in aggregate, equals at least HUF 10 million. Cases in which no fine is charged are essentially not categorised as major cases, but our member companies may decide otherwise.

GRI 2-27, 206-1, 417-2, 417-3 **Closed proceedings by authorities, and other legal procedures, fines paid, 2022**										
	OTP Bank					OTP Group				
	All closed cases	All cases closed with fines	Fine paid	Fine charged for practice applied in 2022	Fine charged for practice applied in earlier periods	All closed cases	All cases closed with fines	Fine paid	Fine charged for practice applied in 2022	Fine charged for practice applied in earlier periods
	No. of items		HUF millions			No. of items		HUF millions		
violation of competition rules*	0	0	0	0	0	3	3	0**	0	0
violation of consumer protection rules	29	13	3.9	3.9	0	229	35	11.8	7.4	4.3
violation of rules on equal opportunity (not under the labour law)	0	0	0	0	0	0	0	0	0	0
supervisory procedures	6	2	57.2	57.2	0	24	13***	119.8	99.8	20.0
violation of IT security / Cyber security rules	0	0	0	0	0	0	0	0	0	0
violation of taxation rules	1	0	0	0	0	6	4	0.2	0.1	0.1
violation of environmental rules	0	0	0	0	0	0	0	0	0	0
violation of marketing communication rules	0	0	0	0	0	0	0	0	0	0
violation of information provision rules	0	0	0	0	0	0	0	0	0	0
violation of data protection rules	5	2	32.0	32.0	0	17	5	34.2	33.0	1.2
other proceedings	0	0	0	0	0	79	70	20.3	11.8	8.6
Total 2022	**41**	**17**	**93.1**	**93.1**	**0**	**358**	**117**	**186.3**	**152.1**	**34.2**
Total 2021	25	12	17.5			452	74	76.4		
Total 2020	26	9	16.1			168	66	83.3		
Total 2019	33	14	136.2			2,521	71	265.4		
Total 2018	42	12	1,439.7			579	118	1,502.2		

There may be a significant cross-country difference between the administrative practices applied; hence the significant differences between the numbers of procedures.
Data were presented in earlier years in a different way (in accordance with the GRI Standards 2016 requirements), therefore comparability is limited.
* Also includes breaches of antitrust and anti-monopoly rules.
** The case was converted into a court case; that is why no fine was paid.
*** Six of these are the above mentioned MNB fines, shown in this table at the group members concerned.

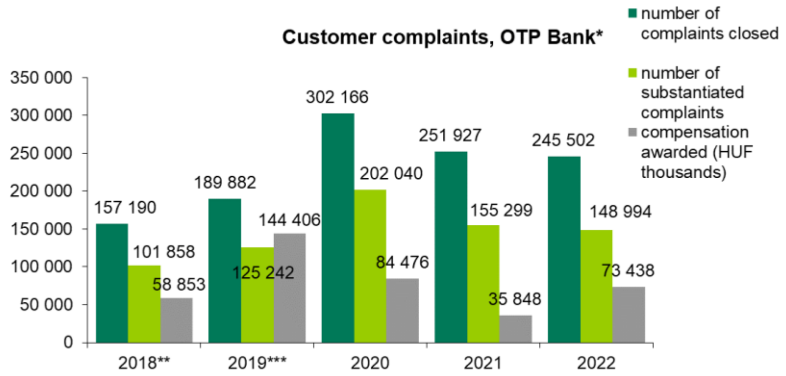
4.2. Complaint management

GRI 2-25 **We strive to achieve error-free customer service; we investigate and address the reported complaints. We aim to prevent complaints by continuously improving our practices. We are continuously improving our complaint management system.**

GRI 2-13 The regular (typically semi-annual) reports on complaints and their handling are also received by the top managers of our member companies. In order to prevent complaints, we assign great significance to the continuous training of our employees. In Hungary, we strive to investigate complaints faster than prescribed by legislation, and we aim to reduce response times.

The range of the types of complaints that can be promptly resolved (in the case of which solutions, that are accepted by the customers as well, are immediately provided for the customers' claims) continued to be expanded at OTP Bank. A function for responding by e-mail was created for our customers who can be identified by e-mail address, thereby accelerating the procedure. E-mail messages on the status of their complaints are sent to customers. In the case of errors affecting multiple customers, or in the case of losses of larger amounts, the issue is notified to the division concerned and the progress of rectification is monitored.

RO BG Measurements of customers' satisfaction with complaint management are conducted at OTP Bank and the Romanian subsidiary. The Bulgarian subsidiary plans to introduce measurement of satisfaction with complaint management in 2023. The results of the satisfaction measurements are monitored. According to our customers' feedback the way and effectiveness of complaint management is in the adequate range.



* OTP Bank, OTP Jelzálogbank, OTP Lakástakarékpénztár
** In 2018, compensation does not include reimbursed transaction amounts while they were shown in previous years.
*** In 2019 we modified our procedure due to the legislation on prompt crediting. This causes the substantial difference between 2018 and 2019 data.
No complaint received regarding accessibility. No data for now on complaints regarding the transparency of the product structure.

The subsidiaries also enhance their practices continuously in order to improve complaint management; the enhancement of employees' competencies is supported by trainings and consultations. The requirements and best practices relating to complaint management, and the operational recommendation for foreign subsidiaries were updated in 2022.

Complaints handling procedures and definitions are being standardised across the Group and as a result, the data content of complaints handling gradually become more consistent. However, as cultural attitudes and financial literacy differ from country to country and shape customers' complaint reporting habits, customer complaints data from different subsidiaries are not comparable.

Customer complaints	OTP Group				
	2018**	2019	2020	2021	2022
Number of complaints closed	N/A	N/A	589 thousand	513 thousand	537 thousand
Number of substantiated complaints	N/A	N/A	358 thousand	274 thousand	294 thousand
Compensation paid (HUF million)*	170	367	188	131	8,240***
Amount of compensation per warranted complaint (HUF)*	1,100	2,300	500	480	28,030***
Total number of complaints relating to accessibility	N/A	N/A	N/A	N/A	2
Number of complaints related to product structure transparency	N/A	N/A	N/A	N/A	12,751****

* OTP Bank Croatia and OTP Bank Russia were unable to provide compensation figures.
** In the case of OTP Bank, reimbursed transaction amounts are excluded from the compensation total in 2018.
*** HUF 7,947 million of the damages was paid by the Montenegrin subsidiary. For details, see subsection @4.4.
**** 12,650 of which were registered by the Russian subsidiary; this included all complaints received in relation to the operation of the product.
They do not keep records of complaints relating to accessibility, therefore the Russian, the Romanian and the Montenegrin subsidiary, and the Financial Point, could not provide such data. No data could be provided regarding the transparency of the product structure by OTP Bank, the Romanian and the Montenegrin subsidiary and the Financial Point.

Typical complaints, questions

Other than complaints related to banking transactions (charges, fees, loan disbursements), unapproved payments were the most frequent subjects of complaints at OTP Bank in 2022.

BG At the Bulgarian subsidiary most questions and complaints were about changed credit card limits, disputed on-line card transactions and banking charges.

RS At our Serbian subsidiary most questions and complaints were related to monthly charge calculations, the new mobile application and the repayment and restructuring of loans.

SI At the Slovenian subsidiary most questions were about on-line card transactions, digital fraud, deceptions and transactions that failed because of the war in Ukraine.

RO At our Romanian subsidiary most questions and problems had to do with card and current account transactions, OTPdirekt log-in attempts and the introduction of Google Pay and Apple Pay.

RU At our Russian subsidiary most questions and requests were about loans past-due and contract terms and conditions.

UA At our Ukrainian subsidiary most questions related to the war: suspension of loan repayments, restructuring, cash withdrawal and transfers abroad.

ME Most of the questions received by the Montenegrin subsidiary were about detected frauds (see subsection @4.4).

MD Most of the questions received by the Moldavian subsidiary concerned cash withdrawal and the balances appearing in the mobile application.

4.3. Financial supports

GRI 201-4 In 2022, the Banking Group received grants in four countries. Six subsidiaries of OTP Bank received grants in Hungary. The Merkantil Group was awarded EDIOP Labour market adaptation grant in relation to 240 employees, while MONICOMP was granted R&D grant. Nagisz Zrt, HAGE Zrt, Nemesszalóki Mezőgazdasági Zrt. and Nádudvari Élelmiszer Kft. were provided a total of HUF 1.8 billion in investment, agricultural and animal welfare subsidies. The Bulgarian and the Slovenian subsidiary received state aid for financing their electricity costs. The Croatian subsidiary and the Slovenian subsidiary received support for a trainee program, and for the procurement of COVID rapid tests, respectively.

GRI 201-4 **Financial assistance (HUF millions)***					
	2018	**2019**	**2020**	**2021**	**2022**
Hungary	0	167	50	1,248	2,364
Bulgaria	0	0	0	74	721
Croatia	0	3	5	7	5
Romania	0	3	14	8	0
Slovenia	0	0	0	0	74
Total	**0**	**173**	**80**	**1,337**	**3,164**

* The tax allowance granted on the basis of the Hungarian Banking Group's sponsorship of spectator team sports and performing arts are not included here as it cannot be interpreted as financial assistance received by the Bank.

4.4. Secure operation

Safe and secure operation is a priority for out Banking Group. With that in mind, we assess and manage operational risks and ensure that we are strongly protected against fraud attempts. What with the expansion of IT services, IT and cyber security are becoming more and more important in the operation of our companies. In particular, fraud management and prevention has become crucially important.

IT, cyber and bank security framework

GRI 2-13 The IT and Bank Security Directorate reports annually on the security situation to the Board of Directors and Supervisory Board. It is a fundamental principle of OTP Group that the primary purpose of our measures is to prevent and inhibit security incidents. The principles and main guidelines concerning security at the Bank are set out in the Security Policy. The Information Security Policy defines, inter alia, the theoretical objectives and application areas of information security, the principles of risk assessment, the requirements of compliance and those of the security awareness training, and confirms the Bank's commitment to the continuous enhancement of the information security management system. IT security also includes cybersecurity. 2022 saw the elaboration of the Group Information Security Policy which will enter into force at the beginning of 2023 and which will be introduced by the foreign subsidiaries in 2023. In 2022 we executed the Banking Group's first Cyber Defence Programme, aimed at mitigating risks from the cyber space primarily by the provision of group-wide services.

The details of information security risk management are laid down in the regulation on the regime of IT logical risk analysis. The methodology of risk analysis was profoundly renewed in 2022, therefore the mandatory biannual risk analysis will be carried out in 2023 on the basis of the new method. In the case of newly introduced systems, before going live we conduct an annual vulnerability test for IT systems classified into the two highest-level security classes; moreover, vulnerability tests are performed on a weekly and/or monthly basis for the supporting operating systems. Our independent organisational units vested with audit rights conduct an internal audit on compliance with IT security objectives, the implementation thereof, and the successful adoption and maintenance of the requirements. IT security maturity assessment is carried out at our foreign subsidiaries once a year, their results are summed up in executive summaries.

To effectively maintain information security we cooperate with the National Cyber Security Centre of the Special Service for National Security.

The scale of the cyber security incidents is indicated by the fact that we investigated some 35 thousand alerts and 2100 data leaks, and managed 185 data phishing campaigns.

Protection of customers' personal data

GRI 418: 3-3 Protection of the customers' data is one of the most important dimensions of secure operation. Data protection and the protection and confidential processing of the personal data of customers are a basic and indispensable condition for the reliability of the Banking Group.

The protection and processing of personal data are also a part of our Compliance Policy, in which the regular assessment of risks and the maintenance and improvement of awareness are also discussed. The Banking Group applies the most modern solutions continuously for data processing and data security and in order to prevent data leaks.

At OTP Group banks, dedicated data protection officers and data owners are responsible for ensuring compliance with the data protection requirements (e.g. supervising personal data processing, principle of data minimisation, the processing of high-risk data). To this end, data owners participate, for instance, in annual professional training courses and in 2022 we organised a conference for data protection officers at OTP Bank which was also attended by the domestic members of the Group. The directive on the protection of personal data was renewed in 2022 on the basis of a process approach and the new directive was introduced by the domestic group members as well.

We naturally provide our customers with complaint handling channels for the event of fraud suffered as a result of the data sharing practices of OTP Group, while suspected ethical offenses (including human rights offenses) can also be reported via our whistleblowing system.

Of the justified data protection complaints received from external parties at OTP Group, 118 complaints involved OTP Bank Croatia, where personal data were disclosed to unauthorised persons due to the negligence of branch employees.

GRI 418-1 Abuse of personal data										
	OTP Bank					OTP Group				
	2018	2019	2020	2021	2022	2018	2019[1]	2020	2021	2022
number of substantiated complaints by external parties	0	0	3	0	0	11,035[2]	33	20	277	128
number of complaints by regulatory authorities	0	0	6	0	0	15	23	35	22	23
number of breaches of customer privacy	6	0	0	0	0	44	1,045	29	61	31
No. cases in which data were stolen	0	0	0	0	0	0	1	2	17	0
number of times data were lost by the organisation	0	0	0	0	0	1	1	2	0	1

[1] The Ukrainian subsidiary was unable to supply data.
[2] 99% are complaints associated with OTP Bank Russia.

There is a considerable risk in on-line abuse based on deceiving customers – in such cases the customers themselves disclose their own confidential data (see the next heading). In 2022 we started a comprehensive revision of the process in place for the management of cases of abuse involving payment services, by carrying out the necessary organisational changes with effect from 2023.

In addition to the Banking Group's high degree of preparedness and our employees' security awareness, **our customers' security awareness also needs to be raised.**

OTP Bank is continuously working on developing customer education techniques. 2022 saw the launch of research on frauds aimed at stealing money from bank accounts. The main objective of this is to form a picture of the security awareness of an average Hungarian citizen regarding banking fraud to make it possible to identify points and methods for maximising the effectiveness of education.

Moreover, we increase our communication activity when a new form of criminal behaviour is encountered – we immediately issue press releases, make interviews drawing attention to threats and send electronic direct marketing (eDM) mails to our retail customers. Both on our website and in the InternetBank we use chatbots to inform customers of phishing/abusive activities, safe and secure banking, debit card security and conscious borrowing. Tutorial videos will be produced in 2023.

The subsidiaries whose customers fall victim of crime in typically higher proportions – primarily the Russian and the Bulgarian subsidiary – lay particular emphasis on raising their customers' security awareness.

Awareness raising campaigns are conducted in Russia also in cooperation with the investigation authorities as well as other public bodies. Thanks to these efforts security awareness among the subsidiary's has increased and as a result of this and the bank's security measures the customers' losses stemming from criminal acts committed against them have decreased substantially.

BG The Bulgarian subsidiary draws its customers' attention to, and educates them regarding, information security, in tutorial videos, on its website and in the social media. The Bank also participates in a campaign – in cooperation with the Bulgarian Banking Association – focusing on the subject of IT fraud.

HR SI In cooperation with the Croatian Banking Association and the Slovenian Banking Association the subsidiary banks also participate in the awareness-raising activities of the European Month of Cyber Security.

AL The Albanian subsidiary has implemented a social media campaign concerning secure on-line payment. The aim was to draw customers' attention to unsecure websites. Customers are also provided with information materials together with their new bank cards with advice regarding conscious on-line purchases and subscriptions.

Security incidents and their management

A considerable number of criminal acts or attempts are committed **against customers** by way of deception year after year. These cases have included, in particular, data phishing, abuse involving payment services by means of social engineering (psychological manipulation), fraud with the help of the information system, cases of fraud where customers are prompted to transfer money or otherwise. The amount of the damage caused to the bank's customers by such crimes increased significantly in comparison to the preceding year.

The most frequent methods of fraud in Hungary were various forms of phishing, including the navigation of customers to fake websites (e.g. counterfeit OTP internetbank page, fake websites of other businesses), by phone calls made on behalf of the Bank or by fraudulent advertisements. The Bank notified the competent authorities about the fraud and its attempt and conducted consultation and coordination with them to facilitate effective detection of cases.

In the course of card-related attacks the sharing of important information was extremely helpful in the prevention of fraudulent transactions. OTP Bank prevented bank card frauds worth approx. HUF 5.0 billion. The ratio of bank card fraud to turnover is significantly lower than the European average published by Mastercard (for OTP Bank it is 0.0108% and the consolidated ratio of the subsidiaries is 0.0087%, while the European average stands at 0.0427%[46]). The total amount of the violations was HUF 1.9 billion at OTP Bank and HUF 2.4 billion across the Group[47].

	OTP Bank	DSK Bank	OTP Bank Croatia	OTP Bank Serbia	SKB Bank	OTP Bank Romania	OTP Bank Ukraine	OTP Bank Russia	CKB	OTP Bank Albania	OTP Bank Moldova
Card present when fraud committed	0,0008%	0,0006%	0,0013%	0,0007%	0,0000%	0,0002%	0,0003%	0,0004%	0,0058%	0,0000%	0,0001%
Card not present when fraud committed	0,0100%	0,0032%	0,0050%	0,0100%	0,0009%	0,0097%	0,0042%	0,0025%	0,0209%	0,0113%	0,0079%

The highest risk cases committed **against the Banking Group** included primarily credit frauds in the case of OTP Bank, while in the case of the foreign subsidiaries acts of abuse by employees, lending frauds and acts of violent crime (attacks against ATMs, bank robberies).

[46] Issuer and the merchant side; the Mastercard data is for 2022 Q3.
47 Without SKB Bank's data because they were not available yet.

Particularly severe cases of abuse by employees occurred at the Montenegrin, the Russian, the Ukrainian and the Bulgarian banks, whereby the employees concerned caused a total damage of HUF 2.66 billion to the Banking Group. The greatest losses were caused by lending frauds to the Slovenian, the Russian, the Croatian and the Serbian banks, while less severe losses were also suffered by the Ukrainian, the Romanian an the Bulgarian subsidiaries. By thwarting detected fraud attempts the subsidiary banks prevented losses of a total of HUF 807 million. Violent crimes caused damage primarily to the Croatian and Ukrainian subsidiaries.

The most severe case of abuse by employees at the Banking Group occurred in Montenegro, when accounts of more than 200 customers were misused. As many as 17 employees were held responsible and more than 20 criminal charges were pressed in relation to the cases concerned. The Bank suffered losses of a total of HUF 2.57 billion as a consequence of internal frauds. The Bank made a thorough investigation of the background of the violations and prepared an action plan of 34 actions to prevent the occurrence of similar cases, of which the most important include:

- preparation of a more effective managerial control regulation,
- development of a set of procedures for the prevention of and responding to, internal fraud,
- setting up a branch network control group,
- working out and monitoring the scope and frequency of fraud alerts.

To substantially mitigate the risk of fraud the Bank carried out a number of technical improvements. For instance, it automatically sends text messages to all of its retail customers on every disbursement of at least EUR 1,000.

A number of steps were taken in 2022 as well **to reduce violations**:

- An anti-fraud policy was prepared together with a Chairman & CEO Directive on the fraud prevention process.
- An Anti-Fraud Competence Centre was set up at OTP Bank and on-line fraud prevention consultations with the subsidiary banks were strengthened.
- Preparation of the introduction of the NIST Cybersecurity Framework at a group level: this helps understand, manage and mitigate cyber risks and strengthens the protection of the networks and the data.
- The introduction of a central incident management – cyber threat intelligence sharing platform (MISP) was started at OTP Bank with the participation of the MNB and the NKI to gather, analyse and share information regarding cyber security incidents and malware. The system is planned to be introduced and used at every one of our subsidiaries in 2023.
- Cyber threat information is continuously gathered through Cyber Threat Intelligence. Cyber Threat Hunting can proactively identify in the cyber space and the internal network.
- Starting brand and supplier chain protection service across the Group (e.g. to identify fake OTP websites or facebook pages).
- A working group was formed at OTP Bank – organised by the Security Operations Centre (SOC) – to seek for solutions against data phishing methods committed via IT devices and make proposals for business divisions for mitigating risks.
- OTP Bank joined the Central Government Service Bus through which police data supply takes place mechanically.

To evaluate the effectiveness of security activities in 2022 we started on-site audits of the foreign subsidiary banks. On-site audits were carried out at two subsidiary banks during the year. The results were summed up in executive summaries and in reports for the foreign top managers. Thematic audits were conducted three times, on virus protection, cloud services, authentication and access management, across the whole Group.

The development of customer education was set as a medium term goal because this might bring about a material progress in fight against fraud. In this context we wish to cooperate with the authorities as well, so that basic IT skills relating to protection against data phishing should perhaps be integrated into schools' training materials on financial awareness.

Awareness raising

Since the awareness of our employees may result in the prevention of a lot fraud attempts, we laid particular emphasis on raising security awareness 2022 as well. A lot of the relevant activities were executed in October, in connection with the European Month of Cyber Security.

That was when we introduced a mandatory annual IT security awareness training for all of our employees, which is closed by a registered examination. The training material is renewed every year, in line with any change in the regulatory environment in the meantime. The training material is planned to be renewed in 2023 in terms of concept and methodology. In addition to the general training role-specific trainings have also been organised – these are also closed with exams. 2022 was the first year in which we organised our International Rotation Programme, which we plan organise once every year from now. This is a three-day professional programme for the IT security managers and staff members of the foreign subsidiary banks where we presented the parent bank's expectations and plans as well.

Attention to data phishing risks was drawn again in an article published on the intranet. The article was read by far more than the average readership: it was clicked on more than 1300 times. The attention of the branch employees is drawn to the modes of perpetration and the tasks to be carried out after receipt of notification from customers, on the Electronic Bank Security Portal as well.

This was the third year in a row when we organised a **data phishing campaign** for all employees of the Bank, assessing employees' responses to data phishing emails and the connection of third party devices (USB sticks) found in the office. The results of the campaign are integrated in our security awareness activity and training materials and management information documentation is also produced on the basis of the results. A data phishing campaign of multiple events is planned to be worked out in 2023. A group level data phishing campaign is also planned to be conducted.

The subsidiary banks also make efforts to raise security awareness among their employees. Each foreign subsidiary bank provides regular in-house IT security awareness training, which must be completed by new hires as well on a mandatory basis within a given time frame, in addition to the regular annual training courses. The training materials are reviewed at least once a year at most of the subsidiary banks.

HR The Croatian subsidiary regularly organises awareness raising cyber security trainings for its employees using the systems.

SI The Slovenian subsidiary delivers e-learning courses on system security twice a year for every single employee. New hires are also provided with training on this subject. The bank organises two phishing awareness raising trainings per year. The management of the bank was provided with a separate training course on IT security in 2022. Employees are regularly informed about special IT security occurrences and incidents and are provided with targeted trainings as well.

ME The Montenegrin subsidiary delivered home office cyber security training and organised social engineering simulation for its employees in 2022. The latter was concluded with an outstanding result: in more than 98 percent of the cases no data leak occurred.

4.5. Prevention of money laundering

ST11: 3-3 ***As a responsible financial service provider we spare no effort to make sure that the Banking Group is not used for money laundering. The legal regulations and the supervisory requirements regarding the fight against money laundering changed substantially in 2022 as well; compliance with the rules is a priority for the OTP Group.***

Money laundering is when attempts are made to conceal or cover up the origins of money originating from crime. Perpetrators or other persons may typically try to use services of financial institutions to produce proof of the legitimate origin of the money.

One of the main objectives of the anti-money laundering function is to ensure concerted action at a group level. To identify, assess and manage risks relating to money laundering in 2022 we reviewed the AML risk assessment practices at the level of both the Bank and the Group. Risk management actions were prescribed and executed regarding the risks so identified. The Group AML policy was reviewed, *inter alia*.

In accordance with the relevant AML regulations one of the main obligations of the Banking Group is to execute adequately in-depth customer due diligence actions. Its aim is to get to know the customer and the business relationship from the aspect of risks, and to identify transactions that do not fit in with the customer profile so constructed and that are thus suspicious from the aspect of money laundering. In the customer due diligence process we ask our customers for data to establish the identity and intents of the persons using the bank's services and the backgrounds of the various transactions. In accordance with the applicable statutory requirements we do not execute orders for customers who do not provide proof of their identity. The rules of customer due diligence were modified at the level of the Bank and the Group in 2022, identifying the risk factors that are to be taken into account on a mandatory basis. Moreover, in order to improve the effectiveness of the monitoring of customers' transactions and activities we reviewed/revised the instructions and procedural rules governing our monitoring activity. To make the performance of its tasks more effective the AML division reorganised its functions.

In addition to legal compliance we continuously monitor the latest trends in money laundering as well as the modes of perpetration; we also introduce risk management actions to prevent money laundering.

GRI 2-13 The AML division reports to management every quarter on the risks it has identified and the associated risk mitigating actions and developments, summing up the results accomplished and the actions taken during the period concerned.

In 2022 we repeatedly reviewed and revised the AML training material aligned to the respective jobs and positions of our employees. The AML division regularly delivers training for the new hires of the branches and provides in-person training for branches frequented by risky customers. Employee who have completed the training act with increased awareness, identify risky customers and identify transactions that are suspicious of money laundering more easily.

The foreign subsidiary banks also deliver mandatory trainings on the subject for their employees at least once a year.

In the context of the fight against money laundering OTP Bank is continuously cooperating with the competent domestic and international authorities and interest organisations. In the context of such cooperation arrangements we also share best practices whereby all participants can improve the effectiveness of their actions against money laundering.

OTP Bank and the OTP Group filed 8 and 2763 criminal reports regarding money laundering, respectively, in 2022. Most criminal reports were filed by the Romanian, the Bulgarian and the Ukrainian subsidiaries (940, 768 and 547, respectively). Obligations regarding the filing of criminal reports vary significantly between the different countries, which largely explains the significant differences between the numbers of criminal report filed.

4.6. Tax payment

GRI 207: 3-3, 207-1, 207-2 The OTP Group aims to achieve maximum compliance with the legal regulations on taxation; accordingly, it settles its tax liabilities in the amounts prescribed by those regulations together with all of its other tax-related obligations (e.g. data supply) in each country in which it performs activities or in which it comes under the local tax regulations for any other reason. Strict prohibition of tax evasion and of taking advantage of loopholes in the law in ways contrary to the purposes of those laws, is a key element of its corporate culture. In Hungary we even contribute to the stability of public finances by bearing extra burdens (e.g. moratorium, banking tax, extra profit tax).

The @Tax policy adopted by the OTP Group in 2022 applies to the entire OTP Group, every member of the group members' managing bodies and every employee of the Group, along with all natural and legal persons performing outsourced activities, expert or consultancy assignments or agency activities for the Group.

GRI 207-3 The Tax Policy is based on, and is in line with the elements of, the Code of Ethics. Upon any impairment of the Tax Policy an ethics offence can be reported. The purpose of the introduction of the Tax Policy was to harmonise and standardise the tax payment practices.

The Tax Policy is approved, and revised at least once a year, by OTP Bank's Board of Directors, paying particular attention to changes in the regulatory environment and tax authority's and courts' practices, in the guidelines issued by international organisations shaping international tax policies and in international practices.

The head of the Accounting and Finances Directorate (chief accountant) is a top manager who is in charge of, and can be held accountable for, the taxation policy. The taxation division is independent of the business divisions.

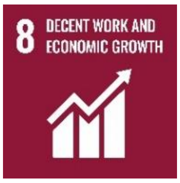
Owing to the complexity of the taxation rules and the constant change of judicial practice, taxation risks (e.g. tax deficit, fine) cannot be altogether precluded. Their management is regulated at the highest level by the Tax Policy. The Banking Group has no specific tax payment strategy.

We always aim to ensure full legal compliance, to file tax returns in time, to fulfil our data supply obligations and avoid being fined. These objectives appear in the individual targets set for the heads of the tax department as well. Taxation rules in Hungary changed particularly rapidly in 2022, posing challenges in the clarification of matters of interpretation by the time the new rules entered into force.

GRI 207-3 In our cooperation with the tax authorities we aim at ensuring transparency, closing tax inspections as quickly as possible and providing information of adequate quality.

Interests relating to taxation are asserted via the Banking Association. As regards the interpretation of the legal regulations we even communicate directly with the authority and regulatory bodies.

5. RESPONSIBLE EMPLOYER



GRI 3-3

Impacts: *International employment:* Responsible employment promotes labour market adaptability and competitiveness, the sustainability efforts and the implementation of even socially responsible employer's behaviour. Employees are one of the Banking Group's most important stakeholder groups. As an employer, the Banking Group profoundly affects the livelihoods, living standards and the harmony between private life and work, for nearly 39,000 individuals and families. Decent employment can facilitate the welfare and development of the employees. Continuous training and development, a caring and family-friendly corporate culture promoting equal opportunities, and healthy work environment, equally play important roles in this.

Impact on livelihoods and income levels: The provision of incomes – that are proportional to performance and sufficient for a decent living – has a fundamental impact on the quality of life of our employees and their families.

Equality of opportunities for employees: A diverse corporate culture may contribute to the Banking Group's economic performance; it promotes its innovation capabilities and facilitates better understanding of the requirements and expectations of its environment. It encourages women to take up jobs.

Objectives
Decent employment
Enhancement of employee satisfaction and engagement
Retaining talented employees in the long run, career opportunities
Fair income
Ensuring work-life balance
Motivating, and community, atmosphere at work
Mental health improvement and well-being
Accomplishment of equal opportunity and diversity

Acts
Decent pay and a performance-based benefits system
Flexible employment
Strengthening of a non-discriminatory, inclusive attitude by sensitisation programmes and training
Ensuring equal opportunities for the sexes, providing equal opportunities in training and development
Feedback development through open two-way communication methodology and development of its toolkit
Engagement measurement, and development of, and follow-up on, pulse check action plans
Introduction of new management role model, skill development
Health insurance services, screening programmes, sports and recreational possibilities

Stakeholder engagement/compliance: employee feedback, engagement, performance evaluation, interest organisations, cooperation with higher education institutions and service provider partners, compliance with requirements of supervisory bodies and authorities, disclosure the objectives of the ESG Strategy.

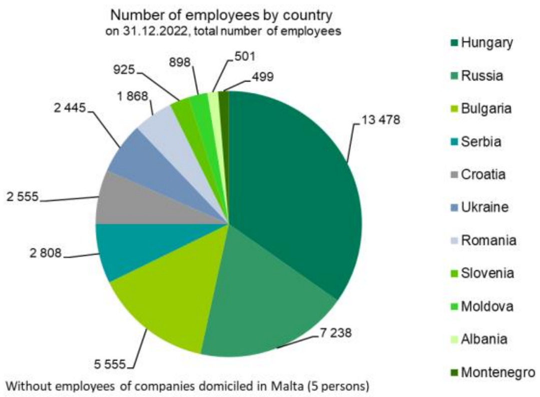
Further basic principles and comprehensive goals relating to employees are to be found on our @website .

5.1. Employment

The Banking Group faced a number of new challenges in 2022; this is partly because responsible employment continued to play a particularly important role in the life of the organisation. Comprehensive programmes and effective change management were key in achieving equilibrium, with a focus on employees.

GRI 2-7 At end-2022 a total of 38,775 employees worked for the OTP Group[48]. The change in the Banking Group's headcount was a result primarily of the decrease in the headcount of the Russian and the Ukrainian subsidiary (-18.9% and -19.6%, respectively) which was partly balanced by the increase in the number of employees in Hungary (+6%); on the whole, the number of employees decreased by 4 percent at the end of 2022, year-on-year. The reason for the decrease in the headcount of OTP Bank Russia is a significant decrease in the role of the physical POS and the branch, as a channel, as a consequence of digitalisation. The number of employees of OTP Bank Ukraine decreased as a consequence of the war that broke out in February 2022. Branches were closed or their operation suspended for reasons of safety and security, and some employees asked to be relieved from duty for safety or family related considerations. As a consequence of the discontinuation of the use of retail products and a decrease in turnover some employees were made redundant. Of the Hungarian group the headcount of OTP Bank increased by nearly 4 percent in 2022 and the process of insourcing of outsourced activities continued.

GRI 2-7, 207-4, 401-1



GRI 2-7 ***Employee headcount*** (as at 31 December)	OTP Bank														
	2018			2019*			2020			2021			2022		
	Total	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**
Full time employees	7,848	2,541	5,307	8,396	2,887	5,509	8,872	3,328	5,544	9,228	3,487	5,741	9,654	3,678	5,976
Part-time employees	877	76	801	922	834	88	954	74	880	850	60	790	862	70	792
Employees, total	**8,725**	**2,617**	**6,108**	**9,318**	**2,975**	**6,343**	**9,826**	**3,402**	**6,424**	**10,078**	**3,547**	**6,531**	**10,516**	**3,748**	**6,768**
Women/men ratio		30%	70%		32%	68%		35%	65%		35%	65%		36%	64%
Proportion of those employed under fixed term contracts	8%	6%	8%	6%	4%	7%	4%	2%	5%	5%	3%	6%	4%	2%	6%
Number of those employed under fixed term contracts	656	156	500	562	119	443	419	83	336	491	115	376	460	88	372
Number of those employed under indefinite-term contracts	8,069	2,461	5,608	8,756	2,856	5,900	9,407	3,319	6,088	9,587	3,432	6,155	10,056	3,660	6,396

The data are accurate and derive from our internal records.

[48] Active employee, person. Some of the employees – 2834 persons at end-2022 – work as agents in Russia and Ukraine.
No employees are working in the Group in regimes without guaranteed working hours.

GRI 2-7 ***Employee headcount*** (as at 31 December)	OTP Group														
	2018			2019*			2020			2021**			2022***		
	Total	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**
Full time employees	33,912	8,650	25,262	36,027	9,620	26,407	36,364	10,078	26,286	38,504	11,524	26,980	36,458	11,547	24,911
Part-time employees	1,340	201	1,139	1,481	235	1,246	1,451	194	1,257	1,811	339	1,472	2,317	433	1,884
Employees, total	**35,252**	**8,851**	**26,401**	**37,508**	**9,855**	**27,653**	**37,815**	**10,272**	**27,543**	**40,315**	**11,863**	**28,452**	**38,775**	**11,980**	**26,795**
Ratio of women/men @Annex	100%	25%	75%	100%	26%	74%	100%	27%	73%	100%	29%	71%	100%	31%	69%
Proportion of those employed under fixed term contracts @Annex	6%	5%	6%	7%	5%	8%	6%	4%	7%	6%	4%	7%	4%	2%	5%
Number of those employed under fixed term contracts	2,132	459	1,673	2,633	456	2,177	2,283	392	1,891	2,338	426	1,912	1,646	272	1,374
Number of those employed under indefinite-term contracts	33,120	8,392	24,728	34,875	9,399	25,476	35,532	9,880	25,652	37,977	11,437	26,540	37,129	11,708	25,421

* Not including the figures of Expressbank and OTP banka Srbija a.d. Beograd
** Full consolidated group.
*** Including the entire consolidated group, without the figures of Alpha Bank
The data are accurate and derive from our internal records.

GRI 2-8 **Workers not employed, person, 31.12.2022**	**OTP Bank**	**OTP Group**
Temporary agency workers	88	157
Other external workforce	1,090*	3,589*

Independent workforce in legal terms include for the most part IT experts (developers, operators), trainers and other specialists performing other services
*The figure is based partly on estimates

GRI 205-2 A considerable number of sales agents (19,020 persons) are cooperating with the OTP Group in Hungary and in the region alike. Their number decreased on the whole in 2022 at the Bulgarian, Russian and Serbian members and the parent bank owing to termination of the engagement as a consequence of inactivity or expiry of contracts.

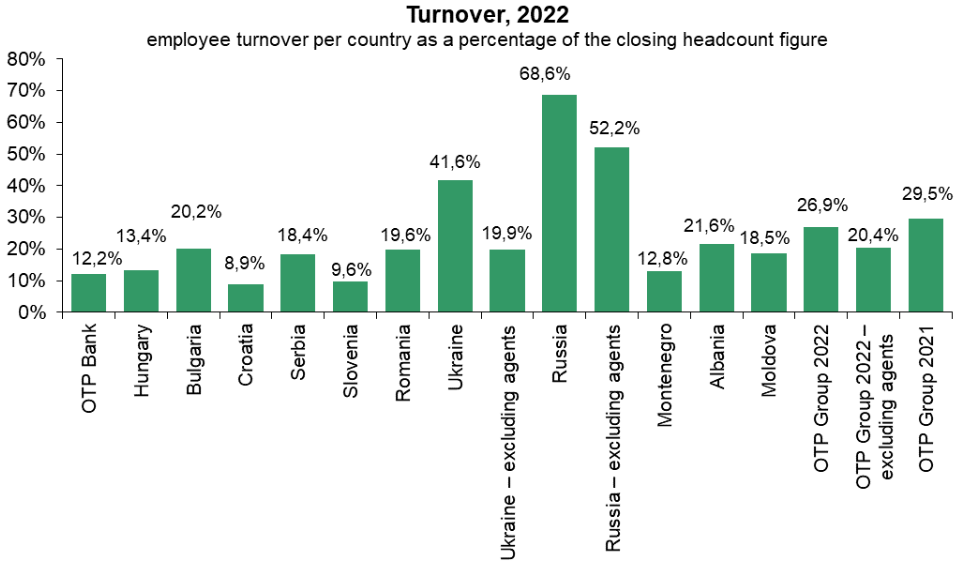
Number of new recruits and fluctuation

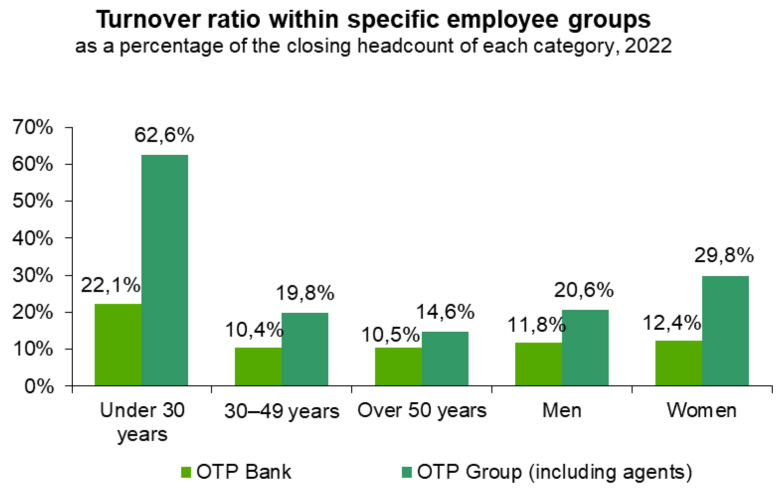
GRI 2-7, 401-1 In spite of the unfavourable macroeconomic processes, the challenging international environment and the companies' internal transformations fluctuation[49] diminished somewhat across the Group. The greatest increases in fluctuation were recorded in Russia, Croatia, Moldova and Montenegro.

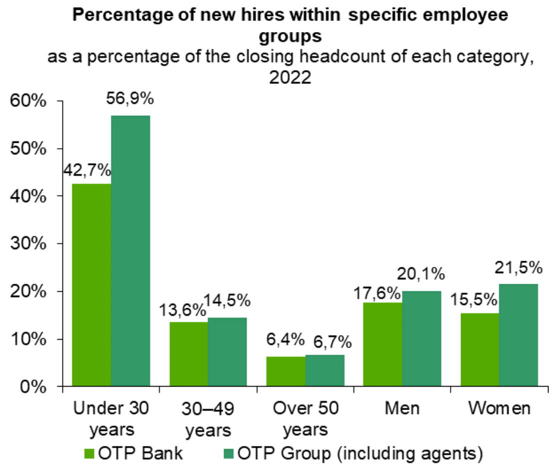
[49] The statistics include termination of employment both by employee and employer, as well as retirement. Since turnover is traditionally high among the sales agents of the Russian and Ukrainian subsidiaries, we also present their ratios without sales agents.

Employee statistics

GRI 401: 3-3, 401-1, @Annex[50]

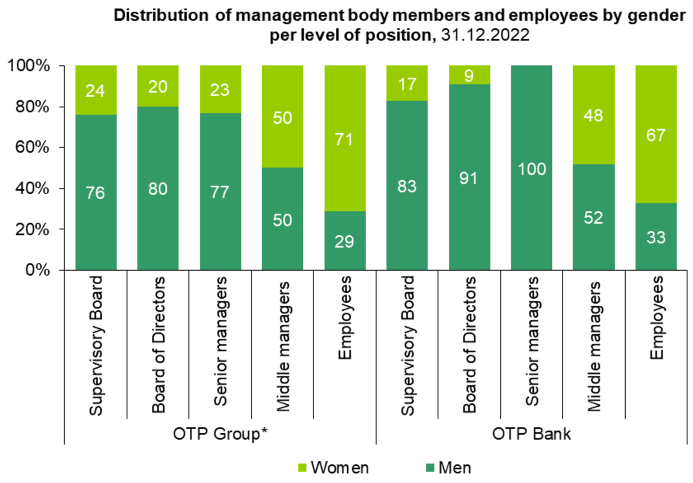


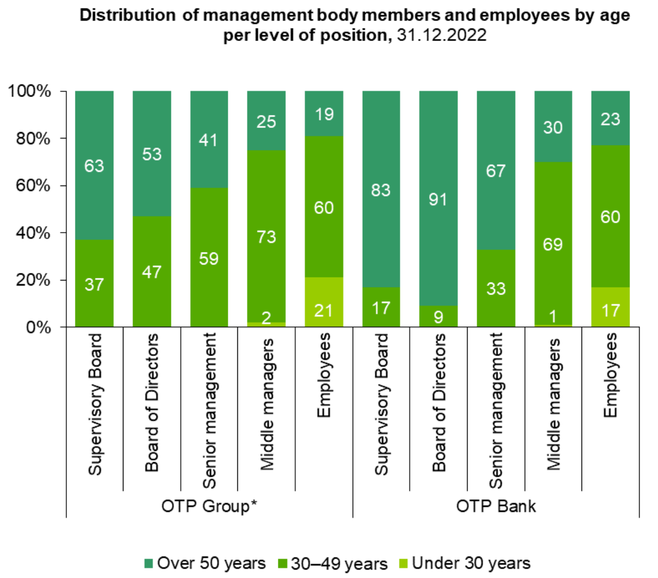




[50] The companies having their registered offices in Malta are not indicated separately among the country data. No employee of the Banking Group work in other countries.

GRI 405: 3-3, 405-1, 205-2





* Calculated from parent bank and subsidiary bank bodies combined in the case of members of the Supervisory Board and the Board of Directors. Employee categories include all employees of the member companies.

Equal opportunity and diversity at the workplace

GRI 2-10, 405: 3-3 OTP Bank's strategy for gender equality was adopted in 2021, in which the Bank established its strategic goals including ensuring equal opportunities for all employee groups, creating an open, inclusive and non-discriminatory workplace and supporting a diverse, cooperative and professionally high standard work culture. Many of the OTP Group's subsidiaries have guidelines and/or policies prohibiting discrimination at the workplace and promoting equality of opportunities.

HR The Croatian subsidiary adopted a Diversity and Inclusion Policy in 2022. The implementation of the action plan gets under way in 2023 and will be publicly accessible on the company's website.

ME The CKB Group has also prepared its diversity policy.

RO OTP Bank Romania conducted comprehensive (internal and external) survey in 2022 with the aim of creating a strong organisational culture to attract and retain talented individuals. Nearly 11,000 persons participated in the survey, including the subsidiary bank's employees. A total of four values were identified on the basis of the results: people (OTPeople), autonomy, rapid business growth and diversity at the workplace. These fundamental cultural values are reflected by the #otpmindset concept worked out as a result of the survey – this is the complete employer brand philosophy.

GRI 406: 3-3 To improve the sex ratio in the management positions OTP Bank undertook to **increase the proportion of women** providing that at least one woman will be appointed to both the Board of Directors and the Supervisory Board. Candidates are selected by the Nomination Committee in accordance with the requirements laid down in the Credit Institutions Act on the basis of fitness/suitability for the given position and the individual's broad managerial skills and expertise. Moreover, in its group level management succession practice the company prescribed an at least 25 percent ratio of women candidates. The strategic objectives are accomplished through additional concrete programmes such as gender-neutral remuneration policy and the strengthening of a non-discriminatory and inclusive attitude by management trainings and internal awareness raising campaigns. In 2022 the Bank coordinated such efforts at a group level.

Further actions and practices:

- The Bank launched a three-year programme to achieve conformity to the EU directive regarding the quota for women on boards. The directive prescribed that women should hold at least 40 % of non-executive director positions and at least 33 % of all director positions on boards of companies.
- To enhance non-discrimination those involved in recruitment took part in labour law and sensitisation training.

GRI 202-2 Proportion of women and members from the local community in senior management, 31.12.2022

Company	Board of Directors		Management*	
	Proportion of locals** (%)	Proportion of women (%)	Proportion of locals (%)	Proportion of women (%)
OTP Bank	100	9	100	0
DSK Bank	75	25	90	24
OTP Bank Croatia	83	0	83	0
OTP Bank Serbia	38	0	83	17
SKB Bank	43	57	78	44
OTP Bank Romania	80	40	80	40
OTP Bank Ukraine	100	40	100	40
OTP Bank Russia	100	20	0	0
CKB	0	0	86	29
OTP Bank Albania	40	0	67	17
OTP Bank Moldova	83	17	83	17

* Management: In Hungary: the chairman of an enterprise elected by the management body in its managerial function and employed by the enterprise, or the chief executive officer appointed to manage the enterprise and employed by the enterprise, as well as all deputies of that officer; abroad: the chief executive appointed to manage the enterprise, who is employed by the enterprise, as well as all deputies of that officer and the division heads.
** Citizen of the relevant country.

A total of 336 **persons with disabilities** were **employed** at the end of 2022. Of the OTP Group the DSK Group employs the largest number (150), and at the same time, the highest proportion, of people with disabilities. The greatest increase in the number of such employees occurred in 2022 at OTP Bank Croatia and OTP Bank Russia (by about 30 at each). At OTP Bank employees with disabilities are provided by a monthly amount of HUF 10,000 in the way of rehabilitation allowance in addition to the extra holiday stipulated in the Labour Code.

The OTP Group is committed to **supporting career starters** and, in connection with this, to cooperation with higher education institutions and students. Several Group members regularly host trainees and students completing their practical training, and employ students temporarily. The OTP Group employed 910 students in 2022, 37 percent more than in 2021. Of the group members the largest number of trainees were employed by the Romanian, the Albanian and the Ukrainian subsidiaries relative to their respective headcounts. OTP Bank has a dedicated Trainee Programme under which 593 young people acquired valuable experience in 2022. The aim is to increase the proportion of newly hired career starters recruited from among such trainees. In the context of cooperation with higher education institutions the Bank has traditionally sponsored presentations, research programmes and student competitions, and to facilitate long term cooperation it plans to launch a specific scholarship programme.

Advocacy

GRI 2-30, 402: 3-3, 402-1 All members of OTP Group respect the rights of freedom of association and collective bargaining. We provide advocacy opportunities by complying with the relevant local legal regulations. Employee interest advocacy is ensured by the trade union and the Works Council, with which we have a collaborative relationship. At OTP Bank year 2022 saw highly intensive cooperation in relation to the introduction of a new job system and the collective agreement in place. Most employees (62%) of the Banking Group are covered by collective bargaining agreements; the corresponding rate is 98% in the case of OTP Bank employees. There are collective agreements in force at OTP Bank, DSK Bank, OTP Bank Serbia, OTP Bank Croatia, OTP Bank Romania, OTP Bank Ukraine, the CKB Group and, as regards, Hungarian subsidiaries, at OTP Lakástakarék, OTP Jelzálogbank, NAGISZ and Velvin Ventures. As it relates to the minimum notice period regarding operational changes that could substantially affect employees, the banks of OTP Group follow varying practices in compliance with local requirements (see @Annex). The employees' rights, policies and the rules and practices of employment are transparent to the employees; they are accessible through the internal communication channels and the relevant intranet pages.

Labour complaints

GRI 401: 3-3 During the year a total of 71 labour procedures were commenced against companies of the OTP Group, of which 59 procedures were closed by the end of the year. Most (50) of the cases closed were labour lawsuits. Four proceedings were instituted against OTP Bank concerning unlawful termination of employment, of which the Bank won two cases by final and binding judgements, an agreement was reached in one case and one proceeding is pending. Most labour proceedings involved primarily the Serbian, Russian and Ukrainian subsidiaries. The Serbian subsidiary paid earnings lost as a consequence of unlawful termination of employment contracts in 17 cases in a total amount of HUF 167 million. The amount was significantly increased by lengthy compensation disputes. The Bulgarian Labour Inspectorate instituted 5 proceedings against DSK Bank, 4 of which were closed with acquittal and one with a minor fine. Three accident compensation proceedings were started ex officio in relation to accidents at work: in two cases the employer's responsibility could not be established while in one case the Bank issued a declaration admitting its responsibility.

35 of all labour proceedings closed in 2022 were closed with acquittal or non-financial sanctions, while in 22 cases monetary fines were paid in a total amount of HUF 172 million.

5.2. Employee engagement, satisfaction measurement

GRI 2-29, 401: 3-3 **Continuous dialogue with the employees is a key element of OTP Bank's human strategy – it communicates with internal stakeholders through a variety of channels and in diverse forms, to get to know their needs, requirements and opinions and receive feedback at the same time.**

OTP Bank conducted an employee engagement assessment in 10 countries applying the same methodology across the group, for the second time[51]. A total of 25,665 employees – 91 percent – provided feedback. The outstanding result was achieved primarily as a result of effective cooperation and an intensive communication campaign. The level of employee engagement (commitment) remained as high as 70% across the group in spite of the unfavourable economic environment; in other words, more than two thirds of the employees are highly committed to their workplace where pride, the "it is good to belong here" and "being part of the bank's success story" feeling continued to be the dominant values (with over 80% scores). 77 percent of the respondents think that they can make the most of their potentials and perform value-creating work here. The level of engagement was only 2 percentage points below the global financial sector average[52].

The OTP Group aims to increase engagement to global 75 percentile at a group level, which was at 78% in 2022.

The levels measured in Hungary were among the best – engagement was, like in 2021, 76% again. A sense of pride (88%) continues to be one of the key strengths of the Bank. The ratio of those recommending the Bank improved over 2021 (to 74%). Employees took positive views of the managers supportive role and their career, development and studying opportunities. These values were outstanding even by international standards. Based on the results of the survey the OTP Group identified the international extension of the job system and the creation of transparent career paths as group level development priorities. At the parent bank on the other hand, even greater emphasis will be laid on open communication, cooperation among different divisions and enhancement of the reward culture. Every single employee was provided with standard information on the overall result of the survey, while more detailed division and team level results were presented to and discussed with the employees by their direct superiors. Action plans were worked out on the basis of the feedback in cooperation with the teams.

BG DSK Bank launched its eNPS initiative: the internal processes and working relationships were analysed during the survey. Based on the results they prepared action plans for each evaluated area. Webinars were

[51] It was conducted under a delayed schedule and different platform only in Russia, therefore its evaluation could not be completed by the end of 2022.
[52] The Financials Avg benchmark contains six million responses from 116 companies of the world classified on the basis of the GICS method.

organised in 2022 with the participation of those engaged in evaluation to enable them to share and discuss their opinions with the aim of improving cooperation.

Recognitions/rewards

The companies of the Banking Group received a variety of recognitions and rewards. In a survey conducted by the Zyntern.com job portal OTP Bank was found to be the second most attractive workplace overall, while on the industry chart in the economy category it retained its first position. With its Ideaportal in-house ideas competition OTP Bank Croatia won the PRCA Platinum Award for Employee Engagement for employee engagement. OTP Bank Moldova participated – with the involvement of its employees – in an employer brand survey as a result of which it won the Best Employer Brand 2021. OTP Bank Russia received "Silver" in the rating of the best employers in Russia according to Forbes.

5.3. Career opportunities

2022 saw the completion and introduction of the single job system at OTP Bank as a consequence of which the Bank concluded a new employment contract with every one of its employees. The new job system sets out the career paths offered by the Bank for its employees. Performance management and remuneration are linked to the wage brackets aligned to the career levels. The standardised system of criteria resulted in a job structure which is a lot simpler, more transparent and flexible than the structure it replaced. The new system is transparent, the categorisation criteria of the job and career levels are publicly accessible, job maps are available in the new IT system supporting the job system where anyone can see the skills and competences required for holding a given job. The framework is extended to the whole of the Group in waves; it was introduced by the end of 2022 in the Hungarian group. The international group members will start applying it by the end of 2024.

GRI 404: 3-3, 404-3 OTP Bank provides a career path overview twice a year to all employees as part of the performance review, defining the directions for personal growth and discussing development solutions. Of the subsidiary banks it will be fully implemented at the Serbian and the Moldavian subsidiary, while the other member companies will introduce it to various limited extents; accordingly some 44 percent of the Group's employees – men and women in more or less equal proportions, while in terms of position categories 57 percent of the middle managers and 43 percent of subordinate employees – are provided with career path overviews[53].

Talent programme

We have developed a talent development framework and manager succession planning scheme based on a standardised group-wide approach. The international talent programme will be introduced in 2023. As part of the programme professional academies are being organised at various levels of knowledge. The Risk Academy was launched first, at managerial and subordinated employee levels.

HR, SI Local talent programmes were operated in 2022 as well, the Croatian subsidiary is closing two talent fostering programmes while the Slovenian subsidiary introduced a dedicated scholarship system.

Performance review

GRI 404: 3-3, 404-3 Employee performance is assessed by the members of the OTP Group based on different methodologies. Regular feedback, linked to objectives and based on objective criteria, is fully implemented at OTP Bank and at several foreign subsidiary banks. Targets are set and evaluated with the help of the HR information system. Among the foreign subsidiary banks more than 95 percent of the employees of the Serbian, the Romanian, the Ukrainian, the Russian, the Albanian and the Moldavian subsidiaries are provided with performance evaluations[54]. There are no material differences between the sexes: 79 percent of the female and 76 percent of the male employees were provided with performance evaluations. In the OTP Group in terms of position categories 83 percent of the top managers, 93 percent of the middle managers and 75 percent of the subordinated employees are provided with performance evaluations.

[53] OTP Bank Romania could not provide accurate data on the number of employees provided with career building overviews. Among top managers the career building overview is, in most cases, no longer relevant, therefore no specific data on this are presented.
[54] No data are available at DSK Bank regarding subordinated employees who are provided with performance evaluations.

5.4. Remuneration, rewarding of the employees

Benefits

GRI 405, ST3: 3-3, 2-19, 2-20, 401-2 OTP Bank's Remuneration Policy is in line with SRD II – it covers the whole of the organisation and includes a description of the decision making process relating to determination, revision and implementation, including measures aimed at preventing or managing conflicts of interest, the role of the Remuneration Committee; managers' bonuses, the components of fixed and variable remuneration and the objectives for directors. The system of targets of foreign subsidiary managers were fully revised and the targets were harmonised, for 2023. Sustainability considerations were also taken into account in the process.

In line with legislative requirements, the OTP Group consistently employs the principle of 'equal pay for equal work', including ensuring gender equality. Our group members typically provide the same benefits to full-time, part-time and fixed-contract employees[55].

Members of OTP Group remunerate their employees at the rates customary in the market of the relevant country. Some of our employees' pay is dependent on their measurable performance. Every group member increased wages in 2022, by more than 5% in most cases. Nearly all members of the Banking Group offer fringe benefits to their employees. OTP Bank's remuneration practice differs from those generally applied by other market participants: in addition to the annual pay rising process enabling basic wages to be regularly adjusted, the average bonuses are also significantly higher than those generally paid in the market.

OTP Bank's remuneration and incentive practice is closely related to the newly introduced job system. OTP Bank's gender-neutral remuneration policy declares that job-specific wage brackets are aligned with the level of positions and market practices in its wage setting strategy; regular wage audits control and ensure that no significant wage differences can emerge between the genders. Consultations and coordination with the trade union also take place in relation to remunerations.

OTP Bank has had an employee stock ownership plan for years; it is used as a long-term incentive tool. 20 percent more people than in 2021 – a total of 945 persons – participated in the programme in 2022.

OTP Bank provided its employees with a one-off allowance in the third year in a row. The Bank paid a standing charge support for its employees – including those on sick leave and young mothers on maternity leave – in the way of an extra support in 2022. The foreign group members in whose countries the inflationary environment and energy price hikes made it necessary, also provided their employees with a one-off support.

UA To respond to the crisis caused by the war conflict in Ukraine the OTP Group implemented an complex extraordinary support programme in which in addition to a supplementary financial support, and reimbursing home rental costs for the employees affected by the war (forced to move, mobilised) it helped employees move to safer locations and provided them with financial and material assistance, critical medicines etc. For more information on these actions and measures see the Bank's @website.

GRI 405-2 Ratio of the basic salary of women to men, 31.12.2022

	Men	Women			
		Senior managers	Middle managers	Employees	Average
OTP Bank	100%	not applicable	96.1%	98.8%	98.6%
DSK Bank	100%	85.9%	84.4%	78.6%	78.7%
OTP Bank Croatia	100%	not applicable*	93.2%	96.8%	96.5%
OTP Bank Serbia	100%	86.0%	84.0%	82.0%	85.0%
SKB Bank	100%	97.4%	98.0%	98.5%	98.4%
OTP Bank Romania	100%	94.6%	88.9%	90.3%	90.3%
OTP Bank Ukraine	100%	103.1%	88.7%	95.8%	95.5%
OTP Bank Russia	100%	not applicable	75.3%	85.7%	85.0%
CKB	100%	86.5%	94.9%	97.2%	96.7%
OTP Bank Albania	100%	77.8%	100.0%	111.7%	108.6%
OTP Bank Moldova	100%	153.3%	90.3%	92.7%	92.6%
OTP Group*	100%	96.5%	89.1%	90.4%	90.5%

* Average of the parent bank and the subsidiaries.

[55] The practice of OTP Bank Russia is an exception: part-time and fixed-contract employees are provided life insurance, health benefits, extra days off and other benefits only to the extent required by law. OTP Bank Albania does not provide the latter to part-time employees either, while OTP Bank Serbia does not provide health benefits.

OTP Social Foundation

In Hungary, the Foundation provides help to OTP Group employees, (including pensioner employees) and their families in crisis situations. One-off, long-term or in-kind assistance (including medical care or support by a psychologist) is granted based on applications. Besides crisis situations, the assistance may also be requested for camps or start-of-school expenses.

5.5. Training and education

GRI 404: 3-3, 404-2 **The Banking Group laid particular emphasis on management skill development in 2022 and continued to offer its employees a wide range of training programmes.**

In 2022 the OTP Group spent a total of HUF 3.2 billion on employee training. The average per capita cost nearly doubled, as a result of the price increases and the intensive trainings for middle and top managers. The average training time was 35 hours/employee. Every single employee of the OTP Group is provided with training. Most trainings were provided in 2022 by the parent bank where 80 percent of the employees participated in courses (not including the mandatory trainings).

Leadership development

One of the most important goals of OTP Bank's HR strategy is to support and develop its managers as they play a key role in maintaining the cohesion, and ensuring the effectiveness, of the organisational units and in change management. A general leadership development concept was introduced at the parent company's headquarters including regular forums, learning through experience, new tools, devices and methods. The Bank offers a targeted training portfolio for branch managers, geared to their specific challenges. The development of their problem solving skills is facilitated by a dedicated platform called EDUardo by simulating life-like situations, real-time feedback and interactive case studies.

RS Our Serbian subsidiary continued its SEED programme for senior managers, the mentoring and reverse mentoring programme, the Innovation Academy and the Brick Breakers simulation, contributing to the improvement of change management.

Professional training programmes and competence development

Participation in the professional and other training courses necessary for work performance (e.g. ethics, compliance, security, health and safety, environmental protection) is based on annual training plans. Training plans are developed with the involvement of staff, taking into account the results of performance reviews. Development of the employees' professional expertise is one of the most important tasks at all group members. Strengthening communication skills, cooperation skills and personal productivity and supporting stress and change management, play a special role in trainings aimed at skills development.

RO The Romanian subsidiary continued its training programme – supporting its agile organisational transformation – for the shared and support functions (including compliance, legal, financial, retail risk management). It organised a series of trainings for the business and IT divisions regarding the new agile working methods (change management, Lean Six Sigma Yellow Belt etc.) and provided its managers with a coaching programme.

GRI 404: 3-3, 404-1 **Annual training per employee, number of hours (2022)**

	OTP Bank	OTP Group
Senior manager	51	54
Middle manager	103	59
Employees	76	33
Men	73	36
Women	84	35
2022 average	80	35
2021 average	76	47
2020 average	74	50
2019 average	80	50
2018 average	80	47

5.6. Safe and healthy working environment

Work-life balance

GRI 405: 3-3 **The objective of the HR strategy focusing on employee experience is to create a supportive workplace atmosphere; to this end, the OTP Group applies a number of practices making it possible for employees to achieve the best possible work-life balance.**

Atypical forms of employment continued to evolve and grow at the members of the OTP Group in 2022, which also had a positive impact on employee satisfaction. The Banking Group enabled part-time employment, remote working and working from home office. An average of 25 percent of the employees working in OTP Bank's central areas worked from home office – to extents varying by division. The number of persons employed in remote working arrangements also increased, while hybrid forms of employment (partly in-office, partly home office) were commonly adopted across the Group as a whole. Such arrangements were most typically available – like before – primarily for those working in central positions. The ratio of work from home accounted for an average of 30% at a group level, varying by group member.

BG In addition to remote work and hybrid work arrangements DSK Bank also applies the practice of shared work, typically in financial and telephone customer service jobs.

HR When it introduced the "3+2 hybrid work model" (3 days in-office, 2 days home) OTP Bank Croatia prepared a guide for its employees on the management of the new circumstances, on how to achieve a balance between work and life at home as well as on effective and efficient work organisation.

UA After the outbreak of the war in 2022 the Ukrainian subsidiary provided nearly all of its employees who were capable of working from home with laptops and then launched the pilot of its "Hot Desking" project. In that scheme the employees were enabled to plan their working weeks in the Deskbird application, booking workstations or opting for working from home. The test was a success therefore the subsidiary will extend this practice to all of its employees in 2023.

Family-friendly programmes

Family-friendly workplace

OTP Bank was recognised in 2022 as a "Family-friendly workplace". This is to certify that the Bank considers the family as a value and in its operations it takes the family's needs and considerations into account, promoting the employees' interests with expedient measures and facilitates the achievement of a harmony between work and private life. According to the findings of an external audit the Bank applies outstanding practices in well-nigh all segments.

Applicants and new hires find written information on family-friendly measures through multiple channels; they also appear in the company's internal regulations.

OTP Bank provides its employees with a wide variety of benefits and allowances (health and pension fund contributions, health insurance) as well as organisational services (product and partner discounts), some of which may even be extended to family members. It also provides an extensive range of family support solutions (e.g. in connection with child births, burials of close relatives) and organises multiple company events (Family day, Santa Claus) to which family members are also invited. Moreover, the Bank pays particular attention to its employees' physical and mental health. In 2022 OTP Bank implemented a number of new projects and actions regarding the work-private life balance, such as the extension of the scheme of bonus vacations or the introduction of four-day long weekend vouchers.

Supporting and developing its employees' welfare is important for the OTP Group therefore in 2022 the parent bank gathered within the international group the best practices promoting employee welfare with a focus on health preservation and community development.

Across the group, thousands of employees are on long term parental leave[56]. Parental leave is available to fathers as well, but few of them take this opportunity for the time being.

[56] Parental leave is a long term leave for child care, which is, depending on local regulations, available for both women and men. We have been using the Hungarian translation of the GRI term "Parental leave" in reporting for years. The definition does not cover the short term parental leave introduced in Hungary in 2023.

GRI 401-3 **Employees taking parental leave and employees returning, 31.12.2022**	OTP Bank		OTP Group	
	Men	Women	Men	Women
Number of persons taking parental leave	3	937	87	4,117
Number of persons returning to the company from parental leave after its expiry	0	245	50	810
Employees returning to the company from parental leave after its expiry (%)	0	80	85	52
* of those who returned in 2021.				

Many of OTP Bank's employee have small children or are preparing to have children. A guide for expectant young mothers called "OTP Gyermekváró Kisokos" has been prepared to sum up the main tasks and some advice for women preparing to give birth. OTP Bank has for years been offering camping programmes for employees' children ad discount prices and applications for camping support can be submitted to the OTP Social Foundation. Moreover, employees my also submit applications for camping cost contributions to help cover the cost of external summer camping programmes. As many as 96 primary school children participated in the financial educational summer camps organised by the Fáy Foundation in 2022. Programming camps were also available for employees' children. Other members of the OTP Group also provide opportunities for their employees to submit applications for school start support. Similar allowances include contribution to nursery/preschool fee as an option in the Cafeteria scheme.

HR To enrich its offering of training programmes OTP Bank Croatia introduced two new e-learning modules for all of its employees: "How to communicate with our children" and "Understanding emotions and emotional resistance". These modules have been developed in response to the growing uncertainty and concerns relating to the pandemic and the war.

Stress management and individual support

Employees exposed to permanent stress may develop, besides mental issued, some serious physical problems as well, such as cardiovascular diseases or musculoskeletal pain. The OTP Group lays particular emphasis on preventing and eliminating the problems inherent in the nature of its operations (e.g. stress, sitting at work). To mitigate psychosocial risks most member companies offer stress management training for their employees. OTP Bank conducted numerous surveys during the year, including the mapping of the employees' mental health. Psychosocial risks will be assessed in 2023.

To help employees overcome mental difficulties OTP Bank provided services for individuals as well as for family members, in 2022 as well. The Smart Watch webinar series was continued at OTP Bank. Weekly presentations by external specialists discussing typically problems relating to mental health, personal development and various common situations at work or in private life, and recommending solutions. The Bank's employees had access to free consultations with qualified specialists at the @meghallgatunk.hu portal, in 2022 as well. The assistance provided by coaches, psychologists and mental hygiene specialists were used some 1700 times by employees in search for help in dealing with family or workplace related problems or health issues. According to feedback the service is useful; our employees are provided with relevant expert assistance.

BG HR The Bulgarian subsidiary provides two extra days of paid holiday to for employee recreation and regeneration. OTP Bank Croatia has introduced a scheme of granting days off in exchange for extraordinary performance.

Overwork is one of the main sources of stress therefore the Banking Group makes efforts to reduce this. No material change took place in the amount of extraordinary work in comparison to the preceding year. The per capita overtime at OTP Bank was approx. 25 hours as an average in 2022, the same as in 2021.

Physical activity

Welfare actions at the workplace or outside working hours also contributed considerably to stress release or reduction. The OTP Group encourage its employees to do physical exercise. The primary objective of OTP Bank's community sports application scheme is to encourage workplace communities – at least 10 strong teams – to engage in joint sports activities. With support under the scheme more than 105 events were organised, mobilising about 3,500 employees in 2022.

BG DSK Bank's Wellness Academy focused on healthy life, physical exercise and medical consultations in 2022 as well.

SI SKB Bank received the WAC (Active Workplace Certification) for its results achieved in 2022. Recreational sports and even competitive sports activities are available in various sports associations and clubs at the Bank.

RO The Body Awareness Programme of OTP Bank Romania was established with a view to supporting sports, healthy eating and awareness; it contributed to the achievement of the objectives with a series of videos presenting sports exercises, mindfulness training and 3 sports camps.

A wide variety sports facilities and arrangements were available among the member companies in 2022 as well: regional and national sports days were organised within the bank and we also participated in traditional sports competitions among banks. The sports associations activated the employees and their families, they organised in-house competitions and helped participants in their individual preparations.

Recreation

OTP Bank and OTP Bank Romania own several hotels, where rooms are available for employees at reduced rates, or for those who have delivered outstanding performance, free of charge. Besides the employees of OTP Bank and OTP Bank Romania, some of the domestic subsidiaries and the Moldavian subsidiary have access to holiday resorts; in 2022 some 2,500 employees took this opportunity.

Healthcare services

The quality of life is heavily affected by health issues – whether of physical or mental origin – and neglecting them might lead to even more serious consequences. Several members of the OTP Group provide their employees with healthcare services over and above what is required by law, including health insurance and screening tests, in view of employee needs and requirements, and given the high proportion of female employees, laying particular emphasis on screening tests that are especially important for women.

GRI 2-29 OTP Bank conducted a survey on health services in 2022 among its employees who had used such services during the preceding six month period. The questionnaire was filled out by 900 employees and the results reflected an extremely high – 98 percent – rate of satisfaction. The highly rated areas included for instance the occupational health services and health insurance provision; the organisation of service provision was noted in particular as an area in need of improvement.

Under the health insurance contract the in 2022 the Bank financed nearly 19 thousand screening tests and the use of 14 thousand health care services stemming from post-covid and other health issues.

Occupational health and safety

GRI 3-3 The OTP Group does its utmost to maintain a safe working environment; the low number and low severity of accidents reflect the success of its efforts. The Banking Group's employees work for the most part in low risk jobs in terms of health and safety; they are provided with training on occupational health and safety as well, in accordance with the relevant local regulations. The employees of OTP Bank participate in training every year – even beyond the requirements – which in 2022 they already completed on the basis of the renewed occupational and fire safety e-learning material. The most important tasks in terms of occupational health and safety comprised in 2022 the completion of the comprehensive fire and security tasks relating to building M12, the creation of the requisites and conditions for the safe and reliable operation of the printing facility put in place in the new premises and the provision of in-person first aid training.

Accidents

GRI 403: 3-3, 403-9 At OTP Bank, the rate of work-related injuries dropped to[57] 0.7, which is a good result compared to the national statistical average (4.4 to 5 accidents at work per 1,000 employees). For OTP Group as a whole, the indicator increased slightly, to 2.0. It is an important achievement at OTP Bank that still no accident occurred while employees worked from home, just as there were no accidents involving supervised employees or persons working on company premises either in 2022[58]. Accidents were investigated in accordance with the relevant legislation. External workers working at OTP Bank's premises are provided, and familiarise themselves, with the occupational health and safety regulation upon the handover of the worksite and they are obliged to report any accident occurring at the premises. At Group level, work-related injuries typically occurred while walking to the workplace (falling, slipping) or – as in the case of OTP Bank Croatia and OTP Bank Serbia – in road accidents.

[57] Number of work-related injuries per 1,000 employees
[58] Of the foreign subsidiaries, DSK Bank, OTP Bank Romania, OTP Bank Ukraine and OTP Bank Russia were unable to supply data

UA Within the OTP Group this was the first time a fatal accident occurred since the first sustainability report was filed, in spite of the precautionary actions one bank employee lost his life in rocket attack[59]. In connection with the war conflict OTP Bank Ukraine identified the critical tasks in preparation for air raids and air raid alerts, including immediately stopping work and moving employees to shelters during air raids.

GRI 403-9 **Work-related injuries**	OTP Bank			OTP Group		
	2020	**2021**	**2022**	**2020***	**2021**	**2022**
Number of accidents**	22	18	9	42	77	85
Rate of work-related injuries** (per 1 million hours worked)	1.35	1.05	0.50	0.63	1.11	1.27
Number of high-consequence injuries	0	0	0	1	1	6
Rate of high-consequence injuries (per 1 million hours worked)	-	-	-	0.02	0.01	0.09

*OTP Bank Ukraine was unable to provide data and is therefore excluded from the basis figures as well.
** Reportable accidents
The data supply covers all employees. The total number of hours worked was 67.124.133 at the OTP Group and 17.964.752 at OTP Bank in 2022.

[59] Deaths per 1 million working hours for the OTP Group: 0.01.

6. CITIZENSHIP

GRI 3-3

Impacts: *Strengthening of financial awareness in vulnerable groups* Sharing financial knowledge and raising financial awareness improves responsible decision making, financial planning and the understanding of financial products among retail customers on the one hand, and reduces their exposure on the other hand. This is important for everybody but it is particularly crucial for young people and disadvantaged people.

Citizenship: The Group uses part of its profits for sponsoring projects and civil society organisations – facilitating the achievement of overall social objectives, encouraging community building and the fight against social inequalities, and promoting equal opportunities in general. Even greater impact might be achieved by spreading donation activities and micro-donations, as widely as possible.

Objectives: Raising awareness of the future among people
Developing financial literacy, attitude-shaping
Sponsoring culture and arts – creating and preserving values;
Promoting the accomplishment of community goals, standing for values
Strengthening community involvement through voluntary programmes, community building
Development of the culture of donation in society

Acts: Operation of excellent, widely accessible financial educational programmes
Collaboration with civil society organisations and professional organisations in important social causes
Consistent support/sponsorship policy, measurable results
Encouraging micro-donation by research, product development, media presence and supplementary funding
Boosting the power of small communities by promoting volunteering
Sponsoring sports as a community building activity

Stakeholder engagement/compliance: extensive cooperation with civil society organisations, professional organisations and local communities, surveys, involvement of employees and customers, asking for feedback on results and experience, media, ESG strategic objective disclosure

For further information visit our @website.

6.1. Activities aimed at improving financial literacy

ST12: 3-3 **The OTP Group has, for years, been a dedicated supporter of the development of financial literacy in the whole of the region. The member companies participate in this activity in various ways and to various extents to make sure that today's young people make adequate financial decisions tomorrow as conscious adults.**

OTP Bank has been conducting surveys for ten years now to explore the Hungarian population's self-provision habits and behaviour and their responses to various economic situations, on a sample of 1,500 18-70 years old bank account holders. The main average of the OTP Self-provision rose from 34 to 37 points in 2022, the greatest positive change within a year in the history of the surveys. Another important result was an increase in the proportion of people having savings. The survey found that the majority of people consider it important to have savings. 95 percent of the respondents also reported of increases in their expenditures and 76% characterised this increase as "significant". The survey found that most people respond to the economic uncertainty consciously, by cutting their consumption and by increasing their savings to the extent possible, and by working out financial plans. Respondents who prepare financial plans for at least the next month formed the majority again for the first time since 2020.

OTP Fáy András Foundation

The OTP Fáy András Foundation celebrated the 30th anniversary of its establishment in 2022 – it is primarily through the foundation that OTP Bank performs its activities promoting financial literacy in Hungary.

The foundation's mission is to raise awareness of the future among people. To this end, in addition to strengthening financial awareness and knowledge of economic matters it also provides trainings on subjects such as career planning and vocational orientation, conscious media use as well as sustainability. Besides free of charge, practice oriented, experience-based in-person and digital training programmes for primary and secondary school students and young adults, communication aimed at disseminating knowledge and raising awareness among the general public will continue to be a major element of the foundation's activities.

The number of people participating in in-person and digital training increased considerably in 2022 in comparison to the preceding year. On the one hand, in-person training had only to be suspended for a short period owing to the Covid-19 epidemic, and on the other hand the foundation developed and transformed training organisation and the digital portfolio. Some 66 percent of the participants took digital courses in 2022.

FN-CB-240a.4 The number of participants of training programmes in 2022		
Training programmes for young people (No. of persons)		
In-person training	Participants of 25 different courses	10,001
	of which disadvantaged participants	224
Digital	those taking 36 different stream materials	8,315
	of which disadvantaged participants	~500
	those taking 39 different 45-minute e-learning materials	9,703
Total		28,019
Adult training programmes (No. of persons)		
Digital	those taking 2 types of multiple-hour e-learning materials	1,288
Total trainings		29,307

The training portfolio and the training materials are continuously updated, enhanced and optimised by the foundation's specialists in terms of content and methodology, as well as innovative technological solutions. Two thirds of the training portfolio – currently of more than 100 training materials – has already been digitised. The number of live interactive stream trainings and that of youth and adult e-learning materials each increased considerably in 2022.

Besides conveying knowledge, the playful exercises comprised in the trainings contribute to the development of social competences as well, which are also required for success in life. To improve soft competences and critical thinking the foundation developed – as part of the adult training portfolio – a new training material entitled "Financial awareness, career planning – decisions and consequences"; its testing is currently under way. Also in the pilot phase is a complex training programme entitled "Modern entrepreneurial existence", also produced for young people, on the subject of founding and operating businesses.

The Basic Financial Literacy Programme is also aimed at young adults. This is the first training programme prepared for them by the foundation. The testing of the programme was successfully closed in February 2022 – several universities have already integrated it in their syllabuses and testing of individual enrolment has also been started.

In addition to the number of participants of training courses the number of educational institutions partnering with the foundation also increased in 2022. The model and partner school network was created on the basis of a new concept with the aim of having institutions open to cooperation even beyond trainings.

Expansion of the university and vocational training partner network is also an objective in adult training – whose primary target group is young adults – together with making the Basic Financial Literacy Programme accessible for as many students as possible. The list of partner higher education institutions also increased: the foundation is cooperating with Eötvös Loránd University, the Hungarian University of Agriculture and Life Sciences, the Budapest Business School, the Budapest Corvinus University, the Pannon University and the University of Nyíregyháza. The teacher further training programme organised in cooperation with Eötvös Loránd University of Sciences continued in 2022, as – besides students and young adults – teachers continue to be an important training target group for the foundation.

The training of trainers working with a methodology worked out with the involvement of the foundation was closed in 2022 at our Moldavian twin foundation.

The Fáy Forum was launched in 2022. In on-line lectures transmitted live twice during the year experts discussed topical matters of relevance to education expected to be of interest to a wide audience. Nearly a thousand teachers and parents registered for the two events.

Besides the education and training programmes the foundations communication programme aimed at disseminating knowledge and raising awareness is designed for the general public. This involves an on-line campaign and an influencer campaign promoting financial awareness on subjects including starting businesses, data security, home renovation and donation.

The OK Roadshow was staged in 2022 with grant funding in four counties in Central Hungary. 16 financial terms were processed in the context of the programme with the help of playful quizzes and exercises, in 7 towns at 16 primary school and 6 family events. The series of events was supplemented by a financial essay writing competition and an on-line financial contest. Thanks to the series of 17 30-minute short films covering the events and the competition, broadcast through regional television channels and the radio and television communication campaign covering the roadshow the financial awareness raising programme reached an even wider audience.

In the framework of the INTERREG Digital and Interactive Financial Literacy Tales project, implemented with EU funding the OTP Fáy András Foundation and the Constantine the Philosopher University Nyitra produced a programme developing financial literacy with the help of fairy-tale- and drama pedagogy instruments. The 3 Slovakian and 3 Hungarian tale adaptations supplemented with financial and economic educational content – of the foundation's and the university's own development – were presented at 21 Hungarian and Slovakian towns and villages to a total of 2,380 students by the professionals of the foundation and the university in the form of in-person trainings and on-line stream presentations and at camps and other events. The events, with on-line and print media appearances and radio interviews, reached a wide audience. News of the project and the foundation's message emphasising the importance of financial awareness reached more than 300,000 followers through the posts of the influencer who participated in the opening event.

As part of a series of events organised to mark the 30th anniversary of its opening the foundation organised a future awareness and vocational orientation weekend. The purpose of the day-and-a-half programme was, besides awareness raising on sustainability, futurology and future planning, to help secondary school students just before making career choices and starting studies in higher education, and graduates about to enter the job market, in career planning.

In their professional work the OK Educational Centres in Romania and Moldova relied on methodologies that have proven to be effective in Hungary.

RO The Romanian subsidiary's key corporate social responsibility project is called OTP Bank Romania Foundation. As well as financial education of young people and adults the foundation delivered programmes on subjects such as digital education, emotional intelligence and vocational orientation for generation Z. The Financial Fitness training was attended by adults, while 180 secondary school students were provided with training under a new educational programme launched together with the municipality of Csíkszereda (Miercurea Ciuc). The foundation tested a long term – 3.5 month – consultation programme with the participation of 17 students. 750 persons attended the training programmes of the OK Centre. In some cases the foundation participated in the development of training materials in cooperation with other organisations.

MD During the two and a half years of its operation the Moldavian OK Foundation developed into a local reference centre in financial education. The foundation's programmes and initiatives reached more than 5 thousand people in 2022. Such programmes included, for instance, participation in the Money Week initiative, five summer camps for children and the StartUpOK training programme for entrepreneurs of the future. They provided a financial management training programme for teachers with support from UN Women, in cooperation with the National Centre for Continuous Training and Leadership, and for businesswomen, with EBRD support.

Collaboration in financial education

We actively supported the Money Week initiative of the Hungarian Banking Association and the Money Compass Foundation in 2022 as well: 57 volunteers from OTP Bank were received by the schools participating in the programme, who helped draw attention to the importance of financial awareness. The initiative is part of the Global Money Week and the European Money Week, which have been joined by several foreign subsidiaries of OTP Bank.

HR RS AL The Croatian subsidiary organised a workshop in cooperation with a primary school in Zadar, while the Serbian subsidiary organised an on-line workshop in collaboration with multiple student organisations. Employees of the Albanian subsidiary delivered training free of charge in cooperation with the Albanian Banking Association.

UA The Ukrainian subsidiary, in cooperation with the Ukrainian National Bank, worked on developing the population's financial literacy in a joint awareness raising programme "financial protection".

BG A representative of the subsidiary DSK-Rodina participated in the training programme "Non-bank financial sector in Bulgaria" organised by the Financial Supervision in cooperation with other state bodies and civil society organisations to provide vocational school students with an insight in the operation of the financial sector.

AL The Albanian subsidiary organised a study tour to Budapest for economic journalists to enhance their knowledge so that as accurate, objective and transparent information as possible is conveyed to the participants of the Albanian economy and the Albanian public.

FN-CB-240a.4 Information on the development of financial literacy, OTP Group, 2022	
Number of participants in the company's own and the OK educational programmes	34,184 persons
Number of participants in trainings implemented in cooperation with other organisations	2,616 persons
Donations used for the development of financial literacy	HUF 958 million
Sponsorship used for the development of financial literacy	HUF 152 million

Financial education of socially disadvantaged groups

One of the most important objectives of the OTP Fáy András Foundation was to promote the financial inclusion of socially disadvantaged people. The foundation reaches this target group with its existing trainings but it plans to develop a special targeted individual training programme. Research to explore the methodology, the study material and effective forms of training was launched in late 2022.

In addition to the above, the foundation cooperated with a number of partner organisations and delivered trainings of special, personalised content elements for disadvantaged students and young people with the aim of raising financial awareness and transferring knowledge:

- The foundation also participated, with its training entitled "Financial awareness for independent life" in a programme of one of Hungary's largest specialised child care service provider network called Szent Ágota Child Protection Service (caring for more than 7,000 young people removed from their families), and the ÁGOTA Foundation, relating to aftercare and home making. The practice oriented training, based on experiential education methods, was developed for young people about to start their own lives and for young adults receiving aftercare services Its objective was financial awareness raising and provision of assistance in making conscious decisions concerning the utilisation of financial resources to which young people gain access once they become of age.
- The foundation organised several financial education camps and programmes for mentorees of the Csányi Foundation. In the playful financial training programme implemented at two venues in the framework of Parents Academy, in addition to the students of the Csányi Foundation their parents also participated in the awareness raising training encouraging conscious management of one's finances.

OTP Bank participated in the Programme Office for the Dissemination of Network Knowledge (HTTP) Foundation’s "It could be Easier" programme for helping the unemployed in 2022 as well. The purpose of the Foundation is the broadest possible dissemination of marketable IT skills. Together with its partners it provides on-line training free of charge on the lehetkonnyebb.hu website primarily for people less experienced in the digital world. The subjects dealt with during the training (upon the completion of which recipients receive diplomas) include on-line job-seeking, transition to on-line work and conscious management of one's finances, etc. The study material can be acquired in a specific time frame by studying alone or in groups, with expert assistance may at request. As many as 744 persons registered on the platform in 2022, of whom 207 participants received certificates in proof of their successful completion of the training.

RO OTP Bank Romania is operating a mentor and scholarship programme "GirlPower" for career starter women. The two finalists selected from 47 applicants received university scholarships worth more than a total of HUF 2.3 million. Moreover, OTP Bank managers participated in their mentoring.

MD The Moldavian OK Foundation provided financial education for refugees as well, with the involvement of INTERSOS and UN Women.

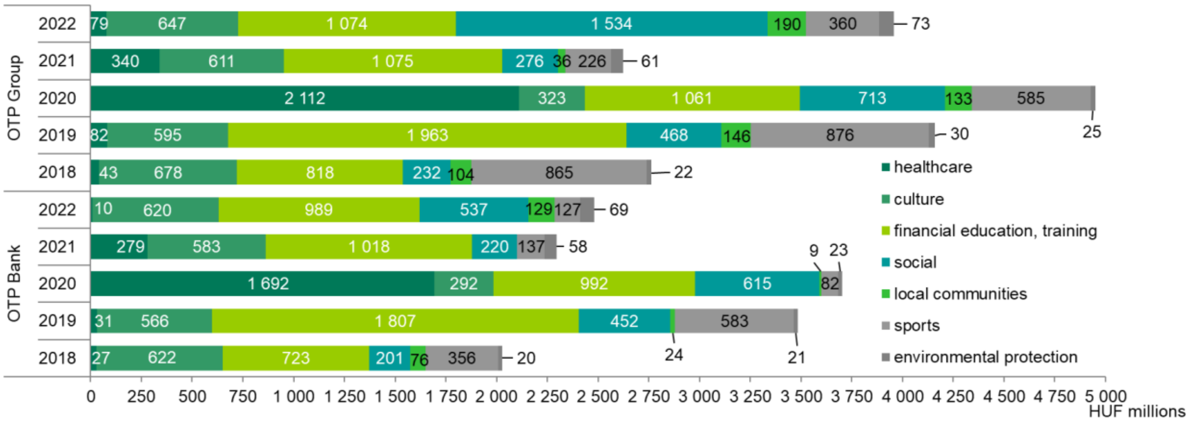
6.2. Citizenship

The OTP Group is an active participant of local communities. A dominant market share in multiple countries entails responsibility as well: the resulting tasks include reduction of social inequalities, contribution to creating opportunities and giving answers to current local and regional challenges.

The supports provided by OTP Bank have for years been steadily focused – besides the development of financial literacy – on helping disadvantaged people and people in need and sponsoring culture and arts – creation and preservation of value, as well as sports.

The OTP Bank subsidiaries make, for the most part, their own decisions on which local causes and initiatives they support or sponsor and how they engage their stakeholders. Measurability is, however an important principle in the case of the projects. Another one is that the Banking Group cooperates essentially with organisations and not individuals in this way. In 2022 OTP Bank started a process of pre-qualification of the sponsored and supported organisations, according to the same criteria it applies in the pre-qualification of suppliers. OTP Bank typically supports long-established social and regional cultural projects and participates in long term cooperation arrangements, overarching decades in cases (as in the case of for instance the International Child Rescue Service or the Hungarian Charity Service of the Order of Malta) which facilitate impacts and predictability.

Donations by OTP Bank and OTP Group



OTP Bank's corporate social responsibility activities focused in 2022 on two specific fields that are outstanding besides activities pursued so far and which overarch country borders: provision of humanitarian assistance necessitated by the war in Ukraine and enhancing the micro-donation culture. These are described below in more detail. The link between the two areas is created by the donation platform launched by OTP Bank in 2021 – through which people offered donations worth a total of HUF 250 for people in need, in 2022.

Assistance in relation to the war in Ukraine

OTP Bank's micro-donation programme promptly responded to the critical situation and shortly after the outbreak of the war it made it possible to support the Hungarian Charity Service of the Order of Malta's efforts aimed at helping Ukrainian refugees. The Bank launched a campaign to promote the initiative among its customers and the Ukrainian subsidiary's HR staff worked as coordinators in that extraordinary situation. The organisation provided assistance in Ukraine for those remaining in their homes and refugees arriving there, it received families arriving in Hungary in need of assistance and provided them with accommodation and at the same time it paid particular attention to the most vulnerable groups, families with three or more children, refugees arriving with sick, elderly or disabled persons, and families left without family heads. A total amount of HUF 125 million was collected for the organisation during the campaign. Moreover, OTP Bank donated HUF 100 million to support the cross-border activities of one of Hungary's largest charity organisations, the Ecumenical Aid Organisation.

As an international banking group it found it only natural that it provides assistance for colleagues in difficulties as a consequence of the war, and their families. The Bank provided them with free accommodation and full board in its own hotels. Psychologists helped refugees deal with traumas to help them maintain their mental health. Volunteer colleagues organised student activities, and handicrafts activities in makeshift play areas. OTP Életjáradék offered nearly 40 apartments for accommodation on a longer term, renovated and furnished by volunteers of the Hungarian members of the Banking Group and OTP Fáy András Foundation. The home renovation campaign "Adopt a Ukrainian family" was promoted by the Bank on its internal communication portals and surfaces. The necessary number of participants – and many more – registered in a matter of hours. Instead of the originally expected 30 teams as many as 50 teams – 700 employees – undertook to carry out tasks in the voluntary project.

In the collection of donations – advertised among employees – a total amount of HUF 15 million was received from 650 donors, which was used by the Humanity Social Foundation[60] for purchasing medicines, food and clothes.

BG Donations worth HUF 10 million were collected by DSK Bank's employees to help colleagues in trouble as a consequence of the war. In its internal communication the Bank continuously provided information on the current statuses of the initiatives aimed at helping Ukrainian colleagues, including the progress achieved in the collection of donations, thereby encouraging the provision of assistance.

AL The Albanian subsidiary provided direct contribution to the costs of accommodation of Ukrainian refugees at a hotel.

UA The Ukrainian subsidiary was gold level sponsor of the conference on 21 October in Lviv for owners and managers of health institutions. The main subject of the conference was how to adapt health services to the state of war. The Bank was represented by a number of its managers at the event.

All charity activities of the OTP Group in Ukraine are aimed at bolstering the country's social sphere during the war.

The activities performed to provide Ukrainian refugees with access to financial services are described in subsection @2.5.

Development of the donation culture and promotion of microdonation

OTP Bank makes efforts – through its services and electronic channels, and by involving its employees – to make donation, as an internal motive and practice, become part of everyday life.

OTP Bank mapped donation habits in 2022 in a sociological survey on a population of more than 1,000. The findings show that some 81 percent of the Hungarian adult population make donations in various ways. 48 percent of the population opine that donation has increased in importance as a consequence of the coronavirus pandemic and the war between Russia and Ukraine. The most frequent form of donation is offering one percent of the personal income tax to civil society organisations (48%), followed by in-kind donation (36%). A quarter of respondents offer the other one percent of their income personal income tax to churches and 23% of them transfer money directly to accounts of organisations. 19 percent of adults said they never make donations in any form whatsoever.

The research was aimed at gaining better understanding of the motives underlying micro-donations. 43 percent of the adult population donate small amounts on a regular basis; 7 percent donate less frequently but larger amounts, for causes they consider to be important. Adults who make donations to organisations on a regular basis give typically not more than HUF 5,000 a month (67%). The survey also found that animal protection is the most frequent target of micro-donations, marked by 26 percent of the respondents as their recipient. This was followed by donations to child protection (23 percent), disadvantaged people (14 percent), people with diseases (12 percent) and persons with disabilities (7 percent).

To promote the culture of donation the Bank makes it possible for people to offer micro-donations through its digital banking channels and its ATMs in Hungary. Thousands of donations of HUF 100-200-500 each may make a world of difference in the life of an organisation, a foundation. The survey found that the very involvement of the Bank may strengthen confidence: customers will be more confident that every last penny of their micro-donations will land on the account of the recipient organisation.

Donation was promoted in 2022 by the Bank's communication channels as well.

In the year-end donation collection campaign targeted to employees, 413 employees donated a total of more than HUF 3.2 million to which the Bank added another HUF 3.5 million for the benefit of the Humanity Social Foundation. The money was used for supporting families in need, special education institutions and disadvantaged children.

HR OTP Bank Croatia continued its joint programme with Mastercard called "Round up!". The essence of the programme is to enable customers to transfer the difference between the actual total amount of online transactions or card purchases and the amount rounded to the nearest kuna amount optionally to a designated donation account. Since the inception of the programme the Bank has donated HUF 155 million and about 18 thousand customers have donated HUF 51.7 million to hospital equipment. The latest

[60] OTP Bank exercises founder's rights over the Foundation.

campaign is focused on children's wards and the counter on the Bank's website shows the target as well as the current amount of donations.

BG In 2022 DSK Bank launched its platform @DSK Helps on which they show the projects supported by the Bank; the platform also enables micro-donations (e.g. for residents of the SOS Children's Villages where three families continue to be supported by the Bank in an amount of more than 7 million).

Volunteering

Volunteering is a tradition for most members of the OTP Group. Group members encourage volunteer initiatives and are happy to contribute to the efforts of employees.

OTP Bank's programme called OTP Helyi Érték Önkéntes Pályázati Program (OTP Local Value Volunteer Application Programme) was a success in 2022 as well; teams of volunteers provided assistance for numerous institutions and local communities. The invitation for applications announced twice a year is aimed to enable the Bank to support its employees' voluntary activities in their own communities. The programme provided support for the implementation of ideas of 21 teams in 2022; moreover, the Bank organised two volunteer actions beyond the application framework, as a result of which a total of 451 employees provided assistance to nearly 3,500 people in need.

A number of voluntary programmes focused on helping Ukrainian refugees both through collecting and delivering in-kind donations and by organising programmes for children accommodated in OTP resorts, or in the Budapest BOK Hall in connection with the central assistance provided by the Maltese Charity Service.

The beneficiary of the grandiose voluntary campaign organised by OTP Bank's retail lending division was the Kozmutza Flóra Primary School, Vocational School and Unified Special Education Methodology Institute. The institution has a several decades long history of successful work in the special education of pre-school and primary school age children and students of medium, severe and multiple disabilities. The participating employees and their external helpers – a total of 224 persons – worked in teams on the maintenance and tidying up of the building and the yard, or tended to the children, or treated them to food, drinks, cakes etc.

A number of subsidiary companies and banks are engaged in one-off, or organised voluntary corporate campaigns and some of the banks have great traditions of blood donation.

Employees of OTP Ingatlanpont Kft. and OTP Pénzügyi Pont Kft. participated together in workshops, organised by Nevetnikék Foundation manufacturing toys; the wooden toys so produced were used by the foundation as activity aids for children in hospitals.

HR The Croatian subsidiary created a dedicated website for organising employees' voluntary activities where they can not only register for participation as volunteers in projects initiated by the Bank but also for supporting the work of civil society organisations. Moreover, as many as 55 of the Bank's employees joined the 'Croatia Volunteers' programme.

Voluntary activity performance indicators, 2022			
		OTP Bank	OTP Group
Participants	number of	766	2,916
	percentage of, relative to total headcount (%)	5.6	7.4
Time spent doing voluntary activity	hours	6,128	25,028
Number of blood donors	persons	2,596	3,194

Sponsoring of sports

OTP Bank a dedicated sponsor of Hungarian football, particularly youth sports Due to the lockdowns during the pandemic the 2021/2022 season was shorter than usual, the 2022/2023 season was the first one after two years in a row when the **OTP Bozsik Institution Programme** could be started as usual. Accordingly, it was a major achievement that it was in the first season after the pandemic that the largest ever number of school football players – 123 thousand persons – was registered, nearly 9 thousand more than before. 74 percent of the players participating in the programme came from pre-school groups and first four grader primary school classes. Pre-school and primary school teachers thus play a key role – the aim is that they integrate, with adequate qualifications and methodologies, football as a physical activity in day-to-day education and playing activities.

RS SI In the other countries the local OTP subsidiaries are main sponsors of the national Olympic teams.

MD 500 children can engage in sports at the Zibru Football Academy thanks to the Moldavian subsidiary's sponsorship. The subsidiary also sponsored the charity Hospice Cycling Tour and the Special Olympics.

7. ENVIRONMENTAL POLICY AND ENVIRONMENTAL PROTECTION MEASURES

Information and data relating to environmental protection are, in accordance with the Accounting Act, presented separately. The direct environmental impacts of the activities of the Banking Group, as well as the Group's awareness raising activities, are described in this chapter. The environmental risks relating to the provision of financial services are managed and the relevant environmental opportunities are utilised in the framework of the ESG strategy, therefore these activities are discussed in the chapters of the Non-Financial Statement.

GRI 305: 3-3

Impacts: *Greenhouse gas emissions of operation:* The operational functioning of the OTP Group requires the use of natural resources and energy. The resulting environmental impact is significantly smaller than the indirect impacts associated with the provision of financial services. Of the impacts of operation only the emission of greenhouse gases (GHG) is considered to be material. Emissions exacerbate climate change and damage the environment and natural assets. The extent of the negative impact depends on the level of emissions, the amount and the way energy is consumed. Reducing emissions helps to combat climate change and protect the environment. However, the practices of the Banking Group also have an awareness raising impact in the segment of environmental protection and the promotion of environmental awareness in its operations is a major element of the regional leading role undertaken by the Group in relation to the green transition.

Objectives: Efficient use of resources

Carbon-neutral operation whilst observing economic efficiency considerations

Encouraging environmentally conscious behaviour in society through our employees and customers

Transparency regarding the environmental impacts stemming from our operation, with an emphasis energy consumption and GHG emission

Acts: Reporting on the environmental impacts of the Group's operation

Energy-efficient projects, purchase of green electricity; use of renewable energy sources

Reducing paper use through digitalisation; using recycled paper

Rationalising business travel

Improving waste management

Stakeholder engagement/compliance: cooperation with service providers and civil society organisations in implementing environmentally conscious practices, awareness raising among customers and employees, ESG strategic objective on operational emissions (Scope 1-2).

For our basic principles concerning environmental protection and the fundamentals of our practice, please visit @our website.

In 2022 the subsidiary banks set themselves goals concerning environmental protection as well in relation to their operations under their respective ESG strategies, focusing primarily on energy consumption, carbon dioxide emission and paper use.

GRI 2-13 We prepare annual reports on the environmental impact of our operation, for approval by the manager in charge of this function. To enhance knowledge relating to the performance of work, along with general knowledge, every OTP Bank employee is provided with environmental training once every two years.

Energy consumption and carbon dioxide emission

GRI 305: 3-3, TCFD IV.c Electricity makes up about half of the Banking Group's total energy consumption therefore carbon dioxide emission was significantly reduced in 2022 through the **purchase of green electricity**. OTP Bank, OTP Bank Croatia and OTP Bank Serbia covered 100 percent, the Slovenian SKB

Bank covered 50 percent of its power consumption from green electricity. To make further progress the Slovenian bank plans to increase the proportion of green electricity to 100 percent and has also set itself a goal of net carbon-neutrality by 2023. The Bulgarian subsidiary is reviewing the possibility of increasing its green electricity purchases, the Romanian subsidiary has set itself a target of achieving carbon-neutrality in terms of Scope 1-2 emissions by 2025, through purchasing green electricity and other measures. The Serbian subsidiary wishes to go carbon-neutral by 2027.

HR ZelEn

The Croatian subsidiary purchased electricity generated exclusively from renewable energy sources from HEP Opskrba. The service provider uses the green electricity surcharge on energy efficiency improving renovations of social institutions, including schools, pre-schools, kindergartens and old people's homes.

The changes in energy consumption during the year were massively influenced by the fact that after the lifting of the restrictions introduced in response to the Covid-19 pandemic significantly larger numbers of employees returned to work in the offices, in-person meetings, and so business trips, became more frequent again. Temperatures in buildings were reduced during the heating season in a number of countries in response to the dramatic increase in energy prices – besides environmental considerations. OTP Bank's new LEED Gold certified central building – M12 office building – was delivered. In spite of the outstanding energy efficiency of the new building the total energy consumption increased in 2022, because of the partially parallel use of the buildings.

M12

The goal of the design of the new office building in Madarász utca was to create a near-natural, human-oriented and light workplace. The building is a workplace for 3,300 people, therefore public spaces also play an important role in it. The office building of a 86 thousand m² floor area is the result of five years of development, nearly 40 percent of which is under the ground level, accommodating a car park, bicycle parking facility and building engineering installations. The offices, conference rooms and ancillary rooms and premises are to be found on the seven floors above ground. It took 50,000 m³ of concrete, 6,500 tonnes of reinforcement steel, 48,000 m² of plasterboard wall, 40,400 m² false floor and 23,500 m² hard flooring to build up the new office block.

One of the main features of the headquarters building is rich vegetation. The vegetation in the inner courtyards is made up of 212 large trees and 42,500 shrubs – most of them from domestic sources. The plants in the inner courtyard and on the façades, the interior acoustics, the air quality and the lots of natural light all serve to create a near-natural environment in a busy and noisy urban setting.

The building earned the LEED Gold certification with solutions such as its up-to-date mechanical engineering and electrical systems, ceiling heating and cooling, the utilisation of the waste heat of the heat pump for producing domestic hot water, the reuse of rainwater and smart lighting control. A large number of electric car chargers were installed in the multi-storey car park.

OTP Group uses the best technologies currently available for the purposes of new constructions and ongoing renovations both at its branch network and in its head office buildings. Modernisation of the heating systems, the widest possible use of LED lighting and the installation of additional motion sensors included the most typical types of development projects implemented in order to improve energy efficiency in 2022 as well. A number of our subsidiaries carried out energy efficiency audits and on the basis of their results they will make improvements in 2023. During the replacement of air conditioning units we take care to ensure that the new units are highly energy efficient and use environment-friendly coolants.

BG In DSK Bank's office building in Sofia the MClimate IoT solution selected in a startup competition organised by @OTP LAB was tested during the heating period. The system uses sensors to enhance the building's energy efficiency and the comfort perception of the people working in it. The Bank commissioned a building management system.

RO OTP Bank Romania has been switching off the electrical displays in the branches during night hours since the end of last year. A HVAC system was installed in the central building and thermostats were installed in several places.
By way of the 2022 projects aimed at improving energy efficiency and at using renewable energy OTP Bank saved a total of 1851 GJ energy. The entire OTP Group saved 8080 GJ.

The Banking Group is enhancing its own renewable energy generation facilities in view of economic efficiency considerations. The parent bank always examines the possibility of installing solar panels and heat pumps as part of each branch office renovation[61]. Solar panels and heat pumps were installed in 2022 at two more

[61] We are constrained by the fact that many of our branches are located on rented premises or in condominium buildings, where the

branches. At Group level, our systems generated a total of 2,034 GJ solar energy. The solar panel systems planned to be installed on 3 buildings of DSK Bank will be placed in service in early 2023. In 2022 OTP Bank used 3022 GJ energy generated by heat pumps. In the wake of the moving of the archive to another location the site's energy requirement decreased.

OTP Group's energy consumption[62] was 1,091 thousand GJ in 2022, practically the same as in the preceding year.

GRI 305: 3-3, 302-1 **Energy consumption within the organisation (GJ) – OTP Bank**					
	2018	**2019**	**2020[1]**	**2021**	**2022**
Natural gas	64,550[2]	65,594	63,827	71,219	62,539
Mineral vehicle fuels	30,527	31,829	29,444	31,741	34,651
Other non-renewable fuel	285	156	152	585	3,501
Total non-renewable fuel sources	*95,362*	*97,579*	*93,423*	*103,545*	*100,691*
Biogenic vehicle fuels	-	-	1,360	2,247	2,615
Total renewable fuel sources	*0*	*0*	*1,360*	*2,247*	*2,615*
Electricity	129,593	129,442	127,537	126,112	139,205
District heating	23,953	21,584	24,244	25,970	22,371
Total indirect energy purchased	*153,546*	*151,026*	*151,781*	*152,082*	*161,575*
Self-generated renewable energy	*1,996*	*2,005*	*5,166*	*5,141*	4,053
Total energy consumption[3]	**250,904**	**250,610**	**251,730**	**263,014**	**268,934**
Total energy consumption per employee[4]	**29.77**	**28.14**	**26.75**	**26.73**	**26.17**

[1] Also includes the consumption of the former Monicomp and eBIZ.
[2] GRI 2-4 Data corrected because of previously wrong information.
[3] Deviates slightly from the figures in the Annual Report up to 2021 because the finalised consumption data were received at a later date.
[4] Until 2019 based on statistical headcount, from 2020 based on average full-time staff number.
The energy consumption data originate from metering; some of the solar energy and the heat pump energy is estimated based on information from the manufacturer, for lack of dedicated meters. Wherever necessary, the amounts consumed were converted into energy regarding year 2022 on the basis of calorific values taken from the National Inventory Report (NIR). Earlier we used values from EU regulations and DEFRA.

GRI 305: 3-3, 302-1 **Energy consumption within the organisation (GJ) – OTP Group**					
	2018	**2019**	**2020***	**2021****	**2022****
Natural gas	107,697	143,139	134,738	308,237	272,624
Mineral vehicle fuels	96,128	99,801	79,248	113,153***	132,183
Other non-renewable fuel	475	2,194	1,054	31,327	53,281
Total non-renewable fuel sources	*204,300*	*245,134*	*215,040*	*452,717*	*458,088*
Biogenic vehicle fuels	-	-	1,949	5,583***	7,576
Renewable fuel	118	134	134	0	0
Total renewable fuel sources	*118*	*134*	*2,083*	*5,583*	*7,576*
Electricity	408,100	404,040	438,810	507,376	525,411
District heating	62,637	87,574****	86,514	112,036***	94,875
Total indirect energy purchased	*470,737*	*491,614*	*525,034*	*619,411*	620,286
Self-generated renewable energy	*6,443*	*6,563*	*6,855*	*5,923*	5,056
Total energy consumption	**681,598**	**743,445**	**749,302**	**1,083,635**	**1,091,006**
Total energy consumption per employee	**19.62**	**20.37**	**20.27**	**27.49**	**29.22**

The energy consumption data originate primarily from metering, in the case of certain minor consumptions they come from calculations; some of the solar energy and the heat pump energy is estimated based on information from the manufacturer. Wherever necessary, the amounts consumed were converted into energy regarding year 2022 on the basis of calorific values taken from the National Inventory Report (NIR) and on the basis of the EMEP/EEA guide. Earlier we used values from EU regulations and DEFRA.
* The former Expressbank and OTP banka Srbija a.d. The consumption of Beograd is reflected in the data from that year.
** Full consolidated corporate circle.
*** GRI 2-4 In 2022 corrected data owing to calculation error, the Banking Group's total energy consumption is 0.7% higher than the figure published earlier.
**** The district heating figure of OTP Bank Russia is an actual measured figure, significantly above the estimated consumption of prior years.

installation of solar panels is not feasible.
[62] Direct and indirect energy use combined.

GRI 305: 3-3, 305-1, 305-2, TCFD IV.b **OTP Group's Scope 1 and Scope 2 CO_2e emission (t)**										
	OTP Bank					**OTP Group**				
	2018	**2019**	**20201**	**2021**	**2022**	**2018**	**2019**	**2020**	**2021**	**2022**
Direct (Scope 1)	*6,714*	*6,779*	*6,078*	*6,548*	*6,67*	*14,564*	*18,594*	*15,282*	29,583	**29,68**
by vehicles	2,183	2,272	2,123	2,28	2,521	6,938	7,204	5,738	8,2533	9,752
from natural gas consumption	3,628	3,686	3,587	4,003	3,515	6,053	8,044	7,572	17,323	15,269
from air-conditioning equipment	885	811	358	228	420	1,536[2]	3,140[2]	1,892[2]	1,838[2]	1,708[2]
other non-renewable energy	18	10	10	37	214	37	206	80	2,17	2,951
Indirect (Scope 2)										
Indirect location-based	*10,54*	*10,786*	*9,883*	*9,904*	*11,496*	*45,13*	*47,947*	*52,711*	56,935	56,035
from electricity	9,374	9,912	8,902	8,802	10,491	42,082	44,012	48,807	51,778	51,601
from district heating	1,166	874	981	1,102	1,004	3,048	3,935	3,904	5,1583	4,434
Indirect market-based	*12,973*	*8,64*	*8,35*	8,369	1005	N/A	*47,334*	*53,196*	58,562	44,021
from electricity	11,807	7,766	7,369	7,286	166	N/A	43,399	49,292	53,103	39,442
from district heating	1,166	874	981	1,083	839	N/A	3,935	3,904	5,4593	4,578
Total (Scope 1 + 2) location-based	**17,254**	**17,565**	**15,961**	**16,452**	**18,165**	**59,694**	**66,541**	**67,993**	**86,519**	**85,715**
Total (Scope 1 + 2) market-based	**19,678**	**15,419**	**14,428**	**14,917**	**7,675**	N/A	**65,928**	**68,478**	**88,146**	**73,701**
Total (Scope1 + 2) with compensation (carbon-offset)	**19.678**	**15.419**	**14.428**	**14.917**	**675**	N/A	**65.928**	**68.478**	**87.785**	**66.701**
Per employee (location-based)	*2,05*	*1,97*	*1,7*	*1,67*	*1,77*	*1,72*	*1,82*	*1,84*	*2,19*	*2,3*
Per employee (market-based)	*N/A*	*N/A*	*1,53*	*1,52*	*0,75*	*N/A*	*N/A*	*1,85*	*2,24*	*1,97*
Per employee with compensation	*N/A*	*N/A*	*1,53*	*1,52*	*0,07*	*N/A*	*N/A*	*1,85*	*2,24*	*1,79*
Emission intensity per turnover (per million HUF, market-based)	*N/A*	*N/A*	*N/A*	*N/A*	*0,014*	*N/A*	*N/A*	*N/A*	*N/A*	*0,044*
Biogenic emissions[4]	0	0	97	161	187	0.5	0.6	140	399[3]	539

The figures shown are calculated from energy consumption, in all cases based on the applicable statutory regulations and the factors stipulated by the authorities and industry organisations. (National Inventory Report (NIR), IPCC, DEFRA, EU Regulation, AIB, and data from suppliers for electricity and district heating). For Scope 1 emissions, country-specific factors are applied from 2022 onwards, subject to availability. We calculate electricity-related emissions using country-specific factors. In the district heating heading, from 2020 we use a Hungarian factor, and in the case of the rest of the countries we uniformly use the data published by DEFRA. In previous years – in the absence of other reliable data – we used the Hungarian emission factors except for Ukraine, Russia and Serbia.
The Scope1 emissions, and in 2022 even the district heating, cover all GHG emissions. In the case of the Scope2 emissions the earlier years for district heating in Hungary and the 2019, 2020, 2021 and 2022 electricity factors cover only CO2. In the case of electricity and district heating, 2022 emission factors refer to 2021; at the time of the preparation of this report, more up-to-date factors were not yet available. The GWP values were taken into consideration on the basis of the IPCC's 4th Assessment Report.

[1] Also includes the consumption of the former Monicomp and eBIZ.
[2] Headcount-proportionate estimate based on the figures from member companies that supplied accurate data.
[3] GRI 2-4 Data retroactively corrected due to calculation error, total emission of the Group is 0.4% higher than previously published.
[4] From 2020 it includes renewable-based vehicle fuel emissions.
The emissions intensity per turnover is reported from 2022.

To offset its 2022 Scope 1 and Scope 2 emissions, OTP Bank purchased carbon credits in early 2022, thereby preventing the emission of 7,000 tonnes of carbon-dioxide. The 2022 emission values were calculated on a preliminary basis which is why there are some residual emissions. The credits purchased by the Bank were verified according to Gold Standard (VER). The Bank found it important that the project supported by way of offsetting be implemented in a country in which the Bank Group operates, therefore it contributed to a project enabling methane separation and power generation at the wastewater treatment plant of Bulgaria's capital city.

TCFD IV.b OTP Group's other indirect (Scope 3) CO_2e emissions (t) 2022*		
	OTP Bank	OTP Group
Business travel	866	2,763
Paper use	696	2,874

* Includes only emissions arising from our operations; their presentation is partial only. Our goal is to expand the scope covered continuously. The values are calculated from factors stipulated by the authorities and industry organisations.
As for the Banking Group's Scope3 emissions the emissions linked to lending are the most significant. The calculation of further emissions under Scope3 is expanded subject to resource capacities.

Travel

GRI 305: 3-3 The volume of business trips was significantly affected by the fact that the pandemic came to an end. Lockdowns were lifted in 2022, therefore car use across the Banking Group increased; however, on-line meetings continue to be a dominant element of communication.

Of the maximum carbon dioxide emission limits applied across the Banking Group in 2022 in relation to car purchases the limits for minibuses and small trucks was changed to 190 g/km because no vehicles with lower values can be found in this category. Among the cars to choose from there are hybrid or electric vehicles in all categories. At the end of 2022, OTP Bank's fleet included 5 electric cars and 89 hybrid vehicles.

HR BG RU The Bulgarian, the Croatian and the Russian subsidiary purchased 13, 3 and 1 hybrid cars during the year, respectively.

The total mileage increased by 10 percent and 9 percent year-on-year at the parent bank and across the group, respectively. The increase was driven to a large extent by the lifting of the pandemic-related restrictions.

HR In 2022 the Croatian subsidiary commissioned an electric charger at its central building and is looking for opportunities for installing additional ones in 2023.

RS The Serbian subsidiary introduced an obligation for its employees to use the high speed railway between Belgrade and Novi Sad instead of travelling by car and prescribed that company cars may only be used when several passengers travel together. To reduce emissions the Bank renewed its car fleet.

In addition to company cars, our employees also use their own personal cars for business travel in certain cases (not for commuting to work), and they also order taxi services. At OTP Bank, travelling by taxi and personal vehicles amounted to about 2.4 million kilometres; at Group level this value was 9.1 million[63] kilometres. The increase can be partly attributed to the increased accuracy of the reporting.

As the coronavirus pandemic declined, air travel increased compared to the previous year. At Group level, our employees took around 5,900 trips[64], nearly 40% of which were connected to OTP Bank. Travelling more than doubled year-on-year.

Since OTP Bank and its subsidiaries find it important to enable employees to access the workplace by alternative transportation means, several head office buildings are equipped with bicycle storage at Group level. Bicycle storages are available at 60 percent of the branches of OTP Bank for employees and for customers. The parent bank created new storage facilities at its new M12 office building. The Romanian subsidiary installed a new bicycle storage facility in one location.

Paper use

We are constantly working on cutting our paper use. A steadily increasing range of electronically available services (subsection @3.4) reduces paper consumption as well. OTP Bank introduced in 2022 the so-called GreenPOS, making the printing of the customer's copy of the receipt in the case of card purchases optional, and the printed receipts were also made shorter. This may result in the saving of 87 tonnes of paper at our partners, per year. The SoftPOS product enables Android devices to be used as POS as well, therefore there is no need for paper-based documents in this case either. We plan to make POS document merchant copies also electronically accessible from 2023.

Digitalisation of banking processes is under way across the entire Banking Group; more and more internal processes take place fully electronically, rendering printing and paper use unnecessary. At the same time, the paper-based administration demanded by legal requirements inhibit the further reduction of printing in Hungary and in other countries.

[63] This information is not comprehensive; our Romanian, Russian and Ukrainian subsidiaries, and a few Hungarian subsidiaries were unable to supply data.
[64] One-way trip.

The share of electronic account statements is increasing. We also encourage their use through the conditions and fees of the application. The majority of OTP Bank's customers (77 percent of retail customers and 1/3rd of large corporate customers) are not provided with paper-based statements. At the Bulgarian subsidiary nearly all of our customers are provided with electronic statements, while e-statements are used exclusively at the Moldavian and the Ukrainian subsidiary. At the Serbian subsidiary two thirds of the customers, at the Croatian bank the majority of the retail customers and half of the corporate customers, are provided with e-statements. At the Romanian subsidiary two thirds of the retail customers and 90-95 percent of the corporate customers, while at the Slovenian bank the majority of all customers, were issued e-statements. At the Slovenian subsidiary the number of paper-based statements increased lightly for retail customers, because they had to set the printing mode and many of them did not manage to do it correctly. At the Montenegrin subsidiary electronic account statements are used in more than 50% of the cases among corporate customers. A significant number of e-statements are used at the Albanian and the Russian subsidiaries as well but the exact ratios are not known.

Across the Group the use of paper at the offices decreased in 2022 again, while at OTP Bank it remained practically unchanged. The parent bank uses 44% recycled paper – because of procurement difficulties. In Hungary, we use FSC-certified paper even in the case of account letters, marketing publications and envelopes, while we use recycled FSC paper for producing DM letters. The internal printing activity of OTP Bank is FSC-certified until 2025. All personal hygiene products used at OTP Bank are exclusively ECO Label products. Some smaller domestic subsidiaries use exclusively recycled paper.

HR RO Our Croatian and Romanian subsidiaries plan to procure recycled paper for office use from 2023. The Croatian bank uses recycled paper for promotional materials and internal magazines.

RS Our Serbian subsidiary uses FSC-certified and ECF (Elemental Chlorine Free) paper.

SI Our Slovenian subsidiary has used PEFC-certified products for years.

Across the Group, the share of recycled office paper was 13% – or 9% of all paper used for all purposes – in 2022.

Environmentally conscious use and waste management

OTP Bank follows the principle of using all of its equipment, devices and machines for the longest time reasonably possible. Furniture is reused several times and we ensure the compatibility of replacements.

BG RO RS AL ME At OTP Bank, DSK Bank, OTP Bank Romania and OTP Bank Serbia it is a common practice to donate no longer used but still functional furniture and IT equipment (primarily computers and laptops). At Group level, we donated a total of 423 no longer used computers to charity projects in 2022.

Reducing plastic waste is one of our objectives; in addition to our existing practices, plastic cups were started to be replaced with paper cups in 2022 in Bulgaria, Romania and Slovenia.

HR RS SI RO ME MD Our subsidiaries in Croatia, Serbia, Slovenia, Romania, Montenegro and Moldova have used toner refills to reduce toner and ink cartridge waste.

OTP Group materials and procurement highlights										
	OTP Bank					OTP Group				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Computers (number of laptops + PCs) (thousand units)	15	18	19	19	19	45[1]	51[1]	57[1]	65[1]	65[1]
Weight of ink cartridges and toners used (t)	9	8	6	4	5	33[1]	35[1]	34[1]	37[1]	35[1]
Amount of office paper (t)	685	699	478	398	397	1,955	2,350[3]	1,795	1,751	1,551
Amount of paper used for document sorting and packaging (t)	43	58	75	90	98	116	117	153	829[6]	1,105[6]
Amount of indirectly used paper (t)[4]	5	7	584[5]	491	558	511	631	903	732	897

[1] Partly estimate: prorated based on actual data
[2] Decrease presumably due to increased precision in data capture
[3] In 2019 our Russian subsidiary also added the paper used in POS sales, which it did not include in prior years. This represented 320 tons of paper.
[4] E.g. marketing publications, account statements
[5] Predominantly the consumption of the former Monicomp.
[6] The consumption of Nádudvari Élelmiszer Kft. amounts to 500 tonnes.

Other than a few improvements, waste collection remained unchanged in most respects in 2022. All members of OTP Group collect and treat hazardous waste and paper containing business secrets selectively, in compliance with the relevant legal requirements. The other than confidential paper waste, plastic and metal waste, are selectively collected by the group members to varying degrees. In Moldova the selective collection of non-confidential paper waste was started in 2022. In OTP Bank's central office buildings and at the Croatian and the Romanian subsidiaries non-confidential paper waste, PET bottles, metal packaging materials and glass are selectively collected. The Serbian subsidiary collects its paper waste selectively, both in its head office building and at its branches. SKB Bank selects communal waste, including biodegradable food waste, as completely separately as possible. Our Albanian subsidiary collects paper waste comprehensively; this practice has been implemented at our Montenegrin subsidiary in the case of the head office building and the archives. There is selective waste collection in the head office building of our Ukrainian subsidiary and the Sofia and Varna sites of our Bulgarian subsidiary.

Quantity of selectively collected waste										
	OTP Bank					OTP Group				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Selectively collected waste paper (t)	417	809	1,120	729	880	1,445	1,323	1,450	1,091	1,243
Selectively collected PET bottles, plastic (kg)	9,998	7,929	2,203	4,607	8,807	14,348	12,613	5,810	10,685	29,426
Communal waste (t)	n.a.	n.a.	2.766	2.963	3.148	n.a.	n.a.	n.a.	n.a.	n.a.

Attitude-shaping

The members of the Banking Group launch numerous programmes, awareness raising campaigns and involve employees, to promote environmental awareness and the protection of natural values.

Plant-based bank card

OTP Bank continued in 2022 the issuance of bank cards of reduced environmental impacts: it provided its 24 thousand private banking customers with plant-based Mastercard Limited Edition bank cards. 84 percent of the card material is made from corn starch, from animal feed material, where the plant protein left from the manufacturing process can be used as animal feed. The bank card's lifetime is the same as that of a conventional card. In addition to the use of an environmentally friendly raw material, the manufacture of such cards has a smaller environmental impact because it takes a third less fossil fuels and results in the emission of 70 percent less GHG than conventional PVC, plastic cards. One such bank card generates, on the whole, approx. 10g less GHG during its life cycle.

SI The Slovenian subsidiary is also contemplating the issuance of more environment preserving cars made from recycled material.

OTP Bank continued its campaign in cooperation with Mastercard in the Priceless Planet Coalition in 2022 as well (for more information on DSK Bank's and OTP Bank Serbia's cooperation with Mastercard, see subsection @2.2). The purpose of the initiative is to plant 100 million trees in five years to mitigate the harmful impacts of climate change. Partners participating in the programme mobilise consumers by campaigns to take action for the environment, while they also contribute actively to achieving the goal. OTP Bank enabled the planting of 75 thousand trees in 2022 under the cooperation, 50 percent more than in 2021.

HR The Croatian subsidiary sponsored Ekotlon in 2022 as well, the largest plogging competition of Croatia (jogging with picking up litter). More than 500 runners participated in the event. The registration fees were used for sponsorship this year again, for sports associations of people with disabilities. The Bank also sponsored the divers' club cleaning up the Adriatic.

RS The Serbian subsidiary celebrated every major international world environmental days during the year through the social media channels. It released a large number of messages in international newsletters on methods of cutting carbon dioxide emission at the workplace and at home.

SI The Slovenian subsidiary implemented an extensive internal campaign on environmentally conscious behaviour. The results of the campaign are already reflected by reduced use of lighting and heating – this is expected to be reflected by reductions in consumption figures as well. The Bank's employees planted more than 1000 honey bearing plants in 2022 and produced a total of 72 kg of honey in the beehives on top of the central office. The Bank is making efforts to gather new innovative ideas also by joining the Slovenian Green Network and the Energy Effective Solutions Centre (CER).

RO The Romanian subsidiary drew attention to the importance of environmental awareness in messages greeting customers and in its campaigns (e.g. service evaluations) it offered packets of seeds for planting.

The subsidiary supported the implementation of the Nature Talks Association Green Week event where more than 300 students from Bucharest participated in interactive environmental workshops. A Green Room has been created at the Bank's headquarters building where children were able to experience the benefits of plants and how plants can clean the air. The project's press conference was attended by representatives of the Ministry of Education and the Environmental Ministry as well, and it is planned to be implemented every year in the context of the school Green Weeks event, which is part of a national strategy.

Green point hashtag summed up the subsidiary's numerous internal communication activities. The employees participated in voluntary programmes, supporting, *inter alia*, the Plastic-free Water Association, an organisation working to prevent contamination of the river Danube through the river Zsil. The Bank's 22 employees participated in a garbage collection campaign under the cooperation.

UK The "Surrender Your Batteries" campaign of the Ukrainian subsidiary bank – in the framework of which used batteries and accumulators collected nationwide are shipped to a Romanian recycling plant – was continued with limitations as a result of the war.

RU The Russian subsidiary drew attention to the importance of environmental protection through excursions, gatherings and articles organised and written with the involvement of its employees.

MD In response to the energy crisis the Moldavian bank joined in October a campaign launched by public bodies encouraging responsible electricity consumption to reduce power use. The Bank sponsored the Art Mirror exhibition of posters made from recycled materials. The campaign took place in multiple European cities simultaneously, drawing attention to the importance of reusing or recycling materials. The Bank organised the No Mail Day event in 2022 again, highlighting that even regarding emails, which are part and parcel of our everyday lives now, reasonable use is crucial in terms of sending, processing and storing mail as well. A webinar took place at the Bank regarding the topic, with several invited participants. The Bank started cooperation with the Chisinau Botanic Garden, with the involvement of its employees, to restore a rare tree species.

SUPPLEMENTARY DATA

FOOTNOTES OF THE TABLE 'CONSOLIDATED PROFIT AFTER TAX BREAKDOWN BY SUBSIDIARIES (IFRS)'

General note: regarding OTP Core and other subsidiaries, the adjusted profit after tax is calculated without the effect of adjustment items.

(1) Aggregated adjusted profit after tax of OTP Core and foreign banks.

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials of OTP Core are calculated from the partially consolidated IFRS financial statements of certain companies engaged in OTP Group's operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financial Point Ltd., and companies providing intragroup financing; OTP Bank Employee Stock Ownership Plan Organization was included from 4Q 2016; OTP Card Factory Ltd., OTP Facility Management Llc. and MONICOMP Ltd. were included from 1Q 2017; OTP Mobile Service Llc. and OTP Ingatlanpont Llc. were included from 1Q 2019; OTP Ecosystem Ltd. (previous name: OTP eBIZ Ltd.) was included from 1Q 2020; OTP OTP Home Solutions was included from 2Q 2021. The consolidated results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

(3) The result and balance sheet of OTP Factoring Bulgaria EAD and DSK Leasing AD is included.

(4) The statement of recognised income and balance sheet of OTP Leasing d.d. and SB Leasing d.o.o. was included.

(5) The financial performance of OTP Factoring Serbia d.o.o, OTP Lizing d.o.o. and OTP Services d.o.o. is included.

(6) The statement of recognised income and balance sheet of OTP Faktoring SRL and OTP Leasing Romania IFN S.A. was included.

(7) Figures are based on the aggregated financial statements of OTP Bank JSC, LLC OTP Leasing, and OTP Factoring Ukraine LLC.

(8) The statement of recognised income and balance sheet of LLC MFO "OTP Finance" is included.

(9) The statement of recognised income and balance sheet of the acquired Podgoricka banka was included, which merged into the Montenegrin bank.

(10) The Albanian figures include the balance sheet of the newly acquired Alpha Bank Albania from July 2022 and its P&L contribution from August.

(11) The subconsolidated adjusted profit after tax of Merkantil Group (Merkantil Bank Ltd., Merkantil Bérlet Ltd., OTP Real Estate Leasing Ltd., NIMO 2002 Ltd., SPLC-P Ltd., SPLC Ltd.) was presented.

(12) LLC AMC OTP Capital, OTP Asset Management SAI S.A. (Romania), DSK Asset Management EAD (Bulgaria).

(13) Velvin Ventures Ltd. (Belize), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), OTP Osiguranje d.d. (Croatia), OTP Solution Fund (Ukraine), Mendota Invest d.o.o. (Slovenia).

(14) Within OTP Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes issued by OTP Bank. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, OTP Real Estate Lease Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

(15) The profit after tax of the Hungarian operation lines include the profit after tax or adjusted profit after tax of the Hungarian subsidiaries and Corporate Centre, as well as the eliminations allocated onto these entities.

(16) The profit after tax of the Foreign operation lines include the profit after tax or adjusted profit after tax of the Foreign subsidiaries, as well as the eliminations allocated onto these entities.

CALCULATION OF THE ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS, AS WELL AS THE ADJUSTED BALANCE SHEET LINES PRESENTED IN THE REPORT, AND THE METHODOLOGY FOR CALCULATING THE FX-ADJUSTED VOLUME CHANGES

In order to present Group performance reflecting the underlying business trends , the presented consolidated and separate / sub-consolidated profit and loss statements of this report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report (unless otherwise stated). Consolidated financial statements together with separate figures of OTP Bank are disclosed in the *Financial Data* section.

Adjustments affecting the income statement:

- The after tax effect of adjustment items (certain, typically non-recurring items from banking operations' point of view) are shown separately in the Statement of Recognised Income. The following adjustment items emerged in the period under review and the previous year: received dividends, received and paid cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions (including the Hungarian windfall tax), the expected one-off negative effect of the debt repayment moratorium in Hungary, the expected one-off effect of the interest rate cap for certain loans in Hungary, the effect of the winding up of Sberbank Hungary, the effect of acquisitions, the result of the treasury share swap agreement, and the impairments on Russian government bonds at OTP Core and DSK Bank booked in 2022.
- The following items have been moved from the Other operating expenses line among the Net interest income after loss allowance, impairment and provisions line: *Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost*, *Provision for commitments and guarantees given*, *Release of impairment of assets subject to operating lease and of investment properties*. In the adjusted P&L structure these items are presented amongst the *Other provisions (adj.)* line (through the *Structural correction between Provision for impairment on loan losses and Other provisions* adjustment line). From 2021 the *Provision for commitments and guarantees given* line contains lending activity-related amounts, therefore this line is no longer shifted from 2021. In 3Q 2021 (retrospectively from 3Q 2020) the components of the new *Gain from derecognition of financial assets at amortized cost* line in the P&L were shifted back in the adjusted P&L structure to the lines on which they were presented previously. From 2022 the provision for impairment on placement losses is presented on the *Other provisions* line, instead of the previously applied *Provision for impairment lon loan losses* line.
- Other non-interest income is shown together with Gains and losses on real estate transactions, Net insurance result, Gains and losses on derivative instruments, but without the income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line. In the addition to this, OTP Bank has changed the way how private equity funds managed by PortfoLion are recorded. As a result of this, as opposed to the previous method of recording the funds at book value (initial book value less impairments), the funds are evaluated based on their net asset value. The change in the carrying value was reclassified to the Net other non-interest result (adj.) without one-offs line in the adjusted P&L structure.
- Other provisions are separated from other expenses and shown on a separate line in the adjusted profit or loss statement.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers (except for movie subsidies and cash transfers to public benefit organisations), Other other non-interest expenses stemming from non-financial activities, and special tax on financial institutions.
- Tax deductible transfers (offset against corporate taxes) paid by Hungarian group members were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of these transfers (i.e. the paid transfer less the related corporate tax allowances) is recognised in the corporate income tax line of the adjusted P&L.
- The financial transaction tax paid in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.
- The Compensation Fund contributions are recognized on the Other administrative expenses line of the income statement, and are presented on the financial transaction tax and/or Special tax on financial institutions line the in the adjusted P&L structure (due to the tax deductibility).
- Due to the introduction of IFRS16, certain items previously presented on the Other non-interest expenses line (rental fees) were moved to the interest expenses and depreciation lines in the income statement. These items were shifted back to the Other non-interest expenses line in the adjusted P&L structure.
- The currency exchange result was shifted in the P&L structure from the FX result to the net fees and commissions line. In the adjusted P&L structure this item is moved to the FX result line.
- The *Modification gains or losses* line (one of the components of the *Provision for impairment on loan and placement losses*) was presented on a separate line in the P&L structure. In the adjusted P&L this line was shifted back to the

Provision for impairment on loan and placement losses line. Secondly, the *Gains and losses on non-trading securities mandatorily at fair value through profit or loss* line was moved from the *Gains / losses on securities* to the *Fair value adjustment on financial instruments measured at fair value through profit or loss* line in the P&L structure. In the adjusted P&L this item remained part of the *Gains / losses on securities*. Thirdly, from 2021 the local business taxes and the innovation contribution payable by Hungarian Group members were booked on the *Income tax expenses* line, whereas these items were recognised amongst the *Other general expenses*.

- *The expected one-off effect of the interest rate cap for certain loans in Hungary* line contains the expected effect of the rate cap in the second half of 2022 and first half of 2023. The expected effect of the rate cap effective in 1H 2022 was presented in 4Q 2021 amongst the risk costs of OTP Core.
- *The effect of the winding up of Sberbank Hungary* line represents the combined impact of the extraordinary contribution payable into the Deposit Protection Fund in relation to the compensation of depositors, and the net present value of the expected recovery from the sale of Sberbank assets.
- Performance indicators (such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios, etc.) presented in this report are calculated on the basis of the adjusted profit and loss statement excluding adjustment items (unless otherwise indicated). Starting from 2022, the Provision for impairment on loan losses line is in the numerator of the Provision for impairment on loan losses-to-average gross loans ratio, which, as opposed to previous periods, does not include the provision for impairment on placement losses.
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown, as well as the FX-adjusted stock of allowances for loan losses are disclosed, too. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX-adjusted volumes will be different from those published earlier.
- The *FX-adjusted* changes of certain consolidated or sub-consolidated P&L lines in HUF terms are presented in this Report. According to the applied methodology in the case of the P&L lines, the FX effect is filtered out only in relation to the currency of the given country, irrespective of the transactional currency mix in which the given P&L line materialized. Thus, for instance, as for the consolidated FX-adjusted operating cost development, the effect of the Hungarian Forint rate changes against the given currency is not eliminated in the case of the cost items arising in FX within the Hungarian cost base.

Adjustments affecting the balance sheet:

- In the adjusted balance sheet, net customer loans include the stock of finance lease receivables.
- In the adjusted balance sheets presented in the analytical section of the report, the total amount of accrued interest receivables related to Stage 3 loans under IFRS 9 were netted with the provisions created in relation to the total exposure toward those particular clients, in case of the affected Group members. Therefore, this adjustment made on the balance sheet has an impact on the consolidated gross customer loans and allowances for loan losses.

Alternative performance measures pursuant to the National Bank of Hungary 5/2017. (V.24.) recommendation[65]

Alternative performance measures name	Description	Calculation (data in HUF million)	Measures value 2021	Measures value 2022
Leverage, consolidated[66]	The leverage ratio is calculated pursuant to Article 429 CRR. The calculation of the indicator is designed quarterly by the Bank for the prudential consolidation circle.	The leverage ratio shall be calculated as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage. Example for 2022: 3,369,616.3 / 35,517,511.6 = 9.5% Example for 2021: 3,002,328.2 / 29,860,866.0 = 10.1%	10.1%	9.5%
Liquidity Coverage Ratio (LCR)	According to Article 412 (1) of CRR, the liquidity coverage ratio (LCR) is designed to promote short-term resilience of the Issuer's / Group's liquidity risk profile and aims to ensure that the Issuer / Group has an adequate stock of unencumbered High Quality Liquid Assets (HQLA) to meet its liquidity needs for a 30 calendar day liquidity stress scenario.	The LCR is expressed as: (stock of HQLA) / (total net cash outflows over the next 30 calendar days) ≥ 100%. The numerator of the LCR is the stock of HQLA (High Quality Liquid Assets). In order to qualify as HQLA, assets should be liquid in markets during a time of stress and, in most cases, be eligible for use in central bank operations. The denominator of the LCR is the total net cash outflows, defined as total expected cash outflows minus total expected cash inflow in the specified stress scenario for the subsequent 30 calendar days. Total cash inflows are subject to an aggregate cap of 75% of total expected cash outflows, thereby ensuring a minimum level of HQLA holdings at all times. Example for 2022: 7,439,159.8 / (6,175,742.4 - 1,852,865.4) = 172.1% Example for 2021: 5,299,489.8 / (4,860,023.0 - 1,914,897.1) = 179.9%	179.9%	172.1%
ROE (accounting), consolidated	The return on equity ratio shall be calculated the consolidated accounting after-tax profit for the given period divided by the average equity, thus shows the effectiveness of the use of equity.	The numerator of the indicator is the consolidated accounting profit after tax for the given period (annualized for periods less than one year), the denominator is the average consolidated equity. (The definition of average equity: calendar day-weighted average of the average balance sheet items in periods comprising the given period, where periods comprising the given period are defined as quarters (and within that months) in case of 1H, 9M and FY periods, and months in case of quarters. Furthermore, the average of the average balance sheet items is computed as the arithmetic average of closing balance sheet items for the previous period and the current period.) Example for 2022: (347,081.1 * 1.0) / 3,160,118.9 = 11.0% Example for 2021: (456,427.7 * 1.0) / 2,686,982.7 = 17.0%	17.0%	11.0%

[65] The NBH's recommendation (5/2017, 24 May) on Alternative Performance Measures (APM) came into effect from 1 June 2017, in line with ESMA's guidance (ESMA/2015/1415) on the same matter. The recommendation is aimed at – amongst other things – enhancing the transparency, reliability, clarity and comparability of those APMs within the framework of regulated information and thus facilitating the protection of existing and potential investors.
[66] Based on the prudential consolidation scope, which is different from the consolidation scope used in this report.

Alternative performance measures name	Description	Calculation (data in HUF million)	Measures value 2021	Measures value 2022
ROE (adjusted), consolidated	The return on equity ratio shall be calculated the consolidated adjusted profit after tax for the given period divided by the average equity, thus shows the effectiveness of the use of equity.	The numerator of the indicator is the consolidated adjusted profit after tax for the given period (annualized for periods less than one year), the denominator is the average consolidated equity. Example for 2022: (592,547.0 * 1.0) / 3,160,118.9 = 18.8% Example for 2021: (496,901.5 * 1.0) / 2,686,982.7 = 18.5%	18.5%	18.8%
ROA (adjusted), consolidated	The return on asset ratio shall be calculated the consolidated adjusted net profit for the given period divided by the average total asset, thus shows the effectiveness of the use of equity.	The numerator of the indicator is the consolidated adjusted net profit for the given period, the denominator is the average consolidated total asset. (The definition of average asset: calendar day-weighted average of the average balance sheet items in periods comprising the given period, where periods comprising the given period are defined as quarters (and within that months) in case of 9M, 9M and FY periods, and months in case of quarters. Furthermore, the average of the average balance sheet items is computed as the arithmetic average of closing balance sheet items for the previous period and the current period.) Example for 2022: (592,547.0 * 1.0) / 31,190,136.9 = 1.9% Example for 2021: (496,901.5 * 1.0) / 25,194,346.0 = 2.0%	2.0%	1.9%
Operating profit margin (adjusted, without one-off items), consolidated	The operating profit margin shall be calculated the consolidated adjusted net operating profit without one-off items for the given period divided by the average total assets, thus shows the effectiveness of the operating profit generation on total assets.	The numerator of the indicator is the consolidated adjusted net operating profit without one-off items for the given period, the denominator is the average consolidated total assets. Example for 2022: (868,486.7 * 1.0) / 31,190,136.9 = 2.78% Example for 2021: (660,390.7 * 1.0) / 25,194,346.0 = 2.62%	2.62%	2.78%
Total income margin (adjusted, without one-off items), consolidated	The total income margin shall be calculated the consolidated adjusted total income without one-off items for the given period divided by the average total assets, thus shows the effectiveness of income generation on total assets.	The numerator of the indicator is the consolidated adjusted total income without one-off items for the given period (annualized for periods less than one year), the denominator is the average consolidated total assets. Example for 2022: (1,656,571.0 * 1.0) / 31,190,136.9 = 5.31% Example for 2021: (1,313,123.5 * 1.0) / 25,194,346.0 = 5.21%	5.21%	5.31%
Net interest margin (adjusted), consolidated	The net interest margin shall be calculated the consolidated adjusted net interest income for the given period divided by the average total assets, thus shows the effectiveness of net interest income generation on total assets.	The numerator of the indicator is the consolidated adjusted net interest income for the given period (annualized for periods less than one year), the denominator is the average consolidated total assets. Example for 2022: (1,093,578.8 * 1.0) / 31,190,136.9 = 3.51% Example for 2021: (884,012.2 * 1.0) / 25,194,346.0 = 3.51%	3.51%	3.51%
Operating cost (adjusted)/ total assets, consolidated	The indicator shows the operational efficiency.	The numerator of the indicator is the consolidated adjusted operating cost for the given period (annualized for periods less than one year), the denominator is the average consolidated total assets. Example for 2022: (788,084.3 * 1.0) / 31,190,136.9 = 2.53% Example for 2021: (652,732.8 * 1.0) / 25,194,346.0 = 2.59%	2.59%	2.53%

Alternative performance measures name	Description	Calculation (data in HUF million)	Measures value 2021	Measures value 2022
Cost/income ratio (adjusted, without one-off items), consolidated	The indicator is another measure of operational efficiency.	The numerator of the indicator is the consolidated adjusted operating cost for the given period, the denominator is the adjusted operating income (without one-off items) for the given period. Example for 2022: 788,084.3 / 1,656,571.0 = 47.6% Example for 2021: 652,732.8 / 1,313,123.5 = 49.7%	49.7%	47.6%
Provision for impairment on loan and placement losses (adjusted)/ average (adjusted) gross loans, consolidated	The indicator provides information on the amount of impairment on loan and placement losses relative to gross customer loans.	The numerator of the indicator is the consolidated adjusted provision for impairment on loan and placement losses for the given period (annualized for periods less than one year), the denominator is the adjusted consolidated gross customer loans for the given period. (The definition of average (adjusted) gross customer loans: calendar day-weighted average of the average balance sheet items in periods comprising the given period, where periods comprising the given period are defined as quarters (and within that months) in case of 1H, 9M and FY periods, and months in case of quarters. Furthermore, the average of the average balance sheet items is computed as the arithmetic average of closing balance sheet items for the previous period and the current period.) Example for 2022: 135,231.1 * 1.0 / 18,639,432.7 = 0.73% Example for 2021: 46,005.6 * 1.0 / 15,132,360.4 = 0.30%	0.30%	0.73%
Total risk cost (adjusted)/ total asset ratio, consolidated	The indicator shows the amount of total risk cost relative to the balance sheet total.	The numerator of the indicator is consolidated adjusted total risk cost for the given period (annualized for periods less than one year), the denominator is the average consolidated total assets for the given period. Example for 2022: 178,464.7 * 1.0 / 31,190,136.9 = 0.57% Example for 2021: 72,538.1 * 1.0 / 25,194,346.0 = 0.29%	0.29%	0.57%
Effective tax rate (adjusted), consolidated	The indicator shows the amount of corporate income tax accounted on pre-tax profit.	The numerator of the indicator is consolidated adjusted corporate income tax for the given period, the denominator is the consolidated adjusted pre-tax profit for the given period. Example for 2022: 97,475.0 / 690,022.0 = 14.1% Example for 2021: 90,951.2 / 587,852.6 = 15.5%	15.5%	14.1%
Net loan/(deposit+retail bonds) ratio (FX-adjusted), consolidated	The net loan to deposit+retail bonds ratio is the indicator for assessing the bank's liquidity position.	The numerator of the indicator is the consolidated net consumer loan volume (gross loan reduced the amount of provision), the denominator is the end of period consolidated consumer FX-adjusted deposit volume plus the end of period retail bond volume (issued by OTP Bank). Example for 2022: 18,640,624.3 / (25,158,557.6 + 35,766.3) = 74% Example for 2021: 16,655,366.8 / (22,164,853.5 + 0.0) = 75%	75%	74%

ADJUSTMENTS ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IFRS)

	2022 HUF million	2021 HUF million
Net interest income	**1,091,314**	**874,310**
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	2,034	625
(-) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line)	5,335	1,131
(-) Effect of acquisitions	-3,179	-2,680
(-) Initial NPV gain on the monetary policy interest rate swap (MIRS) deals	0	0
(-) Reclassification due to the introduction of IFRS16	-2,386	-1,556
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	46
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	0	-5,925
Net interest income (adj.)	**1,093,579**	**884,012**
Net fees and commissions	**600,361**	**442,177**
(+) Financial Transaction Tax	-89,751	-68,818
(-) Effect of acquisitions	-2	-33
(-) Structural shift of income from currency exchange from net fees to the FX result	113,494	47,843
Net fees and commissions (adj.)	**397,118**	**325,548**
Foreign exchange result	**-14,989**	**-4,075**
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	7,818	-492
(-) Effect of acquisitions	-4	0
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	-10
(+) Structural shift of income from currency exchange from net fees to the FX result	113,494	47,843
Foreign exchange result (adj.)	**90,691**	**44,251**
Gain/loss on securities, net	**-4,488**	**5,559**
(-) Effect of acquisitions	-556	-1,077
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	14
(-) Revaluation result of the treasury share swap agreement	-10,002	2,766
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Gain/loss on securities, net)	-4,636	1,031
(+) Shifting of the *Gains and losses on non-trading securities mandatorily at fair value through profit or loss* line from the *Net other non-interest income* to the *Gains or losses from securities* line	145	4,812
Gain/loss on securities, net (adj.)	**1,579**	**9,726**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale	**11,444**	**116**
(-) Effect of acquisitions	0	-165
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**11,444**	**282**
Gains and losses on real estate transactions	**5,269**	**6,424**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**11,444**	**282**
(+) Other non-interest income	**118,777**	**74,246**
(+) Gains and losses on derivative instruments	**10,558**	**6,797**
(+) Net insurance result	**1,370**	**657**
(+) Losses on loans measured mandatorily at fair value through other comprehensive income and on securities at amortized cost	**-4,164**	**-532**
(-) Shifting of the *Gains and losses on non-trading securities mandatorily at fair value through profit or loss* line from the *Net other non-interest income* to the *Gains or losses from securities* line	**145**	4,812
(-) Received cash transfers	447	165
(+) Other other non-interest expenses	-72,969	-44,882
(+) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	840	11,155
(-) Effect of acquisitions	3,268	-4
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	-5,783	1,117
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	-591	-948
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	-275	-194
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	387
(+) Shifting of the costs of mediated services at Merkantil Bérlet Ltd. to the net other non-interest result line	-1,846	
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Net other non-interest result)	-492	
(-) Expected one-off effect of the interest rate cap for certain loans in Hungary	-2,022	
Net other non-interest result (adj.)	**73,604**	**49,586**

	2022 HUF million	2021 HUF million
Gain from derecognition of financial assets at amortized cost	**-1,655**	**1,884**
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Gain/loss on securities, net)	-4,636	1,031
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Provision for impairment on loan losses)	3,473	854
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Net other non-interest result)	-492	
Gain from derecognition of financial assets at amortized cost (adj.)	**0**	**0**
Provision for impairment on loan and placement losses	**-155,680**	**-27,723**
(+) Modification gains or losses	**-39,997**	**-13,672**
(+) Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	**13,346**	**-16,289**
(+) Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	**-60,775**	**-3,974**
(+) Provision for commitments and guarantees given	**-6,145**	**-99**
(+) Impairment of assets subject to operating lease and of investment properties	**-1,205**	**438**
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	138	339
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line)	5,335	1,131
(-) Structural correction between Provision for loan losses and Other provisions	-61,979	-3,536
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	-4,816	-10,131
(+) Structural adjustment due to the *Gain from derecognition of financial assets at amortized cost* line (against *Provision for impairment on loan losses*)	3,473	854
(-) Shifting of provision for impairment on placement losses to the other provisions line from 1Q 2022	-261	
(-) Expected one-off effect of the interest rate cap for certain loans in Hungary	-36,005	
Provision for impairment on loan losses (adj.)	**-135,231**	**-46,006**
Dividend income	**14,641**	**15,648**
(+) Received cash transfers	447	165
(+) Paid cash transfers	-17,709	-11,992
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	-17,519	-11,873
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	12,130	3,809
(-) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	840	11,155
After tax dividends and net cash transfers	**1,927**	**729**
Depreciation	**-175,303**	**-94,995**
(-) Goodwill impairment charges	-67,715	0
(-) Effect of acquisitions	-4,917	-6,134
(-) Reclassification due to the introduction of IFRS16	-18,008	-16,064
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	-20
Depreciation (adj.)	**-84,663**	**-72,816**
Personnel expenses	**-402,563**	**-340,684**
(-) Effect of acquisitions	-1,259	-781
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	-298
(-) Shifting of the support granted to the Special Employee Partial Ownership Plan Organizations booked within the Personnel expenses to the Other non-interest expenses line	-5,000	
Personnel expenses (adj.)	**-396,304**	**-340,201**
Income taxes	**-59,252**	**-72,123**
(-) Corporate tax impact of goodwill/investment impairment charges	8,461	1,909
(-) Corporate tax impact of the special tax on financial institutions	5,456	1,787
(+) Tax deductible transfers (offset against corporate taxes)	-14,479	-8,137
(-) Corporate tax impact of the effect of acquisitions	543	5,738
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	-18
(-) Corporate tax impact of the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	244	1,487
(-) Corporate tax impact of the result of the treasury share swap agreement	900	-249
(-) Corporate tax impact of the impairments on Russian government bonds booked at OTP Core and DSK Bank in 2022	3,494	
(-) Corporate tax impact of the winding up of Sberbank Hungary (contribution to the Deposit Protection Fund)	1,027	
(-) Corporate tax impact of the expected one-off effect of the interest rate cap for certain loans in Hungary	3,618	
Corporate income tax (adj.)	**-97,475**	**-90,951**

	2022 HUF million	2021 HUF million
Other operating expense	**-128,785**	**-85,733**
(-) Other costs and expenses	-17,279	-6,508
(-) Other non-interest expenses	-90,678	-56,874
(-) Effect of acquisitions	-1,341	0
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	453	609
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	275	194
(+) Structural correction between *Provision for loan losses* and *Other provisions*	-61,979	-3,536
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	4
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	2,104	-153
(-) Impairments on Russian government bonds booked at OTP Core and DSK Bank in 2022	-38,268	
(+) Shifting of provision for impairment on placement losses to the other provisions line from 1Q 2022	-261	
(-) Shifting of certain expenses arising from mediated services from other provisions to the other non-interest expenses line	-882	
(-) Expected one-off effect of the interest rate cap for certain loans in Hungary	-2,175	
Other provisions (adj.)	**-43,234**	**-26,532**

Other administrative expenses	**-464,998**	**-311,931**
(+) Other costs and expenses	-17,279	-6,508
(+) Other non-interest expenses	-90,678	-56,874
(-) Paid cash transfers	-17,709	-11,992
(+) Film subsidies and cash transfers to public benefit organisations	-17,519	-11,873
(-) Other other non-interest expenses	-72,969	-44,882
(-) Special tax on financial institutions (recognised as other administrative expenses)	-96,808	-20,680
(-) Tax deductible transfers (offset against corporate taxes)	-14,479	-8,137
(-) Financial Transaction Tax	-89,751	-68,818
(-) Effect of acquisitions	-4,654	-10,370
(+) Reclassification due to the introduction of IFRS16	-20,395	-17,620
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	-106
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	0	-318
(-) Shifting of the costs of mediated services at Merkantil Bérlet Ltd. to the net other non-interest result line	-1,846	
(+) Shifting of certain expenses arising from mediated services from other provisions to the other non-interest expenses line	-882	
(-) Effect of the winding up of Sberbank Hungary (contribution to the Deposit Protection Fund)	-11,416	
(+) Shifting of the support granted to the Special Employee Partial Ownership Plan Organizations booked within the Personnel expenses to the Other non-interest expenses line	-5,000	
Other non-interest expenses (adj.)	**-307,117**	**-239,716**

ADJUSTMENTS OF CONSOLIDATED IFRS BALANCE SHEET LINES

	2022 HUF million	2021 HUF million
Gross customer loans (incl. finance lease receivables and accrued interest receivables related to loans)	19,690,287	16,670,469
(-) Accrued interest receivables related to DPD90+ / Stage 3 loans	46,730	36,015
Gross customer loans (adjusted)	19,643,558	16,634,454
Allowances for loan losses (incl. impairment of finance lease receivables)	-1,049,663	-926,547
(-) Allocated provision on accrued interest receivables related to DPD90+ / Stage 3 loans	-46,730	-36,015
Allowances for loan losses (adjusted)	-1,002,933	-890,532

STATEMENT OF PROFIT OR LOSS OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (CONSOLIDATED)[1]

	2022 HUF million	2021 HUF million	Change %
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	1,508,050	922,539	63
Income similar to interest income	495,973	194,920	154
Interest incomes	2,004,023	1,117,459	79
Interest expenses	(912,709)	(243,149)	275
NET INTEREST INCOME	**1,091,314**	**874,310**	**25**
Risk cost total	**(210,458)**	**(47,645)**	**342**
Loss allowance / Release of loss allowance on loans, placements, amounts due from banks and repo receivables	(155,681)	(27,721)	462
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	13,346	(16,289)	(182)
Loss allowance / Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	(60,774)	(3,974)	
Provision for commitments and guarantees given	(6,145)	(99)	
Impairment / (Release of impairment) of assets subject to operating lease and of investment properties	(1,204)	438	(375)
NET INTEREST INCOME AFTER RISK COST	**880,856**	**826,665**	**7**
Income from fees and commissions	739,576	554,113	33
Expense from fees and commissions	(139,216)	(111,939)	24
Net profit from fees and commissions	**600,360**	**442,174**	**36**
Modification gain or loss	**(39,997)**	**(13,672)**	**193**
Foreign exchange gains / losses, net	(4,431)	2,723	(263)
Foreign exchange gains / losses, net	(14,989)	(4,075)	268
Gains and losses on derivative instruments	10,558	6,798	55
Gains / Losses on securities, net	(4,488)	5,560	(181)
Gains / Losses on financial assets /liabilities measured at fair value through profit or loss	(4,164)	(532)	683
Gain from derecognition of financial assets at amortized cost	(1,655)	1,885	(188)
Profit from associates	14,640	15,648	(6)
Other operating income	125,415	81,328	54
Gains and losses on real estate transactions	5,269	6,424	(18)
Other non-interest income	118,777	74,246	60
Net insurance result	1,370	657	109
Other operating expense	(128,785)	(85,732)	50
Net operating income	**(3,468)**	**20,880**	**(117)**
Personnel expenses	(402,563)	(340,684)	18
Depreciation and amortization	(175,303)	(94,996)	85
Other administrative expenses	(464,997)	(311,932)	49
Other administrative expenses	**(1,042,863)**	**(747,612)**	**39**
PROFIT BEFORE INCOME TAX	**394,888**	**528,435**	**(25)**
Income tax expense	(59,251)	(72,123)	(18)
PROFIT AFTER INCOME TAX FOR THE PERIOD FROM CONTINUING OPERATIONS	**335,637**	**456,312**	**(26)**
From this, attributable to:			
Non-controlling interest	727	836	(13)
Owners of the company	334,910	455,476	(26)
DISCONTINUED OPERATIONS			
Gains from disposal of subsidiary classified as held for sale	11,444	0	
Net loss / gain from discontinued operation	0	116	(100)
PROFIT AFTER INCOME TAX FROM CONTINUING AND DISCOUNTINUED OPERATION	**347,081**	**456,428**	**(24)**

[1] The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

STATEMENT OF FINANCIAL POSITION OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (CONSOLIDATED)[1]

	2022 HUF million	2021 HUF million	Change %
Cash, amounts due from banks and balances with the National Banks	4,221,392	2,556,035	65
Placements with other banks, net of loss allowance for placements	1,351,082	1,584,861	(15)
Repo receivables	41,009	61,052	(33)
Financial assets at fair value through profit or loss	436,387	341,397	28
Securities at fair value through other comprehensive income	1,739,603	2,224,510	(22)
Loans at amortized cost	16,094,458	13,493,183	19
Loans mandatorily at fair value through profit or loss	1,247,414	1,068,111	17
Finance lease receivables	1,298,752	1,182,628	10
Associates and other investments	73,849	67,222	10
Securities at amortized cost	4,891,938	3,891,335	26
Property and equipment	464,469	411,136	13
Intangible assets and goodwill	237,031	248,631	(5)
Right(of(use assets	58,937	50,726	16
Investment properties	47,452	29,882	59
Derivative financial assets designated as hedge accounting	48,247	18,757	157
Deferred tax assets	75,421	15,109	399
Current income tax receivable	5,650	29,978	(81)
Other assets	471,119	276,785	70
Assets classified as held for sale / discontinued operations	0	2,046	(100)
TOTAL ASSETS	**32,804,210**	**27,553,384**	**19**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1,463,158	1,567,348	(7)
Repo liabilities	217,369	79,047	175
Financial liabilities designated at fair value through profit or loss	54,191	41,184	32
Deposits from customers	25,188,805	21,068,644	20
Liabilities from issued securities	870,682	436,325	100
Derivative financial liabilities held for trading	385,747	202,716	90
Derivative financial liabilities designated as hedge accounting	27,949	11,228	149
Leasing liabilities	63,778	53,286	20
Deferred tax liabilities	40,094	24,045	67
Current income tax payable	28,866	36,581	(21)
Provisions	131,621	119,799	10
Other liabilities	707,654	598,081	18
Subordinated bonds and loans	301,984	278,334	8
TOTAL LIABILITIES	**29,481,898**	**24,516,618**	**20**
Share capital	28,000	28,000	0
Retained earnings and reserves	3,395,215	3,109,509	9
Treasury shares	(106,862)	(106,941)	0
Total equity attributable to the parent	3,316,353	3,030,568	9
Total equity attributable to non(controlling interest	5,959	6,198	(4)
TOTAL SHARHOLDERS' EQUITY	**3,322,312**	**3,036,766**	**9**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32,804,210**	**27,553,384**	**19**

[1] The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

CONSOLIDATED SUBSIDIARIES AND ASSOCIATES
(in the consolidated financial statements according to IFRS)

	Name of the company	Main field of activity	Country of tax authority
1	OTP Bank Plc.	monetary intermediation	Hungary
2	OTP Real Estate Ltd.	sale and purchase of self-owned real estate	Hungary
3	BANK CENTER No. 1. Ltd.	property rental and management	Hungary
4	OTP Fund Management Ltd.	fund management	Hungary
5	OTP Factoring Ltd.	other financial services	Hungary
6	OTP Close Building Society	monetary intermediation	Hungary
7	Merkantil Bank Ltd.	monetary intermediation	Hungary
8	OTP Factoring Management Ltd.	sale and purchase of self-owned real estate	Hungary
9	INGA KETTŐ Ltd.	property rental and management	Hungary
10	Merkantil Bérlet Ltd.	property rental and management; rental of machines and tools	Hungary
11	OTP Mortgage Bank Ltd.	monetary intermediation	Hungary
12	OTP Funds Servicing and Consulting Company Limited	financial supplementary activity	Hungary
13	DSK Bank AD	monetary intermediation	Bulgaria
14	DSK Tours EOOD	travel agency	Bulgaria
15	DSK Trans Security EAD	security services	Bulgaria
16	POK DSK-Rodina AD	pension insurance	Bulgaria
17	NIMO 2002 Ltd.	property rental and management	Hungary
18	OTP Real Estate Investment Fund Management Ltd.	fund management	Hungary
19	OTP Card Factory Ltd.	production of plastic products	Hungary
20	OTP Bank Romania S.A.	monetary intermediation	Romania
21	DSK Asset Management EAD	fund management	Bulgaria
22	OTP banka dioničko društvo	monetary intermediation	Croatia
23	Air-Invest Ltd.	passenger air transport	Hungary
24	DSK Leasing AD	financial leasing	Bulgaria
25	OTP Invest društvo s ograničenom odgovornošću za upravljanje fondovima	fund management	Croatia
26	OTP Nekretnine d.o.o.	development of construction projects	Croatia
27	SPLC-P Ltd.	property rental and management	Hungary
28	SPLC Ltd.	commerce of passenger vehicle, real estate rental and management	Hungary
29	OTP Real Estate Leasing Ltd.	lending, financial leasing	Hungary
30	OTP Life Annuity Real Estate Investment Plc.	sale and purchase of self-owned real estate	Hungary
31	OTP Leasing d.d.	financial leasing	Croatia
32	Joint-Stock Company OTP Bank	monetary intermediation	Ukraine
33	JSC "OTP Bank" (Russia	monetary intermediation	Russia
34	Montenegrin Commercial Bank Shareholding Company, Podgorica Montenegro	monetary intermediation	Montenegro
35	OTP banka Srbija, joint-stock company, Novi Sad)	monetary intermediation	Serbia
36	OTP Investments d.o.o. Novi Sad	other financial services	Serbia
37	OTP Leasing Romania IFN S.A.	financial leasing	Romania
38	OTP Ingatlanpont Ltd.	property brokerage	Hungary
39	OTP Hungaro-Projekt Ltd.	business consulting	Hungary
40	OTP Financing Netherlands	financial holding	Netherlands
41	OTP Mérnöki Ltd.	engineering activity	Hungary
42	OTP Ingatlanüzemeltető Ltd.	property management	Hungary
43	Limited Liability Company Asset Management Company " OTP Capital"	fund management	Ukraine
44	CRESCO d.o.o.	sale and purchase of self-owned real estate	Croatia
45	LLC OTP Leasing	financial leasing	Ukraine
46	OTP Asset Management SAI S.A.	fund management	Romania
47	OTP Financing Solutions	credit claims	Netherlands
48	Velvin Ventures Ltd.	property brokerage	Russia
49	OTP Factoring Romania Llc.	other financial services	Romania
50	OTP Factoring Ukraine LLC	receivables management, credit mediation	Ukraine
51	OTP Insurance Broker EOOD	activities of insurance agents and brokers	Bulgaria
52	PortfoLion Venture Capital Fund Management Ltd.	fund management	Hungary
53	OTP Factoring Bulgaria JSCo.	factoring, commercial credit	Bulgaria
54	SC Aloha Buzz SRL	other financial services	Romania
55	SC Favo Consultanta SRL	other financial services	Romania
56	SC Tezaur Cont SRL	other financial services	Romania
57	OTP Holding Ltd.	other financial services	Ciprus
58	OTP Debt Collection d.o.o. Podgorica	other financial intermediation	Montenegro
59	OTP Factoring Serbia Ltd.	other financial services	Serbia
60	MONICOMP Ltd.	computer and peripherals maintenance	Hungary
61	CIL Babér Ltd.	property rental and management	Hungary
62	Project 01 Consulting, s. r. o.	other financial services	Slovakia
63	R.E. Four d.o.o., Novi Sad	sale and purchase of self-owned real estate	Serbia
64	OTP Financial point Ltd.	financial supplementary activity	Hungary
65	Bajor-Polár Center Real Estate Management Ltd.	property rental and management	Hungary
66	OTP Mobile Service Ltd.	IT services	Hungary
67	OTP Holding Malta Ltd.	financial holding	Malta
68	OTP Financing Malta Company Limited	lending	Malta
69	LLC MFO "OTP Finance"	microfinance activity	Russia
70	OTP Travel Limited	travel agency	Hungary

	Name of the company	Main field of activity	Country of tax authority
71	OTP Ecosystem Limited Liability Company; OTP Ecosystem Llc.	other information technology services	Hungary
72	DSK ventures EAD	commercial mediation, marketing, IT services	Bulgaria
73	OTP ESOP	financial supplementary activity	Hungary
74	PEVEC d.o.o. Beograd	storage	Serbia
75	PortfoLion Digital Ltd.	business consulting	Hungary
76	OTP Ingatlankezelő Ltd.	property management	Hungary
77	MFM Project Investment and Development Ltd.	property rental and management	Hungary
78	OTP Leasing d.o.o. Beograd	financial leasing	Serbia
79	Venture Closed-End Non Diversified Mutual Investment Fund "OTP Solution"	investment fund	Ukraine
80	OTP Services Ltd.	commerce of passenger vehicle	Serbia
81	DSK DOM EAD	credit mediation	Bulgaria
82	ShiwaForce.com Inc.	computer programming	Hungary
83	OTP Leasing EOOD	financial leasing	Bulgaria
84	Regional Urban Development Fund AD	financing of urban development plans	Bulgaria
85	Banka OTP Albania SHA	monetary intermediation	Albania
86	EiSYS Ltd.	IT consultancy	Hungary
87	OTP Leasing Srbija d.o.o. Beograd	financial leasing	Serbia
88	OTP Osiguranje AKCIONARSKO DRUŠTVO ZA	insurance	Serbia
89	OTP Bank S.A.	monetary intermediation	Moldova
90	AppSense Ltd.	computer programming	Hungary
91	SKB Banka d.d. Ljubljana	monetary intermediation	Slovenia
92	SKB Leasing d.o.o.	financial leasing	Slovenia
93	SKB Leasing Select d.o.o.	financial leasing	Slovenia
94	OTP Home Solutions Limited Liability Company	data processing	Hungary
95	Georg d.o.o	business consulting	Croatia
96	OD Ltd.	computer programming	Hungary
97	Balansz Real Estate Institute Fund	investment fund	Hungary
98	PortfoLion Zöld Fund	investment fund	Hungary
99	PortfoLion Digitális Magántőkealap I.	investment fund	Hungary
100	PortfoLion Regionális Fund	investment fund	Hungary
101	PortfoLion Regionális Fund II.	investment fund	Hungary
102	PortfoLion Partner Fund	investment fund	Hungary
103	PortfoLion Digitális Magántőkealap II.	investment fund	Hungary
104	Nemesszalóki Ltd.	agricultural activity	Hungary
105	ZA-Invest Béta Ltd.	agricultural activity	Hungary
106	NAGISZ Mezőgazdasági Termelő és Szolgáltató Ltd.	agricultural activity	Hungary
107	Nádudvari Ltd.	agricultural activity	Hungary
108	HAGE Ltd.	agricultural activity	Hungary
109	AFP Private Equity Invest Ltd.	asset management (holding)	Hungary
110	Mendota Invest, Nepremicninska druzba, d.o.o.	property developer and manager	Slovenia
111	ZA-Invest Delta Ltd.	asset management (holding)	Hungary

INDEPENDENT AUDITORS' REPORTS 2022
(CONSOLIDATED AND SEPARATE, IN ACCORDANCE WITH IFRS)

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Independent Auditor's Report

To the Shareholders of OTP Bank Nyrt.

Report on the audit of the separate financial statements

Opinion

We have audited the accompanying 2022 separate financial statements of OTP Bank Nyrt. ("the Company") included in the accompanying OTP Bank_egyedi beszámoló 2022_HU.xhtml[1] digital file, which comprise the separate statement of financial position as at 31 December 2022 - showing a balance sheet total of HUF 16,565,531 million and a total comprehensive income (loss) for the year of HUF - 51,379 million -, the related separate statement of profit or loss, separate statement of comprehensive income, separate statement of changes in shareholders' equity, separate statement of cash flows for the year then ended and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for separate financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the separate financial statements" section of our report.

[1] Digital identification of the above referred digital file, using SHA 256 HASH algorithm is ED2DEFF8A87D38485A941329326E43FAB741229A6D830E59D95D2DE392E0D889

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We are independent of the Company in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the separate financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

Determination of expected credit losses relating to loans at amortised cost

Credit impairment is a highly subjective area due to the level of judgement applied by management in determining expected credit losses ("ECL"). The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors. Such factors may include the financial condition of the counterparty, expected future cash flows, and expected net selling prices of collaterals. The portfolios which give rise to the greatest uncertainty are typically those where impairments are	We involved valuation specialists to assist us in performing our audit procedures on ECL and related credit impairments. Our audit procedures included among others the following procedures. We assessed the design and tested the operating effectiveness of internal controls over the approval, recording and monitoring of loans at amortized cost and controls over ECL calculations including the quality of underlying data and applications. We assessed the controls over the general IT

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derived from estimates of future cash flows and realisable value of collateral, calculated using collective impairment models, which are unsecured or are subject to potential collateral shortfalls.

These models require the significant periodic judgment of management regarding correct segmentation, the identification of significant changes in credit risk, the inclusion of forward-looking elements as well as the application of management overlay (to reflect on circumstances beyond the modelling capabilities). Given the economic uncertainties from the Russian – Ukrainian conflict, the risks to the global economy and the payment moratoria in place, significant judgement is required in the assessment of significant changes in credit risk, the definition of default, the estimation of future cash-flows (including the value of realisable collateral) and the evaluation of forward-looking information.

Due to the significance of loans at amortised cost (representing 29% of Total Assets as of 31 December 2022) and the related estimation uncertainty, this is considered a key audit matter.

environment of the applications relevant from audit perspective related to the determination of ECL.

For ECL calculated on an individual basis, we tested the assumptions used by the management underlying the impairment identification and quantification focusing on loan cases with the most significant potential impact on the separate financial statements. We also assessed the management's assumptions on the expected future cash flows, including the value of realisable collateral and estimates of recovery based on our own understanding and available market information.

For ECL calculated on collective basis we evaluated the model governance, methodologies, inputs and management assumptions used (probability of default, loss given default, significant changes in credit risk and forward-looking elements).

We considered the regulatory measures on the assumptions applied by the Company for ECL estimation purposes.

We also assessed whether the disclosures in the separate financial statements appropriately reflect the Company's exposure to credit risk and are compliant with the EU IFRSs.

The Company's disclosures about its risk management policies are included in Note 2.12 Loss allowance and 36.1 Credit risk which specifically explains the key assumptions used when determining credit risk and their evaluation are detailed in Note 11 Loans and Note 30 Risk cost.

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General Information Technology controls over the financial reporting process

A significant part of the Company's financial reporting process, including revenue recognition is significantly reliant on IT systems with embedded automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes and controls is ensuring appropriate user access and change management protocols exist and are being adhered to.

These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner.

As our audit of the financial statements sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort has been carried out regarding to understand and test IT infrastructure and applications including relevant application controls. Furthermore, the complexity of IT systems and nature of application controls requires special technology expertise and specialized skills to be involved in the audit we therefore consider this as a key audit matter.

We focused our audit on those IT systems and controls that are significant for the Company's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists to assist us in performing our audit procedures. Our audit procedures included among others the following procedures.

We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.

As part of our audit procedures we tested the operating effectiveness of controls over appropriate access rights to assess whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. We also tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized, developed and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application controls embedded in the processes relevant to our audit.

The Company's disclosures about its IT systems and related IT general and application controls are included in section System of internal controls and IT Controls of the Business report.

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Estimation uncertainties as a result of the Russian - Ukrainian conflict (excluding expected credit losses relating to loans at amortised cost)

On 24 February 2022 the Russian army started military operations in Ukraine, which are still ongoing at the date of our audit report.

In connection to this, there have been, amongst others, impacts on businesses in Ukraine and Russia. The sanctions implemented caused an unforeseen rise and volatility of market prices, FX and interest rates. It is difficult to estimate the further development of market prices and the key macroeconomic indicators. As a consequence, the valuation of financial instruments, investments in subsidiaries and the recoverability of deferred tax assets are a highly subjective area due to the level of judgement applied by the management.

In the separate financial statements, the amount of financial instruments (government bonds and FX derivatives) which are exposed to valuation uncertainties relating to the Russian-Ukrainian conflict is HUF 74 billion. Cash flow estimates and yield curves applied for the valuation of Russian and Ukrainian financial instruments contain significant judgements. As such, the exposures identified are mainly categorized as Level 3 financial instruments. The valuation of these instruments involves unobservable inputs as well and as such there is greater estimation uncertainty in the determination of their value.

The Company performed impairment test on investments in subsidiaries. As a result, the Company recognized HUF 95 billion impairment on its investments significantly impacted by the Russian-Ukrainian conflict. The investment

We involved valuation specialists to assist us in performing our audit procedures, which included among others the following procedures.

We evaluated the appropriateness of the Company's controls over the valuation of financial instruments, deferred tax assets and investments in subsidiaries.

Our procedures included assessment of the suitability of the valuation model and the key assumptions applied by the management. As part of our procedures we reviewed key market-related assumptions in management's valuation models, country budgets and we performed benchmarking of foreign exchange rates, discount rates against external data where available. We also tested the mathematical accuracy of the cash flow models and agreed relevant data to Board approved business plans.

We also assessed pricing model methodologies against industry practice and valuation guidelines. We performed independent valuations for selected instruments and used external source data where available. We compared results of our valuations to the Company's valuations.

We also assessed whether the disclosures in the separate financial statements appropriately reflect the estimation uncertainties of the

Company as a result of the Russian - Ukrainian conflict and are compliant with the EU IFRSs.

impairment test model includes sensitive inputs as key assumptions, including revenue growth, operating margin and discount rate.

As a consequence of differences between the accounting and tax treatment of ECL and valuation adjustments of financial instruments the Company recognized deferred tax assets in the amount of HUF 31 billion. Based on the available business plans, the Company will be able to utilize the deferred tax assets. The recoverability of deferred tax assets involves significant judgement applied by the management.

Due to the significance of assets impacted by the Russian – Ukrainian conflict (representing 2% of Total Assets as of 31 December 2022) and impairment on these assets (representing 1432% of Profit After Income Tax for the year 2022) and the related estimation uncertainty, this is considered a key audit matter.

The Company's disclosures about its risk valuation policies are included in Note 2.4 Investments in subsidiaries, associated companies and other investments, Note 2.6. Financial assets at fair value through profit or loss, Note 2.10. Securities at fair value through other comprehensive income, Note 4: Macro environment, impact of economic situation on the Group and which specifically explains the accounting policies and key assumptions used when determining the estimations and their evaluation are detailed in Note 8 Financial assets at fair value through profit or loss, Note 9 Securities at fair value through other comprehensive income, Note 10 Securities at amortized cost and Note 12 Investments in subsidiaries, associates, joint ventures and other investments, Note 34 Income tax and Note 45 d) Fair value of financial instruments – Fair value classes.

Other information

Other information consists of the 2022 business report of the Company, the "Management's Analysis" section of the annual report which have been made available to us before the date of our independent auditor's report and of the "Message to the Shareholders", "Corporate Governance" and "Macroeconomic and financial environment in 2022" sections of the annual report which are expected to be made available after the date of our independent auditor's report but do not include the separate financial statements and our independent auditor's report. Management is responsible for the other information, including preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the separate financial statements does not cover the other information.

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In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether 1) the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

When fulfilling this responsibility we have considered the following law: Commission (EU) Regulation 2019/815 of 17 December 2018, as such prescribing specific requirements for the business report, in relation with forming our opinion on the business report.

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2022 is consistent, in all material respects, with the 2022 separate financial statements of the Company and the relevant requirements of the Hungarian Accounting Law and the other law listed above.

We also confirm that the Company have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

When we read the sections of the annual report, which had not yet been made available to us at the date of this report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for separate financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters.

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Report on other legal and regulatory requirements

Report on compliance with the requirements of the regulation on the European Single Electronic Format

We have undertaken a reasonable assurance engagement on the compliance of the financial statements included in the digital file - identified in our report - prepared by the Company ("financial statements in ESEF format") with the requirements set out in the ESEF Regulation.

Responsibilities of the management and those charged with governance for the financial statements in ESEF format

The Company's management is responsible for preparing the financial statements in ESEF format that comply with the ESEF Regulation. This responsibility includes:

- the preparation of financial statements in the applicable XHTML format; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation.

Those charged with governance are responsible for overseeing the Company's financial reporting process including compliance with the ESEF Regulation.

Our responsibility and summary of the work performed

Our responsibility is to express an opinion on whether the financial statements in ESEF format complies, in all material respects, with the requirements of the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Hungarian National Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000).

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF Regulation. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. Our reasonable assurance engagement included obtaining an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation and verifying whether the XHTML format was applied properly.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion, the financial statements in ESEF format of the Company for the year ended 31 December 2022 included in the digital file - identified in our report - complies, in all material respects, with the requirements of the ESEF Regulation.

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the General Assembly of Shareholders of the Company on 13 April 2022. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for two years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the business report and in the separate financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Kónya Zsolt.

Budapest, 31 March 2023

(The original Hungarian version has been signed.)

Kónya Zsolt
Engagement partner
Ernst & Young Kft.
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Registration No. 001165

Nagyváradiné Szépfalvi Zsuzsanna
Registered auditor
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This is a translation of the Hungarian Report

Independent Auditor's Report

To the Shareholders of OTP Bank Nyrt.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying 2022 consolidated financial statements of OTP Bank Nyrt. ("the Company") and its subsidiaries (altogether "the Group") included in the accompanying 529900W3MOO00A18X956-2022-12-31-hu.zip[1] digital file, which comprise the consolidated statement of financial position as at 31 December 2022 - showing a balance sheet total of HUF 32,804,210 million and a total comprehensive income for the year of HUF 408,342 million -, the related consolidated statement of profit or loss, the consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash-flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

[1] Digital identification of the above referred digital file, using SHA 256 HASH algorithm is 7156AEA0B7C1C29B0EC9A4BD6417F49F3467B7BB4B821913C905A91891058310

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We are independent of the Group in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<u>Determination of expected credit losses relating to loans at amortised cost</u>

Credit impairment is a highly subjective area due to the level of judgement applied by management in determining expected credit losses ("ECL"). The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors. Such factors may include the financial condition of the counterparty, expected future cash flows, and expected net selling prices of collaterals. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from estimates of future cash flows and realisable value of collateral, calculated using collective impairment models, which	We involved valuation specialists to assist us in performing our audit procedures on ECL and related credit impairments. Our audit procedures included among others the following procedures. We assessed the design and tested the operating effectiveness of internal controls over the approval, recording and monitoring of loans at amortized cost and controls over ECL calculations including the quality of underlying data and applications. We assessed the controls over the general IT environment of the applications relevant from audit perspective related to the determination of ECL.

are unsecured or are subject to potential collateral shortfalls.

These models require the significant periodic judgment of management regarding correct segmentation, the identification of significant changes in credit risk, the inclusion of forward-looking elements as well as the application of management overlay (to reflect on circumstances beyond the modelling capabilities). Given the economic uncertainties from the Russian – Ukrainian conflict, the risks to the global economy and the payment moratoria in place, significant judgement is required in the assessment of significant changes in credit risk, the definition of default, the estimation of future cash-flows (including the value of realisable collateral) and the evaluation of forward-looking information.

Due to the significance of loans at amortised cost (representing 49% of Total Assets as of 31 December 2022) and the related estimation uncertainty, this is considered a key audit matter.

We assessed management's assumptions relating to the overall uncertainties arising from the geopolitical and economic situation caused by the Russian-Ukrainian conflict.

For ECL calculated on an individual basis, we tested the assumptions used by the management underlying the impairment identification and quantification, focusing on loan cases with the most significant potential impact on the consolidated financial statements. We also assessed the management's assumptions on the expected future cash flows, including the value of realisable collateral and estimates of recovery, based on our own understanding and available market information.

For ECL calculated on collective basis we evaluated the model governance, methodologies, inputs and management assumptions used (probability of default, loss given default, significant changes in credit risk and forward-looking elements).

For exposures directly exposed to increased uncertainties arising from the Russian-Ukrainian conflict we designed additional procedures to address the higher estimation uncertainty. Such procedures, among others included: an assessment of the overall changes in the ECL model (including its parameters), an assessment of the additional criteria applied for the identification of significant changes in credit risk, territorial analysis of the value of realisable collateral of the exposures which are directly or indirectly impacted by the Russian-Ukrainian conflict, and benchmarking of the ECL coverage of the portfolio against other market participants. We assessed the sensitivity of the Ukrainian ECL models to reasonable alternative forward-looking assumptions.

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We considered the regulatory measures on the assumptions applied by the Company for ECL estimation purposes.

We also assessed whether the disclosures in the consolidated financial statements appropriately reflect the Group's exposure to credit risk and are compliant with the EU IFRSs.

The Group's disclosures about its risk management policies are included in Note 2.14 Loss allowance and Note 37.1 Credit risk which specifically explains the key assumptions used when determining credit risk and their evaluation are described in Note 4: Macro environment, impact of the economic situation on the Group, Note 11 Loans at amortised cost and at fair value and Note 31 Loss allowances / Impairment / Provisions.

General Information Technology controls over the financial reporting process

A significant part of the Group's financial reporting process, including revenue recognition is significantly reliant on IT systems with embedded automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes and controls is ensuring appropriate user access and change management protocols exist and are being adhered to.

These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner.

As our audit of the financial statements sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort has been carried out regarding to understand and test IT infrastructure and applications including relevant application controls. Furthermore,

We focused our audit on those IT systems and controls that are significant for the Group's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists to assist us in performing our audit procedures. Our audit procedures included among others the following procedures.

We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.

As part of our audit procedures, we tested the operating effectiveness of controls the complexity of IT systems and nature of application controls requires special technology expertise and specialized skills to be involved in the audit we therefore consider this as a key audit matter.

over appropriate access rights to assess whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. We also tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized, developed and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application controls embedded in the processes relevant to our audit.

The Group's disclosures about its IT systems and related IT general and application controls are included in section System of internal controls and IT Controls in the consolidated business report.

Estimation uncertainties as a result of the Russian - Ukrainian conflict (excluding expected credit losses relating to loans at amortised cost)

On 24 February 2022 the Russian army started military operations in Ukraine, which are still ongoing at the date of our audit report. In connection to this, there have been, amongst others, impacts on businesses in Ukraine and Russia. The sanctions implemented caused an unforeseen rise and volatility of market prices, FX and interest rates. It is difficult to estimate the further development of market prices and the key macroeconomic indicators. As a consequence, the valuation of financial instruments, goodwill and the recoverability of deferred tax assets are a highly subjective area due to the level of judgement applied by the management.

In the consolidated financial statements, the amount of financial instruments (government bonds and FX derivatives) which are exposed to valuation

We involved valuation specialists to assist us in performing our audit procedures which included among others the following procedures.

We evaluated the appropriateness of the Group's controls over the valuation of financial instruments, deferred tax assets and goodwill.

Our procedures included assessment of the suitability of the valuation model and the key assumptions applied by the management. As part of our procedures we reviewed key market-related assumptions in management's valuation models, country budgets and we performed benchmarking of foreign exchange rates, discount rates against external data where available. We also tested the mathematical accuracy of the uncertainties relating to the Russian-Ukrainian conflict is HUF 479 billion. Cash flow estimates and yield curves applied for the valuation of Russian and Ukrainian financial instruments contain significant judgements. As such, the exposures identified are mainly categorized as Level 3 financial instruments. The valuation of these instruments involves unobservable inputs as well and as such there is greater estimation uncertainty in the determination of their value.

As a consequence of differences between the accounting and tax treatment of ECL and valuation adjustments of financial instruments, the Russian operation of the Group recognized deferred tax assets in the amount of HUF 20 billion. Based on the available business plans the Russian operation of the Group will be able to utilize the deferred tax assets. The recoverability of deferred tax assets involves significant judgement applied by the management.

Due to the conflict the Group performed an impairment test of goodwill. As a result, the Group fully impaired the goodwill (a provision of HUF 41 billion) relating to the Russian operation in 2022. The goodwill impairment test model includes sensitive inputs as key assumptions.

Due to the significance of assets impacted by the Russian – Ukrainian conflict (representing 6% of Total Assets as of 31 December 2022) and the related estimation uncertainty, this is considered a key audit matter.

cash flow models and agreed relevant data to Board approved business plans.

We also assessed pricing model methodologies against industry practice and valuation guidelines. We performed independent valuations for selected instruments and used external source data where available. We compared results of our valuations to the Group's valuations.

We also assessed whether the disclosures in the consolidated financial statements appropriately reflect the estimation uncertainties of the Group as a result of the Russian - Ukrainian conflict and are compliant with the EU IFRSs.

The Group's disclosures about its risk valuation policies are included in Note 2.6. Financial assets at fair value through profit or loss, Note 3.4. Impairment on goodwill, Note 4: Macro environment, impact of the economic situation on the Group, which specifically explains the accounting policies and key assumptions used when determining the estimations and their evaluation, are detailed in Note 8 Financial assets at fair value through profit or loss, Note 9 Securities at fair value through other comprehensive income, Note 10 Securities at amortized cost, Note 13 Property, equipment and intangible assets, Note 35 Income taxes and Note 48.4. Fair value levels.

Other information

Other information consists of the 2022 consolidated business report of the Group and the "Management's Analysis" section of the annual report which have been made available to us before the date of our independent auditor's report and of the "Message to the Shareholders", "Corporate Governance" and "Macroeconomic and financial environment in 2022" sections of the annual report which are expected to be made available after the

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date of our independent auditor's report but do not include the consolidated financial statements and our independent auditor's report. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether 1) the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the consolidated business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

When fulfilling this responsibility we have considered the following law: Commission (EU) Regulation 2019/815 of 17 December 2018, as such prescribing specific requirements for the consolidated business report, in relation with forming our opinion on the consolidated business report.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2022 is consistent, in all material respects, with the 2022 consolidated financial statements of the Group and the relevant requirements of the Hungarian Accounting Law and the other law listed above.

We also confirm that the Group have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

When we read the sections of the annual report, which had not yet been made available to us at the date of this report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for consolidated financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Report on compliance with the requirements of the regulation on the European Single Electronic Format

We have undertaken a reasonable assurance engagement on the compliance of the consolidated financial statements included in the digital file - identified in our report - prepared by the Group ("consolidated financial statements in ESEF format") with the requirements set out in the ESEF Regulation.

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Responsibilities of the management and those charged with governance for the consolidated financial statements in ESEF format

The Company's management is responsible for preparing the consolidated financial statements in ESEF format that comply with the ESEF Regulation. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable XHTML format;
- the selection and application of appropriate iXBRL tags as required by ESEF Regulation using judgement where necessary; including completeness of use of the relevant tags, appropriateness of creation and anchoring of the extension elements; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation.

Those charged with governance are responsible for overseeing the Company's financial reporting process including compliance with the ESEF Regulation.

Our responsibility and summary of the work performed

Our responsibility is to express an opinion on whether the consolidated financial statements in ESEF format complies, in all material respects, with the requirements of the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Hungarian National Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000).

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF Regulation. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation whether due to fraud or error. Our reasonable assurance engagement included obtaining an understanding of the tagging, obtaining an understanding of the Group's internal controls relevant to the application of the requirements of the ESEF Regulation, verifying whether the XHTML format was applied properly, evaluating the completeness of the Group's tagging of the consolidated financial statements using the XBRL markup language, evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified and evaluating the use of anchoring in relation to the extension elements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion, the consolidated financial statements in ESEF format of the Group for the year ended 31 December 2022 included in the digital file -identified in our report - complies, in all material respects, with the requirements of the ESEF Regulation.

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of OTP Bank Nyrt. by the General Assembly of Shareholders of the Company on 13 April 2022. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for two years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Kónya Zsolt.

Budapest, 31 March 2023

(The original Hungarian version has been signed.)

Kónya Zsolt
Engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Nagyváradiné Szépfalvi Zsuzsanna
Registered auditor
Chamber membership No.: 005313

SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS (2022)

OTP BANK PLC.
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022
(in HUF mn)

	Note	2022	2021
Cash, amounts due from banks and balances with the National Bank of Hungary	5.	1,092,198	474,945
Placements with other banks	6.	2,899,829	2,567,212
Repo receivables	7.	246,529	33,638
Financial assets at fair value through profit or loss	8.	410,012	246,462
Financial assets at fair value through other comprehensive income	9.	797,175	641,939
Securities at amortised cost	10.	3,282,373	3,071,038
Loans at amortised cost	11.	4,825,040	4,032,465
Loans mandatorily measured at fair value through profit or loss	11.	793,242	662,012
Investments in subsidiaries	12.	1,596,717	1,573,008
Property and equipment	13.	94,564	81,817
Intangible assets	13.	69,480	62,161
Right of use assets		39,882	17,231
Investment properties	14.	4,207	4,328
Deferred tax assets	34.	35,742	-
Current tax assets	34.	1,569	-
Derivative financial assets designated as hedge accounting relationships	15.	47,220	17,727
Other assets	16.	329,752	224,488
TOTAL ASSETS		**16,565,531**	**13,710,471**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	17.	1,736,128	1,051,203
Repo liabilities	18.	408,366	86,580
Deposits from customers	19.	11,119,158	9,948,532
Leasing liabilities		41,464	17,932
Liabilities from issued securities	20.	498,709	22,153
Financial liabilities designated at fair value through profit or loss	21.	16,576	20,133
Derivative financial liabilities designated as held for trading	22.	373,401	192,261
Derivative financial liabilities designated as hedge accounting relationships	23.	50,623	18,690
Deferred tax liabilities	34.	-	1,507
Current tax liabilities	34.	3,199	4,776
Provisions	24.	29,656	21,527
Other liabilities	24.	313,188	238,437
Subordinated bonds and loans	25.	294,186	271,776
TOTAL LIABILITIES		**14,884,654**	**11,895,507**
Share capital	26.	28,000	28,000
Retained earnings and reserves	27.	1,655,601	1,845,836
Treasury shares	28.	(2,724)	(58,872)
TOTAL SHAREHOLDERS' EQUITY		**1,680,877**	**1,814,964**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**16,565,531**	**13,710,471**

Budapest, 31 March 2023

Dr. Sándor Csányi
Chairman and Chief Executive Officer

László Wolf
Deputy Chief Executive Officer

OTP BANK PLC.
SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022
(in HUF mn)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Interest Income:			
Interest income calculated using the effective interest method	29.	721,679	302,373
Income similar to interest income	29.	377,231	105,663
Interest income and similar to interest income total		**1,098,910**	**408,036**
Interest Expense:			
Interest expenses total	29.	**(802,020)**	**(155,491)**
NET INTEREST INCOME		**296,890**	**252,545**
Loss allowance on loan, placement and repo receivables losses	6., 7., 11., 30.	(47,687)	(38,841)
Loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	9., 10., 30.	(53,238)	(1,484)
Provision for loan commitments and financial guarantees given	24., 30.	(5,541)	(130)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	45.4.	11,872	(16,255)
Risk cost total		**(94,594)**	**(56,710)**
NET INTEREST INCOME AFTER RISK COST		**202,296**	**195,835**
LOSSES ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST		**(56,195)**	**(2,700)**
MODIFICATION LOSS	4.	**(14,856)**	**(7,017)**
Income from fees and commissions	31.	362,444	300,803
Expenses from fees and commissions	31.	(66,087)	(52,276)
NET PROFIT FROM FEES AND COMMISSIONS		**296,357**	**248,527**
Foreign exchange gains and (losses)	32.	541	(5,638)
(Losses) and gains on securities, net	32.	(10,605)	2,104
Losses on financial instruments at fair value through profit or loss	32.	(18,790)	(6,494)
Net results on derivative instruments and hedge relationships	32.	9,917	3,436
Dividend income	32.	194,526	99,037
Other operating income	33.	13,775	11,265
Other operating expenses	33.	(131,942)	(41,636)
NET OPERATING INCOME		**57,422**	**62,074**
Personnel expenses	33.	(154,303)	(136,126)
Depreciation and amortization	33.	(46,738)	(40,692)
Other administrative expenses	33.	(290,989)	(178,611)
OTHER ADMINISTRATIVE EXPENSES		**(492,030)**	**(355,429)**
PROFIT BEFORE INCOME TAX		**(7,006)**	**141,290**
Income tax	34.	13,638	(15,951)
PROFIT AFTER INCOME TAX		**6,632**	**125,339**
Earnings per share (in HUF)			
Basic	43.	24	455
Diluted	43.	24	455

OTP BANK PLC.
SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022
(in HUF mn)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
PROFIT AFTER INCOME TAX		**6,632**	**125,339**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of debt instruments at fair value through other comprehensive income		(55,804)	(37,163)
Deferred tax (9%) related to fair value adjustment of debt instruments at fair value through other comprehensive income	34.	5,186	3,410
Gains / (Losses) on separated currency spread of financial instruments designated as hedging instrument		(4,887)	1,681
Deferred tax (9%) related to (losses) / gains on separated currency spread of financial instruments designated as hedging instrument	34.	440	(151)
(Losses) / Gains on derivative financial instruments designated as cash flow hedge		(5,641)	(6,307)
Items that will not be reclassified to profit or loss:			
Gains on equity instruments at fair value through other comprehensive income		2,675	-
Fair value adjustment of equity instruments at fair value through other comprehensive income		61	1,407
Deferred tax (9%) related to equity instruments at fair value through other comprehensive income	34.	(41)	(281)
Total		**(58,011)**	**(37,404)**
TOTAL COMPREHENSIVE INCOME		**(51,379)**	**87,935**

OTP BANK PLC.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022
(in HUF mn)

	Note	Share Capital	Capital reserve	Retained earnings and other reserves	Treasury Shares	Total
Balance as at 1 January 2021		**28,000**	**52**	**1,697,081**	**(46,799)**	**1,678,334**
Net profit for the period		-	-	125,339	-	125,339
Other comprehensive income		-	-	(37,404)	-	(37,404)
Total comprehensive income		**-**	**-**	**87,935**	**-**	**87,935**
Share-based payment	39.	-	-	3,589	-	3,589
Payments to ICES holders		-	-	(3,734)	-	(3,734)
Increase due to termination of ICES bonds		-	-	75,422	-	75,422
Sale of treasury shares	28.	-	-	-	264,360	264,360
Acquisition of treasury shares	28.	-	-	-	(276,433)	(276,433)
Loss on treasury shares	28.	-	-	(15,543)	-	(15,543)
Other transaction with owners		**-**	**-**	**59,734**	**(12,073)**	**47,661**
Balance as at 1 January 2022		**28,000**	**52**	**1,845,784**	**(58,872)**	**1,814,964**
Net profit for the period		-	-	6,632	-	6,632
Other movement		-	-	2	-	2
Other comprehensive income		-	-	(58,011)	-	(58,011)
Total comprehensive income		**-**	**-**	**(51,377)**	**-**	**(51,377)**
Share-based payment	39.	-	-	2,948	-	2,948
Sale of treasury shares	28.	-	-	-	72,416	72,416
Acquisition of treasury shares	28.	-	-	-	(16,268)	(16,268)
Loss on sale of treasury shares		-	-	(21,558)	-	(21,558)
Dividend for the year 2021		-	-	(120,248)	-	(120,248)
Other transaction with owners		**-**	**-**	**(138,858)**	**56,148**	**(82,710)**
Balance as at 31 December 2022		**28,000**	**52**	**1,655,549**	**(2,724)**	**1,680,877**

OTP BANK PLC.
SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022
(in HUF mn)

	Note	2022	2021
OPERATING ACTIVITIES			
Profit before income tax		**(7,006)**	**141,290**
Net accrued interest		(11,196)	(2,205)
Depreciation and amortization	13.	46,873	40,784
Loss allowance on loans and placements	30.	63,939	38,841
Loss allowance on securities at fair value through other comprehensive income	9.	25,615	(551)
Impairment loss / (Reversal of impairment loss) on investments in subsidiaries	12.	93,513	27,420
Loss allowance on securities at amortised cost	10.	27,623	2,035
Loss allowance / (Release of loss allowance) on other assets	16.	2,939	(961)
Provision on off-balance sheet commitments and contingent liabilities	24.	7,598	1,473
Share-based payment	39.	2,948	3,589
Unrealised losses on fair value adjustment of financial instruments at fair value through profit or loss	45.	11,870	23,051
Unrealised losses / (gains) on fair value adjustment of derivative financial instruments	45.	52,840	30,962
Gains on securities	32.	62,354	6,212
Interest expense from leasing liabilities	35.	(1,186)	(214)
Foreign exchange loss	32.	9,359	35,136
Proceeds from sale of tangible and intangible assets	33.	(267)	82
Net changing in assets and liabilities in operating activities			
Net increase in placements with other banks and repo receivables before allowance for placement losses	6., 7.	(521,731)	(879,438)
Changes in held for trading securities	8.	(44,181)	(24,178)
Change in financial instruments mandatorily measured at fair value through profit or loss	8.	1,925	6,687
Changes in derivative financial instruments at fair value through profit or loss	8.	136	(1,303)
Net increase in loans	11.	(817,297)	(835,520)
Increase in other assets, excluding advances for investments and before provisions for losses	16.	(99,813)	(49,201)
Net increase in amounts due to banks and deposits from the National Bank of Hungary and other banks and repo liabilities	17., 18.	910,984	224,661
Financial liabilities designated as fair value through profit or loss	21.	(1,625)	(1,853)
Net increase in deposits from customers	19.	971,640	1,989,941
Increase in other liabilities	24.	77,424	114,259
Net increase in the compulsory reserve established by the National Bank of Hungary	5.	(641,125)	(23,270)
Dividend income	12.	(194,526)	(99,037)
Income tax paid		(19,953)	(15,259)
Net cash provided by operating activities		**9,674**	**753,433**

OTP BANK PLC.
SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022
(in HUF mn) [continued]

	Note	2022	2021
INVESTING ACTIVITIES			
Purchase securities at fair value through other comprehensive income	9.	(1,322,153)	(850,030)
Proceeds from sale of securities at fair value through other comprehensive income	9.	1,074,212	1,081,372
Change in derivative financial instruments designated as hedge accounting		13,805	1,341
Increase in investments in subsidiaries	12.	(117,222)	(51,456)
Decrease in investments in subsidiaries	12.	-	-
Dividend income		194,449	98,091
Increase in securities at amortised cost	10.	(624,476)	(1,253,830)
Redemption of securities at amortised cost	10.	415,975	214,963
Additions to property, equipment and intangible assets	13.	(60,575)	(46,081)
Disposal of property, equipment and intangible assets	13.	648	529
Net (increase) / decrease in investment properties	14.	(14)	(2,484)
Net cash used in investing activities		**(425,351)**	**(807,585)**
FINANCING ACTIVITIES			
Leasing payments		(6,189)	(5,136)
Cash received from issuance of securities	20.	575,994	5,897
Cash used for redemption of issued securities	20.	(91,635)	(9,051)
Cash received from issuance of subordinated bonds and loans	25.	6,781	1,874
Cash used for redemption of subordinated bonds and loans	25.	(7,523)	(35,518)
Payments to ICES holders	27.	-	(3,735)
Increase of Treasury shares	28.	(16,268)	(276,433)
Decrease of Treasury shares	28.	50,858	248,819
Dividends paid	27.	(120,213)	(10)
Net cash provided by financing activities		**391,805**	**(73,293)**
Net decrease in cash and cash equivalents		**(23,872)**	**(127,445)**
Cash and cash equivalents at the beginning of the year		375,642	503,087
Cash and cash equivalents at the end of the year		**351,770**	**375,642**
Interest received		*941,406*	*345,504*
Interest paid		*511,635*	*98,395*

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

OTP Bank Plc. ("Bank" or "OTP Bank") was established on 31 December 1990, when the previously State-owned company was transformed into a limited liability company.

The Bank's registered office address is 16, Nádor Street, Budapest 1051. Internet homepage: http://www.otpbank.hu/

Signatory of the separate financial statements is the Chief Executive Officer, dr. Sándor Csányi and Deputy Chief Executive Officer, László Wolf.

The Bank's owners have the power to amend the separate financial statements after issue if applicable.

These financial statements are authorised for issue on 31 March 2023 by the Board of Directors.

Responsible person for the control and management of accounting services: Zoltán Tuboly (Budapest), Managing Director of Accounting and Financial Directorate, Registration Number: 177289, IFRS qualified chartered accountant.

Due to Hungarian legislation audit services are statutory for OTP Bank. Disclosure information about the auditor: Ernst & Young Audit Ltd. (001165), 1132 Budapest Váci Street 20. Registered under 01-09-267553 by Budapest-Capital Regional Court, as registry court. Statutory registered auditor: Zsuzsanna Nagyváradiné Szépfalvi, registration number: 005313.

Audit service fee agreed by the Annual General Meeting of the Bank for the year ended 2022 is an amount of HUF 165 million + VAT.

All other fees charged by the Auditor for non-audit services during the financial year are disclosed in the consolidated financial statements of the Bank.

In 1995, the shares of the Bank were introduced on the Budapest and the Luxembourg Stock Exchanges and were also traded on the SEAQ board on the London Stock Exchange and PORTAL in the USA.

The structure of the Share capital by shareholders (%):

	2022	**2021**
Domestic and foreign private and institutional investors	99%	98%
Employees	1%	1%
Treasury shares	-	1%
Total	**100%**	**100%**

The Bank's Registered Capital consists of 280.000.010 pieces of ordinary shares with the nominal value of HUF 100 each, representing the same rights to the shareholders.

The Bank provides a full range of commercial banking services through a nationwide network of 352 branches in Hungary.

	2022	**2021**
Number of employees	10,317	10,078
Average number of employees	10,516	9,934

1.2. Basis of accounting

These Separate Financial Statements were prepared based on the assumption of the Management that the Bank will remain in business for the foreseeable future. The Bank will not be forced to halt operations and liquidate its assets in the near term at what may be very low fire-sale prices.

The Bank maintains its accounting records and prepares their statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.

The presentation and functional currency of the Bank is the Hungarian Forint ("HUF").

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS [continued]

1.2.1. The effect of adopting new and revised IFRS standards effective from 1 January 2022

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture"– "Annual Improvements to IFRSs 2018-2020 Cycle"** - adopted by EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
  - **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter** The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.
  - **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities** The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no fees charged or incurred related to modifications during the period.
  - **IAS 41 Agriculture – Taxation in fair value measurements** The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had limited impact on the consolidated financial statements of the Group as it have limited assets in scope of IAS 41 as at the reporting date.
- **Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – adopted by the EU on 28 June 2021 Annual Improvements (effective for annual periods beginning on or after 1 January 2022).
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.

The adoption of these amendments to the existing standards has not led to any material changes in these Separate Financial Statements.

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS [continued]

1.2.2. New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2-** Disclosure of Accounting policies – adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted)
  - The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.
- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates – adopted in the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period)
  - The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.
- **Amendments to IFRS 17 "Insurance Contracts" –** adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023) – *IFRS 17 is not relevant in case of these Separate Financial Statements*
- **Amendments to IFRS 17 "Insurance Contracts" –** Initial application of IFRS 17 and IFRS 9 – Comparative Information – adopted by the EU on 8 September 2022 (effective date for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17) – *IFRS 17 is not relevant in case of these Separate Financial Statements.*
- **Amendments to IAS 12 "Income Taxes" –** Deferred Tax related to Assets and Liabilities arising from a Single Transaction – adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023; earlier applicaton permitted)
  - The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS [continued]

1.2.3. Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at date of publication of these financial statements:

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2024; earlier applicaton permitted)
  - The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.
- **Amendments to IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback – issued by IASB on 22 September 2022 (effective for annual periods beginning on or after 1 January 2024 with earlier application permitted)
  - The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
  - The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The Bank anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying separate financial statements are summarized below:

2.1. Basis of presentation

These separate financial statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded at fair value. Revenues and expenses are recorded in the period in which they are earned or incurred. The Bank does not offset assets and liabilities or income and expenses unless it is required or permitted by an IFRS standard.

During the preparation of separate financial statements assets and liabilities, income and expenses are presented separately, except in certain cases, when one of the IFRS standards prescribes net presenting related to certain items. (See below 2.8.)

The presentation of separate financial statements in conformity with IFRS requires the Management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future separate financial statements.

2.2. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into HUF that is the presentation currency, at exchange rates quoted by the National Bank of Hungary ("NBH") as at the date of the separate financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded to the separate statement of profit or loss.

2.3. Consolidated financial statements

These financial statements present the separate financial position and results of operations of the Bank. Consolidated financial statements are prepared by the Bank and consolidated net profit for the year and shareholders' equity differs significantly from that presented in these separate financial statements. See Note 2.4 for the description of the method of accounting for investments in subsidiaries and associated companies in these separate financial statements. The consolidated financial statements and the separate financial statements will be published on the same date.

2.4. Investments in subsidiaries, associated companies and other investments

Investments in subsidiaries comprise those investments where OTP Bank, through direct and indirect ownership interest, controls the investee. Control is achieved when the Bank has power over the investee, is exposed or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Investments in subsidiaries are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate. After initial measurement investments in subsidiaries are measured at cost, in the case of foreign currency denominated investments for the measurement the Bank uses the exchange rate at the date of transaction.

Impairment is determined based on the future economic benefits of the subsidiary and macroeconomic factors.

OTP Bank calculates the fair value based on discounted cash flow model. The 3 year period explicit cash flow model serves as a basis for the impairment test by which the Bank defines the impairment need on investment in subsidiaries based on the strategic factors and financial data of its cash-generating units.

OTP Bank in its strategic plan has taken into consideration the cautious recovery of global economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities at amortised cost

The Bank measures at amortized cost those securities which are held for contractual cash collecting purposes, and contractual terms of these securities give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Bank initially recognises these securities at fair value. Securities at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. The amortisation of any discount or premium on the acquisition of a security at amortized cost is part of the amortized cost and is recognised as interest income so that the revenue recognized in each period represents a constant yield on the investment. Securities at amortized cost are accounted for on a trade date basis. Such securities comprise mainly securities issued by the Hungarian Government bonds and corporate bonds.

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognized in profit or loss and are included in the separate statement of profit or loss for the period. The Bank holds held for trading securities within the business model to obtain short-term gains, consequently realised and unrealised gains and losses are recognized in the net operating income, while interest income is recognised in income similar to interest income. The Bank applies FIFO[67] inventory valuation method for securities held for trading. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, shares in non-financial commercial companies, shares in investment funds, shares in venture capital funds and shares in financial institutions.

2.6.2. Derivative financial instruments

In the normal course of business, the Bank is a party to contracts for derivative financial instruments, which represent a low initial investment compared to the notional value of the contract and their value depends on value of underlying asset and are settled in the future. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Bank both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. (It is the so-called economic hedge, accounting hedge is described later.)

Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. OTP Bank adopts multi curve valuation approach for calculating the net present value of future cash flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as OTP Bank has almost its entire open derivative transactions collateralised. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the separate statement of profit or loss for the period. Each derivative deal is determined as asset when fair value is positive and as liability when fair value is negative.

Certain derivative transactions, while providing effective economic hedges under risk management positions of the Bank, do not qualify for hedge accounting under the specific rules of IFRS 9 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the separate statement of profit or loss.

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of forward contracts does not represent the actual market or credit risk associated with these contracts.

Foreign currency contracts are used by the Bank for risk management and trading purposes. The Bank's risk management foreign currency contracts were used to hedge the exchange rate fluctuations of loans and deposits denominated in foreign currency.

[67] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6.2 Derivative financial instruments [continued]

Foreign exchange swaps and interest rate swaps

The Bank enters into foreign-exchange swap and interest rate swap ("IRS") transactions. The swap transaction is a complex agreement concerning the swap of certain financial instruments, which usually consists of a spot and one or more forward contracts.
Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.
Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank's interest rate swap contracts can be hedging or held for trading contracts.

Cross-currency interest rate swaps

The Bank enters into cross-currency interest rate swap ("CCIRS") transactions which have special attributes, i.e. the parties exchange the notional amount at the beginning and also at the maturity of the transaction. A special type of these deals is the mark-to-market CCIRS agreements. At this kind of deals the parties – in accordance with the foreign exchange prices – revalue the notional amount during lifetime of the transaction.

Equity and commodity swaps

Equity swaps obligate two parties to exchange more payments calculated with reference periodically reset rates of interest and performance of indices. A specific notional principal amount is the base of the interest calculation. The payment of index return is calculated on the basis of current market price compared to the previous market price. In case of commodity swaps payments are calculated on the basis of the strike price of a predefined commodity compared to its average market price in a period.

Forward rate agreements ("FRA")

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates.

The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counter-parties. The Bank's forward rate agreements were transacted for management of interest rate exposures.

Foreign exchange options

- A foreign exchange option is a derivative financial instrument that gives the owner the right to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date. The transaction, for a fee, guarantees a worst-case exchange rate for the futures purchase of one currency for another. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

2.7. Hedge accounting

In the case of a financial instrument measured at amortised cost the Bank recognises the hedging gain or loss on the hedged item as the modification of its carrying amount and it is recognised in profit or loss. These adjustmets of the carrying amount are amortised to the profit or loss using the effective interest rate method. The Bank starts the amortisation when the hedged item is no longer adjusted by the hedging gains or losses. If the hedged item is derecognised, the Bank recognises the unamortised fair value in profit or loss immediately.

Derivative financial instruments designated as fair value

Changes in the fair value of derivatives that are designated and qualify as hedging instruments fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the separate statement of profit or loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. Changes in the fair value of the hedging instrument in fair value hedges are charged directly to the separate statement of profit or loss. The conditions of hedge accounting applied by the Bank are the following: formally designated as hedging relationship, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Hedge accounting [continued]

Derivative financial instruments designated as fair value [continued]

For the fair value hedges inefficiencies and the net revaluation of hedged and hedging item are recognised in the Net result on derivative instruments and hedge relationships.

Derivative financial instruments designated as cash flow hedge

Changes in fair value of derivatives that are designated and qualify as hedging instrument in cash flow hedges and that prove to be highly effective in relation to hedged risk are recognized as reserve in other comprehensive income. Amounts deferred in other comprehensive income are transferred to the separate statement of profit or loss and classified as revenue or expense in the periods during which the hedged assets and liabilities effect the separate statement of recognized and comprehensive income for the period. The ineffective element of the hedge is charged directly to the separate statement of profit or loss. The Bank terminates the hedge accounting if the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for hedge accounting. In case of cash flow hedges - in line with the standard – hedge accounting is still applied as long as the underlying asset is derecognised or terminated.

When the Bank discontinues hedge accounting to a cash-flow hedge the amount in the cash flow hedge reserve is reclassified to the profit or loss if the hedged future cash flows are no longer expected to occur. If the hedged future cash flows are still expected to occur, the amount remains in the cashflow hedge reserve and reclassified to the profit and loss only when the future cash flows occur.

2.7. Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be reported in the statement of financial position on a net basis. In the case of the derivative financial instruments the Bank applies offsetting and net presentation in the Statement of Financial Position when the Bank has the right and the ability to settle the assets and liabilities on a net basis.

2.8. Embedded derivatives

Sometimes, a derivative may be a component of a combined or hybrid contract that includes a host contract and a derivative (the embedded derivative) affecting cash flows or otherwise modifying the characteristics of the host instrument. An embedded derivative must be separated from the host instrument and accounted for as a separate derivative if, and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative as a stand-alone instrument; and
- The host instrument is not measured at fair or is measured at fair value but changes in fair value are recognised in other comprehensive income.

As long as a hybrid contract contains a host that is a financial asset the general accounting rules for classification, recognition and measurement of financial assets are applicable for the whole contract and no embedded derivative is separated.

Derivatives that are required to be separated are measured at fair value at initial recognition and subsequently. If the Bank is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the Group shall designate the entire hybrid contract as at fair value through profit or loss. The Bank shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the Bank first becomes a party to the contract.

The separation rules for embedded derivatives are only relevant for financial liabilities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.9. Securities at fair value through other comprehensive income ("FVOCI securities")

FVOCI securities are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling securities. Furthermore contractual terms of FVOCI securities give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

Debt instruments

Investments in debt securities are accounted for on a trade date basis and are initially measured at fair value. Securities at fair value through other comprehensive income are measured at subsequent reporting dates at fair value. Unrealised gains and losses on FVOCI financial instruments are recognized in other comprehensive income, except for interest and foreign exchange gains/losses on monetary items, unless such FVOCI security is part of an effective hedge. Such gains and losses will be reported when realised in profit or loss for the applicable period. The Bank applies FIFO[68] inventory valuation method for FVOCI securities.

For debt securities at fair value through other comprehensive income the loss allowance is calculated based on expected credit loss model. The expected credit loss is accounted for against Other Comprehensive Income.

FVOCI securities are remeasured at fair value based on quoted prices or values derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of the future cash flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

Fair value through other comprehensive income option for equity instruments

In some cases the Bank made an irrevocable election at initial recognition for certain non-trading investments in an equity instrument to present subsequent changes in fair value of these securities in other comprehensive income instead of in profit or loss.
The use of the fair value option is based only on direct decision of management of the Bank.

2.10. Loans, placements with other banks, repo receivables and loss allowance for loan, placements and repo receivables losses

The Bank measures Loans, placements with other banks and repo receivables at amortised cost, which are held to collect contractual cash flows, and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank recognises loans, which are not held for trading and do not give rise contractual cash flows that are solely payments of principal and interest on the principal amount outstanding as loans measured at fair value through profit or loss ("FVTPL loans").

Loans, placements with other banks and repo receivables are accounted at amortised cost, stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively.

In case of the above mentioned financial assets measured at amortised cost transaction fees and charges adjust the carrying amount at initial recognition and are included in effective interest calculation. In case of FVTPL loans fees and charges are recognised when incurred in the separate statement of profit or loss.

Loans, placements with other banks and repo receivables loans are derecognised when the contractual rights to the cash flows expire or they are transferred. When a financial asset is derecognised the difference of the carrying amount and the consideration received is recognised in the profit or loss. In case of the above mentioned financial assets at amortised cost gains or losses from derecognition are presented in "Gains/losses arising from derecognition of financial assets at amortised cost" line. In case of FVTPL loans gains or losses from derecognition are presented in "Net operating income".

Change in the fair value of FVTPL loans is broken down into two components and presented in the separate statement of profit or loss as follows:

- Portion of the change in fair value arising from changes in credit risk are presented within "Risk cost" as "Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss".
- The remaining component of the change is presented in fair value within "Net operating income" as "Gains/(Losses) on financial instruments at fair value through profit or loss".

[68] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Loans, placements with other banks, repo receivables and loss allowance for loan, placements and repo receivables losses [continued]

Initially, financial assets shall be recognised at fair value which is usually equal to the transaction value in case of loans and placements. However, when the amounts are not equal, the initial fair value difference should be recognized.

If the fair value of financial assets is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the initial fair value difference in the Separate Statement of Profit or Loss.

When the fair value of financial assets is based on models for which inputs are not observable, the difference between the transaction price and the fair value is deferred and only recognised in profit or loss when the instrument is derecognised or the inputs became observable.

Initial fair value of loans lent at interest below market conditions is lower than their transaction price, the subsequent measurement of these loans is under IFRS 9.

Allowance for losses on loans, placements with other banks and repo receivables represent management assessment for potential losses in relation to these activities.

The Bank recognises a loss allowance for expected credit losses on a financial asset at each reporting date. The loss allowance for a financial asset equals to 12-month expected credit loss or equals to the lifetime expected credit losses. The maximum period over which expected credit losses shall be measured is the maximum contractual period over which the Bank is exposed to credit risk.

If the credit risk on a financial asset has not increased significantly since initial recognition then 12-month expected credit losses, otherwise (in case of significant credit risk increase) lifetime expected credit losses should be calculated. The expected credit loss is the present value of the difference between the contractual cash flows that are due to the Bank under the contract and the cash flows that the Bank expects to receive.

When the contractual cash flows of a financial asset are modified and the modification does not result in the derecognition of the financial asset the Bank recalculate the gross carrying amount of the financial asset by discounting the expected future cash flows with the original effective interest rate of the asset. The difference between the carrying amount and the present value of the expected cash flows is recognised as a “Modification gain or loss” in the statement of profit or loss. Interest income and amortised cost are accounted for using the effective interest rate method.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account “Loss allowance on loan, placement and repo receivables losses” in the Statement of Profit or loss.

OTP Bank applies partial or full write-off for loans based on the definitions and prescriptions of financial instruments in accordance with IFRS 9. If OTP Bank has no reasonable expectations regarding a financial asset (loan) to be recovered, it will be written off partially or fully at the time of emergence.

The gross amount and loss allowance of the loans shall be written off in the same amount to the estimated maximum recovery amount while the net carrying value remains unchanged.

If there are reasonable expectations of recovery for a financial asset that is written-off fully or partially, OTP Bank shall re-estimate cash flows of a financial asset and write-off reversal is applied in the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Loans, placements with other banks, repo receivables and loss allowance for loan, placements and repo receivables losses [continued]

Modification of contractual cash flows

If the net present value of the contracted cash flows changes due to the modification of the contractual terms and it is not qualified as derecognition, modification gain or loss should be calculated and accounted for in the separate statement of profit or loss. Modification gain or loss is accounted in cases like restructuring – as defined in internal policies of the Bank – prolongation, renewal with unchanged terms, renewal with shorter terms and prescribing capital repayment rate, if it doesn't exist or has not been earlier.

The changes of net present value should be calculated on portfolio level in case of retail exposures. Each retail contract is restructured based on restructuring frameworks. The Bank has to evaluate these frameworks (and not individual contracts). The changes of net present value should be calculated individually on contract level in case of corporate portfolio.

Among the possible contract amendments, the Bank considers as a derecognition and a new recognition when the discounted present value – discounted at the original effective interest rate – of the cash flows under the new terms is at least 10 per cent different from the discounted present value of the remaining cash flows. In case of derecognition and new recognition the unamortised fees of the derecognised asset should be presented as Income similar to interest income. The newly recognised financial asset is initially measured at fair value and is placed in stage 1 if the derecognised financial asset was in stage 1 or stage 2 portfolio. The newly recognised financial asset will be purchased or originated credit impaired financial asset ("POCI") if the derecognised financial asset was in stage 3 portfolio or it was POCI.

The modification gain or loss shall be calculated at each contract amendments unless they are handled as a derecognition and new recognition. In case of modification the Bank recalculates the gross carrying amount of the financial asset. To do this, the new contractual cash flows should be discounted using the financial asset's original effective interest rate (or credit-adjusted effective interest rate for POCI financial asset). Any costs or fees incurred adjust the carrying amount of the modified financial asset are amortized over the remaining term of the modified financial asset.

Purchased or originated credit impaired financial assets

Purchased or originated financial assets are credit-impaired on initial recognition. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

A purchased credit-impaired asset is likely to be acquired at a deep discount. In unusual circumstances, it may be possible that an entity originates a credit-impaired asset, for example, following a substantial modification of a distressed financial asset that resulted in the derecognition of the original financial asset.

In the case of POCI financial assets, interest income is always recognized by applying the credit-adjusted effective interest rate.

For POCI financial assets, in subsequent reporting periods an entity is required to recognize:

- the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance,
- the impairment gain or loss which is the amount of any change in lifetime expected credit losses.
  An impairment gain is recognized (with the parallel increase of the net amortized cost of receivable) if due to the favourable changes after initial recognition the lifetime expected credit loss estimation is becoming lower than the original estimated credit losses at initial recognition.

The POCI qualification remains from initial recognition to derecognition in the Bank's books.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Loss allowance

Loss Allowance for loans and placements with other banks and repo receivables are recognised by the Bank based on the expected credit loss model in accordance with IFRS 9. Based on the three stage model loss allowance is recognised in amount of 12 month expected credit loss from the initial recognition. Financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) loss allowance is recognised in amount of lifetime expected credit loss.

In case of purchased or originated credit impaired financial assets loss allowance is recognised in amount of lifetime expected credit loss since initial recognition. Impairment gain is recognised if lifetime expected credit loss for purchased or originated credit impaired financial assets at measurement date are less than the estimated credit loss at initial recognition.

Loss allowance for loan and placements are determined at a level that provides coverage for individually identified credit losses. Collective impairment loss is recognised for loans with similar credit risk characteristics when it is not possible to determine the amount of the individually identified credit loss in the absence of objective evidence. The expected cash flows for loan portfolios are estimated based on historical loss experience.

At subsequent measurement the Bank recognises through "Loss allowance on loan, placement and repo receivables losses" in the Statement of Profit or Loss impairment gain or loss as an amount of expected credit losses or reversal that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

If a financial asset, which previously classified in the first stage, classified subsequently in the second or third stage than loss allowance is adjusted to lifetime expected credit loss. If a financial asset, which previously classified in the second or third stages, classified subsequently in the first stage than loss allowance is adjusted to level of 12 month expected credit loss.

Classification into risk classes

According to the requirements of the IFRS9 standard, the Bank classifies financial assets measured at amortised cost and fair value through other comprehensive income, and loan commitments and financial guarantees into the following categories in accordance with IFRS9:

Stage 1	Performing
Stage 2	Performing, but compared to the initial recognition it shows significant increase in credit risk
Stage 3	Non-performing
POCI	Purchased or originated credit impaired

In the case of trade receivables, contract assets and lease receivables the Group applies the simplified approach and calculates only lifetime expected credit loss. Simplified approach is the following:

- for the past 3 years the average annual balance of receivables under simplified approach is calculated,
- the written-off receivables under simplified approach are determined in the past 3 years,
- the loss allowance ratio will be the sum of the written-off amounts divided by the sum of the average balances,
- historical losses are adjusted to reflect information about current conditions and reasonable forecasts of future economic conditions,
- the loss allowance is multiplied by the end-of-year balance and it will be the actual loss allowance on these receivables,
- loss allowance should be recalculated annually.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Loss allowance [continued]

Classification into risk classes [continued]

The Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. This might occur if the financial asset has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Bank considers souvereign exposures having low credit risk.

Credit risk of financial assets increases significantly at the following conditions:

- the payment delay exceeds 30 days,
- it is classified as performing forborne,
- based on individual decision, its currency suffered a significant "shock" since the disbursement of the loan,
- the transaction/client rating exceeds a predefined value or falls into a determined range, or compared to the historic value it deteriorates to a predefined degree,
- in the case household mortgage loans, the loan-to-value ratio (“LTV”) exceeds a predefined rate,
- default on another loan of the retail client, if no cross-default exists,
- in case of corporate and municipal clients:
  - financial difficulty (capital requirements, liquidity, impairment of asset quality),
  - significant decrease of activity and liquidity in the market of the asset,
  - client’s rating reflects higher risk, but better than default,
  - collateral value drops significantly, from which the client pays the loan,
  - more than 50% decrease in owner’s equity due to net losses,
  - client under dissolution,
  - negative information from Central Credit Information System: the payment delay exceeds 30 days

Financial assets classifies as non-performing, if the following conditions are met:

- default,
- non-performing forborne exposures,
- in case of corporate and municipal clients:
  - breach of contract terms and conditions
  - critical financial difficulty of the client (capital requirements, liquidity, impairment of asset quality),
  - liquidation, dissolution or debt clearing procedures against client,
  - forced deregistration procedures from company registry,
  - terminated loans by the Bank,
  - in case of fraud,
  - negative information from Central Credit Information System: the payment delay exceeds 90 days,
  - cessation of active markets of the financial asset,
  - default of ISDA based contracts.

For lifetime expected credit losses, the Bank shall estimate the risk of a default occurring on the financial instrument during its expected life. 12-month expected credit losses are a portion of the lifetime expected credit losses and represent cash flow shortfalls that will result if a default occurs in the 12 months after the reporting date (or a shorter period fi the expected life of the financial instrument is less than 12 months), weighted by the probability of that default occurring.

Expected credit losses are measured in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
- the time value of money, and

reasonable and supportable information that is available without undue cost of effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Option to designate a financial asset/liability measured at fair value through profit or loss (FVTPL option)

The Bank may, at initial recognition, irrevocably designate a financial asset or liability as measured at fair value through profit or loss. The Bank may use FVTPL option in the following cases:

- if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases
- if the group of financial liabilities or assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel.

The use of the fair value option is limited only to special situations, and it can be based only on direct decision of management of the Bank.

2.13. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the statement of financial position and the consideration received is recorded in Other liabilities or Amounts due to banks and deposits from the National Bank of Hungary and other banks, or Deposits from customers. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the statement of financial position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement. In the case of security lending transactions the Bank does not recognize or derecognize the securities because it is believed that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

2.14. Property, equipment and intangible assets

Property, equipment and intangible assets are stated at cost, less accumulated depreciation and amortization and impairment, if any. The depreciable amount (book value less residual value) of the non-current assets must be allocated over their useful lives. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets	
Software	20-33.3%
Property rights	16.7-33.3%
Property	1-2%
Office equipment and vehicles	9-33.3%

Depreciation and amortization on properties, equipment and intangible assets starts on the day when such assets are placed into service. At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss.

If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

2.15. Inventories

The inventories shall be measured at the lower of cost and net realisable value. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Bank uses generally FIFO formulas to the measurement of inventories. Inventories shall be removed from books when they are sold, unusable or destroyed. When inventories are sold, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. Repossessed assets are classified as inventories.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.16. Investment properties

Investment properties of the Bank are land, buildings, part of buildings which are held (as the owner or as the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of services or for administrative purposes or sale in the ordinary course of business. The Bank measures the investment properties at cost less accumulated depreciation and impairment, if any. The depreciable amount (book value less residual value) of the investment properties must be allocated over their useful lives. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets based on the 1-2% annual percentages.

The fair value of the investment properties is established mainly by external experts. According to the opinion of the Management there is no significant difference between the fair value and the carrying value of these properties.

2.17. Financial liabilities

The financial liabilities are presented within financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost. In connection to the financial liabilities at fair value through profit or loss, the Bank presents the amount of change in their fair value originated from the changes of market conditions and business environment. Financial liabilities at fair value through profit or loss are either financial liabilities held for trading or they are designated upon initial recognition as at fair value through profit or loss. In the case of financial liabilities measured at amortised cost, fees and commissions related to the origination of the financial liability are recognised through profit or loss during the maturity of the instrument. In certain cases the Bank repurchases a part of financial liabilities (mainly issued securities or subordinated bonds) and the difference between the carrying amount of the financial liability and the amount paid for it is recognised in the statement of profit or loss and included in other operating income.

2.18. Leases

An agreement is a lease or contains a lease if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation.

Expenses related to the use of lease assets, the majority of which were previously recognised in external services costs, will be currently classified as depreciation/amortisation and interest costs. Usufruct rights are depreciated using a straight line method, while lease liabilities are settled using an effective discount rate.

Recognition of lease liabilities

The Bank will recognise lease liabilities related to leases which were previously classified as "operating leases" in accordance with IAS 17 Leases. These liabilities will be measured at the present value of lease payments receivable as at the date of commencement of the application of IFRS 16. Lease payments shall be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Interest rate applied by the Bank: weighted average lessee’s incremental borrowing rate: ~1,62%

At their date of initial recognition, lease payments contained in the measurement of lease liabilities comprise the following types of payments for the right to use the underlying asset for the life of the lease:

- fixed lease payments less any lease incentives,
- variable lease payments which are dependent on market indices,
- amounts expected to be payable by the lessee under residual value guarantees,
- the strike price of a purchase option, if it is reasonably certain that the option will be exercised, and
- payment of contractual penalties for terminating the lease, if the lease period reflects that the lessee used the option of terminating the lease.

The Bank makes use of expedients with respect to short-term leases (less than 12 months) as well as in the case of leases in respect of which the underlying asset has a low value (less than HUF 1.4 million) and for which agreements it will not recognise financial liabilities nor any respective right-of-use assets. These types of lease payments will be recognised as costs using the straight-line method during the life of the lease.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.20. Leases [continued]

Recognition of right-of-use assets

Right-of-use assets are initially measured at cost.

The cost of a right-of-use asset comprises:

- the amount of the initial measurement of lease liabilities,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee,
- estimates of costs to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out renovation/restoration.

Right-of-use assets are presented separately in the financial statements.

2.20. Share capital

Share capital is the capital determined in the Articles of Association and registered by the Budapest-Capital Regional Court. Share capital is the capital the Bank raised by issuing common stocks at the date the shares were issued. The amount of share capital has not changed over the current period.

2.21. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and are presented in the separate statement of financial position at acquisition cost as a deduction from shareholders' equity. Gains and losses on the sale of treasury shares are recognised directly to shareholder's equity. Derecognition of treasury shares is based on the FIFO method.

2.22. Interest income, income similar to interest income and interest expense

Interest income and expenses are recognised in profit or loss in the period to which they relate, using the effective interest rate method.

For exposures categorized into stage 1 and stage 2 the interest income is recognized on a gross basis. For exposures categorized into stage 3 (using effective interest rate) and for POCI (using credit-adjusted effective interest rate) the interest income is recognized on a net basis.

The time-proportional income similar to interest income of derivative financial instruments calculated without using the effective interest method and the positive fair value adjustment of interest rate swaps are also included in income similar to interest income. Interest income of FVTPL loans is calculated based on interest fixed in the contract and presented in "Income similar to interest income" line.

Interest from loans and deposits are accrued on a daily basis. Interest income and expense include certain transaction cost and the amortisation of any discount and premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

All interest income and expense recognised are arising from loans, placements with other banks, repo receivables, securities at fair value through other comprehensive income, securities at amortised cost, and amounts due to banks, repo liabilities, deposits from customers, liabilities from issued securities, subordinated bonds and loans are presented under these lines of financial statements

2.23. Fees and Commissions

Fees and commissions that are not involved in the amortised cost model are recognised in the Separate Statement of Profit or Loss on an accrual basis according to IFRS 15. These fees are related to deposits, cash withdrawal, security trading, bank card, etc.

The Bank recognise income if performance obligations related to the certain goods or service are satisfied, performed, and control over the asset is transferred to the customer, and it is probable that consideration payable will probably flow to the entity. In case of those service, where the Bank transfer control over the asset continuously, income is recognised on accrual basis. (For more details see note 31)

The Bank provides foreign exchange trading services to its customers, the profit margin achieved on these transactions is presented as Net profit from fees and commissions in the Separate Statement of Profit or Loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.24. Dividend income

Dividend income refers to any distribution of entity's earnings to shareholders from stocks or mutual funds that is owned by the Bank. The Bank recognizes dividend income in the separate financial statements when its right to receive the payment is established.

2.25. Income tax

The Bank considers corporate income tax and local business tax and the innovation contribution as income tax in Hungary. The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are presented in a net way in the statement of financial position. Current tax asset or current tax liability is presented related to income tax and innovation contribution separately in the statement of financial position.

Deferred tax assets are recognized by the Bank for the amounts of income tax that are recoverable in future periods in respect of deductible temporary differences as well as the carry forward of unused tax losses and the carryforward of unused tax credits.

The Bank recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:
- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

The Bank considers the availability of qualifying taxable temporary differences and the probability of other future taxable profits to determine whether future taxable profits will be available.
The Bank recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:
- the Bank is able to control the timing of the reversal of the temporary difference, and
- it is probable that the temporary difference will not reverse in the foreseeable future.

The Bank only offsets its deferred tax liabilities against deferred tax assets when:
- there is a legally enforceable right to set-off current tax liabilities against current tax assets, and
- the taxes are levied by the same taxation authorities on either
    - the same taxable entity or
    - different taxable entities which intend to settle current tax liabilities and assets on a net basis.

2.26. Banking tax

The Bank is obliged to pay banking tax based on Act LIX of 2006. As the calculation is not based on the taxable profit (but the adjusted Assets total calculated based on the Separate Financial Statements for the second period preceding the current tax year), banking tax is not considered as income tax. Therefore, the banking tax is considered as an other administrative expense, not as income tax.

Pursuant to Government Decree No. 197/2022 published on 4 June 2022, the Hungarian Government decided to impose a windfall tax on credit institutions and financial enterprises temporarily, that is for 2022 and 2023.

As for 2022, the base of the windfall tax is the net revenues based on the 2021 financial statements, calculated according to local tax law, whereas the tax rate is 10%.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.27. Off-balance sheet commitments and contingent liabilities, provisions

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit, letters of credit and transactions with financial instruments. The provision on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses which are probable and relate to present obligations.

Those commitments and contingent liabilities Management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

The Bank recognizes a provision for off-balance sheet commitment and contingent liabilities in accordance with IAS 37 when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

Expected credit loss model is applied for given financial guarantees and loan commitments which are under IFRS 9 the, when the provision is calculated (see more details in Note 2.12.). After initial recognition the Group subsequently measures those contracts at a higher of the amount of the loss allowance or of the amount initially recognised less the cumulative amount of income recognized in accordance with IFRS 15.

2.28. Share-based payment and employee benefits

The Bank has applied the requirements of IFRS 2 Share-based Payment.

The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Bank has applied the requirement of IAS 19 Employee Benefits. The Bank's short-term employee benefits are wages, salaries and bonuses, premium, paid annual leave and paid sick leave and other free services (health care, reward holiday). Short-term employee benefits are expected to pay by the Bank within 12 month. These benefits are recognised as an expense and liability undiscounted in the separate financial statements.

Long-term employee benefits are mostly the jubilee reward. Long-term employee benefits are recognised as an expense and liability in the separate financial statements. Liabilities are regularly remeasured. Gains or losses due to the remeasurement are recognised in the separate statement of profit or loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.29. Separate statement of cash flows

Cash flows arising from the operating, investing or financing activities are reported in the Statement of Cash-Flows of the Bank primarily on a gross basis. Net basis reporting are applied by the Bank in the following cases:

- when the cash flows reflect the activities of the customer rather than those of the Bank, and
- for items in which the turnover is quick, the amounts are large, and the maturities are short.

For the purposes of reporting cash flows "Cash, due from banks and balances with the NBH" line item excluding compulsory reserve are considered as cash and cash equivalents by the Bank. This line item shows balances of HUF and foreign currency cash amounts, and sight depos from NBH and from other banks, furthermore balances of current accounts.

Cash flows from hedging activities are classified in the same category as the item being hedged. The unrealised gains and losses from the translation of monetary items to the closing foreign exchange rates and the unrealised gains and losses from derivative financial instruments are presented separately net in the statement of cash flows for the monetary items which have been revaluated.

2.30. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

At separate level, the Management does not separate and makes decisions based on different segments; the segments are identified by the Bank only at consolidated level in line with IFRS 8 paragraph 4. At Group level the segments identified by the Bank are the business and geographical segments.

The Group's operating segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Merkantil Group, Asset Management subsidiaries, other subsidiaries, Corporate Centre.

2.31. Comparative figures

These separate financial statements are prepared in accordance with the same accounting policies in all respects as the Financial Statements prepared in accordance with IFRS as adopted by the EU for the year ended 31 December 2021

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of separate financial statements in conformity with IFRS requires the Management of the Bank to make judgements about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on expected loss and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates. Significant areas of subjective judgements include:

3.1. Loss allowance on financial instruments

The Bank regularly assesses its financial instruments for impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. The use of a new, three stage model was implemented for IFRS 9 purposes. The new impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and able to identify credit-impaired assets. For instruments with credit-impairment or significant increase of credit risk lifetime expected losses will be recognized. (For details see note 36.1.1.)

3.2. Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. for correlations, volatilities, etc). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.

IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the beginning of the reporting period. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

3.3. Provisions

Provision is recognised and measured for commitments to extend credit and for warranties arising from banking activities based on IFRS 9 Financial Instruments. Provision for these instruments is recognised based on the credit conversion factor, which shows the proportion of the undrawn credit line that will be probably drawn.

Other provision is recognised and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Bank is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Bank assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 24.)

Other provision for off-balance sheet items includes provision for litigation, provision for retirement and expected liabilities and provision for Confirmed letter of credit.

A provision is recognised by the Bank when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES [continued]

3.4. Business models

A business model refers how the Bank manages its financial instruments in order to generate cash flows. It is determined at a level that reflects how groups of financial instruments are managed rather than at an instrument level.

The financial assets held by the Bank are classified into three categories depending on the business model within the financial assets are managed.

- Business model whose objective is to hold financial assets in order to collect contractual cash flows. Some sales can be consistent with hold to collect business model and the Bank assesses the nature, frequency and significance of any sales occurring. The Bank does not consider the sale frequent when at least six months have elapsed between sales. The significant sales are those when the sales exceed 2% of the total hold to collect portfolio. Within this business model the Bank manages mainly loans and advances and long term securities and other financial assets.
- Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Within this business model the Bank only manages securities.
- Business model whose objective is to achieve gains in a short term period. Within this business model the Bank manages securities and derivative financial instrument.

If cash flows are realised in a way that is different from the expectations at the date that the Bank assessed the business model, that does not give rise to a prior error in the Bank’s financial statements nor does it change the classification of the remaining financial assets held in that business model.

When, and only when the Bank changes its business model for managing financial assets it reclassifies all affected assets. Such changes are determined by the Bank’s senior management as a result of external or internal changes and must be significant to the Bank’s operations and demonstrable to external parties. The Bank shall not reclassify any financial liability.

3.5. Contractual cash-flow characteristics of financial assets

Classification of a financial asset is based on the characteristics of its contractual cash flows if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Bank should determine whether the asset’s contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI test). Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank assesses whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding for the currency in which the financial asset is denominated.

Time value of money is the element of interest that provides consideration for only the passage of time. However, in some cases, the time value of money element may be modified. In such cases, the Bank assesses the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

When assessing a modified time value of money element, the objective is to determine how different the undiscounted contractual cash flows could be from undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). The benchmark instrument can be an actual or a hypothetical financial asset. If the undiscounted contractual cash flows significantly – above 2% – differ from the undiscounted benchmark cash flows, the financial asset should be subsequently measured at fair value through profit or loss.

NOTE 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK

The Covid-19 pandemic and the volatile economic environment in the post-Covid-19 era

Since the outbreak of the COVID-19 pandemic, OTP Group has regularly updated its forecasts in light of the pandemic and the impact of the pandemic on the operations of OTP Group. However, the continuance of new waves of the pandemic emerging may require further revision by OTP Group to such macroeconomic scenarios and its estimations of credit impairments.

Over the last 2 years, the COVID-19 pandemic severely impacted the evolution of the global economy. The supply-chain and logistic relationships were disrupted by periodic lockdowns and social distancing requirements and the supply of several key raw materials dropped significantly, leading to a more volatile economic environment compared to previous years. Raw material and energy prices rose steeply, leading to higher inflation and interest rates in some of OTP Group's operating countries. The conflict between Russian and Ukraine and the subsequent implementation of sanctions on Russia have accelerated supply shortages and resulted in higher energy prices and more broad-based inflation. Several major central banks have already raised or are considering raising interest rates earlier than previously expected. The Hungarian central bank has already hiked rates since the summer of 2021. The risk of local currency devaluations versus EUR or USD has increased and could lead to a more volatile operating environment for OTP Group.

This volatile environment could cause financial difficulties for OTP Group's customers. The deteriorating credit quality of OTP Group's customers may in particular result in increasing defaults and arrears in monthly payments on loans, higher credit impairments on the loan portfolios of OTP Group. Furthermore, lower demand for, and origination of, new loans could have a material adverse effect on the OTP Group's results of operations.

The OTP Group's activities and the profitability of its operations are strongly affected by the macroeconomic environment and the domestic and international perception of the economies in which it operates.

Furthermore, the OTP Group relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing and assessing capital adequacy. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and as such assumptions may later potentially prove to be incorrect, this can affect the accuracy of their outputs. This may be exacerbated when dealing with unprecedented scenarios, due to the lack of reliable historical reference points and data.

Any and all such events mentioned above could have a material adverse effect on the OTP Group's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings, as well as on the OTP Group's customers, employees and suppliers.

Macro economy and financial situation

Hungary

The rapid recovery following the Covid crisis has created capacity bottlenecks in many sectors, which, coupled with rising commodity and energy prices, have significantly increased inflation in advanced economies. In the USA, the rate of inflation has not been at this level since the 1970s. The rapidly rising and increasingly broad-based inflation prompted the Fed to take action and to become the first major central bank to start raising interest rates. This move has significantly strengthened the dollar, and US 10-year yields rose to 4.3%. In the USA, inflation clearly peaked in mid-2022, and has been on a downward trend since then. Inflation also rose rapidly in Europe, where the dramatically growing gas and electricity prices posed the bigger problem. However, inflation also peaked in the euro area by the end of 2022, and has been on a downward trend since October 2022. As the Russia-Ukraine war had a much stronger impact on Europe's economic outlook, and the labour market was much less tight than in the USA, the ECB was slower to react to the rise in inflation. Still, European short-term interest rates also rose to 2% by the end of 2022.

The USA went into a technical recession in the first half of 2022, but this turned out to be temporary, and the US economy resumed growth in the second half-year. Europe's economies proved more resilient than had been expected to the effects of the Russia-Ukraine war. In the first half of the year, growth benefited from the sectors that recovered after the pandemic, but the currency area also avoided recession in the second half of the year, and grew by 3.5% in full year 2022.

NOTE 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK [continued]

Macro economy and financial situation [continued]

Hungary [continued]

The main factor that affected Hungary's economy in 2022 was the war in a neighbouring country. Although the Hungarian economy grew by 8.2% year-on-year in the first quarter and by 6.5% in the second, this was largely fuelled by massive one-off transfers at the beginning of 2022. By the second half of the year, however, the economy had lost steam and entered technical recession (two consecutive quarters of economic contraction) by the end of 2022. As a result, the Hungarian economy grew by 4.6% in 2022 as a whole. Inflation, which went beyond 20% by the end of the year, played a significant role in the downturn, significantly eroding real income, and turning its growth negative by the end of 2022.

The strong domestic demand at the beginning of the year allowed businesses to pass through the ongoing cost shocks to prices. From the second half of the year, a number of administrative measures (tightening of KATA tax rules, windfall taxes, increasing the public heath product tax, scrapping some price caps, etc.) also boosted inflation. As a consequence, Hungary's inflation decoupled from the developments in the euro area, where inflation peaked around 10%, and from the CEE region, where it peaked at 15-17%. In Hungary, inflation did not peak in 2022.

Given that Hungary is a major net energy importer, the sharp rise in energy prices has significantly worsened the Hungarian economy's external balance, which put the forint under depreciation pressure. In addition, the continued delay in agreeing on EU funds has increased the risk premium on HUF assets, which also contributed to the forint's weakening – the MNB could reverse this only by a drastic interest rate hike, when the HUF/EUR was nearing 435. As a result, the effective reference rate rose to 18%. The falling gas prices, and the agreement reached with the EU at the end of 2022 had a benign effect on the HUF's exchange rate.

Falling real incomes and high interest rates have considerably slowed credit market growth. The housing loan market saw the sharpest slowdown: by the end of 2022 (as the Green Home Programme credit line ended), the contracted amount had fallen to half of the level seen in 2021.

Despite the rapidly eroding real incomes, household consumption was still relatively buoyant. But this came at a price: households' ability to save has sharply fallen. Outflows from demand deposits was particularly strong; these amounts flowed into foreign currency deposits and investment fund units.

The principles used in the preparation of the Separate Statement of Financial Position as at 31 December 2022 in connection with the evaluation of Russian and Ukrainian exposures

Going concern principle

Russia launched an operation against Ukraine on February 24, 2022, which has not ended even as of the date of these Consolidated Financial Statements. Because of the armed conflict, many countries and the European Union have imposed sanctions against Russia, Russian companies and citizens in several rounds. Russia responded to these sanctions with similar sanctions measures.
Armed conflict and international sanctions significantly affect business and economic activity worldwide.
Under an unexpected and extremely negative scenario of deconsolidating the Ukrainian entity and writing down the outstanding gross intragroup exposures as well, the effect for the consolidated CET1 ratio would be +1 bp, whereas in the case of Russia the impact would be -71 bps, based on the end of December 2022 numbers.
OTP Group's Ukrainian operation incorporates the Ukrainian bank, as well as the leasing and factoring companies. The country-consolidated Ukrainian total assets represented HUF 1,049 billion at the end of 2022 (3.2% of total consolidated assets), while net loans comprised HUF 414 billion (2.2% of consolidated net loans) and shareholders' equity HUF 122 billion (3.7% of the consolidated total equity).
At the end of 2022 the gross intragroup funding towards the Ukrainian operation represented HUF 84 billion.
In 2022 the Ukrainian operation posted an adjusted after-tax loss of HUF 15.9 billion. Regarding the trajectory of the quarterly results, following the loss of HUF 34.4 billion realized in the first quarter, the financial performance of the Ukrainian operation stabilized: in the second quarter around break-even result, then both in the third and the fourth quarter a positive result was achieved.

NOTE 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK [continued]

The principles used in the preparation of the Separate Statement of Financial Position as at 31 December 2022 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Going concern principle [continued]

The total assets of the Group’s Russian operation represented HUF 1,030 billion at the end of 2022 (3.1% of consolidated total assets), while net loans comprised HUF 612 billion (3.3% of consolidated net loans) and shareholders’ equity HUF 306 billion (9.2% of consolidated total equity). As the Russian subsidiary repaid its maturing intragroup loans in the fourth quarter of 2022, the gross intragroup funding towards the Russian operation declined from HUF 75 billion equivalent at the end of 2021 to HUF 10 billion equivalent at the end of 2022 (these figures are practically the same as the net group funding due to the lack of deposits placement by Russia in the Group). The remaining intragroup exposure toward the Russian operation at the end of 2022 was a subordinated loan.The Russian operation posted HUF 42.5 billion adjusted profit in 2022. Within that, HUF 27.2 billion loss was suffered in the first quarter, followed by profitable quarters in the remaining part of the year.
In the case of Ukraine and Russia OTP management applies a „going concern” approach, however in Russia the management is still considering all strategic options, though a Russian Presidential decree in October 2022 prohibited the sale of foreign owned banks.
Based on the current evaluation of the Bank's management, the Ukrainian-Russian conflict does not have a significant negative impact on the OTP Group's business activities, financial situation, effectiveness of its activities, liquidity, and capital situation. Even after the recognition of the potential losses and write-offs outlined above, the Group's capital adequacy remains above the expected regulatory level. There is no sign of significant uncertainties having been arisen regarding carrying out its business as a going concern.

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Separate Financial Statements

During the preparation of these Separate Financial Statements, the Bank identified the following estimates, which were significantly affected by the Russian-Ukrainian conflict:

1) Evaluation of Russian sovereign exposures (government securities) and related reserves for expected credit losses at OTP Bank (as parent company)
2) Evaluation of Ukrainian sovereign exposures (government securities) and related reserves for expected credit losses at OTP Bank (as parent company)
3) Evaluation of derivative transactions denominated in Russian rubles
4) Evaluation of derivative transactions denominated in the Ukrainian hryvnia
5) Provisions for expected credit losses related to Russian and Ukrainian interbank claims and customer loans (following direct exposure to the Russian and Ukrainian markets, non-Russian and Ukrainian bank exposures)
6) Evaluation of investments

	Reference	Gross value	Impairment
Securities at amortized cost	1	37,103	(12,676)
Securities at fair value through other comprehensive income	1	27,415	(24,399)
Investments	6	459,960	(302,502)
TOTAL ASSETS		**524,478**	**(339,577)**

During the evaluation of these assets, the Bank applied the evaluation principles detailed below, which evaluation contains significant estimates on the part of the Management. The results of the estimates may vary significantly depending on the development of the situation in the Russian-Ukrainian conflict.

NOTE 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK [continued]

The principles used in the preparation of the Separate Statement of Financial Position as at 31 December 2022 in connection with the evaluation of Russian and Ukrainian exposures [continued]

References

1. Evaluation of Russian sovereign exposures and related reserves for expected credit losses - other exposures of the group

Outside of Russia, the marketability of Russian government securities is significantly limited due to sanctions and capital market participants turning away from Russian securities. The credit rating of the Russian state was withdrawn in 2022, the Group classifies the Russian state as non-performing, and in accordance with this, it assigned the affected exposures to the Stage 3 category. The Russian state not only recognizes its obligation and has the necessary financial reserves, but would also be willing to pay, so the increased loss potential is caused by non-traditional credit risks.

2. Valuation of Ukrainian sovereign exposures and related reserves for expected credit losses - other exposures of the group

Ukrainian government securities are exclusively in the books of the Ukrainian subsidiary.

3. Valuation of Russian derivative transactions

Similar to the bond market, in 2022 the money market inside and outside Russia will also be separated. In the case of futures contracts concluded with local partners on the Russian market, the evaluation is carried out using yield curves available and observable on the local market. In cases where one of the partners is not Russian, the evaluation is done using yield curves available and observable on the international market.
In 2022, there was one case of non-performance, the impact of which was HUF 13.8 billion.

4. Valuation of Ukrainian derivatives

Similar to the bond market, in 2022 the liquidity and number of transactions in the Ukrainian money market were limited. The Treasury turnover of the Ukrainian bank is low, and a significant part of the derivative transactions are related to the bank's risk management and concluded with the parent company. During the actual evaluation, the expected cash-flow is discounted using yield curves observed based on current market benchmarks (published by the National Bank of Ukraine).

5. Provisions for expected credit losses related to Russian and Ukrainian interbank claims and customer loans (following direct exposure to the Russian and Ukrainian markets, non-Russian and Ukrainian bank exposures)

As part of the quarterly monitoring activity, the Bank has identified and analysed the secondary and tertiary negative effects of the war in the corporate segment. Changes related to the meanwhile imposed sanctions – which should have been taken into consideration at analysis - have been followed up. As part of the individual monitoring activity separate monitoring methodology and assessment were prepared for exposures above HUF 250 million as follows:

i) sectors vulnerable to the risk arising from changes of energy / interest / foreign exchange
ii) customers from sectors with high risks according to the loan policy, especially the hotel industry and real estate utilisation industry
iii) municipalities, customers owned by municipalities

Customers identified during monitoring activity were classified into Stage 2, expected credit losses were recognised at the corresponding level and amount. As at 31 December 2022 the concerning exposures (HUF 92.7 billion) had HUF 4 billion of expected credit loss, from which impairment loss was recognised in amount of HUF 3 billion.

NOTE 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK [continued]

The principles used in the preparation of the Separate Statement of Financial Position as at 31 December 2022 in connection with the evaluation of Russian and Ukrainian exposures [continued]

References [continued]

5. Provisions for expected credit losses related to Russian and Ukrainian interbank claims and customer loans (following direct exposure to the Russian and Ukrainian markets, non-Russian and Ukrainian bank exposures) [continued]

When technical or objective default occured due to sanctions the affected exposures were classified into Stage 3. In these cases at least two scenarios were taken into consideration as the estimation of expected cash flows for impairment calculation. At least one scenario represents that case when significant differences occur between the expected and the contractual cash flows. Probabilities shall be allocated to represent the occurence of credit loss, even in that case when most likely there is no need to recognise impairment loss. As at 31 December 2022 gross value of the above mentioned exposures are HUF 11.3 billion and the allocated credit loss is HUF 6.9 billion.

6. Evaluation of investments

The Bank has evaluated its investments in 3 countries concerning the Russian-Ukrainian conflict based on discounted cash flows, and as a result impairment loss was recognised for the year ended 31 December 2022 as follows:

by Country	Impairment loss for the year
Ukraine	73,366
Russia	18,576
Moldova	3,163
Total	**95,105**

NOTE 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK [continued]

Summary of economic policy measures made and other relevant regulatory changes in the period under review

In the section below, the measures and developments which have been made since the beginning of 2022, and – in OTP Bank's view – are relevant and have materially influenced / can materially influence the operation of the Group members.

OTP Bank excludes any liability for the completeness and accuracy of the measures presented herein.

Hungary

- On 5 April 2022 the National Bank of Hungary raised the available amount under the Green Home Programme by an additional HUF 100 billion, up from the originally announced HUF 200 billion.
- Pursuant to Government Decree No. 150/2022 published on 14 April 2022, effective from 29 April the intermediary and other fees paid by the State to commercial banks were amended in the case of the Housing Subsidy for Families (CSOK), the VAT refund subsidy for newly built homes, the repayment by the State of housing loan taken out by families with children, and the baby loans. These fees are now set as absolute amounts, instead of the previous percentage terms. Furthermore, the interest subsidy paid by the state was reduced by one percentage point in the case of baby loans requested after 29 April.
- According to the press release made by the National Bank of Hungary on 30 June 2022, the counter-cyclical capital buffer rate will be increased, for the first time since its introduction 6 years ago, to 0.5% effective from 1 July 2023.
- The baby loan programme which was originally meant to expire by the end of 2022 was extended by 2 years, till the end of 2024.

Interest rate cap

For the period between 1 January and 30 June 2022 the Hungarian Government introduced an interest rate cap for variable-rate retail mortgage loans, and with its decision announced on 18 February for housing purposes financial leasing contracts, too. Accordingly, the affected exposures' reference rate cannot be higher than the relevant contractual reference rate as at 27 October 2021. The modification loss related to the interest rate cap for variable rate mortgage loans announced was recognized in the Bank's 2021 financial accounts. The extension of the interest rate cap to housing purposes financial leasing contracts did not have a significant negative effect.

Pursuant to Government Decree No. 215/2022 (issued on 17 June) the Government extended the interest rate cap for variable-rate retail mortgage loans by an additional 6 months, i.e. until 31 December 2022. The expected one-off effect of the extension of the interest rate cap amounted to -HUF 10.1 billion (after tax) and was booked in the second quarter of 2022.

The details of the extension of the interest rate cap scheme were revealed on 14 October 2022. Firstly, the interest rate cap was further extended by 6 months, until the end of June 2023. Secondly, from 1 November 2022 the provisions of the interest rate cap must applied to the market-based mortgages with up to 5 years interest rate repricing period, too.

On 22 October 2022 the Government announced that starting from 15 November until 30 June 2023, the reference rate of certain MSE loans will also be capped, as set out by Government Decree 415/2022 (X. 26.) published on 26 October. Accordingly, the provisions shall be applied to HUF denominated, non-subsidized, floating rate loans to micro and small enterprises and financial lease contracts, excluding overdraft loan agreements. In this period, the reference rate of these exposures cannot be higher than the relevant reference rate as specified in the contract as at 28 June 2022 (on that day the 3M BUBOR stood at 7.77%). The financial burden of the MSE rate cap must be shouldered by the banks. The cost of the rate cap scheme is borne by the banks.

The expected negative after tax effect of the measures taken in October 2022 amounted to HUF 26.4 billion and was accounted for in the fourth quarter of 2022 in one sum.

NOTE 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK [continued]

Summary of economic policy measures made and other relevant regulatory changes in the period under review [continued]

Moratorium, one-off effect

In Hungary the first phase of the moratorium on loan payments was effective from 19 March 2020 to 31 December 2020. At the end of 2020 the moratorium was extended in unchanged form for the period between 1 January 2021 and 30 June 2021. Furthermore, according to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021. Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium: the blanket moratorium was extended by an additional month, until the end of October, in an unchanged form. Furthermore, from the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay. Similarly, with its Government Decree No. 216/2022 published on 17 June, the Government further extended the expiry of the moratorium, until the end on 2022. Eligible clients had to notify their bank about their intention to participate in the payment holiday until the end of July 2022. The general payment holiday expired at the end of 2022.

Starting from September 2022 to the end of 2023, due to the severe draught, agricultural companies can enjoy a payment moratorium on their working capital and investment loans. Eligible borrowers can decide whether to join the scheme or not. At the end of 2022, HUF 41 billion worth of loans were subject to the moratorium for agricultural companies, making up 0.6% of OTP Core’s total gross loan volume.

During the term of the moratorium OTP Bank accrues the unpaid interest in its statement of recognized income, amongst the revenues. At the same time, due to the fact that interest cannot be charged on the unpaid interest, and the unpaid interest will be repaid later, in the course of 2020, 2021 and 2022 altogether HUF 44.1 billion one-off loss emerged in Hungary (after tax).

NOTE 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK [continued]

Financial assets modified during the year ended 31 December 2022

Modification due to prolongation of deadline of covid moratoria till 31 July 2022 (opt in)

Gross carrying amount before modification	79,253
Modification loss	(301)
Gross carrying amount after modification	**78,952**
Loss allowance before modification	(23,965)
Net amortised cost after modification	**54,987**

Modification due to prolongation of interest rate cap (30 June 2022)

Gross carrying amount before modification	66,133
Modification loss	(2,405)
Gross carrying amount after modification	**63,728**
Loss allowance before modification	(1,580)
Net amortised cost after modification	**62,148**

Modification due to moratoria related to agriculture and prolongation of the existing moratoria (30 September 2022)

Gross carrying amount before modification	95,560
Modification loss	(1,562)
Gross carrying amount after modification	**93,998**
Loss allowance before modification	(19,404)
Net amortised cost after modification	**74,594**

Modification due to prolongation of interest rate cap (30 November 2022)

Gross carrying amount before modification	151,318
Modification loss	(531)
Gross carrying amount after modification	**150,787**
Loss allowance before modification	(6,094)
Net amortised cost after modification	**144,693**

Modification due to scope extension (mortgage loans with 5 year fixing without subsidy) and prolongation of the existing interest rate cap (31 December 2022)

Gross carrying amount before modification	205,891
Modification loss	(10,058)
Gross carrying amount after modification	**195,833**
Loss allowance before modification	(6,915)
Net amortised cost after modification	**188,918**

NOTE 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK [continued]

Financial assets modified during the year ended 31 December 2021 related to covid moratorium

Modification due to prolongation of deadline of covid moratoria till 30 September 2021

Gross carrying amount before modification	668,312
Modification loss due to covid moratoria	(5,284)
Gross carrying amount after modification	**663,028**
Loss allowance before modification	(55,180)
Net amortised cost after modification	**607,848**

Modification due to prolongation of deadline of covid moratoria till 31 October 2021

Gross carrying amount before modification	665,620
Modification loss due to covid moratoria	(1,292)
Gross carrying amount after modification	**664,328**
Loss allowance before modification	(58,412)
Net amortised cost after modification	**605,916**

In case of credit card and overdraft loans interest charged during the moratoria period should be refunded to the debtors in amount determined as a difference between the charged interest and a premoratoria personal loan interest at 11,99%. The Bank has managed this government measure as loan agreement modification in the financial statements.

Gross carrying amount before modification	57,892
Modification loss due to covid moratoria	(1,983)
Gross carrying amount after modification	**55,909**
Loss allowance before modification	(9,234)
Net amortised cost after modification	**46,675**

Modification due to prolongation of deadline of covid moratoria till 30 June 2022

Gross carrying amount before modification	82,438
Modification loss due to covid moratoria	(1,614)
Gross carrying amount after modification	**80,824**
Loss allowance before modification	(23,516)
Net amortised cost after modification	**57,308**

On 24 December 2021 new regulation was issued on fixing of retail loan product's interest, under that interest rates of mortgage loans with variable interest shall be fixed at reference rates of 27 October 2021, predictably till 30 June 2022.

Gross carrying amount before modification	67,108
Modification loss due to covid moratoria	(703)
Gross carrying amount after modification	**66,405**
Loss allowance before modification	(1,625)
Net amortised cost after modification	**64,780**

NOTE 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY (in HUF mn)

	2022	2021
Cash on hand:		
In HUF	80,809	82,839
In foreign currency	20,506	21,182
	101,315	**104,021**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	739,382	81,513
In foreign currency	252,854	289,596
	992,236	**371,109**
Subtotal	**1,093,551**	**475,130**
Loss allowance	(1,353)	(185)
Subtotal	**1,092,198**	**474,945**
Average amount of compulsory reserve	740,428	99,303
Total	**351,770**	**375,642**
Rate of the compulsory reserve	6%	1%

The Bank shall deposit compulsory reserve in a determined percent of its liabilities at NBH. Liabilities considered in compulsory reserve calculation are as follows:

a) deposits and loans,
b) debt instruments,
c) repo transactions.

The amount of the compulsory reserve is the multiplication of the daily average of the liabilities considered in the compulsory reserve calculation and compulsory reserve rate, which are determined by the NBH in a specific decree. The Bank is required to complete compulsory reserve requirements in average in the second month after the reserve calculation period, requirements shall be completed once a month on the last calendar day. The Bank complies with the compulsory reserve requirements by the deposit of the adequate amount of cash as the calculated compulsory reserve on the bank account at NBH in monthly average.

Based on NBH decision compulsory reserve shall be 5%, which is effective from 1 October 2022.

An analysis of the change in the loss allowance on placement losses is as follows:

	2022	2021
Balance as at 1 January	**185**	**-**
Loss allowance	5,023	185
Release of loss allowance	(3,813)	-
FX movement	(42)	-
Closing balance	**1,353**	**185**

NOTE 6: PLACEMENTS WITH OTHER BANKS (in HUF mn)

	2022	2021
Within one year:		
In HUF	825,820	1,388,709
In foreign currency	366,574	372,361
	1,192,394	**1,761,070**
Over one year		
In HUF	1,215,114	747,871
In foreign currency	511,103	65,761
	1,726,217	**813,632**
Total placements	**2,918,611**	**2,574,702**
Loss allowance on placement losses	(18,782)	(7,490)
Total	**2,899,829**	**2,567,212**

An analysis of the change in the loss allowance on placement losses is as follows:

	2022	2021
Balance as at 1 January	**7,490**	**5,819**
Loss allowance	27,571	20,524
Release of loss allowance	(17,026)	(18,911)
Use of loss allowance	-	(2)
FX movement	747	60
Closing balance	**18,782**	**7,490**

Interest conditions of placements with other banks (%):

	2022	2021
Placements with other banks in HUF	0%-25.7%	0% - 5.9%
Placements with other banks in foreign currency	0%-13.29%	(0.59%) - 29%
Average interest of placements with other banks	7.51%	1.63%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	2022	2021
Within one year:		
In HUF	248,696	33,710
	248,696	**33,710**
Total gross amount	**248,696**	**33,710**
Loss allowance on repo receivables	(2,167)	(72)
Total repo receivables	**246,529**	**33,638**

An analysis of the change in the loss allowance on repo receivables is as follows:

	2022	2021
Balance as at 1 January	**72**	**292**
Loss allowance	4,480	449
Release of loss allowance	(2,385)	(669)
Closing balance	**2,167**	**72**

Interest conditions of repo receivables (%):

	2022	2021
Repo receivables in HUF	10.7%-18%	2%-3.2%
Average interest of repo receivables	7.31%	0.29%

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2022	2021
Held for trading securities:		
Government bonds	67,521	30,827
Other non-interest bearing securities	274	1,134
Hungarian government discounted Treasury Bills	4,785	869
Corporate shares and investments	385	599
Mortgage bonds	82	116
Other securities	1,748	2,088
Subtotal	**74,795**	**35,633**
Securities mandatorily measured at fair value through profit or loss		
Shares in investment funds	29,029	25,126
Shares	1,469	2,935
Subtotal	**30,498**	**28,061**
Held for trading derivative financial instruments:		
Foreign currency swaps	121,854	38,811
Interest rate swaps	121,506	59,097
CCIRS and mark-to-market CCIRS swaps	14,847	11,649
Other derivative transactions	46,512	73,211
Subtotal	**304,719**	**182,768**
Total	**410,012**	**246,462**

Interest conditions and the remaining maturities of securities held for trading are as follows:

	2022	2021
Within one year:		
variable interest	3,041	111
fixed interest	10,467	4,163
	13,508	**4,274**
Over one year:		
variable interest	9,535	1,544
fixed interest	51,093	28,083
	60,628	**29,627**
Non-interest bearing securities	659	1,732
Total	**74,795**	**35,633**

	2022	2021
Securities held for trading denominated in HUF	89%	81%
Securities held for trading denominated in foreign currency	11%	19%
Securities held for trading total	**100%**	**100%**
Government bonds denominated in HUF	90%	83%
Government bonds denominated in foreign currency	10%	17%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading in HUF	0%-16.69%	0%-6.75%
Interest rates on securities held for trading in foreign currency	0%-7.63%	0%-5.75%
Average interest on securities held for trading	6.44%	1.17%

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

Interest conditions and the remaining maturities of securities mandatorily measured at fair value through profit or loss are as follows:

	2022	2021
Non-interest bearing securities	30,498	28,061
Total	**30,498**	**28,061**

Securities mandatorily measured at fair value through profit or loss denominated in HUF	69%	67%
Securities mandatorily measured at fair value through profit or loss denominated in foreign currency	31%	33%
Securities mandatorily measured at fair value through profit or loss total	**100%**	**100%**

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)

	2022	2021
Securities at fair value through other comprehensive income		
Government bonds	177,393	278,875
Mortgage bonds	356,540	217,941
Interest bearing treasury bills	182,726	63,115
Other securities	62,594	64,870
Listed securities	*7,290*	*43,759*
in HUF	-	2,896
in foreign currency	7,290	40,863
Non-listed securities	*55,304*	*21,111*
in HUF	14,304	15,487
in foreign currency	41,000	5,624
Subtotal	**779,253**	**624,801**
Non-trading equity instruments		
-non-listed securities	17,922	17,138
in HUF	528	529
in foreign currency	17,394	16,609
	17,922	**17,138**
Securities at fair value through other comprehensive income total	**797,175**	**641,939**

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn) [continued]

Detailed information of the non-trading equity instruments to be measured at fair value through other comprehensive income:

Name	Currency	2022	2021
Garantiqa	HUF	392	392
Hage / Közvil / Pénzügykut	HUF	136	136
OBS	EUR	11,915	13,222
VISA A Preferred	USD	5,479	3,388
		17,922	**17,138**

Interest conditions and the remaining maturities of FVOCI securities can be analysed as follows:

	2022	2021
Within one year:		
variable interest	-	1,089
fixed interest	261,529	66,970
	261,529	**68,059**
Over one year:		
variable interest	235,661	71,344
fixed interest	282,063	485,398
	517,724	**556,742**
Non-interest bearing securities	17,922	17,138
Total	**797,175**	**641,939**
FVOCI securities denominated in HUF	83%	73%
FVOCI securities denominated in foreign currency	17%	27%
FVOCI securities total	**100%**	**100%**
Interest rates on FVOCI securities denominated in HUF	1.25%-17.36%	1.25%-11%
Interest rates on FVOCI securities denominated in foreign currency	0.74%-16%	0%-16%
Average interest on FVOCI securities	5.27%	2.85%

Certain fixed-rate mortgage bonds and other securities are hedged against interest rate risk. (See Note 45.4.)

	2022	2021
Net gain / (loss) reclassified from other comprehensive income to statement of profit or loss	(22,816)	(26,440)
Fair value of the hedged securities:		
Government bonds	118,979	143,184
Other bonds	43,870	42,326
	162,849	**185,510**

During the year ended 31 December 2022 and the year ended 31 December 2021 the Bank didn't sell any of equity instruments designated to measure at fair value through other comprehensive income.

NOTE 10: SECURITIES AT AMORTISED COST (in HUF mn)

	2022	2021
Government bonds	2,979,400	2,863,259
Other bonds	314,237	190,155
Mortgage bonds	24,586	24,309
Subtotal	**3,318,223**	**3,077,723**
Loss allowance	(35,850)	(6,685)
Total	**3,282,373**	**3,071,038**

Interest conditions and the remaining maturities of securities at amortised cost can be analysed as follows:

	2022	2021
Within one year:		
variable interest	-	8,101
fixed interest	321,879	305,694
	321,879	**313,795**
Over one year:		
variable interest	24,601	5,122
fixed interest	2,971,743	2,758,806
	2,996,344	**2,763,928**
Total	**3,318,223**	**3,077,723**

The distribution of the securities at amortised cost by currency (%):

	2022	2021
Securities at amortised cost denominated in HUF	72%	83%
Securities at amortised cost denominated in foreign currency	28%	17%
Securities at amortised cost total	**100%**	**100%**
Interest rates on securities at amortised cost	0.1%-17.74%	0.1%-12.75%
Average interest on securities at amortised cost denominated in HUF	2.93%	2.84%

An analysis of change in the loss allowance on securities at amortised cost:

	2022	2021
Balance as at 1 January	**6,685**	**3,288**
Reclassification	-	1,281
Balance as at 1 January	**6,685**	**4,569**
Loss allowance	31,696	4,404
Release of loss allowance	(4,073)	(2,370)
FX movement	1,542	82
Closing balance	**35,850**	**6,685**

NOTE 11: LOANS (in HUF mn)

Loans measured at fair value through profit or loss

	2022	2021
Within one year	39,694	32,091
Over one year	753,548	629,921
Loans measured at fair value through profit or loss total	**793,242**	**662,012**

Loans measured at fair value through profit or loss are mandatorily measured at fair value through profit or loss.

Loans measured at amortised cost, net of allowance for loan losses

	2022	2021
Within one year	2,481,249	2,125,908
Over one year	2,518,671	2,062,114
Loans at amortised cost gross total	**4,999,920**	**4,188,022**
Loss allowance on loan losses	(174,880)	(155,557)
Loans at amortised cost total	**4,825,040**	**4,032,465**

An analysis of the loan portfolio by currency (%):

	2022	2021
In HUF	58%	62%
In foreign currency	42%	38%
Total	**100%**	**100%**

Interest rates of the loan portfolio mandatorily measured at fair value through profit or loss are as follows (%):

	2022	2021
Loans denominated in HUF	2,89%-18,26%	1.5% - 9.85%
Average interest on loans denominated in HUF	4.94%	4.56%

Interest rates of the loan portfolio measured at amortised cost are as follows (%):

	2022	2021
Loans denominated in HUF	0%-43.7%	0%-37.5%
Loans denominated in foreign currency	(0.1%)-20.1%	(0.59%)-13%
Average interest on loans denominated in HUF	9.77%	6.64%
Average interest on loans denominated in foreign currency	2.74%	1.48%

NOTE 11: LOANS (in HUF mn) [continued]

For an analysis of the loan portfolio by stages, countries and rating categories please see Note 36.1.

An analysis of the change in the loss allowance on loans at amortised cost is as follows:

	2022	2021
Balance as at 1 January	**155,557**	**123,670**
Reclassification	-	(1,281)
Balance as at 1 January	**155,557**	**122,389**
Loss allowance	252,002	221,084
Release of loss allowance	(210,342)	(180,291)
Use of loss allowance	(21,274)	(6,951)
Partial write-off	(7,348)	(1,733)
FX movement	6,285	1,059
Closing balance	**174,880**	**155,557**

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd.

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn)

	2022	2021
Investments in subsidiaries:		
Controlling interest	2,116,059	2,006,178
Other	23,427	16,086
Subtotal	**2,139,486**	**2,022,264**
Impairment loss	(542,769)	(449,256)
Total	**1,596,717**	**1,573,008**

Other investments contain certain securities accounted at cost.

Significant subsidiaries

Investments in companies in which the Bank has a controlling interest (direct) are detailed below. All companies are incorporated in Hungary unless indicated otherwise:

	2022		2021	
	% Held (direct/indirect)	Gross book value	% Held (direct/indirect)	Gross book value
OTP Bank JSC (Ukraine)	100%	311,390	100%	311,390
DSK Bank EAD (Bulgaria)	100%	280,722	100%	280,692
OTP banka Srbija akcionarsko drustvo Novi Sad (Serbia)	100%	262,759	100%	262,759
OTP banka Hrvatska d.d. (Croatia)	100%	205,349	100%	205,349
OTP Bank Romania S.A. (Romania)	100%	167,764	100%	167,764
OTP Mortgage Bank Ltd.	100%	199,294	100%	154,294
SKB Banka d.d. Ljubljana (Slovenia)	100%	107,689	100%	107,689
JSC "OTP Bank" (Russia)	98%	74,337	98%	74,337
Crnogorska komercijalna banka a.d. (Montenegro)	100%	72,784	100%	72,784
OOO AlyansReserv (Russia)	100%	50,074	100%	50,074
Air-Invest Llc.	100%	39,248	100%	39,248
OTP Holding Malta Ltd.	100%	32,359	100%	32,359
Balansz Private Open-end Investment Fund	100%	60,630	100%	29,150
Bank Center No. 1. Ltd.	100%	26,063	100%	26,063
OTP Factoring Ltd.	100%	25,411	100%	25,411
Other		200,186		166,815
Total		**2,116,059**		**2,006,178**

An analysis of the change in the impairment loss is as follows:

	2022	2021
Balance as at 1 January	**449,256**	**425,163**
Impairment loss for the period	147,712	59,132
Reversal of impairment loss	(54,199)	(31,712)
Use of impairment loss	-	(3,327)
Closing balance	**542,769**	**449,256**

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

The Bank decided that the recoverable amount is determined based on fair value less cost of disposal. The Bank prepared impairment tests of the subsidiaries based on two different net present value calculation methods that show the same result; however they represent different economical logics. On one hand is the discount cash flow method ("DCF") that calculates the value of the subsidiaries by discounting their expected cash flow; on the other hand the economic value added ("EVA") method estimates the value of the subsidiaries from the initial invested capital and the present value of the economic profit that the companies are expected to generate in the future. Applying the EVA method was more practically than DCF method because it gives a more realistic picture about how the explicit period and the residual value can contribute to the value of the company.

The Bank, in its strategic plan, has taken into consideration the effects of the present global economic situation, the cautious recovery of economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

An analysis of the impairment loss by significant subsidiaries is as follows:

	2022	**2021**
OTP Bank JSC (Ukraine)	280,763	207,397
OTP Bank Romania S.A. (Romania)	77,962	77,962
OTP Mortgage Bank Ltd.	84,707	65,096
OTP banka Srbija akcionarsko drustvo Novi Sad (Serbia)	23,452	43,477
JSC "OTP Bank" (Russia)	2,775	-
LLC Alliance Reserve (Russia)	15,801	-
OTP Life Annuity Ltd.	10,969	10,969
Air-Invest Ltd.	10,965	10,491
Monicomp Ltd.	8,632	8,632
Crnogorska komercijalna banka a.d. (Montenegro)	4,495	6,697
Balansz Private Open-end Investment Fund	5,110	5,566
OTP Real Estate Ltd.	5,557	5,557
R.E. Four d.o.o. (Serbia)	3,763	3,763
Total	**534,951**	**445,607**

Dividend income from significant subsidiaries and shares held-for-trading and shares measured at fair value through other comprehensive income is as follows:

	2022	**2021**
DSK Bank EAD (Bulgaria)	74,314	-
OTP Factoring Ltd.	45,000	44,000
OTP Mortgage Bank Ltd.	18,000	-
OTP banka dioničko društvo (Croatia)	14,637	12,244
Merkantil Bank Ltd.	8,000	-
OTP Holding Ltd. (Cyprus)	7,800	-
OTP Holding Malta Ltd. (Malta)	4,803	5,531
OTP Real Estate Investment Fund Management Ltd.	3,500	3,500
OTP Bank JSC (Ukraine)	-	12,853
Inga Kettő Llc.	-	11,000
Monicomp Ltd.	-	1,173
Other	6,099	4,741
Subtotal	**182,153**	**95,042**
Dividend from shares held-for-trading	12,166	3,844
Dividend from shares fair value through other comprehensive income	207	151
Total	**194,526**	**99,037**

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

Significant associates and joint ventures

The main figures of the Bank's indirectly owned associates and joint ventures at cost[1]:

As at 31 December 2022

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
OTP Risk Fund I.	520	44.12%	(52)	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	683	22.00%	13	Hungary /Budapest	Trusts, funds and similar financial entities
Company for Cash Services AD	392	25.00%	183	Bulgaria / Sofia	Other financial service activities, except insurance and pension funding
Edrone spółka z ograniczoną odpowiedzialnością	822	23.54%	(516)	Poland / Krakow	Computer programming activities
NovaKid Inc.	1,723	4.07%	(5,409)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc.	216	17.42%	267	Hungary /Budapest	Computer programming activities
ClodeCool Ltd.	1,323	20.15%	1	Hungary /Budapest	Other education
Pepita.hu Closed Co. Plc.	1,323	40.00%	(157)	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd.	8,689	19.26%	(3)	UK / London	Computer programming activities
VCC Live Group Closed Co. Plc.	1,308	24.75%	(226)	Hungary /Budapest	Computer programming activities
Cursor Insight Ltd.	75	6.75%	n.a.	UK / London	Computer programming activities
Fabetker Ltd.	1	20.48%	135	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
OneSoil Ag.	362	3.72%	(514)	Switzerland / Zurich	Computer programming activities
Packhelp Spółka Akcyjna	1,168	3.15%	(3,385)	Poland / Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
Phoenix Play Invest closed Co. Plc.	2,350	21.69%	(1)	Hungary /Budapest	Activities of holding companies
Algorithmiq Invest Closed Co. Plc.	8,195	21.69%	792	Hungary /Budapest	Activities of holding companies
NGY Propertiers Investment SRL	11,735	14.54%	(22,567)	Romania / Bucharest	Renting and operating of own or leased real estate
Deligo Vision Technologies Ltd.	205	2.50%	(15)	Hungary /Budapest	Other information service activities
GRADUW Invest Closed Co. Plc.	4,803	3.81%	131	Hungary /Budapest	Sale and purchase of own real estate
SEH-Partner Ltd.	6,403	30.56%	n.a.	Hungary /Budapest	Activities of holding companies
Simonyi út 20. Ingatlanhasznosító Ltd.	90	47.62%	-	Hungary /Debrecen	Renting and operating of own or leased real estate
Fintech CEE Software Invest Ltd.	127	20.04%	n.a.	Hungary /Budapest	Activities of holding companies
New Frontier Technology Invest SARL	3,393	14.01%	n.a.	Luxemburg / Luxembourg	Activities of holding companies
Mindgram sp. z.o.o	200	2.38%	(328)	Poland / Warsaw	Other human health activities

[1] Based on unaudited financial statements.

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

Significant associates and joint ventures [continued]

As at 31 December 2021

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
OTP Kockázati Fund I.	526	44.12%	(52)	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	288	22.00%	13	Hungary /Budapest	Trusts, funds and similar financial entities
Company for Cash Services AD	392	25.00%	(183)	Bulgaria / Sofia	Other financial service activities, exc. insurance and pension funding
Edrone spółka z ograniczoną odpowiedzialnością	779	17.34%	(293)	Poland / Krakow	Computer programming activities
Graboplast Closed Co. Plc.	700	7.00%	n.a.	Hungary / Győr	Manufacture of builders' ware of plastic
NovaKid Inc.	2,006	4.17%	(4,621)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc.	374	17.42%	n.a.	Hungary /Budapest	Computer programming activities
ClodeCool Ltd.	1,770	20.15%	1	Hungary /Budapest	Other education n.e.c.
Pepita.hu Closed Co. Plc.	516	34.00%	(132)	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd.	4,756	23.86%	(4)	UK / London	Computer programming activities
Starschema Ltd.	3,944	36.19%	n.a.	Hungary /Budapest	Computer consultancy activities
VCC Live Group Closed Co. Plc.	1,672	49.56%	(203)	Hungary /Budapest	Computer programming activities
Virtual Solutaion Ltd.	-	8.33%	n.a.	Hungary /Budapest	Computer programming activities
Yieldigo s.r.o.	76	1.97%	(168)	Czech Republic/Prague	Computer programming activities
Szallas.hu Closed Co. Plc.	8,809	51.19%	1,278	Hungary / Miskolc	Web portals
Cursor Insight LTD	146	6.75%	(247)	UK / London	Computer programming activities
Fabetker Ltd.	1	20.48%	132	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
OneSoil Ag.	318	3.72%	(1,058)	Switzerland / Zurich	Computer programming activities
Packhelp Spółka Akcyjna	2,160	1.00%	(3,038)	Poland / Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
PHOENIX PLAY Invest closed Co. Plc.	3,081	21.69%	(1)	Hungary /Budapest	Activities of holding companies
ALGORITHMIQ Invest Closed Co. Plc.	8,996	21.69%	792	Hungary /Budapest	Activities of holding companies
NGY Propertiers Investment SRL	12,331	14.54%	(22,567)	Romania / Bucharest	Renting and operating of own or leased real estate

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

Significant events related to investments

The registered capital of the Romanian subsidiary of OTP Bank was increased to RON 2.279.253.360 from RON 2.079.253.200

The financial closure of the transaction to purchase 100% shareholding of Alpha Bank Albania SH.A., the Albanian subsidiary of the Alpha Bank Group has been completed on 18 July 2022, based on the share sale and purchase agreement concluded between OTP Bank and Alpha Bank Group's member, Alpha International Holdings Single Member S.A., on 6 December 2021. The integration of OTP Bank Albania and Alpha Bank Albania is expected to be completed in 2023.

25 October 2022 the Metropolitan Court of Registration has registered a capital increase at OTP Mortgage Bank Ltd. The registered capital of OTP Mortgage Bank Ltd. was increased to HUF 57,000,000,000 from HUF 37,000,000,000.

12 December 2022 OTP Bank signed a purchase and sale contract for the purchase of the majority stake of Ipoteka Bank and its subsidiaries with the Ministry of Finance of the Republic of Uzbekistan. OTP Bank will purchase 100% of the shares held by the Ministry of Finance of the Republic of Uzbekistan (nearly 97% total shareholding) in two steps: 75% of the shares now and the remaining 25% three years after the financial closing of the first transaction. Ipoteka Bank is the fifth largest bank in Uzbekistan, with a market share of 8.5% based on total assets on 1 October 2022, with more than 1.6 million retail customers and a significant corporate clientele.

31 December 2022 the registered capital of OTP Mortgage Bank Ltd. was increased to HUF 82,000,000,000 from HUF 57,000,000,000.

The financial completion of the transaction to purchase 100% shareholding of Nova KBM d.d. and its subsidiary – after obtaining all necessary regulatory approvals – has been completed on 6 February 2023, based on the share sale and purchase agreement concluded between OTP Bank, funds managed by affiliates of Apollo Global Management, Inc. and EBRD, on 31 May 2021. The acquisition of the bank is the most significant acquisition in the history of OTP Group. With a market share of 20.7% in terms of total assets as of September 2022 and more than 1,500 employees as of the end of 2022, Nova KBM d.d. is the 2nd largest bank in the Slovenian banking market. As a universal bank, it has been active in the retail and corporate segments as well. With the transaction closing of Nova KBM, OTP Group has around 30% share in the Slovenian banking market on a pro-forma basis. The integration process of the two Slovenian subsidiaries, SKB banka purchased in 2019 and Nova KBM is expected to be completed in 2024. The new bank will be the largest foreign subsidiary of OTP Group.

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the year ended 31 December 2022

	Intangible assets	Property	Office equipment and vehicles	Vehicles	Construction in progress	Right of use assets	Total
Cost							
Balance as at 1 January	**188,853**	**74,506**	**103,469**	**199**	**9,425**	**31,118**	**407,570**
Additions	59,839	5,979	15,804	12	28,117	29,156	138,907
Disposals	(35,607)	(1,890)	(6,349)	(14)	(21,892)	(925)	(66,677)
Balance as at 31 Decembere	**213,085**	**78,595**	**112,924**	**197**	**15,650**	**59,349**	**479,800**
Depreciation and Amortization							
Balance as at 1 January	**126,692**	**28,316**	**77,404**	**62**	**-**	**13,887**	**246,361**
Charge for the year	24,768	4,347	10,211	29	-	7,383	46,738
Disposals	(7,855)	(2,515)	(5,038)	(14)	-	(1,803)	(17,225)
Balance as at 31 Decembere	**143,605**	**30,148**	**82,577**	**77**	**-**	**19,467**	**275,874**
Net book value							
Balance as at 1 January	**62,161**	**46,190**	**26,065**	**137**	**9,425**	**17,231**	**161,209**
Balance as at 31 December	**69,480**	**48,447**	**30,347**	**120**	**15,650**	**39,882**	**203,926**

For the year ended 31 December 2021

	Intangible assets	Property	Office equipment and vehicles	Vehicles	Construction in progress	Right of use assets	Total
Cost							
Balance as at 1 January	**164,875**	**72,277**	**93,878**	**160**	**9,421**	**22,443**	**363,054**
Additions	52,130	4,074	13,434	87	20,394	8,675	98,794
Disposals	(28,152)	(1,845)	(3,843)	(48)	(20,390)	-	(54,278)
Balance as at 31 December	188,853	**74,506**	**103,469**	**199**	**9,425**	**31,118**	**407,570**
Depreciation and Amortization							
Balance as at 1 January	**107,236**	**25,789**	**71,899**	**74**	**-**	**8,964**	**213,962**
Charge for the year	23,032	3,284	9,190	25	-	5,161	40,692
Disposals	(3,576)	(757)	(3,685)	(37)	-	(238)	(8,293)
Balance as at 31 December	**126,692**	**28,316**	**77,404**	**62**	**-**	**13,887**	**246,361**
Net book value							
Balance as at 1 January	**57,639**	**46,488**	**21,979**	**86**	**9,421**	**13,479**	**149,092**
Balance as at 31 December	**62,161**	**46,190**	**26,065**	**137**	**9,425**	**17,231**	**161,209**

The Bank has no intangible assets with indefinite useful life.

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

For the year ended 31 December 2022 and 2021, respectively

	2022	2021
Property		
Cost		
Balance as at 1 January	**5,013**	**2,577**
Additions result from subsequent expenditure	14	2,640
Disposals	-	(204)
Closing balance	**5,027**	**5,013**
Depreciation and Amortization		
Balance as at 1 January	**685**	**641**
Charge for the period	135	92
Disposals	-	(48)
Closing balance	**820**	**685**
Net book value		
Balance as at 1 January	**4,328**	**1,936**
Closing balance	**4,207**	**4,328**

According to the opinion of the Management there is no significant difference between the fair value and the carrying value of these properties.

Income and Expenses	**2022**	**2021**
Rental income	8	6
Depreciation	135	92

NOTE 15: FAIR VALUE OF DERIVATIVE FINANCIAL ASSETS DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Positive fair value of derivative financial assets designated as hedge accounting:

	2022	2021
Interest rate swaps designated as fair value hedge	29,139	13,276
CCIRS designated as fair value hedge	20,732	5,471
Interest rate swaps designated as cash flow hedge	(2,651)	(1,020)
Total	**47,220**	**17,727**

NOTE 16: OTHER ASSETS[1] (in HUF mn)

	2022	2021
Other financial assets		
Receivables from OTP Employee Stock Ownership Program (OTP ESOP)	119,123	84,304
Prepayments and accrued income	15,674	16,391
Receivables from investment services	34,828	16,074
Stock exchange deposit	30,939	11,643
Trade receivables	11,053	10,519
Receivables from card operations	34,783	10,423
Receivables from suppliers	6,621	5,812
Other	9,130	3,729
	262,151	**158,895**
Loss allowance	(7,026)	(5,148)
Other financial assets total	**255,125**	**153,747**
Other non-financial assets		
Prepayments and accrued income	44,106	44,411
Receivable related to Hungarian Government subsidies	19,076	14,281
Other	12,144	12,563
	75,326	**71,255**
Provision for impairment on other assets	(699)	(514)
Other non-financial assets total	**74,627**	**70,741**
Total	**329,752**	**224,488**

An analysis of the movement in the loss allowance on other financial assets is as follows:

	2022	2021
Balance as at 1 January	**5,148**	**7,928**
Charge for the period	10,572	3,888
Release of loss allowance	(7,715)	(5,972)
Use of loss allowance	(982)	(707)
FX movement	3	11
Balance as at 31 December	**7,026**	**5,148**

An analysis of the movement in the loss allowance on other non-financial assets is as follows:

	2022	2021
Balance as at 1 January	**514**	**482**
Charge for the period	255	86
Release of provision	(106)	(74)
FX movement	36	20
Balance as at 31 December	**699**	**514**

[1] Other assets are expected to be recovered or settled no more than twelve months after the reporting period.

NOTE 17: AMOUNTS DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

	2022	2021
Within one year:		
In HUF	554,794	354,647
In foreign currency	448,935	81,550
	1,003,729	**436,197**
Over one year:		
In HUF	392,947	588,161
In foreign currency	339,452	26,845
	732,399	**615,006**
Subtotal	**1,736,128**	**1,051,203**
Total	**1,736,128**	**1,051,203**

Interest rates on amounts due to banks and deposits from the NBH and other banks are as follows (%):

	2022	2021
Within one year:		
In HUF	(2.4%) - 18%	(2.4%)-4.5%
In foreign currency	(2.31%) - 5.9%	(2.4%)-8.5%
Over one year:		
In HUF	(2.4%) - 9.23%	(2.4%)-1.3%
In foreign currency	(2.4%) - 6.84%	(2.4%)-1.5%
Average interest on amounts due to banks in HUF	3.24%	1.26%
Average interest on amounts due to banks in foreign currency	1.50%	1.14%

NOTE 18: REPO LIABILITIES (in HUF mn)

	2022	2021
Within one year:		
In HUF	122,676	49,726
In foreign currency	15,561	-
	138,237	**49,726**
Over one year:		
In HUF	82,200	-
In foreign currency	187,929	36,854
	270,129	**36,854**
Subtotal	**408,366**	**86,580**
Total	**408,366**	**86,580**

Interest rates on repo liabilities are as follows (%):

	2022	2021
Within one year:		
In HUF	11.5% - 15.47%	1.5%-2.8%
In foreign currency	2.47%-5.2%	-
Over one year:		
In HUF	15%	-
In foreign currency	3.58%-3.69%	(0.35)%
Average interest on repo liabilities in HUF	9.31%	11.67%
Average interest on repo liabilities in foreign currency	0.30%	0.67%

NOTE 19: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2022	2021
Within one year:		
In HUF	7,982,882	7,823,118
In foreign currency	3,112,937	2,079,643
	11,095,819	**9,902,761**
Over one year:		
In HUF	23,339	45,771
	23,339	**45,771**
Total	**11,119,158**	**9,948,532**

Interest rates on deposits from customers are as follows (%):

	2022	2021
Within one year in HUF	0%-17.95%	(2.48%)-7.96%
Over one year in HUF	0%-13%	0.01%-2.4%
In foreign currency	(0.4%)-45.1%	(0.6%)-17.2%
Average interest on deposits from customers in HUF	2.32%	0.16%
Average interest on deposits from customers in foreign currency	0.12%	0.01%

An analysis of deposits from customers by type, not including accrued interest, is as follows:

	2022		2021	
Retail deposits	**4,756,881**	**43%**	**4,475,933**	**45%**
Household deposits	4,756,881	43%	4,475,933	45%
Corporate deposits	**6,362,277**	**57%**	**5,472,599**	**55%**
Deposits to medium and large corporates	5,570,866	50%	4,639,198	47%
Municipality deposits	791,411	7%	833,401	8%
Total	**11,119,158**	**100%**	**9,948,532**	**100%**

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	2022	2021
Within one year:		
In HUF	4,311	12,048
In foreign currency	6,351	-
	10,662	**12,048**
Over one year:		
In HUF	46,192	10,105
In foreign currency	441,855	-
	488,047	**10,105**
Total	**498,709**	**22,153**

Interest rates on liabilities from issued securities are as follows (%):

	2022	2021
Issued securities denominated in HUF	0,6%-15%	0%-1.7%
Issued securities denominated in foreign currency	5,5%-7,35%	-
Average interest on issued securities denominated in HUF	2.63%	4.9%
Average interest on issued securities denominated in foreign currency	2.95%	-

Term Note Program in the value of HUF 200 billion for the year of 2022/2023

On 10 May 2022 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 10 August 2022 the prospectus of Term Note Program. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

Term Note Program in the value of HUF 200 billion for the year of 2021/2022

On 28 May 2021 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 8 July 2021 the prospectus of Term Note Program. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

Green Senior Preferred Notes issued in amount of EUR 400 million

„Green” notes have been issued by the Bank on 13 July 2022 as value date in the aggregate nominal amount of EUR 400 million. The non-call 2 years senior preferred notes have a three years term and carry an annually paid fixed coupon of 5.500% in the first two years. With respect to the third year, the quarterly coupon is calculated as the sum of the initial margin (of 426.5 basis points) and the 3 month EURIBOR rate. The notes are rated ’BBB’ by S&P Ratings Europe Limited and ’BBB+’ by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

Green Senior Preferred Notes issued in amount of USD 60 million

The Bank has issued “green” notes on 29 September 2022 in the aggregate nominal amount of USD 60 million. The notes are rated ’BBB’ by S&P Ratings Europe Limited and ’BBB+’ by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

Green Senior Preferred Notes issued in amount of EUR 650 million

Notes were issued on 1 December 2022 as value date, in the aggregate nominal amount of EUR 650 million. The 3.25 Non-Call 2.25 years Senior Preferred Notes were priced on 23 November 2022. Notes are rated ’BBB’ by S&P Ratings Europe Limited and ’BBB+’ by Scope Ratings GmbH.The notes are listed on the Luxembourg Stock Exchange.

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Notes issued in amount of USD 650 million

See details about the event in Note 47.

Hedge accounting

Certain issued structured securities are hedged by the Bank with interest rate swaps ("IRS") which exchange the fixed and floating interest rate with the interest rate of the securities between the parties at a notional amount that equals the nominal amount of the hedged securities. These are considered as fair value hedge relationships as they cover the interest rate risk arising from the coupons of the hedged securities. OTP Bank does not intend to be exposed to the risk embedded in the structured bonds, consequently as part of interest rate swap transaction the structured interest payments are swapped to floating interest rate. This hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item

The cash-flows of the fixed rate securities issued by the Bank are exposed to the changes in the HUF/EUR foreign exchange rate and the volatility of the quoted interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR and EURIBOR, resulting in a decrease in the interest rate and foreign exchange exposure of issued securities.

Issued securities denominated in foreign currency as at 31 December 2022.

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Amortised cost in FX million	Amortised cost in HUF million	Interest conditions (in % actual)	
1	XS2560693181	01/12/2022	04/03/2026	EUR	650	260,136	653	261,341	variable	7.35
2	XS2499691330	13/07/2022	13/07/2025	EUR	399	159,859	409	163,893	variable	5.50
3	XS2536446649	29/09/2022	29/09/2026	USD	60	22,541	61	22,972	variable	7.25
	Subtotal issued securities in foreign currency				**1,109**	**442,536**	**1,124**	**448,206**		

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2022

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions		Hedged
1	OTP_HUF_25/1	11/18/2022	11/18/2025	25,562	26,046	indexed	15.00	
2	OTP_HUF_26/1	12/22/2022	1/5/2026	10,229	10,270	indexed	12.00	
3	OTPRF2023A	3/22/2013	3/24/2023	1,010	1,215	indexed	1.70	hedged
4	OTP_DK_25/3	5/31/2021	5/31/2025	1,215	1,160	discount		
5	OTP_DK_23/II	5/29/2020	5/31/2023	997	992	discount		
6	OTP_DK_24/3	5/31/2021	5/31/2024	883	862	discount		
7	OTP_DK_27/3	3/31/2022	5/31/2027	1,092	826	discount		
8	OTP_DK_27/II	5/31/2021	5/31/2027	795	719	discount		
9	OTP_DK_23/I	12/15/2018	5/31/2023	717	710	discount		
10	OTP_DK_26/II	5/31/2021	5/31/2026	707	658	discount		
11	OTP_DK_26/3	3/31/2022	5/31/2026	783	631	discount		
12	OTP_DK_28/I	5/31/2021	5/31/2028	669	586	discount		
13	OTP_DK_24/II	5/29/2020	5/31/2024	592	581	discount		
14	OTP_DK_25/II	5/29/2020	5/31/2025	592	572	discount		
15	OTP_DK_24/I	5/30/2019	5/31/2024	426	411	discount		
16	OTPX2023A	3/22/2013	3/24/2023	312	410	indexed		hedged
17	OTP_DK_28/II	3/31/2022	5/31/2028	554	394	discount		
18	OTP_DK_26/I	5/29/2020	5/31/2026	392	372	discount		
19	OTP_DK_29/II	3/31/2022	5/31/2029	554	372	discount		
20	OTP_DK_30/II	3/31/2022	5/31/2030	554	350	discount		
21	OTP_DK_29/I	5/31/2021	5/31/2029	403	341	discount		
22	OTPX2024B	10/10/2014	10/16/2024	295	378	indexed	0.70	hedged
23	OTPX2024A	6/18/2014	6/21/2024	241	310	indexed	1.30	hedged
24	OTPX2024C	12/15/2014	12/20/2024	242	309	indexed	0.60	hedged
25	OTPX2023B	6/28/2013	6/26/2023	198	260	indexed	0.60	hedged
26	OTP_DK_31/I	3/31/2022	5/31/2031	384	228	discount		
27	OTP_DK_25/I	5/30/2019	5/31/2025	104	97	discount		
28	OTP_DK_27/I	5/29/2020	5/31/2027	95	88	discount		
29	OTP_DK_30/I	5/31/2021	5/31/2030	104	85	discount		
30	OTP_DK_32/I	3/31/2022	5/31/2032	105	59	discount		
	Other			211	211	indexed		
	Subtotal issued securities in HUF			**51,017**	**50,503**			
	Total			**493,553**	**498,709**			

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2021

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions		Hedged
1	OTP_DK_22/II	5/29/2020	5/31/2022	3,173	3,164	discount		
2	OTPRF2022A	3/22/2012	3/23/2022	2,321	2,513	indexed	1.70	hedged
3	OTP_DK_25/3	5/31/2021	5/31/2025	1,216	1,138	discount		
4	OTPRF2022B	3/22/2012	3/23/2022	934	1,011	indexed	1.70	hedged
5	OTP_DK_22/I	12/15/2018	5/31/2022	993	985	discount		
6	OTP_DK_23/II	5/29/2020	5/31/2023	997	981	discount		
7	OTPRF2023A	3/22/2013	3/24/2023	899	977	indexed	1.70	hedged
8	OTPRF2022E	10/29/2012	10/31/2022	862	933	indexed	1.70	hedged
9	OTP_DK_24/3	5/31/2021	5/31/2024	883	848	discount		
10	OTPRF2022F	12/28/2012	12/28/2022	708	773	indexed	1.70	hedged
11	OTP_DK_27/II	5/31/2021	5/31/2027	795	703	discount		
12	OTP_DK_23/I	12/15/2018	5/31/2023	717	694	discount		
13	OTP_DK_26/II	5/31/2021	5/31/2026	707	644	discount		
14	OTP_DK_24/II	5/29/2020	5/31/2024	592	573	discount		
15	OTP_DK_28/I	5/31/2021	5/31/2028	669	572	discount		
16	OTP_DK_25/II	5/29/2020	5/31/2025	592	564	discount		
17	OTPX2022B	7/18/2012	7/18/2022	164	549	indexed	1.70	hedged
18	OTP_DK_24/I	5/30/2019	5/31/2024	426	400	discount		
19	OTP_DK_26/I	5/29/2020	5/31/2026	392	366	discount		
20	OTPX2023A	3/22/2013	3/24/2023	312	366	indexed	1.70	hedged
21	OTPX2024B	10/10/2014	10/16/2024	295	336	indexed	0.70	hedged
22	OTP_DK_29/I	5/31/2021	5/31/2029	403	332	discount		
23	OTPRF2022D	6/28/2012	6/28/2022	286	324	indexed	1.70	hedged
24	OTPX2022C	10/29/2012	10/28/2022	177	317	indexed	1.70	hedged
25	OTPX2022D	12/28/2012	12/27/2022	238	290	indexed	1.70	hedged
26	OTPX2024A	6/18/2014	6/21/2024	241	277	indexed	1.30	hedged
27	OTPX2024C	12/15/2014	12/20/2024	242	275	indexed	0.60	hedged
28	OTPX2023B	6/28/2013	6/26/2023	198	272	indexed	0.60	hedged
29	OTPRF2022C	6/28/2012	6/28/2022	209	266	indexed	1.70	hedged
30	OTPX2022A	3/22/2012	3/23/2022	175	236	indexed	-	hedged
31	OTP_DK_25/I	5/30/2019	5/31/2025	104	94	discount		
32	OTP_DK_27/I	5/29/2020	5/31/2027	95	87	discount		
33	OTP_DK_30/I	5/31/2021	5/31/2030	104	82	discount		
	Other			211	211			
	Subtotal issued securities in HUF			**21,330**	**22,153**			
	Total			**21,330**	**22,153**			

NOTE 21: FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2022	2021
Within one year:		
In HUF	1,716	1,784
	1,716	1,784
Over one year:		
In HUF	14,860	18,349
	14,860	18,349
Total	16,576	20,133
Contractual amount outstanding	**19,853**	**21,479**

Interest rates on financial liabilities designated as fair value through profit or loss are as follows (%):

	2022	2021
Within one year:		
In HUF	2,19-3.96%	0.46% - 2.46%
Over one year:		
In HUF	0,01%-4.63%	0.01% - 2.9%
Average interest on amounts due to banks in HUF	3.06%	2.15%

Certain MFB refinanced loan receivables are categorised as fair value through profit or loss based on SPPI test. Related refinancing loans at the liability side are categorised as fair value through profit or loss based on fair value option due to accounting mismatch as provided by the IFRS 9 standard.

NOTE 22: HELD FOR TRADING DERIVATIVE FINANCIAL LIABILITIES (in HUF mn)

Negative fair value of held for trading derivative financial liabilities by deal types:

	2022	2021
Interest rate swaps	221,647	78,066
Foreign currency swaps	87,988	45,884
CCIRS and mark-to-market CCIRS	15,711	7,786
Other derivative contracts	48,055	60,525
Total	**373,401**	**192,261**

NOTE 23: FAIR VALUE OF DERIVATIVE FINANCIAL LIABLITIES DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Fair value of derivative financial liabilities designated as hedge accounting is detailed as follows:

	2022	2021
IRS designated as fair value hedge	22,551	5,747
CCIRS designated as fair value hedge	5,398	5,325
IRS designated as cash flow hedge	22,674	7,618
Total	**50,623**	**18,690**

NOTE 24: OTHER LIABILITIES[1] AND PROVISIONS (in HUF mn)

	2022	2021
Other financial liabilities		
Liabilities from investment services	108,284	87,582
Accrued expenses	21,183	27,546
Accounts payable	27,127	18,754
Liabilities due to short positions	24,596	16,904
Liabilities from customer's credit card payments	52,274	14,574
Other	25,007	11,383
Other financial liabilities total	**258,471**	**176,743**
Other non-financial liabilities		
Technical accounts	32,338	41,186
Current income tax payable	12,371	10,080
Social contribution	5,275	4,516
Accrued expenses	2,829	3,062
Other	1,904	2,850
Other non-financial liabilities total	**54,717**	**61,694**
Other liabilities total	**313,188**	**238,437**

The provision on other liabilities, off-balance sheet commitments and contingent liabilities are detailed as follows:

	2022	2021
Provision for losses on other off-balance sheet commitments and contingent liabilities	23,632	17,768
Provisions in accordance with IFRS 9	**23,632**	**17,768**
Provision for litigation	1,917	259
Provision for retirement pension and severance pay	1,527	975
Provision on other liabilities	2,580	2,525
Provisions in accordance with IAS 37	**6,024**	**3,759**
Total	**29,656**	**21,527**

Movements in the provision for losses on commitments and contingent liabilities in accordance with IFRS 9 can be summarized as follows:

	2022	2021
Opening balance	**17,768**	**17,490**
Provision for the period	49,698	47,626
Release of provision for the period	(44,157)	(47,496)
FX revaluation	323	148
Closing balance	**23,632**	**17,768**

Movements in the provision for losses on commitments and contingent liabilities in accordance with IAS 37 can be summarized as follows:

	2022	2021
Opening balance	**3,759**	**2,416**
Provision for the period	8,128	14,286
Release of provision	(933)	(11,608)
Use of provision	(5,138)	(1,335)
FX revaluation	208	-
Closing balance	**6,024**	**3,759**

[1] Other liabilities are expected to be recovered or settled no more than twelve months after the reporting period.

NOTE 25: SUBORDINATED BONDS AND LOANS (in HUF mn)

	2022	2021
Within one year		
In foreign currency	3,395	2,841
	3,395	**2,841**
Over one year:		
In foreign currency	290,791	268,935
	290,791	**268,935**
Total	**294,186**	**271,776**

Interest rates on subordinated bonds and loans are as follows (%):

	2022	2021
Subordinated bonds and loans denominated in foreign currency	2.9%-4.7%	2.5%-2.9%
Average interest on subordinated bonds and loans denominated in foreign currency	3.06%	2.74%

Subordinated loans and bonds are detailed as follows as at 31 December 2022:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Current interest rate
Subordinated bond	EUR 231 million	7 November 2006	Perpetual	99.375%	Three-month EURIBOR + 3%, variable (payable quarterly)	4.742%
Subordinated bond	EUR 499 million	15 July 2019	15 July 2029	99.738%	Fixed 2.875% annual in the first 5 years and callable after 5 years, variable after year 5 (payable annually) calculated as a sum of the initial margin (320 basis point) and the 5 year mid-swap rate prevailing at the and of the 5 year.	2.875%

NOTE 26: SHARE CAPITAL (in HUF mn)

	2022	2021
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

The nominal value of the shares is HUF 100 per shares. All of the shares are ordinary shares representing the same rights to the shareholders. Furthermore there are no restrictions on the distribution of dividends and the repayment of capital.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn)

Based on the instructions of Act C of 2000 on accounting ("Act on Accounting") financial statements of the Bank are prepared in accordance with IFRS as issued by the IASB as adopted by the EU.

In 2021, the Bank did not pay dividend based on the earlier NBH warnings issued due to covid moratoria. In 2022 dividend of HUF 119 billion from the profit of the years 2019 and 2020 and HUF 1 billion from the profit of the year 2021 (totally HUF 120 billion) was paid, which means HUF 425,89 (for the year 2019 and 2020) and HUF 3,57 (for the year 2021) dividend per share payable to shareholders.

In 2023 dividend of HUF 84,000 million are expected to be proposed by the Management from the profit of the year 2022, which means HUF 300 dividend per share payable to the shareholders.

Based on paragraph 114/B of Act on Accounting Equity Correlation Table is prepared and disclosed as a part of the explanatory notes for the reporting date by the Bank.

Equity correlation table shall contain the opening and closing balances of the shareholder's equity in accordance with IFRS, furthermore deducted from this the opening and closing balances of the specified equity elements. Equity correlation table shall contain also untied retained earnings available for the payment of dividends, covering retained earnings from the last financial year for which accounts have been adopted comprising net profit for the period of that financial year minus cumulative unrealized gains claimed in connection with any increase in the fair value of investment properties, as provided in IAS 40 - Investment Property, reduced by the cumulative income tax accounted for under IAS 12 - Income Taxes.

Share capital

Share capital is the portion of the Bank's equity that has been obtained by the issue of shares in the corporation to a shareholder, usually for cash.

Share-based payment reserve

Share-based payment reserve represents the increase in the equity due to the goods or services were received by the Bank in an equity-settled share-based payment transaction, valued at the fair value of the goods or services received.

Retained earnings

Profit of previous years generated by the Bank that are not distributed to shareholders as dividends.

Put option reserve

OTP Bank Plc. and MOL Plc. entered into a share swap agreement in 16 April 2009, whereby OTP has changed 24,000,000 OTP ordinary shares for 5,010,501 „A series" MOL shares. The amended final maturity of the share swap agreement is 11 July 2027, until which any party can initiate cash or physical settlement of the transaction. Put option reserve represents the written put option over OTP ordinary shares were accounted as a deduction from equity at the date of OTP-MOL share swap transaction.

Other comprehensive income

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs.

General reserve

The Bank shall place ten per cent of the after-tax profit of the year into general reserve prescribed by the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises. The Bank is allowed to use general reserves only to cover operating losses arising from their activities.

Tied-up reserve

The tied-up reserve shall consist of sums tied up from the capital reserve and from the retained earnings.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 December 2022:

31 December 2022 Closing balance	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve	Treasury Shares	Revaluation reserve	Tied-up reserve	Net profit for the year	Total
Components of Shareholder's equity in accordance with IFRS	**28,000**	**52**	**49,110**	**1,661,907**	**(55,468)**	**(2,724)**	**-**	**-**	**-**	**1,680,877**
Unused portion of reserve for developments	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	52,933	-	-	(52,933)	-	-	-
Portion of supplementary payment recognised as an asset	-	-	-	-	-	-	-	-	-	-
Option reserve	-	(55,468)	-	-	55,468	-	-	-	-	-
Treasury shares	-	(2,724)	-	-	-	2,724	-	-	-	-
Share based payments	-	49,110	(49,110)	-	-	-	-	-	-	-
Net profit for the year	-	-	-	(6,632)	-	-	-	-	6,632	-
General reserve	-	-	-	(118,568)	-	-	-	118,568	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**28,000**	**(9,030)**	**-**	**1,589,640**	**-**	**-**	**(52,933)**	**118,568**	**6,632**	**1,680,877**

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 1 January 2022:

1 January 2022 Opening balance	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve	Treasury Shares	Revaluation reserve	Tied-up reserve	Net profit for the year	Total
Components of Shareholder's equity in accordance with IFRS	**28,000**	**52**	**46,162**	**1,855,090**	**(55,468)**	**(58,872)**	**-**	**-**	**-**	**1,814,964**
Unused portion of reserve for developments	-	-	-	(497)	-	-	-	497	-	-
Other comprehensive income	-	-	-	(5,078)	-	-	5,078	-	-	-
Portion of supplementary payment recognised as an asset	-	-	-	-	-	-	-	-	-	-
Option reserve	-	(55,468)	-	-	55,468	-	-	-	-	-
Treasury shares	-	(58,872)	-	-	-	58,872	-	-	-	-
Share based payments	-	46,162	(46,162)	-	-	-	-	-	-	-
Net profit for the year	-	-	-	(125,339)	-	-	-	-	125,339	-
General reserve	-	-	-	(117,905)	-	-	-	117,905	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**28,000**	**(68,126)**	**-**	**1,606,271**	**-**	**-**	**5,078**	**118,402**	**125,339**	**1,814,964**

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

Calculated untied retained earnings in accordance with paragraph 114/B of Act on Accounting

	2022	202
Retained earnings	1,589,640	1,606,2
Net profit for the year	6,632	125,339
Untied retained earnings	**1,596,272**	**1,731,6**

Items of retained earnings and other reserves

	2022	2021
Retained earnings	1,580,770	1,606,770
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	127,438	117,903
Fair value of financial instruments measured at fair value through other comprehensive income	(43,723)	8,646
Share-based payment reserve	49,110	46,162
Fair value of derivative financial instruments designated as cash-flow hedge	(9,210)	(3,568)
Net profit for the period	6,632	125,339
Retained earnings and other reserves	**1,655,601**	**1,845,836**

Fair value adjustment of securities at fair value through other comprehensive income

	2022	2021
Balance as at 1 January	**145**	**36,441**
Change of fair value correction	(88,350)	(34,484)
Deferred tax related to change of fair value correction	5,299	2,801
Other transfer to retained earnings	-	(5,070)
Deferred tax related to other transfer to retained earnings	-	457
Closing balance	**(82,906)**	**145**

Expected credit loss on securities at fair value through other comprehensive income

	2022	2021
Balance as at 1 January	**1,174**	**1,714**
Increase of loss allowance	33,946	1,103
Release of loss allowance	(8,331)	(1,654)
Fx movement	2,372	11
Closing balance	**29,161**	**1,174**

Fair value changes of equity instruments as at fair value through other comprehensive income

	2022	2021
Balance as at 1 January	**7,327**	**6,201**
Change of fair value correction	3,631	1,407
Deferred tax related to change of fair value correction	(936)	(281)
Closing balance	**10,022**	**7,327**

NOTE 28: TREASURY SHARES (in HUF mn)

	2022	2021
Nominal value (ordinary shares)	35	325
Carrying value at acquisition cost	2,724	58,872

The changes in the carrying value of treasury shares are due to repurchase and sale transactions on market authorised by the General Assembly.

Change in number of shares:

	2022	2021
Number of shares as at 1 January	**3,249,984**	**4,331,169**
Additions	1,801,256	16,251,451
Disposals	(4,698,896)	(17,332,636)
Number of shares at the end of the period	**352,344**	**3,249,984**

Change in carrying value:	2022	2021
Balance as at 1 January	**58,872**	**46,799**
Additions	16,268	276,433
Disposals	(72,416)	(264,360)
Closing Balance	**2,724**	**58,872**

	2022	2021
Face value of treasury shares held by OTP Group members	1,097	766

NOTE 29: INTEREST INCOME AND EXPENSES (in HUF mn)

	2022	2021
Interest income accounted for using the effective interest rate method from / on		
Loans at amortised cost	297,727	168,388
FVOCI securities	39,988	21,456
Securities at amortised cost	92,948	61,085
Placements with other banks	204,479	33,544
Financial liabilities	20,098	3,337
Amounts due from banks and balances with National Bank of Hungary	56,204	14,245
Repo receivables	10,235	318
Subtotal	**721,679**	**302,373**
Income similar to interest income		
Loans mandatorily measured at fair value through profit or loss	35,927	26,045
Swap and forward deals related to Placements with other banks	273,322	68,975
Swap and forward deals related to Loans at amortised cost	60,744	11,487
Swap and forward deals related to FVOCI securities	7,230	(850)
Investment properties	8	6
Subtotal	**377,231**	**105,663**
Interest income total	**1,098,910**	**408,036**
Interest expense due to / from / on		
Amounts due to banks and deposits from the National Bank of Hungary and other banks	408,865	107,928
Deposits from customers	301,657	33,403
Leasing liabilities	1,186	214
Liabilities from issued securities	7,742	377
Subordinated bonds and loans	8,646	7,890
Investment properties (deprecation)	135	92
Financial assets	6,369	2,193
Repo liabilities	66,049	3,394
Swap transaction related to acquisitions	1,371	-
Interest expense total	**802,020**	**155,491**

NOTE 30: RISK COST (in HUF mn)

	2022	2021
Loss allowance of loans at amortised cost		
Loss allowance	245,183	218,534
Release of loss allowance	(211,345)	(181,270)
	33,838	**37,264**
Loss allowance of sight deposits and placements with other banks		
Loss allowance	32,592	20,709
Release of loss allowance	(20,838)	(18,912)
	11,754	**1,797**
Loss allowance of placements with other banks		
Loss allowance	4,480	449
Release of loss allowance	(2,385)	(669)
	2,095	**(220)**
Loss allowance of FVOCI securities		
Loss allowance	33,946	1,103
Release of loss allowance	(8,331)	(1,654)
	25,615	**(551)**
Loss allowance of securities at amortised cost		
Loss allowance	31,695	4,404
Release of loss allowance	(4,072)	(2,369)
	27,623	**2,035**
Provision on loan commitments and financial guarantees		
Provision for the period	49,698	47,626
Release of provision	(44,157)	(47,496)
	5,541	**130**
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	**(11,872)**	**16,255**
Risk cost total	**94,594**	**56,710**

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions:

	2022	2021
Fees and commissions related to lending	**12,711**	**12,164**
Deposit and account maintenance fees and commissions	146,817	123,800
Fees and commission related to the issued bank cards	122,138	89,243
Fees and commissions related to security trading	27,867	28,227
Fx margin	26,032	16,155
Fees and commissions paid by OTP Mortgage Bank Ltd.	8,819	11,187
Net insurance fee income	10,981	8,481
Other	7,079	11,546
Fees and commissions from contracts with customers	**349,733**	**288,639**
Total Income from fees and commissions:	**362,444**	**300,803**

Contract balances

	2022	2021
Receivables, which are included in 'other assets'	15,674	16,391
Loss allowance	(512)	(196)

Fee and commission expense

	2022	2021
Other fees and commissions related to issued bank cards	53,179	39,835
Insurance fees	783	771
Fees and commissions related to lending	5,267	5,011
Fees and commissions related to security trading	789	618
Fees and commissions relating to deposits	2,417	2,610
Trust activities related to securities	2,096	1,652
Postal fees	223	224
Money market transaction fees and commissions	166	265
Other	1,167	1,290
Total	**66,087**	**52,276**
Net profit from fees and commissions	**296,357**	**248,527**

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Performance obligations and revenue recognition policies:

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS 15
Deposit and account maintenance fees and commissions	The Bank provides a number of account management services for both retail and corporate customers in which they charge a fee. Fees related to these services can be typically account transaction fees (money transfer fees, direct debit fees, money standing order fees, etc.), internet banking fees (e.g. OTP Direct fee), account control fees (e.g. sms fee), or other fees for occasional services (account statement fees, other administration fees, etc.). Fees for ongoing account management services are charged to the customer's account on a monthly basis. The fees are commonly fix amounts that can be vary per account package and customer category. In the case of the transaction based fees where the services include money transfer the fee is charged when the transaction takes place. The rate of the fee is typically determined in a certain % of the transaction amount. In case of other transaction-based fees (e.g. SMS fee), the fee is settled monthly. In case of occasional services the Bank basically charges the fees when the services are used by the customer. The fees can be fixed fees or they can be set in %. The rates are reviewed by the Bank regularly.	Fees for ongoing account management services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.
Fees and commission related to the issued bank cards	The Bank provides a variety of bank cards to its customers, for which different fees are charged. The fees are basically charged in connection with the issuance of cards and the related card transactions. The annual fees of the cards are charged in advance in a fixed amount. The amount of the annual card fee depends on the type of card. In case of transaction-based fees (e.g. cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount. For all other cases where the Bank provides a continuous service to the customers (e.g. card closing fee), the fees are charged monthly. The fee is calculated in a fix amount. The rates are reviewed by the Bank regularly.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Performance obligations and revenue recognition policies: [continued]

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS 15
Fees and commissions related to security account management services	The Bank provides its clients with security account management services. Fees will be charged for account management and transactions on accounts. Account management fees are typically charged quarterly or annually. The amount is determined in%, based on the stocks of securities managed by the clients on the account in a given period. Fees for transactions on the securities account are charged immediately after the transaction. They are determined in%, based on the transaction amount. Fees for complex services provided to clients (e.g. portfolio management or custody) are typically charged monthly or annually. The fees are fixed monthly amounts and in some cases a bonus fee are charged.	Fees for ongoing services are charged quarterly or annually during the period when they are provided. The fees are accrued monthly. Transaction-based fees are charged when the transaction takes places.
Fees and commissions paid by OTP Mortgage Bank Ltd.	The Bank provides a number of services to its subsidiaries, in connection with fees are charged. These fees typically include services related to various warranties and guarantees, credit account management, agency activities, and marketing activities. The credit account management fee granted to OTP Mortgage Bank is settled on a monthly basis. It has a fixed part that is based on the number of the managed credit accounts, and a variable one determined by the profit split method. The fees for the guarantee services provided by the Bank are charged monthly. The fee is determined by% and based on the stock being guaranteed. Fees for agent services are charged monthly. The rate is %, based on the products sold during the period.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes places.
Net insurance fee income	Due to the fact that the Bank does not provide insurance services to its clients, only acts as an agent, the fee income charged to the customers and fees payable to the insurance company are presented net in the fee income. In addition, agency fee charged for the sale of insurance contracts is also recorded in this line. The fee is charged on a monthly basis and determined in %.	Fees for ongoing services are charged on a monthly basis during the period when they are provided.
Other	Fees that are not significant in the Banks total income are included in Other fees category. Such fees are safe lease, special procedure fee, account rent fee, adlak service fee, fee of a copy of document, etc. Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., safe lease fees) at the beginning of the period, typically at a fixed rate. Fees for ad hoc services are charged immediately after the service obligation had been met, typically also in a fixed amount.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Fees for ad hoc services are charged when the transaction takes places.

NOTE 32: GAINS AND LOSSES (in HUF mn)

	2022	2021
Losses arising from derecognition of financial assets measured at amortised cost		
Gain from loans	485	93
Loss from loans	(1,881)	(818)
Gain from securities	-	968
Loss from securities	(54,402)	(2,520)
Other	(397)	(423)
Total	**(56,195)**	**(2,700)**

Additional information to Gains or losses from operating income:

	2022	2021
Foreign exchange gains and (losses)		
Gains from foreign exchange	6,857	-
Loss from foreign exchange	-	(5,875)
Margin gains	8,400	3,597
Margin losses	(14,716)	(3,360)
Total	**541**	**(5,638)**

	2022	2021
Net results on derivative instruments and hedge relationships		
Gains on FX spot, swap and option deals	76,709	41,224
Losses from FX spot, swap and option deals	(67,882)	(34,716)
Fees received related to option deals	4,111	2,203
Fees paid related to option deals	(5,073)	(2,830)
Gains on commodity deals	134,949	91,487
Losses from commodity deals	(132,288)	(91,474)
Gains on futures transactions	687	580
Losses from futures transactions	(402)	(208)
Losses from credit valuation adjustment related to FX spot, swap and option deals held for trading	(1,059)	(2,643)
Losses from credit valuation adjustment related to commodity deals held for trading	165	(187)
Total	**9,917**	**3,436**

	2022	2021
Losses on financial instruments at fair value through profit or loss		
Gains on securities mandatorily measured at fair value through profit or loss	2,688	2,285
Gains on loans mandatorily measured at fair value through profit or loss	21,205	12,069
Losses on loans mandatorily measured at fair value through profit or loss	(44,614)	(24,764)
Gains on financial liabilities designated at fair value through profit or loss	4,509	4,354
Losses on financial liabilities designated at fair value through profit or loss	(2,578)	(438)
Total	**(18,790)**	**(6,494)**

NOTE 32: GAINS AND LOSSES (in HUF mn) [continued]

Additional information to Gains or losses from operating income: [continued]

	2022	2021
(Losses) and gains on securities, net		
Interest income from held for trading securities	3,556	277
Gains on held for trading securities	11,599	8,018
Losses on held for trading securities	(7,806)	(3,646)
Gains on FVOCI securities	8	2,138
Losses on FVOCI securities	(7,960)	(6,797)
Gains on derecognition of investments in subsidiaries	-	1,311
Losses on derecognition of investments in subsidiaries	-	(1,963)
Gains/losses from other securities	(10,002)	2,766
Total	**(10,605)**	**2,104**

	2022	2021
Dividend income		
Distribution from investments in subsidiaries	182,153	95,042
Distribution from held for trading securities	12,166	3,844
Distribution from FVOCI equity instruments	207	151
Total	**194,526**	**99,037**
Total gains and losses from operating income (without other operating income)	**175,589**	**92,445**

For the year ended 31 December 2022 gains and losses attributable to the hedged risk on the hedged item and on the hedging instruments and also ineffectiveness in case of fair value hedge on amortised cost line items as follows

	Hedged items	Hedging instrument	Hedge ineffectiveness
Fair value hedge	6,750	(9,352)	(2,602)

For the year ended 31 December 2021 gains and losses attributable to the hedged risk on the hedged item and on the hedging instruments and also ineffectiveness in case of fair value hedge on amortised cost line items as follows

	Hedged items	Hedging instrument	Hedge ineffectiveness
Fair value hedge	17,406	(15,147)	2,259

NOTE 33: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Other operating income	2022	2021
Other operating income from OTP Employee Stock Ownership Program (OTP ESOP)	4,429	2,234
Intermediary and other services	2,716	2,272
Income from lease of tangible assets	1,186	1,009
Gains on IT services provided to subsidiaries	1,021	940
Derecognition of financial liabilities at amortised cost	985	2,290
Non-repayable assets received	443	1,174
Gains on sale of tangible assets	267	(81)
Income from written off receivables	249	281
Gains on transactions related to property activities	237	239
Gains on sale of receivables	-	-
Other	2,242	907
Total	**13,775**	**11,265**

NOTE 33: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

Other operating expenses	2022	2021
Income from receivable related to NDIF extraordinary payment	16,037	-
Non-repayable assets contributed	(1,397)	(862)
Release of provision for off-balance sheet commitments and contingent liabilities	(2,057)	(1,343)
Release of loss allowance on other assets	(2,939)	961
Financial support for sport association and organization of public utility	(16,344)	(10,960)
Release of loss allowance/(Loss allowance) on investments in subsidiaries	(93,513)	(27,420)
Other	(15,692)	(2,012)
Total	**(131,942)**	**(41,636)**

Other administrative expenses:	2022	2021
Personnel expenses:		
Wages	110,646	105,176
Taxes related to personnel expenses	16,460	16,709
Other personnel expenses	27,197	14,241
Subtotal	**154,303**	**136,126**
Depreciation and amortization	**46,738**	**40,692**
Other administrative expenses:		
Taxes, other than income tax	167,834	81,171
Services	74,383	57,290
Fees payable to authorities and other fees	21,674	17,362
Administration expenses, including rental fees	7,477	7,439
Professional fees	9,320	6,714
Advertising	10,301	8,635
Subtotal	**290,989**	**178,611**
Total	**492,030**	**355,429**

NOTE 34: INCOME TAX (in HUF mn)

The Bank is presently liable for income tax at a rate of 9% of taxable income, local taxes at a rate of 2.3% of taxable revenue.

A breakdown of the income tax expense is:

	2022	2021
Current tax expense	18,026	14,528
Deferred tax (benefit)/expense	(31,664)	1,423
Total	**(13,638)**	**15,951**

NOTE 34: INCOME TAX (in HUF mn) [continued]

A reconciliation of the deferred tax liability is as follows:

	2022	2021
Balance as at 1 January	**(1,507)**	**(3,062)**
Deferred tax (expense)/ benefit	31,664	(1,423)
Tax effect of fair value adjustment of FVOCI securities and ICES recognised in comprehensive income	5,585	2,978
Closing balance	**35,742**	**(1,507)**

A breakdown of the deferred tax liability is as follows:

	2022	2021
Provision for untaken leave	323	282
Provision for termination benefits and jubilee	900	644
Amounts relate to negative tax base	19,424	-
Unused tax allowance	12,103	-
Fair value adjustment of held for trading and securities at fair value through other comprehensive income	4,230	-
Deferred tax asset	**36,980**	**926**
Fair value adjustment of held for trading and securities at fair value through other comprehensive income	-	(1,312)
Difference in depreciation and amortization	(1,193)	(1,076)
Provision for developments	(45)	(45)
Deferred tax liabilities	**(1,238)**	**(2,433)**
Net deferred tax assets/(liabilities)	**35,742**	**(1,507)**

A reconciliation of the income tax (income) / expense is as follows:

	2022	2021
Profit before income tax	-7,006	141,290
Income tax at statutory tax rate (9%)	-	12,717
Income tax adjustments due to permanent differences are as follows:		
Share-based payment	265	323
Deferred use of tax allowance	43	90
Dividend income	(17,298)	(8,787)
Use of tax allowance in the current year	-	(3,461)
Amounts unenforceable by tax law	(182)	(847)
Carryforward of unused tax losses	(1,234)	-
Other	77	1,618
Income tax	**(30,431)**	**1,653**
Effective tax rate	434.4%	1.2%

	2022	2021
Current tax assets	1,569	-
Current tax liabilities	(3,199)	(4,776)
Net tax liabilities	**(1,630)**	**(4,776)**

NOTE 35: LEASE (in HUF mn)

The Bank as a lessee:

Amounts recognised in profit and loss	**2022**	**2021**
Interest expense on lease liabilities	1,186	214
Expense relating to short-term leases	1,945	2,143
Expense relating to variable lease payments not included in the measurement of lease liabilities	1,386	1,271

Leasing liabilities by maturities:

	2022	**2021**
Within one year	5,944	4,868
Over one year	35,520	13,064
Total	**41,464**	**17,932**

An analysis of movement in the carrying amount of right-of-use assets by category is as follows:

Gross carrying amount	**Right-of-use of real estate**	**Right-of-use of machinery and equipment**	**Total**
Balance as at 1 January 2021	**22,406**	**37**	**22,443**
Additions due to new contracts	5,788	-	5,788
Derecognition due to matured contracts	(263)	-	(263)
Change due to revaluation and modification	3,150	-	3,150
Balance as at 31 December 2021	**31,081**	**37**	**31,118**
Additions due to new contracts	27,206	1,950	29,156
Derecognition due to matured contracts	(3,731)	-	(3,731)
Change due to revaluation and modification	2,806	-	2,806
Balance as at 31 December 2022	**57,362**	**1,987**	**59,349**
Depreciation			
Balance as at 1 January 2021	**8,952**	**12**	**8,964**
Depreciation charge	5,155	6	5,161
Derecognition due to matured contracts	(238)	-	(238)
Balance as at 31 December 2021	**13,869**	**18**	**13,887**
Depreciation charge	7,315	69	7,384
Derecognition due to matured contracts	(1,804)	-	(1,804)
Balance as at 31 December 2022	**19,380**	**87**	**19,467**
Net carrying amount			
Balance as at 31 December 2021	**17,212**	**19**	**17,231**
Balance as at 31 December 2022	**37,982**	**1,900**	**39,882**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments may result in certain risks to the Bank. The most significant risks the Bank faces include:

36.1. Credit risk

The Bank takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical areas and loan types. Such risks are monitored on a periodical basis and subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sublimit covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is partly managed obtaining collateral, corporate and personal guarantees.

36.1.1. Financial instruments by stages

Defining the expected credit loss on individual and collective basis

On individual basis:

Individually assessed are the non-retail or micro- and small enterprise exposure of significant amount on a stand-alone basis:

- exposure in stage 3,
- exposure in workout management
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above

The calculation of impairment must be prepared and approved by the risk management functional areas. The calculation, all relevant factors (amortised cost, original and current EIR, contracted and expected cash flows (from business and/or collateral) for the individual periods of the entire lifecycle, other essential information enforced during the valuation) and the criteria thereof (including the factors underlying the classification as stage 3) must be documented individually.

The expected credit loss of the exposure equals the difference of the receivable's AC (gross book value) on the valuation date and the present value of the receivable's expected cash flows discounted to the valuation date by the exposure's original effective interest rate (EIR) (calculated at the initial recognition, or in the case of variable rate, recalculated due to the last interest rate change). The estimation of the expected future cash flows should be forward looking, it must also contain the effects of the possible change of macroeconomic outlook.
At least two scenarios must be used for the estimation of the expected cash flow. At least one scenarios should anticipate that realised cash flows will be significantly different from the contractual cash flows. Probability weights must be allocated to the individual scenarios. The estimation must reflect the probability of the occurrence and non-occurrence of the credit loss, even if the most probable result is the non-occurrence of the loss.

On collective basis:

The following exposures are subject to collective assessment:

- retail exposure irrespective of the amount,
- micro and small enterprise exposures irrespective of the amount,
- all other exposure which are insignificant on a stand-alone basis and not part of the workout management,
- exposure which are not in stage 3, significant on a stand-alone basis,
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

In the collective impairment methodology credit risk and the change of credit risk can be correctly captured by understanding the risk characteristics of the portfolio. In order to achieve this the main risk drivers shall be identified and used to form homogeneous segments having similar risk characteristics. The segmentation is expected to stay stable from month to month however a regular (at least yearly) revision of the segmentation process should be set up to capture the change of risk characteristics. The segmentation must be performed separately for each parameter, since in each case different factors may have relevance.

The Bank's Headquarters Group Reserve Committee stipulates the guidelines related to the collective impairment methodology at group level. In addition, it has right of agreement in respect of the risk parameters (PD -probability of default, LGD - loss given default, EAD – exposure at default) and segmentation criteria proposed by the group members.

The review of the parameters must be performed at least annually and the results should be approved by the Group Reserve Committee. Local Risk Managements is responsible for parameter estimations and updates, macroeconomic scenarios are calculated by OTP Bank Headquarters for each subsidiary and each parameter. Based on the consensus proposal of Local Risk Management and OTP Bank Headquarters, the Group Reserve Committee decides on the modification of parameters (all parameters for impairment calculation).

The impairment parameters should be backtested at least annually.

The expected loss calculation should be forward looking, including forecasts of future economic conditions. This may be achieved by applying 3-5 different macroeconomic scenarios, which may be integrated in the PD, LGD and EAD parameters.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and fair value through other comprehensive income by IFRS 9 stages as at 31 December 2022:

	Carrying amount/ Exposure	Gross carrying amount / Notional amount					Loss allowance					Write-off
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	
Cash, amounts due from banks and balances with the National Bank of Hungary	1,092,198	1,062,246	31,305	-	-	1,093,551	481	872	-	-	1,353	-
Placements with other banks	2,899,829	2,906,852	10,247	1,512	-	2,918,611	16,037	1,233	1,512	-	18,782	-
Repo receivables	246,529	248,696	-	-	-	248,696	2,167	-	-	-	2,167	-
Retail consumer loans	*556,062*	*507,517*	*65,853*	*52,913*	*2*	*626,285*	*15,229*	*17,670*	*37,323*	*1*	*70,223*	-
Mortgage loans	*62,587*	*45,912*	*8,895*	*7,039*	*2,279*	*64,125*	*57*	*179*	*1,116*	*186*	*1,538*	-
Municipal loans	*81,083*	*81,856*	*286*	-	-	*82,142*	*1,010*	*49*	-	-	*1,059*	-
Corporate loans	*4,125,308*	*3,541,098*	*589,153*	*86,401*	*10,716*	*4,227,368*	*22,068*	*39,153*	*39,334*	*1,505*	*102,060*	*25,879*
Loans at amortised cost	4,825,040	4,176,383	664,187	146,353	12,997	4,999,920	38,364	57,051	77,773	1,692	174,880	25,879
FVOCI securities	797,175	769,760	-	27,415	-	797,175	4,762	-	24,399	-	29,161	-
Securities at amortised cost	3,282,373	3,273,240	6,713	38,270	-	3,318,223	21,746	300	13,804	-	35,850	-
Other financial assets	255,125	252,201	5,330	4,600	20	262,151	1,947	2,944	2,121	14	7,026	-
Total as at 31 December 2022	**13,398,269**	**12,689,378**	**717,782**	**218,150**	**13,017**	**13,638,327**	**85,504**	**62,400**	**119,609**	**1,706**	**269,219**	**25,879**
Loan commitments	1,840,521	1,745,003	101,644	5,517	-	1,852,164	6,694	3,581	1,368	-	11,643	-
Financial guarantees	1,863,476	1,848,783	24,868	173	-	1,873,824	9,502	800	46	-	10,348	-
Factoring loan commitments	371,866	327,903	14,705	30,809	-	373,417	361	87	1,103	-	1,551	-
Bill of credit	12,285	12,128	247	-	-	12,375	85	5	-	-	90	-
Loan commitments and financial guarantees total	**4,088,148**	**3,933,817**	**141,464**	**36,499**	**-**	**4,111,780**	**16,642**	**4,473**	**2,517**	**-**	**23,632**	**-**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and fair value through other comprehensive income by IFRS 9 stages as at 31 December 2021:

		Gross carrying amount / Notional amount					Loss allowance					
	Carrying amount/ Exposure	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Write-off
Cash, amounts due from banks and balances with the National Bank of Hungary	474,945	475,130	-	-	-	475,130	185	-	-	-	185	-
Placements with other banks	2,567,212	2,573,226	-	1,476	-	2,574,702	6,014	-	1,476	-	7,490	-
Repo receivables	33,638	33,710	-	-	-	33,710	72	-	-	-	72	-
Retail consumer loans	*598,699*	*488,639*	*139,193*	*33,687*	*3*	*661,522*	*11,168*	*27,597*	*24,056*	*2*	*62,823*	-
Mortgage loans	*81,471*	*33,254*	*39,220*	*8,377*	*2,724*	*83,575*	*25*	*309*	*1,503*	*267*	*2,104*	-
Municipal loans	*71,328*	*70,311*	*1,346*	-	-	*71,657*	*223*	*106*	-	-	*329*	-
Corporate loans	*3,280,967*	*2,909,439*	*384,223*	*66,915*	*10,691*	*3,371,268*	*17,945*	*39,260*	*31,528*	*1,568*	*90,301*	*21,838*
Loans at amortised cost	4,032,465	3,501,643	563,982	108,979	13,418	4,188,022	29,361	67,272	57,087	1,837	155,557	21,838
FVOCI securities	641,939	641,939	-	-	-	641,939	1,174	-	-	-	1,174	-
Securities at amortised cost	3,071,038	3,064,500	13,223	-	-	3,077,723	5,882	803	-	-	6,685	-
Other financial assets	153,748	119,174	38,964	735	23	158,896	1,696	2,840	598	14	5,148	-
Total as at 31 December 2021	**10,974,985**	**10,409,322**	**616,169**	**111,190**	**13,441**	**11,150,122**	**44,384**	**70,915**	**59,161**	**1,851**	**176,311**	**21,838**
Loan commitments	1,665,288	1,615,196	56,838	4,996	-	1,677,030	5,620	3,968	2,154	-	11,742	-
Financial guarantees	1,500,977	1,491,470	14,883	244	-	1,506,597	4,820	749	51	-	5,620	-
Factoring loan commitments	423,267	412,692	5,847	5,133	-	423,672	228	32	145	-	405	-
Bill of credit	30,380	30,381	-	-	-	30,381	1	-	-	-	1	-
Loan commitments and financial guarantees total	**3,619,912**	**3,549,739**	**77,568**	**10,373**	**-**	**3,637,680**	**10,669**	**4,749**	**2,350**	**-**	**17,768**	**-**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages

Loans at amortised cost

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2021	**22,506**	**65,016**	**33,226**	**1,641**	**122,389**
Transfer to Stage 1	12,289	(11,919)	(370)	-	-
Transfer to Stage 2	(1,867)	3,241	(1,374)	-	-
Transfer to Stage 3	(369)	(5,636)	6,005	-	-
Net remeasurement of loss allowance	(10,705)	18,125	20,779	221	28,420
New financial assets originated or purchased	15,197	6,326	4,292	1	25,816
Financial assets derecognised (other than write-offs)	(7,638)	(7,540)	(5,323)	(16)	(20,517)
Unwind of discount	-	-	947	9	956
Write-offs	(52)	(341)	(1,095)	(19)	(1,507)
Loss allowance as at 31 December 2021	**29,361**	**67,272**	**57,087**	**1,837**	**155,557**
Transfer to Stage 1	13,705	(12,361)	(1,344)	-	-
Transfer to Stage 2	(2,058)	6,779	(4,721)	-	-
Transfer to Stage 3	(738)	(6,414)	7,152	-	-
Net remeasurement of loss allowance	(14,906)	5,886	23,898	(69)	14,809
New financial assets originated or purchased	22,665	7,284	6,955	14	36,918
Financial assets derecognised (other than write-offs)	(9,595)	(11,041)	(8,942)	(90)	(29,668)
Unwind of discount	-	-	4,899	40	4,939
Write-offs	(70)	(354)	(7,211)	(40)	(7,675)
Loss allowance as at 31 December 2022	**38,364**	**57,051**	**77,773**	**1,692**	**174,880**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]

Loan commitments and financial guarantees

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	**10,717**	**5,820**	**953**	**17,490**
Transfer to Stage 1	2,910	(2,840)	(70)	-
Transfer to Stage 2	(200)	322	(122)	-
Transfer to Stage 3	(21)	(109)	130	-
Net remeasurement of loss allowance	(4,628)	1,371	1,500	(1,757)
New financial assets originated or purchased	3,215	904	98	4,217
Decrease	(1,324)	(719)	(139)	(2,182)
Loss allowance as at 31 December 2021	**10,669**	**4,749**	**2,350**	**17,768**
Transfer to Stage 1	2,095	(1,929)	(166)	-
Transfer to Stage 2	(442)	542	(100)	-
Transfer to Stage 3	(21)	(124)	145	-
Net remeasurement of loss allowance	2,148	1,020	1,052	4,220
New financial assets originated or purchased	3,933	602	78	4,613
Decrease	(1,740)	(387)	(842)	(2,969)
Loss allowance as at 31 December 2022	**16,642**	**4,473**	**2,517**	**23,632**

Cash, amounts due from banks and balances with the National Bank of Hungary

	Stage 1	Stage 2	Total
Loss allowance as at 1 January 2021	**-**	**-**	**-**
New financial assets originated or purchased	185	-	185
Loss allowance as at 31 December 2021	**185**	**-**	**185**
Net remeasurement of loss allowance	104	621	725
New financial assets originated or purchased	291	251	542
Financial assets derecognised (other than write-offs)	(99)	-	(99)
Loss allowance as at 31 December 2022	**481**	**872**	**1,353**

Placements with other banks

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	**4,356**	**2**	**1,461**	**5,819**
Net remeasurement of loss allowance	(303)	-	15	(288)
New financial assets originated or purchased	4,566	-	-	4,566
Financial assets derecognised (other than write-offs)	(2,605)	(2)	-	(2,607)
Loss allowance as at 31 December 2021	**6,014**	**-**	**1,476**	**7,490**
Transfer to Stage 2	(71)	71	-	-
Net remeasurement of loss allowance	1,261	1,149	36	2,446
New financial assets originated or purchased	14,166	13	-	14,179
Financial assets derecognised (other than write-offs)	(5,333)	-	-	(5,333)
Loss allowance as at 31 December 2022	**16,037**	**1,233**	**1,512**	**18,782**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]

Repo Receivables

	Stage 1	Total
Loss allowance as at 1 January 2021	**292**	**292**
New financial assets originated or purchased	449	449
Financial assets derecognised (other than write-offs)	(669)	(669)
Loss allowance as at 31 December 2021	**72**	**72**
New financial assets originated or purchased	4,480	4,480
Financial assets derecognised (other than write-offs)	(2,385)	(2,385)
Loss allowance as at 31 December 2022	**2,167**	**2,167**

Securities at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	**3,288**	**1,281**	**-**	**4,569**
Net remeasurement of loss allowance	898	(478)	-	420
New financial assets originated or purchased	1,761	-	-	1,761
Financial assets derecognised (other than write-offs)	(65)	-	-	(65)
Loss allowance as at 31 December 2021	**5,882**	**803**	**-**	**6,685**
Transfer to Stage 3	(48)	-	48	-
Net remeasurement of loss allowance	13,564	(18)	13,756	27,302
New financial assets originated or purchased	2,972	7	-	2,979
Financial assets derecognised (other than write-offs)	(624)	(492)	-	(1,116)
Loss allowance as at 31 December 2022	**21,746**	**300**	**13,804**	**35,850**

FVOCI Securities

	Stage 1	Stage 3	Total
Loss allowance as at 1 January 2021	**1,714**	**-**	**1,714**
Net remeasurement of loss allowance	(483)	-	(483)
New financial assets originated or purchased	348	-	348
Financial assets derecognised (other than write-offs)	(405)	-	(405)
Loss allowance as at 31 December 2021	**1,174**	**-**	**1,174**
Transfer to Stage 2	-	-	-
Transfer to Stage 3	(49)	49	-
Net remeasurement of loss allowance	1,741	24,350	26,091
New financial assets originated or purchased	2,144	-	2,144
Financial assets derecognised (other than write-offs)	(248)	-	(248)
Loss allowance as at 31 December 2022	**4,762**	**24,399**	**29,161**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.2. Loan portfolio by internal ratings

2022	Gross carrying amount				
Internal rating grade	Stage1	Stage2	Stage3	POCI	Total
High grade (1-4)	1,891,381	180,426	-	214	2,072,021
Medium grade (5-7)	2,229,142	384,237	-	10,664	2,624,043
Low grade (8-9)	55,863	99,521	-	308	155,692
Non performing	-	-	146,353	1,811	148,164
Total	4,176,386	664,184	146,353	12,997	4,999,920

	Accumulated loss allowance				
Internal rating grade	Stage1	Stage2	Stage3	POCI	Total
High grade (1-4)	6,965	17,509	-	3	24,477
Medium grade (5-7)	28,937	25,419	-	1,115	55,471
Low grade (8-9)	2,462	14,123		18	16,603
Non performing	-	-	77,773	556	78,329
Total	38,364	57,051	77,773	1,692	174,880

2021	Gross carrying amount				
Internal rating grade	Stage1	Stage2	Stage3	POCI	Total
High grade (1-4)	1,930,488	215,519	-	224	2,146,231
Medium grade (5-7)	1,459,861	238,767	-	10,522	1,709,150
Low grade (8-9)	111,294	109,696	-	253	221,243
Non performing	-	-	108,979	2,419	111,398
Total	3,501,643	563,982	108,979	13,418	4,188,022

	Accumulated loss allowance				
Internal rating grade	Stage1	Stage2	Stage3	POCI	Total
High grade (1-4)	11,870	21,906	-	4	33,780
Medium grade (5-7)	15,929	24,853	-	1,234	42,016
Low grade (8-9)	1,562	20,513	-	12	22,087
Non performing	-	-	57,087	587	57,674
Total	29,361	67,272	57,087	1,837	155,557

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.3. Loan portfolio by countries

An analysis of carrying amount of the non-qualified and qualified gross loan portfolio by country is as follows:

Country	31 December 2022 Gross loan and placements with other banks portfolio	31 December 2022 Loss allowance	31 December 2021 Gross loan and placements with other banks portfolio	31 December 2021 Loss allowance
Hungary	5,651,445	(147,446)	5,039,601	(130,588)
Malta	772,898	(3,857)	792,943	(2,556)
Bulgaria	272,449	(10,736)	105,899	(11,786)
France	255,918	(969)	112,810	(321)
Serbia	251,812	(6,204)	148,599	(2,048)
Romania	197,255	(3,741)	113,517	(3,695)
Croatia	149,993	(1,424)	52,395	(530)
Slovakia	120,897	(532)	76,373	(263)
Slovenia	101,842	(261)	1,514	(6)
Ukraine	86,329	(2,393)	3,577	(2,847)
Switzerland	59,873	(3,104)	54,332	(1,589)
Other	246,516	(15,162)	294,874	(6,890)
Loans, placements with other banks and repo receivables at amortised cost total	**8,167,227**	**(195,829)**	**6,796,434**	**(163,119)**
Hungary	793,228	-	662,008	-
Other	14	-	4	-
Loans at fair value total	**793,242**	**-**	**662,012**	**-**
Loans, placements with other banks and repo receivables total	**8,960,469**	**(195,829)**	**7,458,446**	**(163,119)**

36.1.4. Loan portfolio classification by economic activities

Loans at amortised cost by economic activities	31 December 2022 Gross amount	31 December 2022 Loss allowance	31 December 2021 Gross amount	31 December 2021 Loss allowance
Retail	645,496	71,024	708,355	63,843
Agriculture, forestry and fishing	211,875	6,025	177,202	4,976
Manufacturing, mining and quarrying and other industry	587,190	18,211	320,990	7,249
Construction	231,015	5,580	172,441	4,919
Wholesale and retail trade, transportation and storage accommodation and food service activities	833,618	18,674	657,273	18,490
Information and communication	25,404	1,027	23,072	1,136
Financial and insurance activities	1,183,848	14,903	1,042,939	9,444
Real estate activities	471,772	10,995	305,100	13,143
Professional, scientific, technical, administration	231,335	3,864	136,876	3,109
Public administration, defence, education, human health and social work activities	99,593	1,592	72,027	472
Other services	478,774	22,985	571,747	28,776
Total	**4,999,920**	**174,880**	**4,188,022**	**155,557**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.5. Collaterals

The collateral value held by the Bank by collateral types is as follows (**total collateral value**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral	2022	2021
Mortgages	1,859,713	1,602,913
Guarantees and warranties	2,082,418	1,554,921
Deposit	174,247	229,041
from this: Cash	*95,836*	*80,598*
Securities	*78,411*	*148,443*
Other	254	387
Total	**4,116,632**	**3,387,262**

The collateral value held by the Bank by collateral types is as follows (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral	2022	2021
Mortgage	921,064	753,222
Guarantees and warranties	1,597,363	1,196,385
Deposit	44,644	106,620
from this: Cash	*14,661*	*12,756*
Securities	*29,983*	*93,864*
Other	216	305
Total	**2,563,287**	**2,056,532**

The coverage level of loan portfolio to the extent of the exposures increased from 30.41% to 32.37% as at 31 December 2022, while the coverage to the total collateral value decreased from 50.09% to 51.99%.

The collateral value (**total collateral value**) held by the Bank related to impaired loan portfolio (Stage 3 and POCI loans) is as follows:

For the year ended 31 December 2022	Gross carrying amount	Loss allowance	Carrying amount	Collateral value
Retail consumer loans	52,915	(37,324)	15,591	30
Mortgage loans	9,318	(1,302)	8,016	40,796
Corporate loans	97,117	(40,839)	56,278	93,399
Total	**159,350**	**(79,465)**	**79,885**	**134,225**

For the year ended 31 December 2021	Gross carrying amount	Loss allowance	Carrying amount	Collateral value
Retail consumer loans	33,690	(24,058)	9,632	387
Mortgage loans	11,101	(1,770)	9,331	39,263
Corporate loans	77,606	(33,096)	44,510	56,960
Total	**122,397**	**(58,924)**	**63,473**	**96,610**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.6. Restructured loans

	31 December 2022		31 December 2021	
	Gross portfolio	**Loss allowance**	**Gross portfolio**	**Loss allowance**
Consumer loans	22,947	(6,279)	118,094	(21,816)
Mortgage loans	6,342	(114)	36,413	(266)
Corporate loans	181,496	(21,820)	193,571	(25,865)
SME loans	40,422	(2,951)	33,388	(4,487)
Total	**251,208**	**(31,165)**	**381,466**	**(52,434)**

Restructured portfolio definition

The forborne definition used by the Bank is based on EU 2015/227 regulation.
Restructuring (forbearance) is a modification of the contract – initiated by either the client or the bank – that provides a concession or allowance towards the client in respect to the client's current or future financial difficulties. The table of restructured loans contains exposures classified as performing forborne. An exposure is considered performing forborne if the conditions of the non-performing status are not met at the time of the restructuring, or the exposure fulfilled the requirements of the minimum one-year cure period as non-performing forborne.

The loan volume of Hungarian entities classified as performing forborne exclusively due to moratoria participation decreased significantly due the expiration of the probation period for retail exposures.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

Financial instruments by rating categories[1]

Held-for-trading securities as at 31 December 2022

	A1	A2	A3	Aa2	Aa3	Aaa	Ba1	Ba2	Ba3	Baa1	Baa2	Baa3	N/A	Total
Government bonds	-	197	-	-	-	346	-	3,669	-	-	62,947	362	-	67,521
Other bonds	-	-	-	1	-	-	-	-	-	-	1,627	117	3	1,748
Investment fund units	-	-	-	-	-	-	-	-	-	-	-	-	274	274
Hungarian government discounted Treasury Bills	-	-	-	-	-	-	-	-	-	-	4,785	-	-	4,785
Shares	42	47	29	-	20	-	39	2	4	15	24	-	163	385
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	11	-	71	82
Total	**42**	**244**	**29**	**1**	**20**	**346**	**39**	**3,671**	**4**	**15**	**69,394**	**479**	**511**	**74,795**

Held-for-trading securities as at 31 December 2021

	A1	A2	A3	B1	Aa3	Ba2	Baa1	Baa2	Baa3	N/A	Total
Government bonds	-	16	-	-	-	3,634	-	26,024	1,153	-	30,827
Other bonds	-	-	485	-	-	-	-	1,348	97	158	2,088
Other non-interest bearing securities	-	-	-	-	-	-	-	-	-	1,134	1,134
Hungarian government discounted Treasury Bills	-	-	-	-	-	-	-	869	-	-	869
Shares	49	59	35	6	19	2	12	24	83	310	599
Mortgage bonds	-	-	-	-	-	-	-	16	-	100	116
Total	**49**	**75**	**520**	**6**	**19**	**3,636**	**12**	**28,281**	**1,333**	**1,702**	**35,633**

Securities mandatorily measured at fair value through profit or loss as at 31 December 2022

	N/A	Total
Government bonds	29,029	29,029
Mortgage bonds	1,469	1,469
Total	**30,498**	**30,498**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

Financial instruments by rating categories[1]

Securities mandatorily measured at fair value through profit or loss as at 31 December 2021

	N/A	Total
Government bonds	25,126	25,126
Mortgage bonds	2,935	2,935
Total	**28,061**	**28,061**

FVOCI securities as at 31 December 2022

	A1	A3	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	WR	Total
Government bonds	734	-	-	5,971	3,941	136,671	2,661	-	27,415	177,393
Mortgage bonds	42,407	-	-	-	-	301,987	-	12,146	-	356,540
Other bonds	-	1,691	3,820	-	-	-	39,309	17,774	-	62,594
Hungarian Treasury Bills	-	-	-	-	-	182,726	-	-	-	182,726
Non-treading equity instruments	-	-	-	-	-	-	-	17,922	-	17,922
Total	**43,141**	**1,691**	**3,820**	**5,971**	**3,941**	**621,384**	**41,970**	**47,842**	**27,415**	**797,175**

FVOCI securities as at 31 December 2021

	A1	A2	A3	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	Total
Government bonds	740	2,471	-	15,209	6,784	5,032	182,439	66,201	-	278,876
Mortgage bonds	47,568	-	-	-	-	-	156,027	-	14,346	217,941
Other bonds	-	-	2,896	4,001	-	-	1,622	37,606	18,745	64,870
Hungarian Treasury Bills	-	-	-	-	-	-	63,115	-	-	63,115
Non-treading equity instruments	-	-	-	-	-	-	-	-	17,137	17,137
Total	**48,308**	**2,471**	**2,896**	**19,210**	**6,784**	**5,032**	**403,203**	**103,807**	**50,228**	**641,939**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

Financial instruments by rating categories[1]

Securities at amortised cost as at 31 December 2022

	A1	A2	A3	Aaa	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	WR	Total
Government bonds	1,301	26,341	-	281,824	-	160,048	44,691	2,374,565	33,248	-	24,427	2,946,445
Corporate bonds	1,911	9,357	403	-	-	1,968	11,874	3,971	29,022	252,938	-	311,444
Mortgage bonds	12,966	-	-	-	-	-	-	-	-	11,518	-	24,484
Total	**16,178**	**35,698**	**403**	**281,824**	**-**	**162,016**	**56,565**	**2,378,536**	**62,270**	**264,456**	**24,427**	**3,282,373**

Securities at amortised cost as at 31 December 2021

	A1	A2	Aaa	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	Total
Government bonds	9,002	-	185,261	18,871	12,663	25,986	2,550,824	55,256	-	2,857,863
Corporate bonds	-	8,210	-	-	-	7,343	3,682	14,780	154,886	188,901
Mortgage bonds	12,992	-	-	-	-	-	-	-	11,282	24,274
Total	**21,994**	**8,210**	**185,261**	**18,871**	**12,663**	**33,329**	**2,554,506**	**70,036**	**166,168**	**3,071,038**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

An analysis of securities (held for trading, mandatorily FVTPL, FVOCI and amortised cost) in a country breakdown is as follows:

Country	31 December 2022		31 December 2021	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Hungary	2,412,543	(19,158)	2,709,786	(5,823)
United States of America	418,900	(1,234)	194,518	(149)
Luxembourg	223,256	(4,804)	-	-
Serbia	140,116	(867)	12,724	(61)
Spain	56,375	(365)	33,659	(178)
Russia	27,064	(9,246)	32,901	(46)
Portugal	16,979	(101)	36,268	(177)
Other	22,990	(75)	57,867	(251)
Securities at amortised cost total	**3,318,223**	**(35,850)**	**3,077,723**	**(6,685)**
Hungary	664,813	-	517,461	-
Luxembourg	62,549	-	-	-
Russia	26,829	-	65,275	-
Other	25,062	-	42,065	-
FVOCI securities total	**779,253**	**-**	**624,801**	**-**
United States of America	5,479	-	3,389	-
Austria	11,914	-	13,223	-
Other	529	-	526	-
Non-trading equity instruments designated to measure at fair value through other comprehensive income	**17,922**	**-**	**17,138**	**-**
Hungary	67,448	-	29,814	-
Serbia	3,668	-	3,634	-
Other	3,679	-	2,185	-
Held for trading securities total	**74,795**	**-**	**35,633**	**-**
Hungary	21,124	-	18,807	-
Luxembourg	6,885	-	5,542	-
United States of America	1,469	-	2,935	-
Portugal	1,020	-	777	-
Securities mandatorily measured at fair value through profit or loss	**30,498**	**-**	**28,061**	**-**
Securities total	**4,220,691**	**(35,850)**	**3,783,356**	**(6,685)**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.2. Maturity analysis of assets and liabilities and liquidity risk

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. The Bank maintains its liquidity profiles in accordance with regulations laid down by the NBH.

The essential aspect of the liquidity risk management strategy is to identify all relevant systemic and idiosyncratic sources of liquidity risk and to measure the probability and severity of such events. During liquidity risk management the Bank considers the effect of liquidity risk events caused by reasons arising in the bank business line (deposit withdrawal), the national economy (exchange rate shock, yield curve shock) and the global financial system (capital market shock).

In line with the Bank's risk management policy liquidity risks are measured and managed on multiply hierarchy levels and applying integrated unified VaR based methodology. The basic requirement is that the Bank must keep high quality liquidity reserves by means it can fulfil all liabilities when they fall due without material additional costs.

The liquidity reserves can be divided into two parts. There are separate decentralized liquid asset portfolios at subsidiary level and a centralized flexible liquidity pool at Group level. The reserves at subsidiary levels are held to cover the relevant shocks of the subsidiaries which may arise in local currencies (deposit withdrawal, local capital market shock, unexpected business expansion), while the centralized liquidity pool is held to cover the OTP Bank's separate shocks (deposit-, yield curve- and exchange rate shocks) and all group member's potential shocks that may arise in foreign currencies (deposit withdrawal, capital market shock).

The recalculation of shocks is made at least quarterly while the recalibration of shock measurement models and review of the risk management methodology is an annual process. The monitoring of liquidity reserves for both centralized and decentralized liquid asset portfolio has been built into the daily reporting process.

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Bank increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of risk liquidity risk exposure by high quality liquid assets is at all-time record highs. There were no material changes in the liquidity risk management process for the year ended 31 December 2022.

The following tables provide an analysis of assets and liabilities about the non-discounted cash flow into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash flows like gross finance lease obligations (before deducting finance charges); prices specified in forward agreements to purchase financial assets for cash; net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged; contractual amounts to be exchanged in a derivative financial instrument for which gross cash flows are exchanged; gross loan commitments.

Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.2. Maturity analysis of assets and liabilities and liquidity risk [continued]

31 December 2022	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	1,093,551	-	-	-	-	1,093,551
Placements with other banks	993,586	198,808	1,090,007	636,267	-	2,918,668
Repo receivables	248,696	-	-	-	-	248,696
Financial assets at fair value through profit or loss	4,380	11,013	58,638	9,357	20,787	104,175
Securities at fair value through other comprehensive income	118,490	157,390	398,959	223,210	122,241	1,020,290
Securities at amortised cost	32,817	318,757	1,874,608	1,139,867	-	3,366,049
Loans at amortised cost	1,413,038	1,040,150	1,436,743	975,208	-	4,865,139
Loans mandatorily measured at fair value through profit or loss	18,927	20,768	140,776	667,279	-	847,750
Investments in subsidiaries, associates and other investments	-	-	-	-	1,596,717	1,596,717
Other financial assets	260,924	1,228	-	-	-	262,152
TOTAL ASSETS	**4,184,409**	**1,748,114**	**4,999,731**	**3,651,188**	**1,743,952**	**16,327,394**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	839,590	164,140	654,843	111,406	-	1,769,979
Deposits from customers	10,903,401	192,419	12,091	11,272	-	11,119,183
Repo liabilities	134,894	3,343	270,129	-	-	408,366
Liabilities from issued securities	8,762	1,912	486,782	3,326	-	500,782
Subordinated bonds and loans	3,395	-	-	291,801	-	295,196
Financial liabilities at fair value through profit or loss	583	1,133	5,535	12,602	-	19,853
Leasing liabilities	1,049	4,895	25,857	9,663	-	41,464
Other financial liabilities	258,771	17,377	1,706	-	-	277,854
TOTAL LIABILITIES	**12,150,445**	**385,219**	**1,456,943**	**440,070**	**-**	**14,432,677**
NET POSITION	**(7,966,036)**	**1,362,895**	**3,542,788**	**3,211,118**	**1,743,952**	**1,894,717**
Receivables from derivative financial instruments classified as held for trading	8,478,109	1,788,941	511,637	179,092	-	10,957,779
Liabilities from derivative financial instruments classified as held for trading	(8,693,889)	(1,814,992)	(524,167)	(176,944)	-	(11,209,992)
Net position of derivative financial instruments classified as held for trading	**(215,780)**	**(26,051)**	**(12,530)**	**2,148**	**-**	**(252,213)**
Receivables from derivative financial instruments designated as hedge accounting	316,440	186,838	784,159	15,859	-	1,303,296
Liabilities from derivative financial instruments designated as hedge accounting	(297,714)	(217,102)	(2,031,727)	(13,425)	-	(2,559,968)
Net position of derivative financial instruments designated as hedging accounting	**18,726**	**(30,264)**	**(1,247,568)**	**2,434**	**-**	**(1,256,672)**
Net position of derivative financial instruments total	**(197,054)**	**(56,315)**	**(1,260,098)**	**4,582**	**-**	**(1,508,885)**
Commitments to extend credit	1,852,164	-	-	-	-	1,852,164
Confirmed letters of credit	12,376	-	-	-	-	12,376
Factoring loan commitment	373,417	-	-	-	-	373,417
Bank guarantees	84,327	216,572	405,546	1,167,378	-	1,873,823
Off-balance sheet commitments	**2,322,284**	**216,572**	**405,546**	**1,167,378**	**-**	**4,111,780**

Analysis for net position of assets and liabilities are calculated in accordance with IFRS 7, therefore certain financial instruments are presented in the earliest period in which the Bank could be required to pay. On-demand deposits are presented in the earliest (within 3 month) period category, however based on Management's discretion the Bank has appropriate liquidity reserves as maintenance and management of liquidity risk.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.2. Maturity analysis of assets and liabilities and liquidity risk [continued]

As at 31 December 2021	**Within 3 months**	**Within one year and over 3 months**	**Within 5 years and over one year**	**Over 5 years**	**Without maturity**	**Total**
Cash, amounts due from banks and balances with the National Bank of Hungary	475,130	-	-	-	-	475,130
Placements with other banks	1,176,184	585,499	609,182	204,493	-	2,575,358
Repo receivables	33,710	-	-	-	-	33,710
Financial assets at fair value through profit or loss	908	3,709	19,804	10,259	29,794	64,474
Securities at fair value through other comprehensive income	16,329	58,446	358,805	199,854	17,138	650,572
Securities at amortised cost	28,514	308,921	1,792,058	938,902	-	3,068,395
Loans at amortised cost	1,327,629	873,169	1,377,885	726,016	-	4,304,699
Loans mandatorily measured at fair value through profit or loss	16,516	15,575	121,104	553,569	-	706,764
Investments in subsidiaries, associates and other investments	-	-	-	-	1,573,008	1,573,008
Other financial assets	157,669	1,227	-	-	-	158,896
TOTAL ASSETS	**3,232,589**	**1,846,546**	**4,278,838**	**2,633,093**	**1,619,940**	**13,611,006**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	297,779	138,418	506,233	108,773	-	1,051,203
Deposits from customers	9,844,911	57,851	33,112	12,658	-	9,948,532
Repo liabilities	49,726	-	36,854	-	-	86,580
Liabilities from issued securities	5,258	6,812	8,812	2,065	-	22,947
Subordinated bonds and loans	2,841	-	-	269,698	-	272,539
Financial liabilities at fair value through profit or loss	531	1,253	4,422	13,927	-	20,133
Leasing liabilities	1,078	3,791	9,356	3,707	-	17,932
Other financial liabilities	193,315	5,337	876	-	-	199,528
TOTAL LIABILITIES	**10,395,439**	**213,462**	**599,665**	**410,828**	**-**	**11,619,394**
NET POSITION	**(7,162,850)**	**1,633,084**	**3,679,173**	**2,222,265**	**1,619,940**	**1,991,612**
Receivables from derivative financial instruments classified as held for trading	4,573,312	1,957,498	339,869	135,728	-	7,006,407
Liabilities from derivative financial instruments classified as held for trading	(4,581,312)	(1,951,622)	(328,607)	(132,345)	-	(6,993,886)
Net position of derivative financial instruments classified as held for trading	**(8,000)**	**5,876**	**11,262**	**3,383**	**-**	**12,521**
Receivables from derivative financial instruments designated as hedge accounting	5,693	37,436	580,280	16,195	-	639,604
Liabilities from derivative financial instruments designated as hedge accounting	(7,658)	(46,925)	(595,692)	(16,417)	-	(666,692)
Net position of derivative financial instruments designated as hedging accounting	**(1,965)**	**(9,489)**	**(15,412)**	**(222)**	**-**	**(27,088)**
Net position of derivative financial instruments total	**(9,965)**	**(3,613)**	**(4,150)**	**3,161**	**-**	**(14,567)**
Commitments to extend credit	1,677,030	-	-	-	-	1,677,030
Confirmed letters of credit	30,381	-	-	-	-	30,381
Factoring loan commitment	423,673	-	-	-	-	423,673
Bank guarantees	133,460	189,747	247,886	936,824	-	1,507,917
Off-balance sheet commitments	**2,264,544**	**189,747**	**247,886**	**936,824**	**-**	**3,639,001**

Analysis for net position of assets and liabilities are calculated in accordance with IFRS 7, therefore certain financial instruments are presented in the earliest period in which the Bank could be required to pay. On-demand deposits are presented in the earliest (within 3 month) period category, however based on Management's discretion the Bank has appropriate liquidity reserves as maintenance and management of liquidity risk.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.3. Net foreign currency position and foreign currency risk

As at 31 December 2022

	USD	EUR	CHF	Others	Total
Assets	583,984	3,681,519	8,956	369,969	4,644,428
Liabilities	(741,173)	(3,992,404)	(65,565)	(82,488)	(4,881,630)
Derivative financial instruments	154,902	615,822	56,690	(285,615)	541,799
Net position	**(2,287)**	**304,937**	**81**	**1,866**	**304,597**

As at 31 December 2021

	USD	EUR	CHF	Others	Total
Assets	486,225	2,448,729	14,989	290,504	3,240,447
Liabilities	(296,903)	(2,121,543)	(42,590)	(59,350)	(2,520,386)
Derivative financial instruments	(197,080)	(321,377)	27,953	(229,089)	(719,593)
Net position	**(7,758)**	**5,809**	**352**	**2,065**	**468**

The table above provides an analysis of the Bank’s main foreign currency exposures. The remaining foreign currencies are shown within ‘Others’. The Bank monitors its foreign exchange position for compliance with the regulatory requirements of the NBH and its own limit system established in respect of limits on open positions. The measurement of the Bank’s open its currency position involves monitoring the VaR limit on the foreign exchange exposure of the Bank.

In the table Derivative financial instruments are stated at fair value.

36.4. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

The majority of the Bank's interest bearing assets and liabilities are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

In addition, the significant spread existing between the different types of interest bearing assets and liabilities enables the Bank to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

The following table presents the interest repricing dates of the Bank. Variable yield assets and liabilities have been reported in accordance with their next repricing date. Fixed income assets and liabilities have been reported in accordance with their maturity.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2022	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
ASSETS	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Cash, amounts due from banks and balances with the National Bank of Hungary	**637,040**	**251,192**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**183,139**	**20,827**	**820,179**	**272,019**	**1,092,198**
fixed interest	637,040	251,192	-	-	-	-	-	-	-	-	-	-	637,040	251,192	888,232
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	183,139	20,827	183,139	20,827	203,966
Placements with other banks	**665,056**	**153,142**	**130,299**	**461,042**	**74,287**	**208,087**	**98,606**	**-**	**1,012,903**	**36,780**	**48,754**	**10,873**	**2,029,905**	**869,924**	**2,899,829**
fixed interest	5,118	50,475	19,408	105,266	57,053	86,207	98,606	-	1,012,903	36,780	-	-	1,193,088	278,728	1,471,816
variable interest	659,938	102,667	110,891	355,776	17,234	121,880	-	-	-	-	-	-	788,063	580,323	1,368,386
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	48,754	10,873	48,754	10,873	59,627
Repo receivables	**246,529**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**246,529**	**-**	**246,529**
fixed interest	155,711	-	-	-	-	-	-	-	-	-	-	-	155,711	-	155,711
variable interest	90,818	-	-	-	-	-	-	-	-	-	-	-	90,818	-	90,818
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held for trading	**16**	**1,203**	**5,199**	**229**	**12,146**	**4,250**	**21,882**	**1,049**	**26,857**	**1,305**	**123**	**536**	**66,223**	**8,572**	**74,795**
fixed interest	1	1,203	1,009	229	3,775	4,250	21,882	1,049	26,857	1,305	-	-	53,524	8,036	61,560
variable interest	15	-	4,190	-	8,371	-	-	-	-	-	-	-	12,576	-	12,576
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	123	536	123	536	659
Securities mandatorily measured at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,124**	**9,374**	**21,124**	**9,374**	**30,498**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	21,124	9,374	21,124	9,374	30,498
Securities at fair value through other comprehensive income	**281,342**	**-**	**62,611**	**-**	**112,239**	**41,000**	**13,691**	**3,850**	**194,931**	**69,589**	**528**	**17,394**	**665,342**	**131,833**	**797,175**
fixed interest	45,688	-	62,610	-	112,232	41,000	13,691	3,850	194,931	69,589	-	-	429,152	114,439	543,591
variable interest	235,654	-	1	-	7	-	-	-	-	-	-	-	235,662	-	235,662
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	528	17,394	528	17,394	17,922

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2022	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
ASSETS [continued]	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Loans measured at amortised cost	**766,348**	**661,415**	**298,189**	**1,468,489**	**126,438**	**89,257**	**142,052**	**7,052**	**958,858**	**129,401**	**133,290**	**44,249**	**2,425,175**	**2,399,863**	**4,825,038**
fixed interest	12,400	2,313	10,673	2,338	114,941	8,718	141,272	7,052	951,725	129,401	-	-	1,231,011	149,822	1,380,833
variable interest	753,948	659,102	287,516	1,466,151	11,497	80,539	780	-	7,133	-	-	-	1,060,874	2,205,792	3,266,666
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	133,290	44,249	133,290	44,249	177,539
Loans mandatorily measured at fair value through profit or loss	**18,432**	**-**	**110**	**-**	**515**	**-**	**181,763**	**-**	**592,422**	**-**	**-**	**-**	**793,242**	**-**	**793,242**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	18,432	-	110	-	515	-	181,763	-	592,422	-	-	-	793,242	-	793,242
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities at amortised cost	**19,142**	**-**	**-**	**5,072**	**179,968**	**139,632**	**271,024**	**2,422**	**1,914,570**	**750,543**	**-**	**-**	**2,384,704**	**897,669**	**3,282,373**
fixed interest	-	-	-	-	179,968	139,632	271,024	2,422	1,914,570	750,543	-	-	2,365,562	892,597	3,258,159
variable interest	19,142	-	-	5,072	-	-	-	-	-	-	-	-	19,142	5,072	24,214
non-interest-bearing	**19,142**	**-**	**-**	**5,072**	**179,968**	**139,632**	**271,024**	**2,422**	**1,914,570**	**750,543**	**-**	**-**	**2,384,704**	**897,669**	3,282,373
Other financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**200,781**	**54,344**	**200,781**	**54,344**	**255,125**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	200,781	54,344	200,781	54,344	255,125
Derivative financial instruments	**2,112,146**	**2,789,859**	**906,446**	**1,424,063**	**469,337**	**545,207**	**36,682**	**35,935**	**183,664**	**98,147**	**194,741**	**604,648**	**3,903,016**	**5,497,859**	**9,400,875**
fixed interest	1,991,112	2,722,206	428,080	878,305	262,461	518,338	36,682	35,935	183,664	98,147	-	-	2,901,999	4,252,931	7,154,930
variable interest	121,034	67,653	478,366	545,758	206,876	26,869	-	-	-	-	-	-	806,276	640,280	1,446,556
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	194,741	604,648	194,741	604,648	799,389

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2022	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
LIABILITIES	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	
Amounts due to banks and deposits with the National Bank of Hungary and other banks	**229,856**	**385,369**	**37,293**	**40,697**	**129,475**	**8,214**	**71,538**	**315,766**	**397,820**	**32,570**	**81,759**	**5,771**	**947,741**	**788,387**	**1,736,128**
fixed interest	200,719	106,264	37,293	40,697	129,475	8,214	71,538	315,766	397,820	32,570	-	-	836,845	503,511	1,340,356
variable interest	29,137	279,105	-	-	-	-	-	-	-	-	-	-	29,137	279,105	308,242
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	81,759	5,771	81,759	5,771	87,530
Financial liabilities designated to measure at fair value through profit or loss	**16,576**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,576**	**-**	**16,576**
fixed interest	26	-	-	-	-	-	-	-	-	-	-	-	26	-	26
variable interest	16,550	-	-	-	-	-	-	-	-	-	-	-	16,550	-	16,550
Repo liabilities	**119,520**	**188,121**	**85,356**	**15,369**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**204,876**	**203,490**	**408,366**
fixed interest	29,144	4	85,356	15,369	-	-	-	-	-	-	-	-	114,500	15,373	129,873
variable interest	90,376	188,117	-	-	-	-	-	-	-	-	-	-	90,376	188,117	278,493
Deposits from customers	**7,563,627**	**2,887,850**	**302,491**	**190,393**	**127,940**	**23,147**	**-**	**-**	**16**	**-**	**12,147**	**11,547**	**8,006,221**	**3,112,937**	**11,119,158**
fixed interest	1,008,247	552,561	302,491	190,393	127,940	23,147	-	-	16	-	-	-	1,438,694	766,101	2,204,795
variable interest	6,555,380	2,335,289	-	-	-	-	-	-	-	-	-	-	6,555,380	2,335,289	8,890,669
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	12,147	11,547	12,147	11,547	23,694
Liabilities from issued securities	**1,878**	**-**	**1,215**	**-**	**1,702**	**-**	**1,854**	**-**	**43,854**	**448,206**	**-**	**-**	**50,503**	**448,206**	**498,709**
fixed interest	211	-	-	-	1,702	-	1,854	-	43,854	448,206	-	-	47,621	448,206	495,827
variable interest	1,667	-	1,215	-	-	-	-	-	-	-	-	-	2,882	-	2,882
Subordinated bonds and loans	**-**	**-**	**-**	**93,110**	**-**	**201,076**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**294,186**	**294,186**
variable interest	-	-	-	93,110	-	201,076	-	-	-	-	-	-	-	294,186	294,186
Leasing liabilities	**282**	**431**	**430**	**815**	**1,990**	**2,781**	**5,436**	**4,966**	**15,365**	**8,968**	**-**	**-**	**23,503**	**17,961**	**41,464**
fixed interest	229	41	326	83	1,567	379	4,688	1,004	14,798	267	-	-	21,608	1,774	23,382
variable interest	53	390	104	732	423	2,402	748	3,962	567	8,701	-	-	1,895	16,187	18,082
Other financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**220,129**	**38,344**	**220,129**	**38,344**	**258,473**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	220,129	38,344	220,129	38,344	258,473
Derivative financial instruments	**3,097,710**	**1,854,159**	**478,930**	**1,819,835**	**574,661**	**554,788**	**22,780**	**36,706**	**118,071**	**114,115**	**245,955**	**555,251**	**4,538,107**	**4,934,854**	**9,472,961**
fixed interest	3,012,679	1,709,457	331,253	972,597	216,895	532,485	22,758	36,706	118,071	114,115	-	-	3,701,656	3,365,360	**7,067,016**
variable interest	85,031	144,702	147,677	847,238	357,766	22,303	22	-	-	-	-	-	590,496	1,014,243	**1,604,739**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	245,955	555,251	245,955	555,251	**801,206**
NET POSITION	**(6,283,398)**	**(1,459,119)**	**497,139**	**1,198,676**	**139,162**	**237,427**	**664,092**	**(307,130)**	**4,309,079**	**481,906**	**222,490**	**151,332**	**(451,436)**	**303,092**	**(148,343)**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2021	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
ASSETS	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Cash, amounts due from banks and balances with the National Bank of Hungary	**31,228**	**289,008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**133,053**	**21,655**	**164,281**	**310,663**	**474,944**
fixed interest	31,228	289,008	-	-	-	-	-	-	-	-	-	-	31,228	289,008	320,236
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	133,053	21,655	133,053	21,655	154,708
Placements with other banks	**1,353,059**	**127,852**	**148,091**	**165,940**	**31,821**	**79,243**	**76,105**	**29,677**	**499,636**	**27,178**	**24,416**	**4,194**	**2,133,128**	**434,084**	**2,567,212**
fixed interest	774,315	34,420	449	156,755	2,446	79,243	76,105	29,677	499,636	27,178	-	-	1,352,951	327,273	1,680,224
variable interest	578,744	93,432	147,642	9,185	29,375	-	-	-	-	-	-	-	755,761	102,617	858,378
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	24,416	4,194	24,416	4,194	28,610
Repo receivables	**33,638**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33,638**	**-**	**33,638**
fixed interest	33,638	-	-	-	-	-	-	-	-	-	-	-	33,638	-	33,638
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held for trading	**1,237**	**-**	**664**	**-**	**2,481**	**1,242**	**360**	**3,508**	**22,931**	**1,478**	**1,200**	**532**	**28,873**	**6,760**	**35,633**
fixed interest	32	-	487	-	2,208	1,242	360	3,508	22,931	1,478	-	-	26,018	6,228	32,246
variable interest	1,205	-	177	-	273	-	-	-	-	-	-	-	1,655	-	1,655
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,200	532	1,200	532	1,732
Securities mandatorily measured at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,807**	**9,254**	**18,807**	**9,254**	**28,061**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	18,807	9,254	18,807	9,254	28,061
Securities at fair value through other comprehensive income	**50,774**	**-**	**22,420**	**-**	**65,666**	**432**	**40,185**	**39,228**	**289,634**	**116,463**	**528**	**16,609**	**469,207**	**172,732**	**641,939**
fixed interest	2,437	-	6,897	-	57,092	432	40,185	39,228	289,634	116,463	-	-	396,245	156,123	552,368
variable interest	48,337	-	15,523	-	8,574	-	-	-	-	-	-	-	72,434	-	72,434
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	528	16,609	528	16,609	17,137

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2021	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
ASSETS [continued]	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Loans measured at amortised cost	**639,477**	**339,611**	**424,299**	**1,161,425**	**53,018**	**126,963**	**185,264**	**10,912**	**829,049**	**89,993**	**121,277**	**51,177**	**2,252,384**	**1,780,081**	**4,032,465**
fixed interest	295	286	894	9,746	13,723	57,602	183,818	10,912	819,629	89,993	-	-	1,018,359	168,539	1,186,898
variable interest	639,182	339,325	423,405	1,151,679	39,295	69,361	1,446	-	9,420	-	-	-	1,112,748	1,560,365	2,673,113
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	121,277	51,177	121,277	51,177	172,454
Loans mandatorily measured at fair value through profit or loss	**19,371**	**-**	**136**	**-**	**829**	**-**	**755**	**-**	**640,921**	**-**	**-**	**-**	**662,012**	**-**	**662,012**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	19,371	-	136	-	829	-	755	-	640,921	-	-	-	662,012	-	662,012
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities at amortised cost	**-**	**7,609**	**-**	**4,811**	**304,051**	**1,069**	**215,615**	**343**	**2,044,502**	**493,038**	**-**	**-**	**2,564,168**	**506,870**	**3,071,038**
fixed interest	-	-	-	-	304,051	1,069	215,615	343	2,044,502	493,038	-	-	2,564,168	494,450	3,058,618
variable interest	-	7,609	-	4,811	-	-	-	-	-	-	-	-	-	12,420	12,420
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**133,896**	**19,852**	**133,896**	**19,852**	**153,748**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	133,896	19,852	133,896	19,852	153,748
Derivative financial instruments	**1,507,306**	**1,256,601**	**395,623**	**936,093**	**675,976**	**863,692**	**10,760**	**57,437**	**183,617**	**54,913**	**181,095**	**675,035**	**2,954,377**	**3,843,771**	**6,798,148**
fixed interest	1,400,852	1,133,429	188,144	551,308	570,718	861,983	10,760	57,378	183,617	54,913	-	-	2,354,091	2,659,011	5,013,102
variable interest	106,454	123,172	207,479	384,785	105,258	1,709	-	59	-	-	-	-	419,191	509,725	928,916
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	181,095	675,035	181,095	675,035	856,130

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2021	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
LIABILITIES	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Amounts due to banks and deposits with the National Bank of Hungary and other banks	**151,809**	**95,432**	**12,344**	**10,405**	**52,872**	**577**	**224,479**	**1,140**	**471,620**	**-**	**29,684**	**841**	**942,808**	**108,395**	**1,051,203**
fixed interest	106,028	22,624	12,344	10,405	52,872	577	224,479	1,140	471,620	-	-	-	867,343	34,746	902,089
variable interest	45,781	72,808	-	-	-	-	-	-	-	-	-	-	45,781	72,808	118,589
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	29,684	841	29,684	841	30,525
Financial liabilities designated to measure at fair value through profit or loss	**20,133**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,133**	**-**	**20,133**
variable interest	20,133	-	-	-	-	-	-	-	-	-	-	-	20,133	-	20,133
Repo liabilities	**49,726**	**36,854**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49,726**	**36,854**	**86,580**
fixed interest	49,726	36,854	-	-	-	-	-	-	-	-	-	-	49,726	36,854	86,580
Deposits from customers	**7,628,098**	**2,039,650**	**197,780**	**18,468**	**30,063**	**11,066**	**-**	**-**	**-**	**-**	**12,948**	**10,459**	**7,868,889**	**2,079,643**	**9,948,532**
fixed interest	496,069	131,836	197,780	18,468	30,063	11,066	-	-	-	-	-	-	723,912	161,370	885,282
variable interest	7,132,029	1,907,814	-	-	-	-	-	-	-	-	-	-	7,132,029	1,907,814	9,039,843
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	12,948	10,459	12,948	10,459	23,407
Liabilities from issued securities	**865**	**-**	**8,514**	**-**	**4,696**	**-**	**1,676**	**-**	**6,402**	**-**	**-**	**-**	**22,153**	**-**	**22,153**
fixed interest	212	-	-	-	4,147	-	1,676	-	6,402	-	-	-	12,437	-	12,437
variable interest	653	-	8,514	-	549	-	-	-	-	-	-	-	9,716	-	9,716
Subordinated bonds and loans	**-**	**-**	**-**	**85,551**	**-**	**186,225**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**271,776**	**271,776**
variable interest	-	-	-	85,551	-	186,225	-	-	-	-	-	-	-	271,776	271,776
Leasing liabilities	**192**	**380**	**236**	**522**	**1,004**	**2,535**	**1,362**	**1,321**	**4,838**	**5,542**	**-**	**-**	**7,632**	**10,300**	**17,932**
fixed interest	108	25	72	34	538	123	717	144	2,118	485	-	-	3,553	811	4,364
variable interest	84	355	164	488	466	2,412	645	1,177	2,720	5,057	-	-	4,079	9,489	13,568
Other financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**156,012**	**38,499**	**156,012**	**38,499**	**194,511**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	156,012	38,499	156,012	38,499	194,511
Derivative financial instruments	**840,797**	**2,004,808**	**220,053**	**1,083,211**	**709,776**	**870,457**	**12,937**	**54,862**	**96,350**	**73,700**	**411,167**	**430,486**	**2,291,080**	**4,517,524**	**6,808,604**
fixed interest	728,548	1,814,645	151,791	579,843	525,835	868,689	12,360	54,789	96,350	73,700	-	-	1,514,884	3,391,666	4,906,550
variable interest	112,249	190,163	68,262	503,368	183,941	1,768	577	73	-	-	-	-	365,029	695,372	1,060,401
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	411,167	430,486	411,167	430,486	841,653
NET POSITION	**(5,055,530)**	**(2,156,443)**	**552,306**	**1,070,112**	**335,431**	**1,781**	**288,590**	**83,782**	**3,931,080**	**703,821**	**4,461**	**318,023**	**56,338**	**21,076**	**77,414**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.5. Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a Value-at-Risk ("VaR") methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk, foreign currency risk and interest rate risk is detailed in Notes 36.2, 36.3 and 36.4 respectively.)

36.5.1. Market risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approach. The diversification effect has not been validated among the various market risk types when capital calculation happens. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

The VaR of the trading portfolio can be summarized as follows (in HUF mn):

Historical VaR (99%, one-day) by risk type	**Average**	
	2022	**2021**
Foreign exchange	6,820	1,560
Interest rate	327	135
Equity instruments	42	20
Total VaR exposure	**7,189**	**1,715**

The table above shows the VaR figures by asset classes. Since processes driving the value of the major asset classes are not independent (for example the depreciation of HUF against the EUR mostly coincide with the increase of the yields of Hungarian Government Bonds), a diversification impact emerges, so the overall VaR is less than the sum of the VaR of each individual asset class.

While VaR captures the OTP's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the OTP to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 36.5.2., for interest rate risk in Note 36.5.3., and for equity price sensitivity analysis in Note 36.5.4.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.5. Market risk [continued]

36.5.2. Foreign currency sensitivity analysis

The Bank changed its methodology of foreign currency sensitivity analysis and has been using a historical VaR calculation since 31 March 2021. The former Monte Carlo simulation represented the Group's sensitivity to the rise and fall in the HUF exchange rate against EUR, over a 3 months period. The sensitivity analysis included only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. In line with the Management's intention, the former EUR (310) million strategic open position was fully closed as of 31 March 2021.

Since the closing of the strategic open position, the Group has been using a historical VaR calculation with 1 day holding period. The analysis includes the same net open foreign exchange position as used under the internal capital adequacy assessment process (ICAAP). The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets.

Since the closing of the strategic open position, the Group has been using a historical VaR calculation with 1 day holding period. The analysis includes the same net open foreign exchange position as used under the internal capital adequacy assessment process (ICAAP). The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets.

Additionally, the Bank determines the foreign currency risk of assets evaluated through the Other Comprehensive Income (OCI), which includes securities valuated on FVOCI and the foreign currency translation reserves.

	Effects to the P&L in 3 months period	
Probability	**2022**	**2021**
	In HUF billion	**In HUF billion**
1%	(4,582)	(178)
5%	(2,470)	(119)
25%	(786)	(39)
50%	14	2
25%	999	49
5%	2,700	126
1%	4,233	187

Notes:
(1) Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 31 December 2022 and 31 December 2021.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.5. Market risk [continued]

36.5.3. Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis was prepared by assuming only adverse interest rate changes. The main assumptions were as follows:

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- Deposits with an interest rate lower than 0.3% even at high market rates were assumed to be unchanged for the whole period.

The sensitivity of interest income to changes in BUBOR was analysed by assuming two interest rate path scenarios:

(1) HUF base rate and BUBOR increases gradually by 100 bps over the next year (probable scenario)
(2) HUF base rate and BUBOR decreases gradually by 50 bps over the next year (alternative scenario)

The net interest income in a one year period after 1 January 2023 would be decreased by HUF 6,304 million (scenario 1) and increased by HUF 3,058 million (scenario 2) as a result of these simulation.The same simulation indicated HUF 1,238 million increase (scenario 1) and HUF 919 million decrease (scenario 2) in the Net interest income in a one year period after 1 January 2022. This effect is further increased by capital gains HUF -350 million (or scenario 1), HUF 181 million (for scenario 2) as at 31 December 2022 and (HUF -619 million for scenario 1, HUF +322 million for scenario 2 as at 31 December 2021) on the government bond portfolio held for hedging (economic).

Furthermore, the effects of an instant 10bps parallel shift of the HUF, EUR and USD yield-curves on net interest income over a one-year period and on the market value of the hedge government bond portfolio booked against capital was analysed. The results can be summarized as follows (in HUF million):

Description	**2022**		**2021**	
	Effects to the net interest income (one-year period)	**Effects to shareholder's equity (Price change of FVOCI government bonds)**	**Effects to the net interest income (one-year period)**	**Effects to shareholder's equity (Price change of FVOCI government bonds)**
HUF (0.1%) parallel shift	1,105	36	(25)	64
HUF 0.1% parallel shift	(1,105)	(36)	(40)	(64)
EUR (0.1%) parallel shift	(383)	-	(483)	-
USD (0.1%) parallel shift	935	-	(23)	-
USD 0.1% parallel shift	(1,106)	-	-	-
Total	**(554)**	**-**	**(571)**	**-**

36.5.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Bank uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.

The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	**2022**	**2021**
VaR (99%, one day, million HUF)	15	12
Stress test (million HUF)	(26)	(21)

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.6 Capital management

Capital management

The primary objective of the capital management of the Bank is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.

The capital management of the Bank includes the management and evaluation of the shareholders` equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of the Bank in the short run is the continuous monitoring of its capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position of the Bank.

The Bank maintains the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing its profitability. In case the planned risk level of the Bank exceeded its Core and Supplementary capital, the Bank ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy[75]

The Capital Requirements Directive package (CRDIV/CRR) transposes the global standards on banking regulation (commonly known as the Basel III agreement) into the EU legal framework. The rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This framework makes institutions in the EU more solid and strengthens their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business.

The Bank has entirely complied with the regulatory capital requirements in 2022 as well as in 2021.

The Bank's capital adequacy calculation is in line with IFRS and based on Basel III as at 31 December 2022 and 31 December 2021. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk while in case of the operational risk the Advanced Measurement Approach (AMA).

	2022 Basel III	**2021 Basel III**
Core capital (Tier 1)	1,632,037	1,747,480
Primary core capital (CET1)	*1,632,037*	*1,747,480*
Supplementary capital (Tier 2)	286,181	264,396
Regulatory capital	**1,918,218**	**2,011,876**
Credit risk capital requirement	742,536	603,253
Market risk capital requirement	26,530	7,519
Operational risk capital requirement	31,440	31,629
Total eligible regulatory capital	**800,506**	**642,401**
Surplus capital	**1,117,712**	**1,369,475**
CET 1 ratio	16.31%	21.76%
Capital adequacy ratio	**19.17%**	**25.05%**

Basel III:

Common equity Tier 1 capital (CET1):

Issued capital, Capital reserve, useable part of Tied-up reserve, General reserve, Profit reserve, Profit for the year, Treasury shares, Intangible assets, deductions due to investments, adjustments due to temporary disposals

Tier 2 capital:

Subsidiary loan capital, Subordinated loan capital, deductions due to repurchased loan capital and Subordinated loan capital issued by the OTP Bank, adjustments due to temporary disposals.

[75] The dividend amount planned to pay out / paid out is deducted from reserves.

NOTE 37: TRANSFER OF FINANCIAL INSTRUMENTS (in HUF mn)

Financial assets transferred but not derecognised

	31 December 2022		31 December 2021	
	Transferred assets Carrying amount	Associated liabilities	Transferred assets	Associated liabilities
Financial assets at fair value through other comprehensive income				
Debt securities	95,493	95,900	-	-
Total	**95,493**	**95,900**	**-**	**-**
Financial assets at amortised cost				
Debt securities	381,356	312,466	88,181	86,580
Total	**381,356**	**312,466**	**88,181**	**86,580**
Total	**476,849**	**408,366**	**88,181**	**86,580**

As at 31 December 2022 and 2021, the Bank had obligation from repurchase agreements about HUF 408 billion and HUF 87 billion respectively. Securities sold temporarily under repurchase agreements will continue to be recognized in the Statement of Financial Position of the Bank in the appropriate securities category. The related liability is measured at amortized cost in the Statement of Financial Position as 'Amounts due to banks and deposits from the National Bank of Hungary and other banks'. Under these repurchase agreements only Hungarian and foreign government bonds were transferred.

NOTE 38: OFF-BALANCE SHEET ITEMS (in HUF mn)

In the normal course of business, the Bank becomes a party to various financial transactions that are not reflected on the statement of financial position and are referred to as off-balance sheet financial instruments. The following represents notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities and commitments

	2022	2021
Loan commitments	1,852,164	1,677,030
Guarantees arising from banking activities	1,873,824	1,507,917
from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank	955,480	746,476
Factoring loan commitments	373,417	423,673
Confirmed letters of credit	12,376	30,381
Contingent liabilities and commitments total in accordance with IFRS 9	**4,111,781**	**3,639,001**
Legal disputes (disputed value)	3,678	3,204
Contingent liabilities related to payments from shares in venture capital fund	28,614	47,550
Other	7	408
Contingent liabilities and commitments total in accordance with IAS 37	**32,299**	**51,162**
Total	**4,144,080**	**3,690,163**

NOTE 38: OFF-BALANCE SHEET ITEMS (in HUF mn) [continued]

Legal disputes

At the balance sheet date the Bank was involved in various claims and legal proceedings of a nature considered normal to its business. The level of these claims and legal proceedings corresponds to the level of claims and legal proceedings in previous years.

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.

Provision due to legal disputes was HUF 1917 million and HUF 259 million as at 2022 and 2021, respectively. (See Note 24.)

Commitments to extend credit, guarantees and letter of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The Management of the Bank believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loan commitments are minimal.

Guarantees, payment undertakings arising from banking activities

Payment undertaking is a promise by the Bank to assume responsibility for the debt obligation of a borrower if that borrower defaults until a determined amount and until a determined date, in case of fulfilling conditions, without checking the underlying transactions. The guarantee's liability is joint and primary with the principal, in case of payment undertaking, while the Bank assumes the obligation derived from guarantee independently by the conditions established by the Bank. A guarantee is most typically required when the ability of the primary obligor or principal to perform its obligations under a contract is in question, or when there is some public or private interest which requires protection from the consequences of the principal's default or delinquency.

Contingent liabilities related to OTP Mortgage Bank Ltd.

Under a syndication agreement with its wholly owned subsidiary, OTP Mortgage Bank Ltd., the Bank had guaranteed, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Ltd. that become non-performing. The repurchase guarantee contract of non-performing loans between OTP Mortgage Bank Ltd. and OTP Bank Plc. was modified in 2010. According to the arrangement the repurchase guarantee was cancelled and OTP Bank Plc. gives bail to the loans originated or purchased by the Bank.

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn)

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in resolution of Annual General Meeting regarding to the amendment of CRD III. Directives and Act on Credit Institutions and Financial Enterprises.

Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act.

OTP Bank ensures the share-based payment part for the management personnel of OTP Group members.

During implementation of the Remuneration Policy of the Group it became apparent that in case of certain foreign subsidiaries it is not possible to ensure the originally determined share-based payment because of legal reasons – incompatible with relevant EU-directives –, therefore a decision was made to cancel the share-based payment in affected countries, and virtual share based payment – cash payment fixed to share price - was made from 2017. In case of foreign subsidiaries virtual share based payment was made uniformly from 2021 (in case of payments related to 2021).

The quantity of usable shares for individuals calculated for settlement of share-based payment shall be determined as the ratio of the amount of share-based payment and share price determined by Supervisory Board.

The value of the share-based payment at the performance assessment is determined within 10 days by Supervisory Board based on the average of the three previous trade day’s middle rate of OTP Bank’s equity shares fixed on the Budapest Stock Exchange.

At the same time the conditions of discounted share-based payment are determined, and share-based payment shall contain maximum HUF 6,000 discount at the assessment date, and earnings for the shares at the payment date is maximum HUF 12,000.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either: an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

The parameters for the share-based payment relating to ongoing years 2017-2021 for periods of each year as follows:

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share								
	for the year 2017			for the year 2018			for the year 2019		
2018	8,064	3,000	10,064	-	-	-	-	-	-
2019	8,064	3,500	10,064	10,413	4,000	12,413	-	-	-
2020	8,064	4,000	10,064	10,413	4,000	12,413	9,553	4,000	11,553
2021	8,064	4,000	10,064	10,413	4,000	12,413	9,553	4,000	11,553
2022	8,064	4,000	10,064	10,913	4,000	12,413	9,553	4,000	11,553
2023	-	-	-	10,913	4,000	12,413	9,553	4,000	11,553
2024	-	-	-	10,913	4,000	12,413	9,553	4,000	11,553
2025	-	-	-	10,913	4,000	12,413	9,553	4,000	11,553
2026	-	-	-	-	-	-	9,553	4,000	11,553

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share					
	for the year 2020			for the year 2021		
2021	12,644	9,000	16,644	-	-	-
2022	12,644	8,000	16,644	5,912	6,000	8,912
2023	13,644	8,000	16,644	6,912	7,000	8,912
2024	13,644	8,000	16,644	6,912	8,000	8,912
2025	13,644	8,000	16,644	6,912	9,000	8,912
2026	13,644	8,000	16,644	6,912	10,000	8,912
2027	13,644	8,000	16,644	6,912	10,000	8,912
2028	-	-	-	6,912	10,000	8,912

Relevant factors considered during measurement of fair value related to share-based payment as follows:

Year	**Reference price**	**Assumed volatility**	**Risk-free interest rate (HUF)**						
			1Y	**2Y**	**3Y**	**4Y**	**5Y**	**6Y**	**7Y**
2017	9,200	21.3%	0.1%	0.5%	0.7%	1.0%	1.3%	1.3%	1.3%
2018	10,064	26.0%	0.2%	0.6%	1.0%	1.3%	1.6%	1.9%	2.1%
2019	12,413	19.2%	0.2%	0.7%	0.9%	1.1%	1.3%	1.4%	1.6%
2020	11,553	33.6%	0.6%	0.4%	0.5%	0.6%	0.8%	0.9%	1.0%
2021	16,644	28.6%	1.0%	1.6%	1.8%	1.9%	2.0%	2.1%	2.1%
2022	8,912	42.6%	7.1%	7.9%	7.6%	7.3%	7.1%	7.0%	6.9%

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Relevant factors considered during measurement of fair value related to share-based payment as follows: [continued]

Year	Expected dividends (HUF/Share)							Pricing model
	1Y	2Y	3Y	4Y	5Y	6Y	7Y	
2017	219	219	252	290	334	384	442	Binomial
2018	219	219	219	219	219	219	219	Binomial
2019	252	290	333	383	440	507	583	Binomial
2020	219	252	290	333	383	440	507	Binomial
2021	371	321	357	393	432	475	523	Binomial
2022	452	497	547	601	661	728	800	Binomial

Based on parameters accepted by Supervisory Board, relating to the year 2017 effective pieces are follows As at 31 December 2022:

	Approved pieces of shares	Exercised until 31 December 2022	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2022
Share-purchasing period started in 2018	108,243	108,243	11,005	-	-
Remuneration exchanged to share provided in 2018	11,926	11,926	10,098	-	-
Share-purchasing period started in 2019	212,282	212,282	12,096	-	-
Remuneration exchanged to share provided in 2019	26,538	26,538	11,813	-	-
Share-purchasing period starting in 2020	101,571	101,565	12,084	6	-
Remuneration exchanged to share applying in 2020	11,584	11,584	11,897	-	-
Share-purchasing period starting in 2021	109,460	109,460	16,441	-	-
Remuneration exchanged to share applying in 2021	11,531	11,531	16,477	-	-
Share-purchasing period starting in 2022	42,820	-	-	-	42,820
Remuneration exchanged to share applying in 2022	2,950	2,950	8,529	-	-

Based on parameters accepted by Supervisory Board, relating to the year 2018 effective pieces are follows As at 31 December 2022:

	Approved pieces of shares	Exercised until 31 December 2022	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2022
Share-purchasing period started in 2019	82,854	82,854	13,843	-	-
Remuneration exchanged to share provided in 2019	17,017	17,017	11,829	-	-
Share-purchasing period starting in 2020	150,230	150,230	14,294	-	-
Remuneration exchanged to share applying in 2020	33,024	33,024	11,897	-	-
Share-purchasing period starting in 2021	73,799	73,799	16,314	-	-
Remuneration exchanged to share applying in 2021	14,618	14,618	16,468	-	-
Share-purchasing period starting in 2022	86,456	-	-	-	86,456
Remuneration exchanged to share applying in 2022	13,858	13,858	8,529	-	-
Share-purchasing period starting in 2023	-	-	-	-	45,155
Remuneration exchanged to share applying in 2023	-	-	-	-	4,114
Remuneration exchanged to share applying in 2024	-	-	-	-	864
Remuneration exchanged to share applying in 2025	-	-	-	-	432

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board, relating to the year 2019 effective pieces are follows As at 31 December 2022:

	Approved pieces of shares	Exercised until 31 December 2022	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2022
Share-purchasing period started in 2020	91,403	91,403	12,218	-	-
Remuneration exchanged to share provided in 2020	22,806	22,806	11,897	-	-
Share-purchasing period starting in 2021	201,273	201,273	16,298	-	-
Remuneration exchanged to share applying in 2021	30,834	30,834	17,618	-	-
Share-purchasing period starting in 2022	107,760	-	-	1,335	106,425
Remuneration exchanged to share applying in 2022	10,564	10,564	8,529	-	-
Share-purchasing period starting in 2023	-	-	-	-	125,771
Remuneration exchanged to share applying in 2023	-	-	-	-	18,025
Share-purchasing period starting in 2024	-	-	-	-	44,421
Remuneration exchanged to share applying in 2024	-	-	-	-	6,279
Remuneration exchanged to share applying in 2025	-	-	-	-	1,000
Remuneration exchanged to share applying in 2026	-	-	-	-	500

Based on parameters accepted by Supervisory Board, relating to the year 2020 effective pieces are follows As at 31 December 2022:

	Approved pieces of shares	Exercised until 31 December 2022	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2022
Share-purchasing period started in 2021	41,098	14,142	17,997	26,956	-
Remuneration exchanged to share provided in 2021	17,881	17,881	17,498	-	-
Share-purchasing period starting in 2022	83,688	-	-	1,288	82,400
Remuneration exchanged to share applying in 2022	15,232	14,743	8,529	-	489
Share-purchasing period starting in 2023	-	-	-	-	47,826
Remuneration exchanged to share applying in 2023	-	-	-	-	9,292
Share-purchasing period starting in 2024	-	-	-	-	51,002
Remuneration exchanged to share applying in 2024	-	-	-	-	9,518
Share-purchasing period starting in 2025	-	-	-	-	13,080
Remuneration exchanged to share applying in 2025	-	-	-	-	3,443
Remuneration exchanged to share applying in 2026	-	-	-	-	680
Remuneration exchanged to share applying in 2027	-	-	-	-	680

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board, relating to the year 2021 effective pieces are follows As at 31 December 2022:

	Approved pieces of shares	Exercised until 31 December 2022	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2022
Share-purchasing period started in 2022	60,018	59,776	10,122	242	-
Remuneration exchanged to share provided in 2022	11,028	10,708	8,537	-	320
Share-purchasing period starting in 2023	-	-	-	-	117,276
Remuneration exchanged to share applying in 2023	-	-	-	-	10,824
Share-purchasing period starting in 2024	-	-	-	-	50,829
Remuneration exchanged to share applying in 2024	-	-	-	-	4,942
Share-purchasing period starting in 2025	-	-	-	-	54,324
Remuneration exchanged to share applying in 2025	-	-	-	-	4,942
Share-purchasing period starting in 2026	-	-	-	-	58,222
Remuneration exchanged to share applying in 2026	-	-	-	-	4,942
Share-purchasing period starting in 2027	-	-	-	-	25,305
Remuneration exchanged to share applying in 2027	-	-	-	-	631

Effective pieces relating to the periods starting in 2023-2027 settled during valuation of performance of year 2018-2021, can be modified based on risk assessment and personal changes.

In connection with the share-based compensation for Board of Directors and connecting compensation, shares given as a part of payments detailed above and for the year 2022 based on performance assessment accounted as equity-settled share based transactions HUF 2,948 million was recognized as expense for the year ended 31 December 2022.

NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn)

Outstanding balances and transactions with related parties are summarized below in aggregate:

Statement of financial position

	2022		2021	
	Associated companies and other companies	**Other related parties**	**Associated companies and other companies**	**Other related parties**
Cash, amounts due from banks and balances with the National Bank of Hungary	83,713	-	1,675	-
Placements with other banks	2,019,597	-	1,557,437	-
Repo receivables	205,520	-	-	-
Held for trading securities	11	-	16	-
Held for trading derivative financial instruments:	55,989	-	19,397	-
Financial assets at fair value through other comprehensive income	302,121	-	156,162	-
Securities at amortised cost	-	601	-	596
Loans at amortised cost	997,027	65,767	960,288	105,503
Loans mandatorily measured at fair value through profit or loss	-	44	-	9
Right of use assets	21,615	-	5,713	-
Derivative financial assets designated as hedge accounting relationships	1,625	-	(9)	-
Other assets	136,361	375	101,569	5
Total Assets	**3,823,579**	**66,787**	**2,802,248**	**106,113**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(863,748)	-	(115,042)	-
Repo liabilities	(191,102)	-	(36,854)	-
Deposits from customers	(271,214)	(58,217)	(263,139)	(27,174)
Leasing liabilities	(22,129)	-	(5,926)	-
Liabilities from issued securities	(11,093)	-	(12,232)	-
Derivative financial liabilities designated as held for trading	(40,225)	-	(5,344)	-
Derivative financial liabilities designated as hedge accounting relationships	-	-	(61)	-
Other liabilities	(14,836)	(491)	(4,599)	(551)
Total Liabilities	**(1,414,347)**	**(58,708)**	**(443,197)**	**(27,725)**

Off balance sheet items

Guarantees	(1,208,669)	(7,824)	(921,818)	-
Loan commitments	(72,161)	(43,324)	(85,810)	(44,812)
Factoring loan commitments	(1,085)	(8,763)	(1,475)	-
Total	**(1,281,915)**	**(59,911)**	**(1,009,103)**	**(44,812)**

NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

Outstanding balances and transactions with related parties are summarized below in aggregate: [continued]

Statement of Profit or Loss

	Year ended 31 December 2022	Year ended 31 December 2021
Interest Income	181,369	42,706
Interest Expense	(93,185)	(11,449)
Risk cost	70,147	904
(Losses)/Gains arising from derecognition of financial assets measured at amortised cost	(49,745)	(2,198)
Income from fees and commissions	18,742	33,128
Expenses from fees and commissions	(3,038)	(2,859)
Other administrative expenses	(9,761)	(7,570)

Related party transactions with key management

The compensation of key management, such as the members of the Board of Directors, the members of the Supervisory Board and the employees involved in the decision-making process in accordance with the compensation categories defined in IAS 24 Related Party Disclosures, is summarised below:

	2022	2021
Short-term employee benefits	2,986	2,957
Share-based payment	2,225	2,740
Long-term employee benefits (on the basis of IAS 19)	239	246
Total	**5,450**	**5,943**

	2022	2021
Loans provided to companies owned by the Management (in the normal course of business)	65,767	105,503
Commitments to extend credit and bank guarantees	59,911	44,812

An analysis of payment to Executives related to their activity in Board of Directors and Supervisory Board is as follows (in HUF mn):

	2022	2021
Members of Board of Directors	1,180	1,489
Members of Supervisory Board	198	173
Total	**1,378**	**1,662**

In the normal course of business, OTP Bank enters into other transactions with its subsidiaries, the amounts and volumes of which are not significant to these financial statements taken as a whole.

NOTE 41: TRUST ACTIVITIES (in HUF mn)

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying separate statement of financial position.

	2022	2021
Loans managed by the Bank as a trustee	27,914	27,532

NOTE 42: CONCENTRATION OF ASSETS AND LIABILITIES

	2022	2021
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	23.58%	22.79%
Securities issued by the OTP Mortgage Bank Ltd.	2.30%	1.77%
Loans at amortised cost	5.26%	6.51%

There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2022 or 2021.

OTP Bank continuously provides the Authority with reports on the extent of dependency on large depositors as well as the exposure of the largest 50 depositors towards OTP Bank. Further to this obligatory reporting to the Authority. OTP Bank pays particular attention on the exposure of its largest partners and cares for maintaining a closer relationship with these partners in order to secure the stability of the level of deposits.

The organisational unit of OTP Bank in charge of partner-risk management analyses the largest partners on a constant basis and sets limits on OTP Bank's and the Group's exposure separately partner-by-partner. If necessary, it modifies partner-limits in due course thereby reducing the room for manoeuvring of the Treasury and other business areas.

The Bank's internal regulation (Limit-management regulation) controls risk management which related to exposures of clients. Bank makes a difference between clients or clients who are economically connected with each other, partners, partners operating in the same geographical region or in the same economic sector, exposures from customers. Limit-management regulation includes a specific range provisions system used by Bank to control risk exposures. This regulation has to be used by the Bank for its business (lending) risk-taking activity in both the retail and corporate sector.

To specify credit risk limits, the Bank strives their clients get an acceptable margin of risk based on their financial situation. In the Bank limit system a lower level decision-making delegation has to be provided.

If an OTP group member takes risk against a client or group of clients (either inside the local economy or outside), the client will be qualified as a group level risk and these limits will be specified at group level.

The validity period of this policy is 12 months. The limit shall be reviewed prior to the expiry date but at least once a year based on the relevant information required to limit calculations.

The maximum credit exposure to any client or counterparty among Loans at amortised cost was HUF 871 billion and HUF 893 billion as at 31 December 2022 and 2021 respectively, before taking into account collateral or other credit enhancements.

NOTE 43: EARNINGS PER SHARE

Earnings per share attributable to the Bank's ordinary shares are determined by dividing Net profit for the year attributable to ordinary shareholders, after the deduction of declared preference dividends, by the weighted average number of ordinary shares outstanding during the year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares.

	2022	2021
Net profit for the year attributable to ordinary shareholders (in HUF mn)	6,632	125,339
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	278,795,018	275,523,535
Basic Earnings per share (in HUF)	**24**	**455**
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	6,632	125,339
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	278,797,915	275,538,262
Diluted Earnings per share (in HUF)	**24**	**455**

	2022	2021
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(1,204,992)	(4,476,475)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**278,795,018**	**275,523,535**
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares	2,896	14,727
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**278,797,914**	**275,538,262**

NOTE 44: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn)

Year ended 31 December 2022	Net interest income and expense	Net non-interest gain and loss	Loss allowance	Other comprehensive income
Financial assets measured at amortised cost				
Cash, amounts due from banks and balances with the National Bank of Hungary	50,964	-	-	-
Placements with other banks	203,618	-	11,754	-
Repo receivables	10,234	-	2,095	-
Loans	297,460	11,643	33,838	-
Securities at amortised cost	92,948	(54,402)	27,623	-
Financial assets measured at amortised cost total	**655,224**	**(42,759)**	**75,310**	**-**
Financial assets measured at fair value				
Securities held for trading	3,556	6,480	-	-
Securities at fair value through other comprehensive income	39,988	(7,952)[1]	25,615	(53,068)
Loans mandatorily measured at fair value through profit or loss	35,927	(20,188)	(11,872)	-
Financial assets measured at fair value total	**79,471**	**(21,660)**	**13,743**	**(53,068)**
Financial liabilities measured at amortised cost				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(19,806)	-	-	-
Repo liabilities	(65,575)	-	-	-
Deposits from customers	(184,713)	213,359	-	-
Leasing liabilities	(1,186)	-	-	-
Liabilities from issued securities	(7,442)	-	-	-
Subordinated bonds and loans	(8,646)	-	-	-
Financial liabilities measured at amortised cost total	**(287,368)**	**213,359**	**-**	**-**
Financial liabilities designated to measure at fair value through profit or loss	**(562)**	**1,932**	**-**	**-**
Derivative financial instruments[2]	**(146,192)**	**9,917**	**-**	**-**
Total	**300,573**	**160,789**	**89,053**	**(53,068)**

[1] For the year ended 31 December 2022 HUF (7,952) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

[2] Gains/losses from derivative financial instruments recognised in net interest income as Income similar to interest income.

NOTE 44: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Year ended 31 December 2021	Net interest income and expense	Net non-interest gain and loss	Loss allowance	Other comprehensive income
Financial assets measured at amortised cost				
Cash, amounts due from banks and balances with the National Bank of Hungary	14,124	-	-	-
Placements with other banks	31,981	-	1,797	-
Repo receivables	315	-	(220)	-
Loans	167,882	13,591	37,264	-
Securities at amortised cost	61,085	(1,552)	2,035	-
Financial assets measured at amortised cost total	**275,387**	**12,039**	**40,876**	**-**
Financial assets measured at fair value				
Securities held for trading	277	6,657	-	-
Securities at fair value through other comprehensive income	21,456	(4,659)[1]	(551)	(35,756)
Loans mandatorily measured at fair value through profit or loss	26,045	(8,671)	16,255	-
Financial assets measured at fair value total	**47,778**	**(6,673)**	**15,704**	**(35,756)**
Financial liabilities measured at amortised cost				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(11,177)	-	-	-
Repo liabilities	(2,860)	-	-	-
Deposits from customers	(10,162)	170,598	-	-
Leasing liabilities	(214)	-	-	-
Liabilities from issued securities	(1,166)	-	-	-
Subordinated bonds and loans	(7,890)	-	-	-
Financial liabilities measured at amortised cost total	**(33,469)**	**170,598**	**-**	**-**
Financial liabilities designated to measure at fair value through profit or loss	**(493)**	**3,916**	**-**	**-**
Derivative financial instruments[2]	**(36,295)**	**3,436**	**-**	**-**
Total	**252,908**	**183,316**	**56,580**	**(35,756)**

[1] For the year ended 31 December 2021 HUF (4,659) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.
[2] Gains/losses from derivative financial instruments recognised in net interest income as Income similar to interest income.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Bank in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Bank has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 45. d) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortised cost, the Bank used the discounted cash flow analysis (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e,g, Reuters), Cash and amounts due from banks and balances with the National Bank of Hungary represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash flows are considered for the performing loans and for the non-performing loans, the amortised cost less impairment is considered as fair value,
- the future cash flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

For classes of assets and liabilities not measured at fair value in the statement of financial position, the income approach was used to convert future cash flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates and, fair value of other classes not measured at fair value of the statement of financial position are measured using the discounted cash flow method. Fair value of loans, net of allowance for loan losses measured using discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market.

Fair value measurements – in relation to instruments measured not at fair value – are categorized in level 3 of the fair value hierarchy.

Use of modified yield curve

During the year ended 31 December 2022 yield curves derived from hungarian government bonds ("ÁKK curve") have become distorted due to certain market events, which means that real liquidity has concentrated on certain part of the yield curve. Therefore a modified yield curve - which is not observable on the market - has been used at the concerning fair value calculations. This yield curve is based on the relevant yield curve points of the original ÁKK curve. Based on Management's discretion fair value calculated with modified yield curves can represent the perspective of market participants reliable at current market conditions.

Modified yield curve was used for calculating fair value in case of subsidised personal loans represented in "Loans mandatorily measured at fair value through profit or loss" line.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

a) Fair value of financial assets and liabilities

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Bank of Hungary	1,092,198	1,092,198	474,945	474,945
Placements with other banks	2,899,829	2,871,307	2,567,212	2,548,809
Repo receivables	246,529	248,513	33,638	33,707
Securities at amortised cost	3,282,373	2,654,685	3,071,038	2,877,380
Loans at amortised cost	4,825,040	4,480,127	4,032,465	3,576,519
Other financial assets	255,125	255,125	153,747	153,747
Total assets measured not at fair value	**12,601,094**	**11,601,955**	**10,333,045**	**9,665,107**
Financial assets at fair value through profit or loss	410,012	410,012	246,462	246,462
Held for trading securities	*74,795*	*74,795*	*35,633*	*35,633*
Derivative financial instruments classified as held for trading	*304,719*	*304,719*	*182,768*	*182,768*
Securities mandatorily measured at fair value through profit or loss	*30,498*	*30,498*	*28,061*	*28,061*
Equity instruments at fair value through other comprehensive income	17,922	17,922	17,138	17,138
Securities at fair value through other comprehensive income	779,253	779,253	624,801	624,801
Loans mandatorily measured at fair value through profit or loss	793,242	793,242	662,012	662,012
Derivative financial assets designated as hedge accounting relationships	47,220	47,220	17,727	17,727
Total assets measured at fair value	**2,047,649**	**2,047,649**	**1,568,140**	**1,568,140**
FINANCIAL ASSETS TOTAL	**14,648,743**	**13,649,604**	**11,901,185**	**11,233,247**
Amounts due to banks, deposits from the National Bank of Hungary and other banks	1,736,128	1,559,492	1,051,203	958,463
Repo liabilities	408,366	415,703	86,580	86,543
Deposits from customers	11,119,158	11,122,775	9,948,532	9,946,444
Leasing liabilities	41,464	41,477	17,932	17,928
Liabilities from issued securities	498,709	493,440	22,153	21,006
Subordinated bonds and loans	294,186	261,113	271,776	278,151
Other financial liabilities	282,103	282,103	194,511	194,511
Total liabilities measured not at fair value	**14,380,114**	**14,176,104**	**11,592,687**	**11,503,046**
Financial liabilities at fair value through profit or loss	16,576	16,576	20,133	20,133
Derivative financial liabilities designated as held for trading	373,401	373,401	192,261	192,261
Derivative financial liabilities designated as hedge accounting relationships	50,623	50,623	18,690	18,690
Total liabilities measured at fair value	**440,600**	**440,600**	**231,084**	**231,084**
FINANCIAL LIABILITIES TOTAL	**14,820,714**	**14,616,704**	**11,823,771**	**11,734,130**

b) Derivative financial instruments

OTP Bank regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to account for hedge accounting, therefore these transactions were accounted as derivatives held for trading. Net investment hedge in foreign operations is not applicable in separate financial statements.

The assessment of the hedge effectiveness (both for fair value hedges and cash flow hedges) to determine the economic relationship between the hedged item and the hedging instrument is accomplished with prospective scenario analysis via different rate shift scenarios of the relevant risk factor(s) of the hedged risk component(s). The fair value change of the hedged item and the hedging instrument is compared in the different scenarios. Economic relationship is justified if the change of the fair value of the hedged item and the hedging instrument are in the opposite direction and the absolute changes are similar amounts. The hedge ratio is determined as the ratio of the notional of the hedged item and the notional of the hedging instrument. The sources of hedge ineffectiveness are the not hedged risk components (e.g. change of cross currency basis spreads in case of interest rate risk hedges), slight differences in maturity dates and interest payment dates in case of fair value hedges, and differences between the carrying amount of the hedged item and the carrying amount of the hedging instrument in case of FX hedges (e.g. caused by interest rate risk components in the fair value of the hedging instrument).

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) *Derivative financial instruments [continued]*

Fair value of derivative financial instruments[1]

The Bank has the following held for trading derivatives and derivatives designated as hedge accounting:

	2022					2021				
	Before netting		Netting	After netting		Before netting		Netting	After netting	
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Held for trading derivative financial instruments										
Interest rate derivatives										
Interest rate swaps	162,519	(170,144)	155,468	7,051	(14,676)	54,251	(53,720)	40,783	13,468	(12,937)
Cross currency interest rate swaps	11,332	(12,139)	-	11,332	(12,139)	7,207	(7,618)	-	7,207	(7,618)
OTC options	1,000	(1,000)	-	1,000	(1,000)	479	(479)	-	479	(479)
Forward rate agreement	505	(3)	505	-	502	-	-	-	-	-
Total interest rate derivatives (OTC derivatives)	**175,356**	**(183,286)**	**155,973**	**19,383**	**(27,313)**	**61,937**	**(61,817)**	**40,783**	**21,154**	**(21,034)**
From this: Interest rate derivatives cleared by NBH	2,702	-	-	2,702	-	1,276	-	-	1,276	-
Foreign exchange derivatives										
Foreign exchange swaps	109,167	(76,037)	-	109,167	(76,037)	36,896	(40,639)	-	36,896	(40,639)
Foreign exchange forward	9,909	(11,936)	-	9,909	(11,936)	8,854	(6,819)	-	8,854	(6,819)
OTC options	1,048	(822)	-	1,048	(822)	804	(180)	-	804	(180)
Foreign exchange spot conversion	162	(162)	-	162	(162)	175	(246)	-	175	(246)
Total foreign exchange derivatives (OTC derivatives)	**120,286**	**(88,957)**	**-**	**120,286**	**(88,957)**	**46,729**	**(47,884)**	**-**	**46,729**	**(47,884)**
From this: Foreign exchange derivatives cleared by NBH	22,214	-	-	22,214	-	3,447	(1,480)	-	3,447	(1,480)

[1] Certain derivative financial assets and liabilities are offset and the net amount is presented in accordance with IAS 32 in the Statement of Financial Position. The Bank has the ability and the intention to settle those instruments on a net basis, which are settled through the same clearing house.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Derivative financial instruments [continued][1]

Fair value of derivative financial instruments [continued]

	2022 Before netting Assets	2022 Before netting Liabilities	2022 Netting	2022 After netting Assets	2022 After netting Liabilities	2021 Before netting Assets	2021 Before netting Liabilities	2021 Netting	2021 After netting Assets	2021 After netting Liabilities
Equity stock and index derivatives										
Commodity Swaps	34,058	(32,048)	-	34,058	(32,048)	52,197	(52,166)	-	52,197	(52,166)
Equity swaps	54	(702)	-	54	(702)	10,538	(357)	-	10,538	(357)
OTC derivatives	**34,112**	**(32,750)**	**-**	**34,112**	**(32,750)**	**62,735**	**(52,523)**	**-**	**62,735**	**(52,523)**
Exchange traded futures and options	214	(1,887)	-	214	(1,887)	164	(278)	-	164	(278)
Total equity stock and index derivatives	**34,326**	**(34,637)**	**-**	**34,326**	**(34,637)**	**62,899**	**(52,801)**	**-**	**62,899**	**(52,801)**
Derivatives held for risk management not designated in hedges										
Interest rate swaps	133,399	(225,915)	18,944	114,455	(206,971)	51,311	(70,811)	5,682	45,629	(65,129)
Foreign exchange swaps	12,687	(11,908)	-	12,687	(11,908)	1,915	(5,245)	-	1,915	(5,245)
Forward	67	-	-	67	-	-	-	-	-	-
Cross currency interest rate swaps	3,515	(3,572)	-	3,515	(3,572)	4,442	(168)	-	4,442	(168)
Total derivatives held for risk management not designated in hedges	**149,668**	**(241,438)**	**18,944**	**130,724**	**(222,494)**	**57,668**	**(76,224)**	**5,682**	**51,986**	**(70,542)**
From this: Total derivatives cleared by NBH held for risk management	78,916	(1,879)	-	78,916	(1,879)	35,226	(497)	-	35,226	(497)
Total Held for trading derivative financial instruments	**479,636**	**(548,318)**	**174,917**	**304,719**	**(373,401)**	**229,233**	**(238,726)**	**46,465**	**182,768**	**(192,261)**
Derivative financial instruments designated as hedge accounting relationships										
Derivatives designated in cash flow hedges										
Interest rate swaps	-	(25,325)	2,651	(2,651)	(22,674)	-	(8,638)	1,020	(1,020)	(7,618)
Total derivatives designated in cash flow hedges	**-**	**(25,325)**	**2,651**	**(2,651)**	**(22,674)**	**-**	**(8,638)**	**1,020**	**(1,020)**	**(7,618)**
Derivatives designated in fair value hedges										
Interest rate swaps	58,381	(37,290)	30,938	27,443	(6,352)	25,407	(17,878)	12,131	13,276	(5,747)
Cross currency interest rate swaps	20,732	(5,398)	-	20,732	(5,398)	5,471	(5,325)	-	5,471	(5,325)
Foreign exchange swaps	1,696	(16,199)	-	1,696	(16,199)	-	-	-	-	-
Total derivatives designated in fair value hedges	**80,809**	**(58,887)**	**30,938**	**49,871**	**(27,949)**	**30,878**	**(23,203)**	**12,131**	**18,747**	**(11,072)**
From this: Total derivatives cleared by NBH held for hedging	-	(5,485)	-	-	(5,485)	-	(2,249)	-	-	(2,249)
Total derivatives held for risk management (OTC derivatives)	**80,809**	**(84,212)**	**33,589**	**47,220**	**(50,623)**	**30,878**	**(31,841)**	**13,151**	**17,727**	**(18,690)**

[1] Certain derivative financial assets and liabilities are offset and the net amount is presented in accordance with IAS 32 in the Statement of Financial Position. The Bank has the ability and the intention to settle those instruments on a net basis, which are settled through the same clearing house.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) *Hedge accounting*

Interest rate risk management is centralized at OTP Bank. Interest rate risk exposures in major currencies are managed at HQ on consolidated level. Although risk exposures in local currencies are managed at subsidiary level, the respective decisions are subject to HQ approval. Interest rate risk is measured by simulating NII and EVE under different stress and plan scenarios, the established risk limits are described in „OTP Bank's Group-Level Regulations on the Management of Liquidity Risk and Interest Rate Risk of Banking Book". The interest rate risk management activity aims to stabilize NII within the approved risk limits.

The risk management objective of these hedge relationships is to mitigate the risk of clean fair value (i.e. excluding accrued interest) change of MIRS loans due to the change of interest rate reference indexes (BUBOR, EURIBOR, LIBOR, etc.) of the respective currency.

Amount, timing and uncertainty of future cash flows - hedging instruments as at 31 December 2022 (amounts in million currency)

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	-	-	-	(64,875)	30,300	**(34,575)**
		Average Interest Rate (%)	-	-	-	7.15%	1.40%	
		EUR						
		Notional	-	-	101	10	50	**161**
		Average Interest Rate (%)	-	-	0.24%	0.22%	0.05%	
		USD						
		Notional	-	90	-	29	47	**166**
		Average Interest Rate (%)	-	2.60%	-	2.35%	4.18%	
		JPY						
		Notional	-	-	-	4,500	-	**4,500**
		Average Interest Rate (%)	-	-	-	0.22%	-	
Fair Value Hedge	**FX & IR risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	1	2	10	11	**24**
		Average Interest Rate (%)	(1.64%)	(1.68%)	(1.68%)	(1.71%)	(1.82%)	
		Average FX Rate	310.41	310.17	310.20	309.74	307.71	

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

Amount, timing and uncertainty of future cash flows - hedging instruments as at 31 December 2022 (amounts in million currency) [continued]

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**FX risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	-10	125	878	-	**993**
		Average FX Rate	363.88	407.57	362.11	373.88	-	
		RON/HUF						
		Notional	-	-	400	3,121	-	**3,521**
		Average FX Rate	-	-	72.92	75.08	-	
		JPY/HUF						
		Notional	-	-	-	4,500	-	**4,500**
		Average FX Rate	-	-	-	2.79	-	
		USD/HUF						
		Notional	-	-7	144	146	-	**283**
		Average FX Rate	-	323.77	323.77	323.77	-	
Fair Value Hedge	**Other**	**Interest rate swap**						
		HUF						
		Notional	-	1,323	198	778	-	**5,585**
Cash flow Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	-	794	3,203	-	28,027	**32,024**
		Average Interest Rate	-	1.13	1.93	-	2.46	

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) *Hedge accounting [continued]*

Amount, timing and uncertainty of future cash flows - hedging instruments as at 31 December 2021 (amounts in million currency)

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	-	2,000	900	(52,474)	42,950	**(6,624)**
		Average Interest Rate (%)	-	1.09%	0.49%	1.65%	1.31%	
		EUR						
		Notional	-	-	1	111	50	**162**
		Average Interest Rate (%)	-	-	0.23%	0.24%	0.05%	
		USD						
		Notional	-	-	-	119	47	**166**
		Average Interest Rate (%)	-	-	-	2.54%	4.18%	
		JPY						
		Notional	-	-	-	4,500	-	**4,500**
		Average Interest Rate (%)	-	-	-	0.22%	-	
	FX & IR risk	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	1	2	12	12	**27**
		Average Interest Rate (%)	(1.64%)	(1.68%)	(1.67%)	(1.69%)	(1.82%)	
		Average FX Rate	310.41	310.29	310.26	310.01	307.81	
	FX risk	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	(6)	35	572	-	**601**
		Average FX Rate	363.88	354.22	356.94	355.93	-	
		RON/HUF						
		Notional	-	-	200	2,225	-	**2,425**
		Average FX Rate	-	-	66.21	73.08	-	
		RUB/HUF						
		Notional	-	-	-	11,200	-	**11,200**
		Average FX Rate	-	-	-	4.15	-	
		JPY/HUF						
		Notional	-	-	-	4,500	-	**4,500**
		Average FX Rate	-	-	-	2.79	-	
		USD/HUF						
		Notional	-	-	(3)	306	-	**303**
		Average FX Rate	-	-	323.77	323.77	-	
	Other	**Interest rate swap**						
		HUF						
		Notional	-	3,345	1,823	3,093	-	**8,261**
	Interest rate risk	**Interest rate swap**						
		HUF						
		Notional	-	-	-	7,819	28,027	**35,846**
		Average Interest Rate	-	-	-	1.80	2.46	

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

Derivative financial instruments designated as hedge accounting as follows:

Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument for the year ended 31 December 2022					Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2022
			Before netting		Netting	After netting			
			Assets	Liabilities		Assets	Liabilities		
Fair value hedge									
Interest rate swap	Interest rate risk	444,627	58,260	(37,258)	30,938	27,322	(6,320)	Derivative assets (liabilities) held for risk management	12,873
Cross-currency swap	FX & IR risk	7,292	-	(2,679)	-	-	(2,679)	Derivative assets (liabilities) held for risk management	3
Cross-currency swap	FX risk	813,430	21,685	(2,719)	-	21,685	(2,719)	Derivative assets (liabilities) held for risk management	(6,087)
FX swap	FX risk	290,982	743	(16,199)	-	743	(16,199)	Derivative assets (liabilities) held for risk management	-
Interest rate swap	Other	2,299	121	(32)	-	121	(32)	Derivative assets (liabilities) held for risk management	1
Cash flow hedge									
Interest rate swap	Interest rate risk	92,203	-	(25,325)	2,651	(2,651)	(22,674)	Derivative assets (liabilities) held for risk management	(101)

31 December 2022	Type of risk	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
- Loans	***Interest rate risk***	64,596	-	(5,033)	-	Loans
- Loans	***Interest rate risk***	-	143,208	-	(34,149)	Amounts due to banks and deposits from the National Bank of Hungary and other banks
- Government bonds	***Interest rate risk***	14,814	-	(4,601)	-	Securities at amortised cost
- Government bonds	***Interest rate risk***	151,501	-	(45,319)	-	Securities at fair value through other comprehensive income
- Government bonds	***Interest rate risk***	-	-	-	-	Financial assets at fair value through profit or loss
- Other securities	***Interest rate risk***	44,508	-	(638)	-	Securities at fair value through other comprehensive income
- Other securities		-	25,563	-	448	Liabilities from issued securities
- Loans	***FX & IR risk***	9,099	-	503	-	Loans
- Loans	***FX risk***	716,841	-	-	-	Loans
- Government bonds	***FX risk***	12,797	-	-	-	Securities at amortised cost
- Government bonds	***FX risk***	113,806	-	-	-	Securities at fair value through other comprehensive income
- Other securities	***Other risk***	-	2,299	-	(218)	Liabilities from issued securities
Fair value hedges total		**1,127,962**	**171,070**	**(55,089)**	**(33,919)**	

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

Derivative financial instruments designated as hedge accounting as follows:

Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument for the year ended 31 December 2021					Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2021
			Before netting		Netting	After netting			
			Assets	Liabilities		Assets	Liabilities		
Fair value hedge									
Interest rate swap	Interest rate risk	409,595	23,976	(17,878)	12,131	11,845	(5,747)	Derivative assets (liabilities) held for risk management	6,494
Cross-currency swap	FX & IR risk	8,175	-	(2,249)	-	-	(2,249)	Derivative assets (liabilities) held for risk management	4
Cross-currency swap	FX risk	566,936	5,471	(3,076)	-	5,471	(3,076)	Derivative assets (liabilities) held for risk management	(1,687)
Interest rate swap	Other	8,261	1,431	-	-	1,431	-	Derivative assets (liabilities) held for risk management	3
Cash flow hedge									-
Interest rate swap	Interest rate risk	35,846	-	(8,638)	1,020	(1,020)	(7,618)	Derivative assets (liabilities) held for risk management	(101)

31 December 2021	Type of risk	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
- Loans	***Interest rate risk***	57,176	-	637	-	Loans
- Loans	***Interest rate risk***	-	142,649	-	(16,858)	Loans
- Government bonds	***Interest rate risk***	13,921	-	(1,230)	-	Securities at amortised cost
- Government bonds	***Interest rate risk***	152,830	-	(22,457)	-	Securities at fair value through other comprehensive income
- Government bonds	***Interest rate risk***	-	-	-	-	Financial assets at fair value through profit or loss
- Other securities	***Interest rate risk***	42,008	-	318	-	Securities at fair value through other comprehensive income
- Loans	***FX & IR risk***	10,595	-	611	-	Loans
- Loans	***FX risk***	458,312	-	-	-	Loans
- Loans	***FX risk***	12,811	-	-	-	Securities at fair value through other comprehensive income
- Loans	***FX risk***	98,668	-	-	-	Securities at amortised cost
- Other securities	***Other risk***	-	8,261	-	(161)	Liabilities from issued securities
Fair value hedges total		**846,321**	**150,910**	**(22,121)**	**(17,019)**	

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

For the year ended 31 December 2022 OCI related to cash flow hedges as follows:

Type of risk	Carrying amount of the hedged item		Cash flow hedge reserve	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities		
Interest rate risk	32,024	-	9,210	Loans at amortised cost

For the year ended 31 December 2021 OCI related to cash flow hedges as follows:

Type of risk	Carrying amount of the hedged item		Cash flow hedge reserve	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities		
Interest rate risk	35,965	-	3,568	Loans at amortised cost

For the year ended 31 December 2022 change in basis swap spread recognised in OCI related to fair value hedges as follows:

Type of risk	Carrying amount of the hedged item		Items recognised in other comprehensive income	Change in the items recognized in other comprehensive income	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	716,841	-	(363)	605	Loans at amortised cost
FX risk	12,797	-	(52)	-	FVOCI securities
	729,638	**-**	**(415)**	**605**	

For the year ended 31 December 2021 change in basis swap spread recognised in OCI related to fair value hedges as follows:

Type of risk	Carrying amount of the hedged item		Items recognised in other comprehensive income	Change in the items recognized in other comprehensive income	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	458,312	-	(1,032)	(1,681)	Loans at amortised cost
FX risk	12,811	-	64	-	FVOCI securities
	471,123	**-**	**(968)**	**(1,681)**	

Change in the fair value of the hedging instrument related to cash flow hedge

31 December 2022

Type of instrument	Type of risk	Change in the value of the hedging instrument recognised in cash flow hedge reserve	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	Interest rate risk	5,642	(101)	Interest Income from Placements with other banks, net of allowance for placement losses

For the year ended 31 Deember 2022 an amount HUF 227 million reclassified from cash flow hedge reserve to profit or loss due to termination of hedging relationship.

31 December 2021

Type of instrument	Type of risk	Change in the value of the hedging instrument recognised in cash flow hedge reserve	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	Interest rate risk	6,307	(101)	Interest Income from Placements with other banks, net of allowance for placement losses

For the year ended 31 December 2021 an amount HUF 171 million reclassified from cash flow hedge reserve to profit or loss due to termination of hedging relationship.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value classes

Methods and significant assumptions used to determine fair value of the different classes of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2022	Total	Level 1	Level 2	Level 3
Loans mandatorily at fair value through profit or loss	793,242	-	-	793,242
Financial assets at fair value through profit or loss	410,012	41,534	359,104	9,374
from this: securities held for trading	*74,795*	*20,197*	*54,598*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*304,719*	*213*	*304,506*	-
from this: securities mandatorily measured at fair value through profit or loss	*30,498*	*21,124*	-	*9,374*
Equity instruments at fair value through other comprehensive income	17,922	17,922	-	-
Securities at fair value through other comprehensive income	779,253	194,756	557,082	27,415
Positive fair value of derivative financial instruments designated as hedge accounting	47,220	-	47,220	-
Financial assets measured at fair value total	**2,029,727**	**236,290**	**963,406**	**830,031**
Financial liabilities at fair value through profit or loss	16,576	-	-	16,576
Negative fair value of derivative financial instruments classified as held for trading	373,401	1,886	370,865	650
Short position	24,596	24,596	-	-
Negative fair value of derivative financial instruments designated as hedge accounting	50,623	-	50,623	-
Financial liabilities measured at fair value total	**465,196**	**26,482**	**421,488**	**17,226**

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) *Fair value classes [continued]*

As at 31 December 2021	Total	Level 1	Level 2	Level 3
Loans mandatorily at fair value through profit or loss	662,012	-	-	662,012
Financial assets at fair value through profit or loss	246,462	37,537	189,501	19,424
from this: securities held for trading	*35,633*	*18,566*	*17,067*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*182,768*	*164*	*172,434*	*10,170*
from this: securities mandatorily measured at fair value through profit or loss	*28,061*	*18,807*	-	*9,254*
Equity instruments at fair value through other comprehensive income	17,138	17,138	-	-
Securities at fair value through other comprehensive income	624,801	298,009	326,792	-
Positive fair value of derivative financial instruments designated as hedge accounting	17,727	-	17,727	-
Financial assets measured at fair value total	**1,551,002**	**335,546**	**534,020**	**681,436**
Financial liabilities at fair value through profit or loss	20,133	-	-	20,133
Negative fair value of derivative financial instruments classified as held for trading	192,261	278	191,983	-
Short position	16,904	16,904	-	-
Negative fair value of derivative financial instruments designated as hedge accounting	18,690	-	18,690	-
Financial liabilities measured at fair value total	**247,988**	**17,182**	**210,673**	**20,133**

The fair value of investment properties is presented in Note 14 and they are categorized in level 3.
The fair value of investment in subsidiaries is presented in Note 12 and they are categorized in level 3.

Valuation techniques and sensitivity analysis on Level 2 instruments

The fair value of Level 2 instruments is calculated by discounting their expected interest and capital cash flows. Discounting is done with the respective swap curve of each currency.

Valuation techniques and sensitivity analysis on Level 3 instruments

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of the valuation techniques used, as well as the availability and reliability of observable proxy and historical date and the impact of using alternative models.
The calculation is based on range or spread data of reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value classes [continued]

Unobservable inputs used in measuring fair value

Class of financial instrument	Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates for unobservable input
Financial assets at fair value through profit or loss	VISA C shares	Market approach combined with expert judgement	Discount applied due to illiquidity and litigation	+/-12%
Loans mandatorily at fair value through profit or loss	MFB refinancing loans	Discounted cash flow model	Probability of default	+/- 20%
Loans mandatorily at fair value through profit or loss	Subsidised personal loans	Discounted cash flow model	Probability of default	+/- 20%
Loans mandatorily at fair value through profit or loss	Subsidised personal loans	Discounted cash flow model	Operational costs	+/- 20%
Loans mandatorily at fair value through profit or loss	Subsidised personal loans	Discounted cash flow model	Demography	Change in the cash flow estimation +/- 5%
Securities at fair value through other comprehensive income	FVOCI debt securities	Market approach combined with expert judgement	Credit risk	+/-15%

The effect of unobservable inputs on fair value measurement

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 changing the assumptions used to reasonably possible alternative assumptions would have the following effects.

31 December 2022	Unobservable inputs	Carrying amount	Fair values		Effect on profit and loss	
			Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Illiquidity	1,469	1,707	1,231	238	(238)
MFB refinancing loans	Probability of default	15,483	15,602	15,364	119	(119)
Subsidised personal loans	Probability of default	772,094	773,281	770,911	1,187	(1,183)
Subsidised personal loans	Operational costs	772,094	777,898	769,012	5,804	(3,082)
Subsidised personal loans	Demography	772,094	774,528	769,544	2,434	(2,550)
FVOCI debt securities	Credit risk	27,415	34,586	20,244	7,171	(7,171)

31 December 2021	Unobservable inputs	Carrying amount	Fair values		Effect on profit and loss	
			Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Illiquidity	2,934	3,339	2,529	405	(405)
MFB refinancing loans	Probability of default	19,095	19,218	18,972	123	(123)
Subsidised personal loans	Probability of default	635,416	639,006	631,855	3,590	(3,561)
Subsidised personal loans	Operational costs	635,416	647,291	623,933	11,875	(11,483)
Subsidised personal loans	Demography	635,416	635,484	635,387	68	(29)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of Visa C shares have been calculated by modifying the discount rate used for the valuation by +/-12% as being the best estimates of the management as at 31 December 2022 and 31 December 2021 respectively.

In the case of MFB refinancing loans and subsidised personal loans the Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of probability of default by +/- 20% as one of the most significant unobservable input.

In case of subsidised personal loans operational cost and factors related to demography are considered as unobservable inputs to the applied fair value calculation model in addition to credit risk.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) *Fair value classes [continued]*

The effect of unobservable inputs on fair value measurement [continued]

The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of operational costs by +/- 20% as one of the most significant unobservable input.

In case of subsidised personal loans cash flow estimation are based on assumption related to the future number of childbirths performed by the debtors both in the current and the comparative period. According to the assumptions used in comparative period 15% of the debtors will not fulfill the conditions of the subsidy determined by the government after 5 years (“breach of conditions”), thereby debtors will be obliged to pay back advanced interest subsidy given in advance. Furthermore, in this case subsidised loans are converted to loans provided based on market conditions. Loans are prepaid by the government as part of the subsidy after the second and the third childbirth following the signatory of the loan contract. The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the demographical assumption of breach of conditions by +/- 5% as one of the most significant unobservable input in the cash flow estimation.

For the year ended 31 December 2022 the Bank used a new and more complex model for cash flow calculations of the subsidised personal loans. The new model uses more scenarios compared to the previous one. These scenarios based on the above mentioned events (first second and third child births after signatory and breach of conditions) and also the event of divorce. The model uses public statistical information to estimate the outcome of these possible future events. The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modiying the demographical assumption of future child births by +/-5% as one of the most significant unobservable input in the cash flow estimation.

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of FVOCI debt securities have been calculated by modifying the credit risk rate used for the valuation by +/-15% as being the best estimates of the management as at 31 December 2022 and 31 December 2021 respectively.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) *Fair value classes [continued]*

The effect of unobservable inputs on fair value measurement [continued]

Reconciliation of the opening and closing balances of Level 3 instruments for the year ended 31 December 2022

	Opening balance	Transfer to Level 3	Change in FVA due to credit risk	Change in FVA due to market factors	Purchases/ Disbursement	Settlement/Sales	Closing balance
Loans mandatorily measured at fair value through profit or loss	662,012	-	11,872	(23,330)	182,259	(39,571)	793,242
Securities mandatorily measured at fair value through profit or loss	9,254	-	-	(1,052)	1,172	-	9,374
Derivative financial instruments designated as held for trading	10,170	-	-	(10,820)	-	-	(650)
Securities at fair value through other comprehensive income	-	12,105	-	15,310	-	-	27,415
Financial liabilities at fair value through profit or loss	(20,133)		-	1,934	-	1,623	(16,576)
Total	**661,303**	**12,105**	**11,872**	**(17,958)**	**183,431**	**(37,948)**	**812,805**

Reconciliation of the opening and closing balances of Level 3 instruments for the year ended 31 December 2021

	Opening balance	Issuance/ Disbursement	Change in FVA due to credit risk	Change in FVA due to market factors	Settlement	Closing balance
Loans mandatorily measured at fair value through profit or loss	480,937	227,324	(16,255)	(12,692)	(17,302)	662,012
Securities mandatorily measured at fair value through profit or loss	8,124	390	-	740	-	9,254
Derivative financial instruments designated as held for trading	6,586	-	-	3,584	-	10,170
Financial liabilities at fair value through profit or loss	(25,902)	-	-	(3,916)	9,685	(20,133)
Total	**469,745**	**227,714**	**(16,255)**	**(12,284)**	**(7,617)**	**661,303**

NOTE 46: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2022

1) Capital increase in OTP Bank Romania

See details about the event in Note 12.

2) Joint venture company in China

On 2 June 2022 OTP Bank Plc. executed transaction agreements with its partners to establish a consumer finance joint venture company as a greenfield investment in China, with a 15% shareholding.

3) Special taxes on financial institutions

Pursuant to Government Decree No. 197/2022 published on 4 June 2022, the Hungarian Government decided to impose a windfall tax on credit institutions and financial enterprises temporarily, that is for 2022 and 2023.
As for 2022, the base of the windfall tax is the net revenues based on the 2021 financial statements, calculated according to local tax law, whereas the tax rate is 10%.
The after-tax effect of the special tax on financial institutions payable in Hungary since 2010 reached HUF 20.2 billion for full-year 2022, the whole amount was booked in the first quarter. Furthermore, for 2022 the after-tax burden of the windfall tax was HUF 67.9 billion, accounted for in a lump sum in the second quarter. Thirdly, the newly introduced special tax on certain companies in Croatia was booked in the fourth quarter of 2022 with an after-tax effect of HUF (3.2) billion.

4) Maturity of OTP MOL Swap

The amended final maturity of the share swap agreement concluded with MOL Plc. (“**MOL**”) on 16 April 2009 – whereby OTP has exchanged 24.000.000 OTP ordinary shares for 5.010.501 (from 28 September 2017 for 40.084.008) „A” series MOL ordinary shares – is 11 July 2027, until which each party can initiate cash or physical settlement of the transaction.

5) Prolongation of deadline of loan moratorium and interest rate cap

See Note 4.

6) Interest benchmark reform

During the IBOR reform the Bank identified several risks at the beginning of 2021, which the project had to manage and monitor closely. These risks include but are not limited to the following:

- The abolution of LIBOR affected several transactions that may require automated IT solutions,
- The new reference rates are different in nature from LIBOR that cause difficulties to settle the value differences with the customers,
- It was necessary to implement new processes not to develop LIBOR based products, and to develop a strategy for removing or modifying the affected products handled by the Bank,
- After termination of LIBOR, the Bank has to act under the "Fallback clauses", the clauses that regulate the replacement of the reference interest rates in the contract and the use of an alternative interest as a reference. The content of these clauses needs to be clearly defined and checked from a business point of view, ie which reference interest rate will be applied instead of LIBOR for the given contract and whether it is commercially appropriate. In defining the fallback clauses, efforts had to be made to provide a viable alternative to the termination of LIBOR that would not result in a business loss for the Bank.
- Legal risks related to the termination of LIBOR. Such risks can arise when Fallback clauses are not included in the contracts, or the law governing the contract doesn’t contain a statutory reference rate. In these cases the contracts can be cancelled due to impossibility or the termination by either party.
- Missing of contractual interest rates can result in settlement disputes, compensation cases or litigation.
- Business risks of the termination of LIBOR. The most significant of these are
    - the law governing the contract can set the applicable interest rate that can be result in a business loss for the Bank,
    - business loss due to negative customer experience,
    - operational risk, when several unique contracts must be handled in a short time

NOTE 46: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2022 [continued]

6) Interest benchmark reform [continued]

Terminating interest rates ()	**Alternative Reference Rates**
LIBOR USD* (1 week and 2 months settings), FedFund Rate	**SOFR**
LIBOR GBP	**SONIA**
LIBOR JPY	**TONA**
LIBOR EUR	**EURIBOR**
LIBOR CHF**	**SARON**
EONIA	**€STR**

* The following USD LIBOR settings will be terminated after June 30, 2023: overnight and 1, 3, 6 and 12 Months. The affected USD LIBOR contracts will be handled on an ongoing basis until the remaining USD LIBOR settings' cessation date.

**In the case of CHF LIBOR, OTP Bank acts in accordance with the implementing regulation of the European Commission (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI_COM:C(2021)7488&from=EN).

Amounts effected by IBOR reform as at 31 December 2022

Reference rate	**Type of the contract**	**Nominal value of the contract**	**Pieces of contracts**
USD LIBOR	Loan	19,823	8
USD LIBOR	Deposit	18,811	19
USD LIBOR	Derivatives	451,042	113
Other LIBOR	Derivatives	25,593	4
Other LIBOR	Bonds (assets)	5,319	1
Total		**520,588**	**145**

The above LIBOR-based amounts outstanding as at 31 December 2022 will be managed at the first interest period therefore they do not cause a risk to the Bank or to the customers.

7) Green Senior Preferred Notes issued in amount of EUR 400 million

See details about the event in Note 20.

8) Financial closing of the bank acquisition transaction in Albania

See details about the events in Note 12.

9) Green Senior Preferred Notes issued in amount of USD 60 million

See details about the event in Note 20.

10) Capital increases at OTP Mortgage Bank Ltd.

See details about the events in Note 12.

11) Green Senior Preferred Notes issued in amount of EUR 650 million

See details about the event in Note 20.

12) Acquisition of Uzbek Ipoteka Banka

See details about the event in Note 12.

NOTE 46: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2022 [continued]

13) Risk relating to the Russian-Ukrainian armed conflict

On 24 February 2022 Russia launched a military operation against Ukraine which is still ongoing at the date of this Report. Until now many countries, as well as the European Union imposed sanctions due to the armed conflict on Russia and Russian businesses and citizens. Russia responded to these sanctions with similar measures.

The armed conflict and the international sanctions influence the business and economic activities significantly all around the world. There are a number of factors associated with the Russian-Ukrainian armed conflict and the international sanctions as well as their impact on global economies that could have a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions such as the OTP Group.

The armed conflict and the international sanctions cause significant economic damage to the affected parties and in addition they cause disruptions in the global economic processes, of which the precise consequences (inter alia the effects on energy and grain markets, the global transport routes and international trade as well as tourism) are difficult to be estimated at the moment.

It remains unclear how this will evolve through 2022 and the OTP Group continues to monitor the situation closely. However, the OTP Group's ability to conduct business may be adversely affected by disruptions to its infrastructure, business processes and technology services. This may cause significant customer detriment, costs to reimburse losses incurred by the OTP Group’s customers, and reputational damage.

Furthermore, the OTP Group relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing and assessing capital adequacy. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and as such assumptions may later potentially prove to be incorrect, this can affect the accuracy of their outputs. This may be exacerbated when dealing with unprecedented scenarios, such as the Russian-Ukrainian armed conflict and the international sanctions, due to the lack of reliable historical reference points and data.

Any and all such events mentioned above could have a material adverse effect on the OTP Group’s business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings, as well as on the OTP Group’s customers, employees and suppliers.

NOTE 47: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

1) Summary of economic policy measures made and other relevant regulatory changes as post-balance sheet events

In the section below, the measures and developments which have been made since the balance sheet date, and – in OTP Bank's view – are relevant and have materially influenced / can materially influence the operation of the Bank.

OTP Bank excludes any liability for the completeness and accuracy of the measures presented herein.

Hungary

- On 4 January 2023 OTP Bank announced that the National Bank of Hungary imposed the below additional capital requirements for OTP Group, on consolidated level, effective from 1 January 2023 until the next review:
  - 1.13%-points in case of the Common Equity Tier1 (CET1) capital, accordingly the minimum requirement for the consolidated CET1 ratio is 5.63% (without regulatory capital buffers);
  - 1.50%-points in case of the Tier1 capital, accordingly the minimum requirement for the consolidated Tier1 ratio is 7.50% (without regulatory capital buffers);
  - 2.00%-points in case of the Total SREP Capital Requirement (TSCR), accordingly the minimum requirement for the consolidated capital adequacy ratio is 10.00% (without regulatory capital buffers).
- On 23 January 2023 the Ministry of Economic Development announced that the Gábor Baross Reindustrialization Loan Programme will be launched from February by Eximbank, with a total available amount of HUF 700 billion. Under the scheme, the HUF and EUR denominated loans will be available for all purposes, depending on the loan amount either through commercial banks or directly through Eximbank, but all the funding need will be provided or refinanced by Eximbank. The interest rate of the loans will be fixed throughout the whole tenor and will be typically maximum 6% in the case of HUF loans and maximum 3.5% in the case of EUR loans.
- On 24 January 2023 the National Bank of Hungary kept the reference rates unchanged. The NBH held a long-term deposit tender on 25 January, and from 1 February discount bill auctions are held on a weekly basis. The NBH said that it will continue to meet foreign currency liquidity needs in the coming months to reach market balance related to the energy account. Furthermore, the Deputy Governor announced that effective from April the mandatory reserve requirement for banks will be increased from 5% to 10%.
- On 27 January 2023 S&P Global Ratings lowered the long- and short-term foreign and local currency sovereign credit ratings on Hungary to 'BBB-/A-3' from 'BBB/A-2'. The outlook on the long-term ratings is stable.
- According to the press release published on 30 January 2023 by S&P Global Ratings, the rating agency downgraded its long- and short-term issuer credit ratings, as well as the long- and short-term resolution counterparty ratings on OTP Bank Plc. and OTP Mortgage Bank Ltd. to 'BBB-/A-3' from 'BBB/A-2', and the senior preferred debt rating of OTP Bank Plc. was also downgraded by one notch to 'BBB-'. The outlook on the long-term issuer ratings is stable.
- The financial completion of the transaction to purchase 100% shareholding of Nova KBM d.d. and its subsidiary in Slovenia – after obtaining all necessary regulatory approvals – has been completed on 6 February 2023.
- According to the press release published on 6 February 2023 by Moody's Investors Service, the rating agency concluded the ratings review initiated in July 2021. The rating agency downgraded OTP Bank's subordinated bond rating by one notch to 'Ba2' from 'Ba1'. All other ratings and assessments of OTP Bank have been affirmed. Outlook is stable.
- At the same time, Moody's Investors Service downgraded the backed long-term domestic currency issuer rating of OTP Mortgage Bank to 'Baa3' from 'Baa2'. All other ratings and assessments of OTP Mortgage Bank have been affirmed. Outlook is stable.
- On 15 February 2023 as value date OTP Bank issued Tier 2 Notes in the aggregate nominal amount of USD 650 million. The Tier 2 Notes with 10.25 years maturity, redeemable at par any time during the 3-month period prior to the Reset Date at 5.25 years, were priced on 8 February 2023.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS (2022)

OTP BANK PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022
(in HUF mn)

	Note	2022	2021
Cash, amounts due from banks and balances with the National Banks	5.	4,221,392	2,556,035
Placements with other banks	6.	1,351,082	1,584,861
Repo receivables	7.	41,009	61,052
Financial assets at fair value through profit or loss	8.	436,387	341,397
Securities at fair value through other comprehensive income	9.	1,739,603	2,224,510
Securities at amortized cost	10.	4,891,938	3,891,335
Loans at amortized cost	11.	16,094,458	13,493,183
Loans mandatorily at fair value through profit or loss	11.	1,247,414	1,068,111
Finance lease receivables	36.	1,298,752	1,182,628
Associates and other investments	12.	73,849	67,222
Property and equipment	13.	464,469	411,136
Intangible assets and goodwill	13.	237,031	248,631
Right-of-use assets	36.	58,937	50,726
Investment properties	14.	47,452	29,882
Derivative financial assets designated as hedge accounting	15.	48,247	18,757
Deferred tax assets	35.	75,421	15,109
Current income tax receivables	35.	5,650	29,978
Other assets	16.	471,119	276,785
Assets classified as held for sale	50.	-	2,046
TOTAL ASSETS		**32,804,210**	**27,553,384**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	17.	1,463,158	1,567,348
Repo liabilities	18.	217,369	79,047
Financial liabilities designated at fair value through profit or loss	19.	54,191	41,184
Deposits from customers	20.	25,188,805	21,068,644
Liabilities from issued securities	21.	870,682	436,325
Derivative financial liabilities held for trading	22.	385,747	202,716
Derivative financial liabilities designated as hedge accounting	23.	27,949	11,228
Leasing liabilities	36.	63,778	53,286
Deferred tax liabilities	35.	40,094	24,045
Current income tax payable	35.	28,866	36,581
Provisions	24.	131,621	119,799
Other liabilities	24.	707,654	598,081
Subordinated bonds and loans	25.	301,984	278,334
TOTAL LIABILITIES		**29,481,898**	**24,516,618**
Share capital	26.	28,000	28,000
Retained earnings and reserves	27.	3,395,215	3,109,509
Treasury shares	28.	(106,862)	(106,941)
Total equity attributable to the parent		**3,316,353**	**3,030,568**
Total equity attributable to non-controlling interest	**29.**	**5,959**	**6,198**
TOTAL SHAREHOLDERS' EQUITY		**3,322,312**	**3,036,766**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**32,804,210**	**27,553,384**

Budapest, 31 March, 2023

Dr. Sándor Csányi
Chairman and Chief Executive Officer

László Wolf
Deputy Chief Executive Officer

OTP BANK PLC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022
(in HUF mn)

	Note	2022	2021
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	30.	1,508,050	922,539
Income similar to interest income	30.	495,973	194,920
Interest income and income similar to interest income		**2,004,023**	**1,117,459**
Interest expense		**(912,709)**	**(243,149)**
NET INTEREST INCOME		**1,091,314**	**874,310**
Loss allowance on loans, placements, amounts due from banks and on repo receivables	31.	(155,681)	(27,721)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	31.	13,346	(16,289)
Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	31.	(60,774)	(3,974)
Provision for commitments and guarantees given	31.	(6,145)	(99)
(Impairment) / Release of impairment of assets subject to operating lease and of investment properties	31.	(1,204)	438
Risk cost total		**(210,458)**	**(47,645)**
NET INTEREST INCOME AFTER RISK COST		**880,856**	**826,665**
(Loss) / Gain from derecognition of financial assets at amortized cost	**31.**	**(1,655)**	**1,885**
Modification loss	**4.**	**(39,997)**	**(13,672)**
Income from fees and commissions	32.	739,576	554,113
Expense from fees and commissions	32.	(139,216)	(111,939)
Net profit from fees and commissions		**600,360**	**442,174**
Foreign exchange result, net	33.	(14,989)	(4,075)
(Loss) / Gain on securities, net	33.	(4,488)	5,560
Fair value adjustment on financial instruments measured at fair value through profit or loss	33.	(4,164)	(532)
Net results on derivative instruments and hedge relationships	33.	10,558	6,798
Profit from associates	8., 9.	14,640	15,648
Goodwill impairment	13.	(67,715)	-
Other operating income	34.	125,415	81,328
Other operating expenses	34.	(128,785)	(85,732)
Net operating income		**(69,528)**	**18,995**
Personnel expenses	34.	(402,563)	(340,684)
Depreciation and amortization	13.	(107,588)	(94,996)
Other general expenses	34.	(464,997)	(311,932)
Other administrative expenses		**(975,148)**	**(747,612)**
PROFIT BEFORE INCOME TAX		**394,888**	**528,435**
Income tax expense	35.	(59,251)	(72,123)
PROFIT AFTER INCOME TAX FOR THE PERIOD FROM CONTINUING OPERATIONS		**335,637**	**456,312**

OTP BANK PLC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022 [continued]
(in HUF mn)

	Note	2022	2021
PROFIT AFTER INCOME TAX FOR THE PERIOD			
FROM CONTINUING OPERATIONS		**335,637**	**456,312**
From this, attributable to:			
Non-controlling interest	**29.**	**727**	**836**
Owners of the company		**334,910**	**455,476**
DISCONTINUED OPERATIONS			
Gain from disposal of subsidiary classified as held for sale	50.	11,444	-
Gain from discontinued operations	50.	-	116
PROFIT AFTER INCOME TAX FROM CONTINUING AND			
DISCOUNTINUED OPERATION		**347,081**	**456,428**
From this, attributable to:			
Non-controlling interest	**29.**	**727**	**836**
Owners of the company		**346,354**	**455,592**
Earnings per share (in HUF)			
From continuing operations			
Basic	46.	1,246	1,738
Diluted	46.	1,246	1,738
From continuing and discontinued operations			
Basic	46.	1,289	1,738
Diluted	46.	1,288	1,738

OTP BANK PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022
(in HUF mn)

	Note	2022	2021
PROFIT AFTER INCOME TAX FOR THE YEAR		**347,081**	**456,428**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of securities at fair value through other comprehensive income	27.	(134,692)	(50,789)
Deferred tax related to fair value adjustment of securities at fair value through other comprehensive income	27.	10,816	3,526
Foreign currency translation difference	27.	179,623	61,729
Items that will not be reclassified subsequently to profit or loss:			
Fair value changes of equity instruments at fair value through other comprehensive income	27.	5,780	2,747
Deferred tax related to equity instruments at fair value through other comprehensive income	27.	(1,282)	(361)
Change of actuarial gain related to employee benefits	27.	1,059	53
Deferred tax related to change of actuarial gain related to employee benefits	27.	(43)	(11)
Subtotal		**61,261**	**16,894**
TOTAL COMPREHENSIVE INCOME		**408,342**	**473,322**
From this, attributable to:			
Non-controlling interest		647	1,041
Owners of the company		407,695	472,281

OTP BANK PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022
(in HUF mn)

	Note	Share capital	Capital reserve	Retained earnings and other reserves[1]	Treasury shares	Total attributable to shareholders	Non-controlling interest	Total
Balance as at 1 January 2021		**28,000**	**52**	**2,629,024**	**(124,080)**	**2,532,996**	**4,116**	**2,537,112**
Profit after income tax for the period		-	-	455,592	-	455,592	836	456,428
Other Comprehensive Income		-	-	16,689	-	16,689	205	16,894
Total comprehensive income		**-**	**-**	**472,281**	**-**	**472,281**	**1,041**	**473,322**
Increase due to business combination		-	-	-	-	-	1,041	1,041
Share-based payment	40.	-	-	3,589	-	3,589	-	3,589
Adjustment of previous years' reserves		-	-	1,034	-	1,034	-	1,034
Sale of Treasury shares	28.	-	-	-	293,572	293,572	-	293,572
Treasury shares - loss on sale	28.	-	-	(27,800)	-	(27,800)	-	(27,800)
Treasury shares - acquisition	28.	-	-	-	(276,433)	(276,433)	-	(276,433)
Payments to ICES holders	27.	-	-	(3,734)	-	(3,734)	-	(3,734)
Increase due to termination of ICES	27.	-	-	35,063	-	35,063	-	35,063
Balance as at 31 December 2021		**28,000**	**52**	**3,109,457**	**(106,941)**	**3,030,568**	**6,198**	**3,036,766**

	Note	Share capital	Capital reserve	Retained earnings and other reserves[1]	Treasury shares	Total attributable to shareholders	Non-controlling interest	Total
Balance as at 1 January 2022		**28,000**	**52**	**3,109,457**	**(106,941)**	**3,030,568**	**6,198**	**3,036,766**
Profit after income tax for the period		-	-	346,354	-	346,354	727	347,081
Other Comprehensive Income		-	-	61,341	-	61,341	(80)	61,261
Total comprehensive income		**-**	**-**	**407,695**	**-**	**407,695**	**647**	**408,342**
Purchasing of non-controlling interest		-	-	-	-	-	(886)	(886)
Decrease due to business combination		-	-	(1,321)	-	(1,321)	-	(1,321)
Share-based payment	40.	-	-	2,948	-	2,948	-	2,948
Paid dividends for years 2019, 2020, 2021	27.	-	-	(120,248)	-	(120,248)	-	(120,248)
Adjustment related to share-based payment		-	-	4,066	-	4,066	-	4,066
Sale of Treasury shares	28.	-	-	-	16,347	16,347	-	16,347
Treasury shares - loss on sale	28.	-	-	(7,434)	-	(7,434)	-	(7,434)
Treasury shares - acquisition	28.	-	-	-	(16,268)	(16,268)	-	(16,268)
Balance as at 31 December 2022		**28,000**	**52**	**3,395,163**	**(106,862)**	**3,316,353**	**5,959**	**3,322,312**

[1] See details in Note 27.

OTP BANK PLC
CONSOLIDATED STATEMENT OF CASH-FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022
(in HUF mn)

OPERATING ACTIVITIES	Note	2022	2021
Profit after income tax for the period			
(attributable to the owners of the company)		**346,354**	**455,592**
Net accrued interest		45,499	14,854
Dividend income	27.	(13,800)	(15,648)
Depreciation and amortization	13.	112,749	100,321
Goodwill impairment	13.	67,715	-
Loss allowance on securities	9.,10.	60,774	3,974
Loss allowance on loans and placements,			
amounts due from banks and on repo receivables	5-7., 11.	155,681	27,721
Loss allowance on investments	12.	901	6,640
Loss allowance / (Release of loss allowance) on investment properties	14.	1,326	(243)
Impairment on tangible and intangible assets	13.	468	2,772
Loss allowance on other assets	16.	15,973	1,986
Provision on off-balance sheet			
commitments and contingent liabilities	24.	8,589	10,856
Share-based payment	40.	2,948	3,589
Unrealized (gains) / losses on fair value change of financial			
instrument at fair value through profit or loss	33.	(84,641)	11,404
Non-realized foreign exchange (gain) / loss	33.	(296,986)	22,258
(Gain) / Loss from sale of tangible and intangible assets	13.	(1,281)	129
Unrealized losses on fair value change of			
derivative financial instruments	33.	81,440	18,982
Negative goodwill	42.	(3,784)	-
Gain on discontinued operations	50.	-	(116)
Net changes in assets and liabilities in operating activities			
Net increase in securities			
at fair value through profit or loss	8.	(133,548)	(126,364)
Net increase in compulsory reserves			
at the National Banks	5.	(769,233)	(96,936)
Decrease / (Increase) in placement with other banks,			
before loss allowance for placements	6.	412,510	(307,731)
Net increase in loans at amortized cost before loss allowance			
for loans and in loans at fair value	11.	(2,733,463)	(2,206,183)
Net increase in other assets			
before loss allowance	16.	(205,916)	(17,930)
Net (decrease) / increase in amounts due to banks,			
the National Governments, deposits from the National			
Banks and other banks and repo liabilities	17., 18.	(43,747)	299,138
Net increase in financial liabilities designated			
at fair value through profit or loss	19.	11,073	1,315
Net increase in deposits from customers	20.	3,787,573	3,125,494
Cash payments for the interest portion of the lease liability	36.	(2,386)	(935)
Net increase in other liabilities	24.	400,077	186,319
Income tax paid	35.	(74,411)	(47,876)
Net Cash Provided by Operating Activities		**1,148,454**	**1,473,382**

OTP BANK PLC
CONSOLIDATED STATEMENT OF CASH-FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022
(in HUF mn)
[continued]

	Note	2022	2021
INVESTING ACTIVITIES			
Purchase of securities at fair value through other comprehensive income	9.	(1,129,729)	(2,342,772)
Proceeds from sale of securities at fair value through other comprehensive income	9.	1,529,538	2,217,702
Purchase of investments	12.	(38,053)	(32,626)
Proceeds from sale of investments	12.	30,525	11,207
Dividends received	27.	13,800	15,648
Purchase of securities at amortized cost	10.	(32,573,247)	(6,249,137)
Redemption of securities at amortized cost	10.	31,625,182	4,997,215
Purchase of property, equipment and intangible assets	13.	(275,017)	(300,715)
Proceeds from disposals of property, equipment and intangible assets	13.	76,136	119,661
Purchase of investment properties	14.	(20,935)	(134)
Proceeds from sale of investment properties	14.	1,127	7,983
Net change in cash and cash equivalents from discontinued operation	50.	-	116
Net cash paid for acquisition	42.	38,889	-
Net Cash Used in Investing Activities		**(721,784)**	**(1,555,852)**
FINANCING ACTIVITIES			
Cash received from issuance of securities	21.	569,839	76,728
Cash used for redemption of issued securities	21.	(133,712)	(106,350)
Cash payments for the principal portion of the lease liability	36.	(24,632)	(14,149)
Cash received from issuance of subordinated bonds and loans	25.	6,418	2,676
Cash used for redemption of subordinated bonds and loans	25.	(4,646)	-
Payments to ICES holders	27.	-	71,688
Sale of Treasury shares	28.	8,913	293,572
Purchase of Treasury shares	28.	(16,268)	(276,433)
Dividends paid	27.	(116,147)	(10)
Net Cash Provided by Financing Activities		**289,765**	**47,722**
TOTAL NET CASH PROVIDED BY / (USED IN)		**716,435**	**(34,748)**
Cash and cash equivalents at the beginning of the period	**5.**	**1,701,564**	**1,674,777**
Foreign currency translation		179,689	61,533
Net change in cash and cash equivalent		716,435	(34,748)
Adjustment due to discontinued operation		-	2
Cash and cash equivalents at the end of the period	**5.**	**2,597,688**	**1,701,564**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

OTP Bank Plc (the "Bank" or "OTP Bank") was established on 31 December 1990, when the previously State-owned company was transformed into a limited liability company. The Bank's registered office address is 16, Nador Street, Budapest 1051, Hungary.

Due to Hungarian legislation audit services are a statutory requirement for OTP Bank. Disclosure information about the auditor: Ernst & Young Audit Ltd. (001165), 1132 Budapest Váci Street 20. Registered under 01-09-267553 by Budapest-Capital Regional Court, as registry court. Statutory registered auditor: Zsuzsanna Nagyváradiné Szépfalvi, registration number: 005313.

These Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 31 March 2023. The Bank's owners have the power to amend the Consolidated Financial Statements after issue if applicable.

The Bank's owners have the power to amend the Consolidated Financial Statements after issue if applicable.

In 1995, the shares of the Bank were introduced on the Budapest and the Luxembourg Stock Exchanges and were also traded on the SEAQ board on the London Stock Exchange and on PORTAL in the USA.

The structure of the Share capital by shareholders (%):

	2022	2021
Domestic and foreign private and institutional investors	99%	98%
Employees	1%	1%
Treasury shares	-	1%
Total	**100%**	**100%**

The Bank's Registered Capital consists of 280.000.010 pieces of ordinary shares with the nominal value of HUF 100 each, representing the same rights to the shareholders.

The Bank and its subsidiaries ("Entities of the Group", together the "Group" or "OTP Group") provide a full range of commercial banking services through a wide network of 1,392 branches in the following countries Hungary, Bulgaria, Serbia, Croatia, Russia, Romania, Ukraine, Albania, Montenegro, Moldova and Slovenia, as well as provides other services in the Netherlands and Malta.

The number of the active employees without long-term breaks, and with part-time employees taken into account proportionately, and the average number of active employees on monthly basis at the Group:

	2022	2021
The number of employees at the Group	35,976	37,866
The average number of employees at the Group	36,168	37,890

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

1.2. Basis of Accounting

These Consolidated Financial Statements were prepared based on the assumptions of the Management that the Bank will remain in business for the foreseeable future and that the Bank will not be forced to halt operations and liquidate its assets in the near term at what may be very low fire-sale prices.

The Entities of the Group maintain their accounting records and prepare their statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary and in case of foreign subsidiaries in accordance with the commercial, banking and fiscal regulations of the country in which they are domiciled.

The Bank's functional currency is the Hungarian Forint ("HUF"). It is also presentation currency for the Group.
The financial statements of the subsidiaries used during the preparation of Consolidated Financial Statements of the Group have the same reporting period – starting from 1 January ending as at 31 December – like the reporting period of the Group.

Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU").
Certain adjustments have been made to the Entities' statutory accounts in order to present the Consolidated Financial Statements of the Group in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the EU.
The accompanying Notes to these Consolidated Financial Statements form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2022

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture"– "Annual Improvements to IFRSs 2018-2020 Cycle"** - adopted by EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022):
    - **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:** The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.
    - **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities:** The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no fees charged or incurred related to modifications during the period.

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

1.2. Basis of Accounting [continued]

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2022 [continued]

- **IAS 41 Agriculture – Taxation in fair value measurements:** The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had limited impact on the consolidated financial statements of the Group as it has limited assets in scope of IAS 41 as at the reporting date.

- **Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets**" - adopted by the EU on 28 June 2021 Annual Improvements (effective for annual periods beginning on or after 1 January 2022):
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.

The adoption of these amendments to the existing standards has not led to any material changes in the Group's Consolidated Financial Statements.

1.2.2. New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements there are new standards, amendments to the existing standards or interpretations which are issued by IASB and adopted by the EU which are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2** – **Disclosure of Accounting policies** – adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023; earlier application permitted):
  - The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors"** – **Definition of Accounting Estimates** – adopted in the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period):
  - The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

1.2. Basis of Accounting [continued]

1.2.2. New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective [continued]

- **Amendments to IFRS 17 "Insurance Contracts" –** adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17 "Insurance Contracts" – Initial application of IFRS 17 and IFRS 9 – Comparative Information** – adopted by the EU on 8 September 2022 (effective date for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17).
- **Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction** – adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023; earlier application permitted):
  - The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The Group does not adopt these new standards and amendments to existing standards before their effective date. The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the Consolidated Financial Statements of the Group in the period of initial application.

1.2.3. Standards and Interpretations issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the date of publication of these Consolidated Financial Statements:

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

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

1.2. Basis of Accounting [continued]

1.2.3. Standards and Interpretations issued by IASB, but not yet adopted by the EU [continued]

- **Amendments to IFRS 16 “Leases” – Lease Liability in a Sale and Leaseback** – issued by IASB on 22 September 2022 (effective for annual periods beginning on or after 1 January 2024; earlier application permitted):
  - The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.

- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments** (effective date deferred indefinitely until the research project on the equity method has been concluded):
  - The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The Group anticipates that the adoption of these new standards, amendments to the existing Standards and new interpretations will have no significant impact on the Consolidated Financial Statements of the Group in the period of initial application.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying Consolidated Financial Statements are summarized below:

2.1. Basis of Presentation

These Consolidated Financial Statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded at fair value. Revenues and expenses are recorded in the period in which they are earned or incurred. The Group does not offset assets and liabilities or income and expenses unless it is required or permitted by an IFRS standard.

During the preparation of Consolidated Financial Statements assets and liabilities, income and expenses are presented separately, except in certain cases, when one of the IFRS standards prescribes net presenting related to certain items (see note 2.8. below).

The presentation of Consolidated Financial Statements in conformity with IFRS as adopted by the EU requires the Management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

2.2. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currencies are translated into functional currencies at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates quoted by the National Bank of Hungary (“NBH”), or if there is no official rate, at exchange rates quoted by OTP Bank as at the date of the Consolidated Financial Statements.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2.7. below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in Other Comprehensive Income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated into HUF using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in Other Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.2. Foreign currency translation [continued]

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in Other Comprehensive Income and accumulated in equity.

2.3. Principles of consolidation

As the ultimate parent, OTP Bank is preparing Consolidated Financial Statements of the Group.

These Consolidated Financial Statements combine the assets, liabilities, equity, income, expenses and cash flows of the Bank and of those subsidiaries of the Bank in which the Bank exercises control.
All intra-group transactions are consolidated fully on a line-by-line basis while under equity method other consolidation rules are applied. Determination of the entities which are involved into the consolidation procedures based on the determination of the Group’s Control over another entity. Control exists when the Bank has power over the investee, is able to use this power and is exposed or has right to variable returns. Consolidation of a subsidiary should begin from the date when the Group obtains control and cease when the Group loses control. Therefore, income and expenses of a subsidiary should be included in the Consolidated Financial Statements from the date the Group gains control of the subsidiary until the date when the Group ceases to have control of the subsidiary.
The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 43.

2.4. Accounting for acquisitions

Business combinations are accounted for using the acquisition method. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.
The acquisition date is the date on which the acquirer effectively obtains control over the acquiree. Before this date, it should be presented as Advance for investments within Other assets.
Goodwill, which represents the residual cost of the acquisition after obtaining the control over the acquiree in the fair value of the identifiable assets acquired and liabilities assumed is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements. The Group tests goodwill for impairment by comparing its recoverable amount with its carrying amount, and recognising any excess of the carrying amount over the recoverable amount an impairment loss. The recoverable amount of goodwill is the higher of its fair value less costs of disposal and its value in use.

If the Group loses control of a subsidiary, derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognizes any difference as a gain or loss on the sale attributable to the parent in the Consolidated Statement of Profit or Loss on Net income from discontinued operations.

Goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate. The goodwill is allocated to the cash-generating units that are expected to benefit from the synergies of the combinations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisition [continued]

The Group calculates the fair value of identified assets and liabilities assumed on discounted cash-flow model. The 3 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units.

The Group, in its strategic plan, has taken into consideration the effects of the present global economic situation, the present economic growth and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

Negative goodwill (gain from bargain purchase), when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Profit or Loss as "Other income".

2.5. Securities at amortized cost

The Group measures at amortized cost those securities which are held for contractual cash collecting purposes, and contractual terms of these securities give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Group initially recognizes these securities at fair value. Securities at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. The amortisation of any discount or premium on the acquisition of a security at amortized cost is part of the amortized cost and is recognized as interest income so that the revenue recognized in each period represents a constant yield on the investment. Securities at amortized cost are accounted for on a trade date basis.
Such securities comprise mainly securities issued by the Hungarian and foreign Governments, corporate bonds, mortgage bonds and discounted treasury bills.

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value, so unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statement of Profit or Loss for the period. The Group holds held for trading securities within the business model to obtain short-term gains, consequently realized and unrealized gains and losses are recognized in the net operating income, while interest income is recognized in income similar to interest income.
Such securities consist of equity instruments, shares in investment funds, Hungarian and foreign government bonds, corporate bonds, discounted treasury bills, mortgage bonds and other securities.

2.6.2. Financial assets designated as fair value through profit or loss

The Group may - at initial recognition - irrevocable designate a financial asset as measured at fair value through profit or loss that would otherwise be measured at fair value through other comprehensive income or at amortized cost.
The Group uses fair value designation if the classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases ('accounting mismatch').

The use of the fair value designation is based only on direct decision of management of the Group. The Group currently doesn't apply this method.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.3. Derivative financial instruments

In the normal course of business, the Group is a party to contracts for derivative financial instruments, which represent a low initial investment compared to the notional value of the contract and their value depends on value of underlying asset and are settled in the future. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Group both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets (it is the so-called economic hedge, accounting hedge is described later).

Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash-flow models and option pricing models as appropriate. The Group adopts a multi curve valuation approach for calculating the net present value of future cash-flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as the Group has almost all of its open derivative transactions collateralised.
Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the Consolidated Statement of Profit or Loss for the period. Each derivative deal is determined as asset when fair value is positive and as liability when fair value is negative.

Certain derivative transactions, while providing effective economic hedges under the risk management policy of the Group, do not qualify for hedge accounting under the specific rules of IFRS 9 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Consolidated Statement of Profit or Loss.

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of these forward contracts does not represent the actual market or credit risk associated with these contracts.
Foreign currency contracts are used by the Group for risk management and trading purposes. The risk management foreign currency contracts of the Group were used to hedge the exchange rate fluctuations of loans and deposits to credit institutions denominated in foreign currency.

Foreign exchange swaps and interest rate swaps

The Group enters into foreign exchange swap and interest rate swap ("IRS") transactions. The swap transaction is an agreement concerning the swap of certain financial instruments, which usually consists of spot and one or more forward contracts.
IRS transactions oblige two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under IRS transactions. Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counterparties.
IRS transactions are used by the Group for risk management and trading purposes.

Cross-currency interest rate swaps

The Group enters into cross-currency interest rate swap (CCIRS) transactions which have special attributes, i.e. the parties exchange the notional amount at the beginning and also at the maturity of the transaction. A special type of these deals is the mark-to-market CCIRS agreements. For these kind of transactions the parties – in accordance with the foreign exchange prices – revalue the notional amount during lifetime of the transaction.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.3 Derivative financial instruments [continued]

Equity and commodity swaps

Equity swaps obligate two parties to exchange more payments calculated with reference to periodically reset rates of interest and performance of indices. A specific notional principal amount is the base of the interest calculation. The payment of index return is calculated on the basis of current market price compared to the previous market price. In case of commodity swaps payments are calculated on the basis of the strike price of a predefined commodity compared to its average market price in a period.

Forward rate agreements (FRA)

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates.

The Group limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counterparties. The Group's forward rate agreements were transacted for management of interest rate exposures and have been accounted for at mark-to-market fair value.

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date. The transaction, for a fee, guarantees a worst-case exchange rate for the futures purchase of one currency for another. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

2.7. Hedge accounting

Derivative financial instruments designated as a fair-value hedge

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Statement of Profit or Loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. Changes in the fair value of hedging instrument in fair value hedges is charged directly to the Consolidated Statement of Profit or Loss.
The conditions of hedge accounting applied by the Bank are the following: formally designated as hedge relationship, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective. In the case of a financial instrument measured at amortised cost the Group recognises the hedging gain or loss on the hedged item as the modification of its carrying amount and it is recognised in profit or loss. These adjustments of the carrying amount are amortised to the profit or loss using the effective interest rate method. The Group starts the amortisation when the hedged item is no longer adjusted by the hedging gains or losses. If the hedged item is derecognised, the Group recognises the unamortised fair value in profit or loss immediately. For fair value hedges inefficiencies and the net revaluation of hedged and hedging item are recognized in the Net results on derivative instruments and hedge relationships.
The Group implemented hedge accounting rules prescribed by IFRS 9 in 2018. For further details please see Note 48.3.

Derivative financial instruments designated as cash-flow hedge

Changes in the fair value of derivatives that are designated and qualify as hedging instrument in cash-flow hedges and that prove to be highly effective in relation to the hedged risk are recognized in their effective portion as reserve in Other Comprehensive Income. The ineffective element of the changes in fair value of hedging instrument is charged directly to the Consolidated Statement of Profit or Loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Hedge accounting [continued]

Derivative financial instruments designated as cash-flow hedge [continued]

The Group terminates the hedge relationship if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting. In the case of cash-flow hedges – in line with the standard - hedge accounting is still applied by the Group as long as the underlying asset is derecognized or terminated. When the Group discontinues hedge accounting to a cash-flow hedge the amount in the cash flow hedge reserve is reclassified to the profit or loss if the hedged future cash flows are no longer expected to occur. If the hedged future cash flows are still expected to occur, the amount remains in the cashflow hedge reserve and reclassified to the profit and loss only when the future cash flows occur.

Net investment hedge in foreign operations

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges.
On the disposal of a foreign operation, the cumulative value of any gains and losses recognized in Other Comprehensive Income is transferred to the Consolidated Statement of Profit or Loss. The Group has terminated these transactions since 2020.

2.8. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be reported in the Consolidated Statement of Financial Position on a net basis. In case of the derivative financial instruments the Group applies offsetting and net presentation in the Consolidated Statement of Financial Position when the Group has the right and the ability to settle these assets and liabilities on a net basis.

2.9. Embedded derivatives

Sometimes, a derivative may be a component of a combined or hybrid contract that includes a host contract and a derivative (the embedded derivative) affecting cash-flows or otherwise modifying the characteristics of the host instrument. An embedded derivative must be separated from the host instrument and accounted for as a separate derivative if, and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative as a stand-alone instrument; and
- The host instrument is not measured at fair value or is measured at fair value but changes in fair value are recognized in Other Comprehensive Income.

As long as a hybrid contract contains a host that is a financial asset the general accounting rules for classification, recognition and measurement of financial assets are applicable for the whole contract and no embedded derivative is separated.

Derivatives that are required to be separated are measured at fair value at initial recognition and subsequently. If the Group is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the Group shall designate the entire hybrid contract as at fair value through profit or loss. The Group shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the Bank first becomes a party to the contract.
The separation rules for embedded derivatives are only relevant for financial liabilities.

2.10. Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling securities. Furthermore, the contractual terms of these securities give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Securities at fair value through other comprehensive income [continued]

Debt instruments

Investments in debt securities are accounted for on a trade date basis and are initially measured at fair value. Securities at fair value through other comprehensive income are measured at subsequent reporting dates at fair value. Unrealized gains and losses on securities at fair value through other comprehensive income are recognized directly in Other Comprehensive Income, except for interest and foreign exchange gains/losses on monetary items, unless such financial asset at fair value through other comprehensive income is part of an effective hedge. Such gains and losses are reported when realized in Consolidated Statement of Profit or Loss for the applicable period.

For debt securities at fair value through other comprehensive income the loss allowance is calculated based on expected credit loss model. The expected credit loss is accounted for against Other Comprehensive Income.
Securities at fair value through other comprehensive income are remeasured at fair value based on quoted prices or amounts derived from cash-flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of future cash-flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

Such securities consist of Hungarian and foreign government bonds, corporate bonds, mortgage bonds, interest-bearing Treasury bills, securities issued by the NBH and other securities.

Fair value through other comprehensive income option for equity instruments

The Group has elected to present in the Statement of Other Comprehensive Income changes of fair value of those equity instruments which are neither held for trading nor recognized as contingent consideration under IFRS 3.
In some cases, the Group made an irrevocable election at initial recognition for certain equity instruments to present subsequent changes in fair value of these securities in the consolidated other comprehensive income instead of in profit or loss.
The use of the fair value option is based only on direct decision of management of the Group.

2.11. Loans, placements with other banks, repo receivables and loss allowance for loan and placements and repo receivable losses

The Group measures at amortized cost those Loans and placements with other banks and repo receivables, which are held to collect contractual cash flows, and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These loans are recognized as Loans at amortized cost in the Consolidated Statement of Financial Position. The Group recognizes those financial assets which are not held for trading and do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding as loans measured at fair value through profit or loss. These loans are recognized as Loans mandatorily at fair value through profit or loss in the Consolidated Statement of Financial Position.
Those Loans and placements with other banks and repo receivables that are accounted at amortized cost, stated at the principal amounts outstanding (including accrued interest), net of allowance for loan or placement losses, respectively.

In case of the above mentioned financial assets measured at amortised cost transaction fees and charges adjust the carrying amount at initial recognition and are included in effective interest calculation. In case of loans at fair value through profit or loss fees and charges are recognised when incurred in the Consolidated Statement of Profit or Loss.
Loans and placements with other banks and repo receivables are derecognized when the contractual rights to the cash-flows expire or they are transferred. When a financial asset is derecognized the difference of the carrying amount and the consideration received is recognized in the profit or loss in case of financial assets at amortised cost the gains or losses from derecognition are presented in "Gains/losses from derecognition of financial assets at amortised cost" line while in case of loans at fair value through profit or loss the gains or losses from derecognition are presented in "Net operating income".

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Loans, placements with other banks, repo receivables and loss allowance for loan and placements and repo receivable losses [continued]

Change in the fair value of loans at fair value through profit or loss is broken down into two components and presented in the Consolidated Statement of Profit or Loss as follows:

- Portion of the change in fair value arising from changes in credit risk are presented within “Risk cost” as “Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss”.
- The remaining component of the change is presented in fair value within “Net operating income” as “Fair value adjustment on financial instruments measured at fair value through profit or loss”.

Initially financial assets shall be recognized at fair value which is usually equal to transaction value in case of loans and placements. However, when the amounts are not equal, the initial fair value difference should be recognized.
If the fair value of financial assets is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the initial fair value difference in the Consolidated Statement of Profit or Loss. When the fair value of financial assets is based on models for which inputs are not observable, the difference between the transaction price and the fair value is deferred and only recognized in profit or loss when the instrument is derecognized or the inputs became observable.

Initial fair value of loans lent at interest below market conditions is lower than their transaction price, the subsequent measurement of these loans is under IFRS 9.

The Group recognizes a loss allowance for expected credit losses on a financial asset at each reporting date. The loss allowance for a financial asset equals to 12-month expected credit loss or equals to the lifetime expected credit losses. The maximum period over which expected credit losses shall be measured is the maximum contractual period over which the Group is exposed to credit risk.

If the credit risk on a financial asset has not increased significantly since initial recognition then 12-month expected credit losses, otherwise (in case of significant credit risk increase) lifetime expected credit losses should be calculated. The expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive.

When the contractual cash flows of a financial asset are modified and the modification does not result in the derecognition of the financial asset the Group recalculates the gross carrying amount of the financial asset by discounting the expected future cash flows with the original effective interest rate of the asset. The difference between the carrying amount and the present value of the expected cash flows is recognized as a modification gain or loss in the profit or loss. Interest and amortized cost are accounted using effective interest rate method.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account “Gain / (Loss) from derecognition of financial assets at amortized cost” in the Consolidated Statement of Profit or Loss.

The Group applies partial or full write-off for loans based on the definitions and prescriptions of financial instruments in accordance with IFRS 9. If the Group has no reasonable expectations regarding a financial asset (loan) to be recovered, it will be written off partially or fully at the time of emergence.

The gross amount and loss allowance of the loans shall be written off in the same amount to the estimated maximum recovery amount while the net carrying value remains unchanged. Subsequent recoveries for loans previously written-off partially or fully, which may have been derecognized from the books with no reasonable expectations for the recovery will be booked in the Consolidated Statement of Profit or Loss on “Income from recoveries of written-off, but legally existing loan” line in Risk cost.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Modified assets

If the net present value of the contracted cash flows changes due to the modification of the contractual terms and it is not qualified as derecognition, modification gain or loss should be calculated and accounted for in the Consolidated Statement of Profit or Loss. Modification gain or loss is accounted in cases like restructuring – as defined in guidelines of the Group – prolongation, renewal with unchanged terms, renewal with shorter terms and prescribing capital repayment rate, if it doesn’t exist or has not been earlier.
The changes of net present value should be calculated on portfolio level in case of retail exposures. Each retail contract is restructured based on restructuring frameworks. The Group has to evaluate these frameworks (and not individual contracts). The changes of net present value should be calculated individually on contract level in case of corporate portfolio.

Among the possible contract amendments, the Group considers as a derecognition and a new recognition when the discounted present value – discounted at the original effective interest rate – of the cash flows under the new terms is at least 10 per cent different from the discounted present value of the remaining cash flows. In case of derecognition and new recognition the unamortized fees of the derecognized asset should be presented as Income similar to interest income. The newly recognized financial asset is initially measured at fair value and is placed in stage 1 if the derecognized financial asset was in stage 1 or stage 2 portfolio. The newly recognized financial asset will be purchased or originated credit impaired financial asset (“POCI”) if the derecognized financial asset was in stage 3 portfolio or it was POCI.

The modification gain or loss shall be calculated at each contract amendments unless they are handled as a derecognition and new recognition. In case of modification the Group recalculates the gross carrying amount of the financial asset. To do this, the new contractual cash flows should be discounted using the financial asset’s original effective interest rate (or credit-adjusted effective interest rate for POCI financial asset). Any costs or fees incurred adjust the carrying amount of the modified financial asset are amortized over the remaining term of the modified financial asset.

2.13. Purchased or originated credit impaired financial assets

Purchased or originated financial assets are credit-impaired on initial recognition. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

A purchased credit-impaired asset is likely to be acquired at a deep discount. In unusual circumstances, it may be possible that an entity originates a credit-impaired asset, for example, following a substantial modification of a distressed financial asset that resulted in the derecogniton of the original financial asset.

In the case of POCI financial assets, interest income is always recognized by applying the credit-adjusted effective interest rate.

For POCI financial assets, in subsequent reporting periods an entity is required to recognize:
- the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance,
- the impairment gain or loss which is the amount of any change in lifetime expected credit losses.
  An impairment gain is recognized (with the parallel increase of the net amortized cost of receivable) if due to the favourable changes after initial recognition the lifetime expected credit loss estimation is becoming lower than the original estimated credit losses at initial recognition.

The POCI qualification remains from initial recognition to derecognition in the Group’s books.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Loss allowance

A loss allowance for loans and placements with other banks and repo receivables is recognized by the Group based on the expected credit loss model in accordance with IFRS 9. Based on the three-stage model the recognized loss allowance equals to 12-month expected credit loss from the initial recognition. On financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidence) the recognized loss allowance is the lifetime expected credit loss.

In the case of purchased or originated credit impaired financial assets, a loss allowance is recognized in the amount of the lifetime expected credit loss since initial recognition. The impairment gain in the Consolidated Statement of Profit or Loss is recognized if lifetime expected credit loss for purchased or originated credit impaired financial assets at measurement date is less than the estimated credit loss at initial recognition.

A loss allowance for loans and placements with other banks and repo receivables represents Management's assessment for potential losses in relation to these activities.

Loss allowance for loan and placements are determined at a level that provides coverage for individually identified credit losses. For loans for which it is not possible to determine the amount of the individually identified credit loss in the absence of objective evidence, a collective impairment loss is recognized. With this, the Group reduces the carrying amount of financial asset portfolios with similar credit risk characteristics to the amount expected to be recovered based on historical loss experience.

At subsequent measurement the Group recognizes an impairment gain or loss through "Impairment gain on POCI loans" in the Consolidated Statement of Profit or Loss as part of "Risk cost" line as an amount of expected credit losses or reversal which is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with IFRS 9. If the reason for the impairment no longer exist the impairment is released in the Consolidated Statement of Profit or Loss for the current period.

If a financial asset, for which previously there were no indicators of significant increase in credit risk (i.e. classified in Stage 1) is subsequently classified in Stage 2 or Stage 3 then loss allowance is adjusted to lifetime expected credit loss. If a financial asset, which was previously classified in Stage 2 or Stage 3 is subsequently classified in Stage 1 then the loss allowance is adjusted to the level of 12 month expected credit loss.

Classification into risk classes

According to the requirements of the IFRS9 the Group classifies the financial assets measured at amortized cost, at fair value through other comprehensive income and loan commitments and financial guarantees into the following stages:

- Stage 1 – performing financial instruments without significant increase in credit risk since initial recognition
- Stage 2 – performing financial instruments with significant increase in credit risk since initial recognition but not credit-impaired
- Stage 3 – non-performing, credit-impaired financial instruments
- POCI – purchased or originated credit impaired

In the case of trade receivables the Group applies the simplified approach and calculates only lifetime expected credit loss. The simplified approach is the following:

- for the past 3 years the average annual balance of receivables under simplified approach is calculated,
- the written-off receivables under simplified approach are determined in the past 3 years,
- historical losses are adjusted to reflect information about current conditions and reasonable forecasts of future economic conditions,
- the loss allowance ratio is the sum of the written-off amounts divided by the sum of the average balances,
- the loss allowance is multiplied by the end-of-year balance, it is the actual loss allowance on these receivables,
- loss allowance should be recalculated annually.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Loss allowance [continued]

Classification into risk classes [continued]

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. This might occur if the financial asset has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers sovereign exposures as having low credit risk.

Stage 1: financial instruments for which the events and conditions specified in respect of Stage 2 and Stage 3 do not exist on the reporting date.

A client or loan must be qualified as default if one or both the following two conditions occur:

- The client delays more than 90 days. This is considered a hard trigger.
- There is reasonable probability that the client will not pay all of its obligation. This condition is examined on the basis of probability criteria of default.

The subject of default qualification is that exposure (on-balance and off-balance) which originates credit risk (so originated from loan commitments, risk-taking contracts).

A financial instrument shows significant increase in credit risk, and is allocated to Stage 2, if in respect of which any of the following triggers exist on the reporting date, without fulfilling any of the conditions for the allocation to the non-performing stage (stage 3):

- the payment delay exceeds 30 days,
- it is classified as performing forborne,
- based on individual decision, its currency suffered a significant "shock" since the disbursement of the loan,
- the transaction/client rating exceeds a predefined value or falls into a determined range, or compared to the historic value it deteriorates to a predefined degree,
- in the case retail mortgage loans, the loan-to-value ratio exceeds a predefined rate,
- default on another loan of the retail client, if no cross-default exists,
- monitoring classification of corporate and municipal clients above different thresholds defined on group
    - financial difficulties at the debtor (capital adequacy, liquidity, deterioration of the instrument quality),
    - significant decrease of the liquidity or the activity on the active market of the financial instrument can be observed,
    - the rating of the client reflects high risk, but it is better than the default one,
    - significantly decrease in the value of the recovery from which the debtor would disburse the loan,
    - clients under liquidation.

A financial instrument is non-performing and it is allocated to Stage 3 when any of the following events or conditions exists on the reporting date:

- default (based on the group level default definition),
- classified as non-performing forborne (based on the group level forborne definition),
- the monitoring classification of corporate and municipal clients above different thresholds defined on group level (including but not limited to):
    - breaching of contracts,
    - significant financial difficulties of the debtor (like capital adequacy, liquidity, deterioration of the instrument quality),
    - bankruptcy, liquidation, debt settlement processes against debtor,
    - forced strike-off started against debtor,
    - termination of loan contract by the Bank,
    - occurrence of fraud event,
    - termination of the active market of the financial instrument.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Loss allowance [continued]

Classification into risk classes [continued]

If the exposure is no longer considered as credit impaired, the Group allocates this exposure to Stage 2.

When loss allowance is calculated at exposures categorized into stages the following process is needed by stages:

- Stage 1 (performing): loss allowance at an amount equal to 12-month expected credit loss should be recognized,
- Stage 2 (significant increase in credit risk): loss allowance at an amount equal to lifetime expected credit loss should be recognized,
- Stage 3 (non-performing): loss allowance at an amount equal to lifetime expected credit loss should be recognized.

For lifetime expected credit losses, an entity shall estimate the risk of a default occurring on the financial instrument during its expected life. 12-month expected credit losses are a portion of the lifetime expected credit losses and represent the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring.

An entity shall measure expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.15. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the Consolidated Statement of Financial Position and the consideration received is recorded in Other liabilities or Amounts due to banks, the National Governments, deposits from the National Banks and other banks. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the Consolidated Statement of Financial Position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued based on the effective interest method evenly over the life of the repurchase agreement.
In the case of security lending transactions, the Group does not recognize or derecognize the securities because believes that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

2.16. Associates and other investments

Companies where the Bank has the ability to exercise significant influence are accounted for using the equity method. Subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a significant interest are recorded according to IFRS 9. When an investment in an associate is held indirectly through an entity that is a venture capital fund, the Group elects to measure these investments in the associate at fair value through profit or loss in accordance with IFRS 9.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is adjusted subsequently for:

- the Group's share of the post-acquisition profits or losses of the investee, which are recognized in the Group's Consolidated Statement of Profit or Loss; and
- the distributions received from the investee, which reduce the carrying amount of the investment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.16. Associates and other investments [continued]

The Group's share of the profits or losses of the investee, or other changes in the investee's equity, is determined on the basis of its proportionate ownership interest. The Group recognizes its share of the investee's income and losses based on the percentage of the equity interest owned by the Group.

Gains and losses on the sale of investments are determined based on the specific identification of the cost of each investment.

2.17. Property and equipment, Intangible assets

Property and equipment and Intangible assets are measured at cost, less accumulated depreciation and amortization and impairment, if any.
Internally generated intangibles, excluding capitalized development costs, are not capitalized – the related expenditures are accounted as cost in the period in which they are incurred. Development costs are capitalized only when the technical and commercial feasibility of the asset has been clearly demonstrated, the Group has the intent and ability to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits. Amortization of these type of assets begins when development is completed, and the asset is available for use. During the period of development, the asset is tested for impairment annually.
The Group lists mainly self-developed software among internally generated intangible assets.
The depreciable amount (book value less residual value) of the non-current assets must be allocated over the useful lives.

Depreciation and amortization are computed usually by using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

	Annual percentages	Useful life period (years)
Intangible assets		
Software	6.3% - 50.0%	2 – 15
Property right	16.7% - 33.3%	3 – 6
Property	1.0% - 50.0%	2 – 100
Machinery and office equipment	3.3% - 50.0%	2 – 30
Vehicle	3.0% - 33.3%	3 – 33

Depreciation and amortization on Property and equipment and Intangible assets commence on the day such assets are ready to use.

At each balance sheet date, the Group reviews the carrying value of its Property and equipment and Intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss.
Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Where the carrying value of Property and equipment and Intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

The Group may conclude contracts for purchasing property, equipment and intangible assets, where the purchase price is settled in foreign currency. By entering into such agreements, firm commitment in foreign currency due on a specified future date arises at the Group.
Reducing the foreign currency risk caused by firm commitment, forward foreign currency contracts may be concluded to ensure the amount payable in foreign currency on a specified future date on one hand and to eliminate the foreign currency risk arising until settlement date of the contract on the other hand.
In the case of an effective hedge the realized profit or loss of the hedging instrument is stated as the part of the cost of the hedged asset as it has arisen until recognizing the asset.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.18. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
The Group uses generally FIFO formulas to the measurement of inventories.
Inventories are removed from books when they are sold, unusable or destroyed. When inventories are sold, the carrying amount of those inventories are recognized as an expense in the period in which the related revenue is recognized.
Repossessed assets are classified as inventories. The Group's policy is to sell repossessed assets and not to use them for its internal operations.

2.19. Government grants and government assistance

The Group recognise government grants only when there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with.
The Group presents grants relating to assets as deferred income in the Consolidated Statement of Financial Position, which is recognized in profit or loss on a systematic basis over the useful life of the asset.
Grants related to an expense item are recorded as another operating income in those periods when the related costs were recognized.

2.20. Financial liabilities

The financial liabilities are presented within these lines in the Consolidated Financial Statements:

- Amount due to banks, the National Governments, deposits from the National Banks and other banks
- Repo liabilities
- Financial liabilities designated at fair value through profit or loss
- Deposits from customers
- Liabilities from issued securities
- Derivative financial liabilities held for trading
- Derivative financial liabilities designated as hedge accounting
- Other financial liabilities

At initial recognition, the Group measures financial liabilities at fair value plus or minus – in the case of a financial liability not at fair value through profit or loss – transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Usually, the initial fair value of financial liabilities equals to transaction value. However, when the amounts are not equal, the initial fair value difference should be recognized.
If the fair value of financial liabilities is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the initial fair value difference in the Consolidated Statement of Profit or Loss. When the fair value of financial liabilities is based on models for which inputs are not observable, the difference between the transaction price and the fair value is deferred and only recognized in profit or loss when the instrument is derecognized or the inputs became observable.

Financial liabilities at fair value through profit or loss are either financial liabilities held for trading or they are designated upon initial recognition as at fair value through profit or loss.
In connection to the derivative financial liabilities measured at fair value through profit or loss, the Group presents the amount of change in their fair value originated from the changes of market conditions and business environment.

The Group designated some financial liabilities upon initial recognition to measure at fair value through profit or loss. This classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases ("accounting mismatch"). The changes in fair value of these liabilities are recognized in profit or loss, except the fair value changes attributable to credit risk which are recognized among other comprehensive income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.20. Financial liabilities [continued]

In the case of financial liabilities measured at amortized cost fees and commissions related to the origination of the financial liability are recognized through profit or loss during the maturity of the instrument using effective interest method. In certain cases, the Group repurchases a part of financial liabilities (mainly issued securities or subordinated bonds) and the difference between the carrying amount of the financial liability and the amount paid for it is recognized in the net profit or loss for the period and included in other operating income.

2.21. Leases

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception date and is reassessed only if there is a lease modification.

Finance leases

At the commencement date, a lessor derecognizes the assets held under a finance lease in the Consolidated Statement of Financial Position and present them as a receivable at an amount equal to the net investment in the lease. The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease. Direct costs such as commissions are included in the initial measurement of the finance lease receivables.
The Group as a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (for more details, see Note 2.14.).

Operating leases

The Group as a lessor recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. Costs, including depreciation, incurred in earning the lease income are recognized as an expense.
Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the lease income.
The depreciation policy for depreciable underlying assets subject to operating leases is consistent with the Group's normal depreciation policy for similar assets. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group as a lessee

The Group recognizes a right-of-use asset and a lease liability at the commencement of the lease term except for short-term leases and leases, where the underlying asset is of low value (less than USD 5,000). For these leases, the Group recognizes the lease payments as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Deferred tax implication if the Group is lessee: At the inception of the lease, there is no net lease asset or liability, no tax base and, therefore, no temporary difference. Subsequently, as depreciation on the right-of-use asset initially exceeds the rate at which the debt reduces, a net liability arises resulting in a deductible temporary difference on which a deferred tax asset should be recognized if recoverable. Assuming that the lease liability is not repaid in advance, the total discounted cash outflows should equal the total rental payments deductible for income tax purposes.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.21. Leases [continued]

Right-of-use asset

The right-of-use assets are presented separately in the Consolidated Statement of Financial Position and initially measured at cost, subsequently the Group applies the cost model and these assets are depreciated on a straight line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset are depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date discounted by using the rate implicit in the lease, or if this cannot be determined, by using the incremental borrowing rate of the Group.Variable lease payments that do not depend on an index or a rate but e.g. on revenues or usage are recognized as an expense. The Group always separates the non-lease components of the lease contracts and accounts them as an expense. Lease payments must be included in the measurement of the lease liability without value added taxes. Non-deductible VAT is recognized as other expense.

The lease liability is remeasured in the event of a reassessment of the lease liability or lease modification

2.22. Investment properties

Investment properties of the Group are land, buildings, part of buildings which held (as the owner or as the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of services or for administrative purposes or sale in the ordinary course of business. The Group measures the investment properties at cost less accumulated depreciation and impairment, if any.
The depreciable amount (book value less residual value) of the investment properties must be allocated over their useful lives. The depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.
The Group discloses the fair value of the investment properties in Note 14 established mainly by external experts.

2.23. Share capital

Share capital is the capital determined in the Articles of Association and registered by the Budapest-Capital Regional Court. Share capital is the capital the Bank raised by issuing common stocks at the date the shares were issued. The amount of share capital has not changed over the current period.

2.24. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Statement of Financial Position at cost as a deduction from Consolidated Shareholders' Equity.
Gains and losses on the sale of treasury shares are credited or charged directly to shareholder's equity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.25. Non-current assets held-for-sale and discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held-for-sale. Hereinafter non-current assets classified as held-for-sale, disposal group and discontinued operations are referred to as assets in accordance with IFRS 5.
The Group classifies assets under IFRS 5 if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group does not account for an asset under IFRS 5 that has been temporarily taken out of use as if it had been abandoned.
The Group measures an asset under IFRS 5 at the lower of its carrying amount and fair value less costs to sell. When the sale is expected to occur beyond one year, the Group measures the costs to sell at their present value.

Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss. Immediately before the initial classification of the asset under IFRS 5, the carrying amounts of the asset (or all the assets and liabilities in the group) are measured in accordance with applicable IFRS.

The Group does not depreciate (or amortize) an asset under IFRS 5 while it is classified as asset in accordance with IFRS 5. Interest and other expenses attributable to the liabilities of the asset under IFRS 5 shall continue to be recognized.

If the Group has classified an asset under IFRS 5, but the criteria for that are no longer met, the Group ceases to classify the asset under IFRS 5. The Group measures these assets which cease to be classified as asset under IFRS 5 at the lower of:

- its carrying amount before the asset was classified as asset under IFRS 5, adjusted for any depreciation, amortisation or revaluations that would have been recognized had the asset not been classified as asset under IFRS 5, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group presents an asset classified as asset under IFRS 5 separately from other assets in the Consolidated Statement of Financial Position. The liabilities of the asset under IFRS 5 are presented separately from other liabilities in the Consolidated Statement of Financial Position. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale or discontinued operations are separately disclosed in the Notes.
The Group presents separately any cumulative income or expense recognized in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale. Results from discontinued operations are reported separately in the Consolidated Statement of Profit or Loss as result from discontinued operations.

2.26. Interest income and income similar to interest income and interest expense

Interest income and expense are recognized in profit or loss in the period to which they relate, using the effective interest rate method.
For exposures categorized into Stage 1 and Stage 2 the interest income is recognized on a gross basis. For exposures categorized into Stage 3 (using effective interest rate) and for POCI (using credit-adjusted effective interest rate) the interest income is recognized on a net basis.
The time-proportional income similar to interest income of derivative financial instruments is calculated without using the effective interest method and the positive fair value adjustment of interest rate swaps are included in income similar to interest income.

Interest income of loans at fair value through profit or loss is calculated based on interest fixed in the contract and presented in “Income similar to interest income” line.
Interest from loans and deposits are accrued on a daily basis. Interest income and expense include certain transaction costs and the amortisation of any discount or premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

All interest income and expense recognized are arising from loans, placements with other banks, repo receivables, securities at fair value through other comprehensive income, securities at amortized cost and amounts due to banks, repo liabilities, deposits from customers, liabilities from issued securities, subordinated bonds and loans are presented under these lines of Consolidated Financial Statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.27. Fees and Commissions

Fees and commissions that are not involved in the amortized cost model are recognized in the Consolidated Statement of Profit or Loss on an accrual basis according to IFRS 15 Revenue from contracts with customers (see more details in Note 32). These fees are related to deposits, cash withdrawals, security trading, bank card etc.

The Group recognizes income if performance obligations related to the certain goods or services are satisfied, performed, and control over the asset is transferred to the customer, and it is probable that consideration payable will probably flow to the entity. In case of those services, where the Group transfers control over the asset continuously, income is recognised on accrual basis.

The Group provides foreign exchange trading services to its customers, the profit margin achieved on these transactions is presented as Net profit from fees and commissions in the Consolidated Statement of Profit or Loss.

2.28. Profit from associates

Profit from associates refers to any distribution of an entity earnings to shareholders from stocks or mutual funds that is owned by the Group. The Group recognizes profit from associates in the Consolidated Financial Statements when its right to receive payment is established.

2.29. Income tax

The Group considers corporate income tax as current tax according to IAS 12. The Group also considers local business tax and the innovation contribution as income tax in Hungary.
The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realized or the liability is settled.

Current tax asset or current tax liability is presented related to income tax and innovation contribution separately in the Consolidated Statement of Financial Position.

Deferred tax assets are recognized by the Group for the amounts of income taxes that are recoverable in future periods in respect of deductible temporary differences as well as the carryforward of unused tax losses and the carryforward of unused tax credits.

The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:
- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

The Group considers the availability of qualifying taxable temporary differences and the probability of other future taxable profits to determine whether future taxable profits will be available according to IAS 12.
The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:
- the Bank is able to control the timing of the reversal of the temporary difference, and
- it is probable that the temporary difference will not reverse in the foreseeable future.

The Group only offsets its deferred tax liabilities against deferred tax assets when:
- there is a legally enforceable right to set-off current tax liabilities against current tax assets, and
- the taxes are levied by the same taxation authorities on either
  - the same taxable entity or
  - different taxable entities which intend to settle current tax liabilities and assets on a net basis.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.30. Banking tax

The Bank and some of its subsidiaries are obliged to pay banking tax based on Act LIX of 2006. As the calculation is not based on the taxable profit but on the adjusted total assets as reported in the Separate Financial Statements of the Bank and its entities for the second period preceding the current tax year, therefore, the banking tax is considered as another administrative expense, not as income tax. Pursuant to Government Decree No. 197/2022 published on 4 June 2022, the Hungarian Government decided to impose a windfall tax on credit institutions and financial enterprises temporarily, that is for 2022 and 2023. As for 2022, the base of the windfall tax is the net revenues based on the 2021 financial statements, calculated according to local tax law, whereas the tax rate is 10%.

2.31. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Group enters into off-balance sheet commitments such as guarantees, letters of credit, commitments to extend credit and transactions with financial instruments. The provision for off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb future cash outflows which are probable and relate to present obligations.

In the case of commitments and contingent liabilities, the Management determines the adequacy of the loss allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors. The Group recognizes provision for off-balance sheet commitment and contingent liabilities in accordance with IAS 37 when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation. For financial guarantees and loan commitments given which are under IFRS 9 the expected credit loss model is applied when the provision is calculated (see more details in Note 2.14.). After initial recognition the Group subsequently measures those contracts at a higher of the amount of the loss allowance or of the amount initially recognised less the cumulative amount of income recognized in accordance with IFRS 15.

2.32. Share-based payment

The Group has applied the requirements of IFRS 2 Share-based Payment.

The Group issues equity-settled share-based payment to certain employees. Equity-settled share-based payment is measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the year, based on the Group’s estimate of shares that will eventually vest. Share-based payment is recorded in Consolidated Statement of Profit or Loss as Personnel expenses.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on Management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.33. Employee benefits

The Group has applied the requirement of IAS 19 Employee Benefits. These benefits are recognised as an expense and liability undiscounted in the Consolidated Financial Statements. Liabilities are regularly remeasured. Gains or losses due to the remeasurement are recognised in the Consolidated Statement of Profit or Loss.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. These can be wages, salaries and bonuses, premium, paid annual leave and paid sick leave and other free services (health care, reward holiday). Long-term employee benefits are mostly the jubilee reward.

Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.33. Employee benefits [continued]

Defined benefit plan is post-employment benefit plans other than defined contribution plan. The Group's net obligation is calculated by estimating the amount of employee's future benefit based on their services for the current and prior periods. The future value of benefit is being discounted to present value.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

2.34. Biological assets and agricultural produce

The Group recognises a biological asset or agricultural produce according to IAS 41 only when it controls the asset as a result of past events, it is probable that future economic benefits will flow and the fair value or the cost can be measured reliably.
Biological assets are measured on initial recognition and at subsequent periods at fair value less estimated costs to sell unless fair value cannot be reliably measured.
Agricultural produce is measured at fair value less estimated costs to sell at the point of harvest.
The gain on initial recognition of biological assets at fair value less costs to sell, and changes in fair value less costs to sell of biological assets during a period are included in profit or loss for the period in which it arises as other operating income.

2.35. Consolidated Statement of Cash-flows

Cash flows arising from the operating, investing or financing activities are reported in the Statement of Cash-Flows of the Group primarily on a gross basis. Net basis reporting are applied by the Group in the following cases:
- when the cash flows reflect the activities of the customer rather than those of the Group, and
- for items in which the turnover is quick, the amounts are large, and the maturities are short.

For the purposes of reporting Consolidated Statement of Cash-flows, cash and cash equivalents include cash, due from banks and balances with the National Banks, excluding the compulsory reserve established by the National Banks. This line item shows balances of HUF and foreign currency cash amounts, and sight deposit from NBH and from other banks, furthermore, balances of current accounts.
Consolidated cash-flows from hedging activities are classified in the same category as the item being hedged. The unrealized gains and losses from the translation of monetary items to the closing foreign exchange rates and unrealized gains and losses from derivative financial instruments are presented net as operating activity separately in the Consolidated Statement of Cash-flows for the monetary items which have been revaluated.

2.36. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.
Based on the above, the segments identified by the Group are the business and geographical segments.
The Group's operating segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Merkantil Group, Asset Management subsidiaries, Other subsidiaries, Corporate Center.

2.37. Comparative balances

These Consolidated Financial Statements are prepared in accordance with the same accounting policies in all respects as the Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union for the year ended 31 December 2021.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of financial statements in conformity with IFRS as adopted by EU requires the Management of the Group to make judgement about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on the expected loss and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates. Significant areas of subjective judgement include:

3.1. Loss allowances on financial instruments exposed to credit risk

The Group regularly assesses its financial instruments portfolio for loss allowance. Management determines the adequacy of the loss allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. The use of the three-stage model was implemented for IFRS 9 purposes. The impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and to identify the credit-impaired assets. For instruments with credit-impairment or significant increase of credit risk lifetime expected losses are recognized (see more details in Note 37.1.)

3.2. Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. correlations, volatilities, etc.). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.

IFRS 13 Fair Value Measurement seeks to increase the consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the beginning of the reporting period. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

3.3. Provisions

Provision is recognized and measured for commitments to extend credit and for warranties arising from banking activities based on IFRS 9 Financial Instruments. Provision for these instruments is recognized based on the credit conversion factor, which shows the proportion of the undrawn credit line that will probably be drawn.

Other provisions are recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 24.)

Other provision includes provision for litigation, provision for retirement and expected liabilities and provision for confirmed letter of credit.

A provision is recognized by the Group when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES [continued]

3.4. Impairment on goodwill

Goodwill acquired in a business combination is tested for impairment annually or more frequently when there is an indication that the unit might be impaired, in accordance with IAS 36 “Impairment of assets”.
The Group calculates the fair value based on discounted cash-flow model. The 3-year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units. In the calculation of the goodwill impairment, also the expectations about possible variations in the amount or timing of those future cash-flows, the time value of money, represented by the current market risk-free rate of interest and other factors are reflected.

3.5. Business model

A business model refers to how the Group manages its financial instruments in order to generate cash flows. It is determined at a level that reflects how groups of financial instruments are managed rather than at an instrument level.

The financial assets held by the Group are classified into three categories depending on the business model within the financial assets are managed.

- Business model whose objective is to hold financial assets in order to collect contractual cash flows. Some sales can be consistent with hold to collect business model and the Group assesses the nature, frequency and significance of any sales occurring. The Group does not consider the sale frequent when at least six months have elapsed between sales. The significant sales are those when the sales exceed 2% of the total hold to collect portfolio. Within this business model the Group manages mainly loans and advances and long-term securities and other financial assets.
- Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Within this business model the Group only manages securities.
- Business model whose objective is to achieve gains in a short-term period. Within this business model the Group manages securities and derivative financial instrument.

If cash flows are realised in a way that is different from the expectations at the date that the Bank/Group assessed the business model, that does not give rise to a prior error in the Group’s financial statements nor does it change the classification of the remaining financial assets held in that business model.
When, and only when the Group changes its business model for managing financial assets it reclassifies all affected assets. Such changes are determined by the Group’s senior management as a result of external or internal changes and must be significant to the Group’s operations and demonstrable to external parties. The Group shall not reclassify any financial liability.

3.6. Contractual cash-flow characteristics of financial assets

Classification of a financial asset is based on the characteristics of its contractual cash flows if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Group should determine whether the asset’s contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI test). Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES [continued]

3.6. Contractual cash-flow characteristics of financial assets [continued]

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group assesses whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding for the currency in which the financial asset is denominated.

The time value of money is the element of interest that provides consideration for only the passage of time. However, in some cases, the time value of money element may be modified. In such cases, the Group assesses the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

When assessing a modified time value of money element, the objective is to determine how different the undiscounted contractual cash flows could be from undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). The benchmark instrument can be an actual or a hypothetical financial asset. If the undiscounted contractual cash flows significantly – above 2% – differ from the undiscounted benchmark cash flows, the financial asset should be subsequently measured at fair value through profit or loss.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP

The Covid-19 pandemic and the volatile economic environment in the post-Covid-19 era

Since the outbreak of the COVID-19 pandemic, OTP Group has regularly updated its forecasts in light of the pandemic and the impact of the pandemic on the operations of OTP Group. However, the continuance of new waves of the pandemic emerging may require further revision by OTP Group to such macroeconomic scenarios and its estimations of credit impairments.

Over the last 3 years, the COVID-19 pandemic severely impacted the evolution of the global economy. The supply-chain and logistic relationships were disrupted by periodic lockdowns and social distancing requirements and the supply of several key raw materials dropped significantly, leading to a more volatile economic environment compared to previous years. Raw material and energy prices rose steeply, leading to higher inflation and interest rates in some of OTP Group's operating countries. The conflict between Russian and Ukraine and the subsequent implementation of sanctions on Russia have accelerated supply shortages and resulted in higher energy prices and more broad-based inflation. Several major central banks have already raised or are considering raising interest rates earlier than previously expected. The Hungarian central bank has already hiked rates since the summer of 2021. The risk of local currency devaluations versus EUR or USD has increased and could lead to a more volatile operating environment for OTP Group.

This volatile environment could cause financial difficulties for OTP Group's customers. The deteriorating credit quality of OTP Group's customers may in particular result in increasing defaults and arrears in monthly payments on loans, higher credit impairments on the loan portfolios of OTP Group. Furthermore, lower demand for, and origination of, new loans could have a material adverse effect on the OTP Group's results of operations.

The OTP Group's activities and the profitability of its operations are strongly affected by the macroeconomic environment and the domestic and international perception of the economies in which it operates.

Furthermore, the OTP Group relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing and assessing capital adequacy. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and as such assumptions may later potentially prove to be incorrect, this can affect the accuracy of their outputs. This may be exacerbated when dealing with unprecedented scenarios, due to the lack of reliable historical reference points and data.

Any and all such events mentioned above could have a material adverse effect on the OTP Group's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings, as well as on the OTP Group's customers, employees and suppliers.

Macro economy and financial situation

Hungary

The rapid recovery following the Covid crisis has created capacity bottlenecks in many sectors, which, coupled with rising commodity and energy prices, have significantly increased inflation in advanced economies. In the USA, the rate of inflation has not been at this level since the 1970s. The rapidly rising and increasingly broad-based inflation prompted the Fed to take action and to become the first major central bank to start raising interest rates. This move has significantly strengthened the dollar, and US 10-year yields rose to 4.3%. In the USA, inflation clearly peaked in mid-2022, and has been on a downward trend since then. Inflation also rose rapidly in Europe, where the dramatically growing gas and electricity prices posed the bigger problem. However, inflation also peaked in the euro area by the end of 2022 and has been on a downward trend since October 2022. As the Russia-Ukraine war had a much stronger impact on Europe's economic outlook, and the labour market was much less tight than in the USA, the ECB was slower to react to the rise in inflation. Still, European short-term interest rates also rose to 2% by the end of 2022.

The USA went into a technical recession in the first half of 2022, but this turned out to be temporary, and the US economy resumed growth in the second half-year. Europe's economies proved more resilient than had been expected to the effects of the Russia-Ukraine war. In the first half of the year, growth benefited from the sectors that recovered after the pandemic, but the currency area also avoided recession in the second half of the year and grew by 3.5% in full year 2022.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

Macro economy and financial situation [continued]

Hungary [continued]

The main factor that affected Hungary's economy in 2022 was the war in a neighbouring country. Although the Hungarian economy grew by 8.2% year-on-year in the first quarter and by 6.5% in the second, this was largely fuelled by massive one-off transfers at the beginning of 2022. By the second half of the year, however, the economy had lost steam and entered technical recession (two consecutive quarters of economic contraction) by the end of 2022. As a result, the Hungarian economy grew by 4.6% in 2022 as a whole. Inflation, which went beyond 20% by the end of the year, played a significant role in the downturn, significantly eroding real income, and turning its growth negative by the end of 2022.

The strong domestic demand at the beginning of the year allowed businesses to pass through the ongoing cost shocks to prices. From the second half of the year, a number of administrative measures (tightening of KATA tax rules, windfall taxes, increasing the public heath product tax, scrapping some price caps, etc.) also boosted inflation. As a consequence, Hungary's inflation decoupled from the developments in the euro area, where inflation peaked around 10%, and from the CEE region, where it peaked at 15-17%. In Hungary, inflation did not peak in 2022.

Given that Hungary is a major net energy importer, the sharp rise in energy prices has significantly worsened the Hungarian economy's external balance, which put the forint under depreciation pressure. In addition, the continued delay in agreeing on EU funds has increased the risk premium on HUF assets, which also contributed to the forint's weakening – the MNB could reverse this only by a drastic interest rate hike, when the HUF/EUR was nearing 435. As a result, the effective reference rate rose to 18%. The falling gas prices, and the agreement reached with the EU at the end of 2022 had a benign effect on the HUF's exchange rate.

Falling real incomes and high interest rates have considerably slowed credit market growth. The housing loan market saw the sharpest slowdown: by the end of 2022 (as the Green Home Programme credit line ended), the contracted amount had fallen to half of the level seen in 2021.

Despite the rapidly eroding real incomes, household consumption was still relatively buoyant. But this came at a price: households' ability to save has sharply fallen. Outflows from demand deposits was particularly strong; these amounts flowed into foreign currency deposits and investment fund units.

The principles used in the preparation of the Consolidated Statement of Financial Position as at 31 December 2022 in connection with the evaluation of Russian and Ukrainian exposures

Going concern principle

Russia launched an operation against Ukraine on 24 February 2022, which has not ended even as of the date of these Consolidated Financial Statements. Because of the armed conflict, many countries and the European Union have imposed sanctions against Russia, Russian companies and citizens in several rounds. Russia responded to these sanctions with similar sanctions measures.

Armed conflict and international sanctions significantly affect business and economic activity worldwide.

Under an unexpected and extremely negative scenario of deconsolidating the Ukrainian entity and writing down the outstanding gross intragroup exposures as well, the effect for the consolidated CET1 ratio would be +1 bp, whereas in the case of Russia the impact would be -71 bps, based on the end of December 2022 numbers.

OTP Group's Ukrainian operation incorporates the Ukrainian bank, as well as the leasing and factoring companies. The country-consolidated Ukrainian total assets represented HUF 1,049 billion at the end of 2022 (3.2% of total consolidated assets), while net loans comprised HUF 414 billion (2.2% of consolidated net loans) and shareholders' equity HUF 122 billion (3.7% of the consolidated total equity).

At the end of 2022 the gross intragroup funding towards the Ukrainian operation represented HUF 84 billion.

In 2022 the Ukrainian operation posted an adjusted after-tax loss of HUF 15.9 billion. Regarding the trajectory of the quarterly results, following the loss of HUF 34.4 billion realized in the first quarter, the financial performance of the Ukrainian operation stabilized: in the second quarter around break-even result, then both in the third and the fourth quarter a positive result was achieved.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

The principles used in the preparation of the Consolidated Statement of Financial Position as at 31 December 2022 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Going concern principle [continued]

The total assets of the Group's Russian operation represented HUF 1,030 billion at the end of 2022 (3.1% of consolidated total assets), while net loans comprised HUF 612 billion (3.3% of consolidated net loans) and shareholders' equity HUF 306 billion (9.2% of consolidated total equity). As the Russian subsidiary repaid its maturing intragroup loans in the fourth quarter of 2022, the gross intragroup funding towards the Russian operation declined from HUF 75 billion equivalent at the end of 2021 to HUF 10 billion equivalent at the end of 2022 (these figures are practically the same as the net group funding due to the lack of deposits placement by Russia in the Group). The remaining intragroup exposure toward the Russian operation at the end of 2022 was a subordinated loan.The Russian operation posted HUF 42.5 billion adjusted profit in 2022. Within that, HUF 27.2 billion loss was suffered in the first quarter, followed by profitable quarters in the remaining part of the year.
In the case of Ukraine and Russia OTP management applies a „going concern" approach, however in Russia the management is still considering all strategic options, though a Russian Presidential decree in October 2022 prohibited the sale of foreign owned banks.
Based on the current evaluation of the Bank's management, the Ukrainian-Russian conflict does not have a significant negative impact on the OTP Group's business activities, financial situation, effectiveness of its activities, liquidity, and capital situation. Even after the recognition of the potential losses and write-offs outlined above, the Group's capital adequacy remains above the expected regulatory level. There is no sign of significant uncertainties having been arisen regarding carrying out its business as a going concern.

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Consolidated Financial Statements

During the preparation of these Consolidated Financial Statements, the Group identified the following estimates, which were significantly affected by the Russian-Ukrainian conflict:

1) Evaluation of Russian sovereign exposures (government securities) and related reserves for expected credit losses
   a) exposures of the Russian subsidiary bank
   b) exposures of other members of the group (parent company and subsidiaries)
2) Evaluation of Ukrainian sovereign exposures (government securities) and related reserves for expected credit losses
   a) exposures of the Ukrainian subsidiary bank
   b) exposures of other members of the group (parent company and subsidiaries)
3) evaluation of derivative transactions denominated in Russian rubles
4) evaluation of derivative transactions denominated in the Ukrainian hryvnia
5) claims against Russian and Ukrainian central banks, provisions for expected credit losses related to Russian and Ukrainian interbank claims and customer loans
   a) the impact of the deterioration of the Russian and Ukrainian macro-environment
   b) following direct exposure to the Russian and Ukrainian markets, non-Russian and Ukrainian bank exposures
   c) exposures of Russian and Ukrainian subsidiary banks
6) evaluation of goodwill
7) deferred tax assets

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

The principles used in the preparation of the Consolidated Statement of Financial Position as at 31 December 2022 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Consolidated Financial Statements [continued]

	Russia			Ukraine			Other countries		
	Reference	Gross value	Impairment / Depreciation	Reference	Gross value	Impairment / Depreciation	Reference	Gross value	Impairment / Depreciation
Cash, amounts due from banks and balances with the National Banks		41,143	-		48,537	-		-	-
Placements with other banks	5	248,192	-	5	36,835	(250)		-	-
Financial assets at fair value through profit or loss - derivatives	3	366	-	4	14	-		-	-
Securities at fair value through other comprehensive income	1a	22,051	-	2a	26,601	-	1b; 2b	71,683	(43,003)
Securities at amortized cost		-	-	2a	309,128	(14)	1b; 2b	50,962	(17,635)
Loans at amortized cost	5	792,217	(180,364)	5	373,560	(87,860)	5	11,311	(6,929)
Finance lease receivables		-	-		153,090	(24,899)		-	-
Associates and other investments		58	(2)						
Property and equipment		39,583	(25,058)		14,132	(6,827)		-	-
Intangible assets and goodwill		37,524	(17,927)		9,760	(5,897)	6	40,866	(40,866)
Right-of-use assets		19,741	(10,555)		6,311	(3,007)		-	-
Investment properties		-	-		252	-		-	-
Deferred tax assets	7	20,719	-	7	-	-		-	-
Other assets		36,237	(7,378)		13,231	(1,097)		-	-
TOTAL ASSETS		**1,257,831**	**(241,284)**		**991,451**	**(129,851)**		**174,822**	**(108,433)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks		18,415	-		26,125	-		-	-

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

The principles used in the preparation of the Consolidated Statement of Financial Position as at 31 December 2022 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Consolidated Financial Statements [continued]

During the evaluation of these assets, the Group applied the evaluation principles detailed below, which evaluation contains significant estimates on the part of the Management. The results of the estimates may vary significantly depending on the development of the situation in the Russian-Ukrainian conflict.

References
1a. Evaluation of Russian sovereign exposures and related reserves for expected credit losses - exposures of the Russian subsidiary bank

Within Russia, Russian government securities are marketable, and their repayment is expected to take place in accordance with the original conditions. The fair value calculation of securities is based on market prices available and observable on local trading platforms Due to the increased credit risk, the Bank classified these securities in the Stage 2 category.

1b. Evaluation of Russian sovereign exposures and related reserves for expected credit losses - other exposures of the group

Outside of Russia, the marketability of Russian government securities is significantly limited due to sanctions and capital market participants turning away from Russian securities. The credit rating of the Russian state was withdrawn in 2022, the Group classifies the Russian state as non-performing, and in accordance with this, it assigned the affected exposures to the Stage 3 category. The Russian state not only recognizes its obligation and has the necessary financial reserves, but would also be willing to pay, so the increased loss potential is caused by non-traditional credit risks. In the case of a portfolio valued at fair value against other comprehensive income, the book value is determined based on the level 3 prices of IFRS13. Cash-flow estimation, current market benchmarks (provided by Bloomberg), liquidity and non-credit risk considerations were taken into account in fair value calculation.

2a. Valuation of Ukrainian sovereign exposures and related reserves for expected credit losses - exposures of the Ukrainian subsidiary bank

The marketability of local government securities and the liquidity of the market are limited in Ukraine
Ukrainian government securities can only be found in the books of the Ukrainian subsidiary, due to the increased credit risk, these exposures are classified as Stage2. In the case of a portfolio valued at fair value against other comprehensive results, the book value is determined based on the level 3 prices of IFRS13. During the actual evaluation, the expected cash flow is discounted using yield curves observed based on current market benchmarks (published by the National Bank of Ukraine).

2b. Valuation of Ukrainian sovereign exposures and related reserves for expected credit losses - other exposures of the group

Ukrainian government securities are exclusively in the books of the Ukrainian subsidiary.

3. Valuation of Russian derivative transactions

Similar to the bond market, in 2022 the money market inside and outside Russia will also be separated. In the case of futures contracts concluded with local partners on the Russian market, the evaluation is carried out using yield curves available and observable on the local market. In cases where one of the partners is not Russian, the evaluation is done using yield curves available and observable on the international market.
In 2022, there was one case of non-performance, the impact of which was HUF 13.8 billion.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

The principles used in the preparation of the Consolidated Statement of Financial Position as at 31 December 2022 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Consolidated Financial Statements [continued]

References [continued]

4. Valuation of Ukrainian derivatives

Similar to the bond market, in 2022 the liquidity and number of transactions in the Ukrainian money market were limited. The Treasury turnover of the Ukrainian bank is low, and a significant part of the derivative transactions are related to the bank's risk management and concluded with the parent company. During the actual evaluation, the expected cash-flow is discounted using yield curves observed based on current market benchmarks (published by the National Bank of Ukraine).

5. Claims against Russian and Ukrainian central banks, provisions for expected credit losses related to Russian and Ukrainian interbank claims and customer loans

As part of the continuous monitoring activity, OTP Group has explored and analyzed the secondary and tertiary negative effects of the war in the corporate segment for Group members outside of Russia and Ukraine, including the effects of the current sanctions policy. In the case of the affected customers, if the increased risk was substantiated, they were classified in the Stage 2 category, while in the case of non-performance, the Group classified the given exposures in the Stage 3 rating category.
In the case of Group members in Russia, the impact of the deteriorating economic environment compared to previous years was taken into account when determining the expected loss, however, the Bank does not expect any further substantial deterioration of the economic environment. As a result of the cessation of active corporate lending, the exposure of corporate loans in rubles decreased by 75% in 2022. The retail credit market started to pick up again from the second half of the year, although the dynamics of lending fell short of the similar period of the previous year.
In the case of Ukrainian Group members, the proportion of customers with increased risk (Stage2) and non-performing (Stage3) increased significantly in 2022. When determining the expected loss, the drastically deteriorating external environment in 2022 was taken into account, compared to which the Bank does not expect any further significant deterioration in 2023. The identification of the increased risk – given the special situation – extends to regionally different war activity. In addition, the territorial distribution of exposures was also taken into account when evaluating the expected loss, in the areas directly and indirectly affected by the war, the Bank does not expect a significant return for non-performing customers, regardless of economic trends. Adjusted for exchange rates, the stock of residential loans due in 2022 (Stage 1+2) fell by approximately half. New corporate lending is predominantly limited to the refinancing of existing frameworks, the corporate loan portfolio decreased by 20% and the leasing portfolio by 28% adjusted for exchange rates last year. In the residential segment, the Bank's activity dropped to a fraction from the end of February, and in the second half of the year, there was already a small recovery in commodity lending.

6. Evaluation of goodwill

In connection with the involvement in the Russian-Ukrainian conflict, as a result of the company value review, the Group considered it necessary to fully write off the existing goodwill in the case of the Russian subsidiary bank in the first quarter of 2022, the value of which as at 31 December 2021 was HUF 40.9 billion. The effect of goodwill write-off on the result was HUF 67.7 billion, and a HUF 26.8 billion loss was accounted for against equity. In the case of Ukraine, there was no goodwill write-off.
Based on current experience, the Group takes into account the macroeconomic effects of the current geopolitical situation in the mid- to long-term when determining the impairment of investments in the case of countries affected by the conflict. In the case of Russian and Ukrainian operations, we currently do not consider it likely that the estimated investment value before the conflict (2021) will be reached during the 3-year explicit period.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

The principles used in the preparation of the Consolidated Statement of Financial Position as at 31 December 2022 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Consolidated Financial Statements [continued]

References [continued]

7. Deferred tax

Due to the uncertainty of the expected return, the Group did not recognize deferred tax assets in Ukraine, while in Russia, the Group recognized HUF 20.7 billion in deferred tax assets. There is no limit to unused tax credits in Russia. In addition, if the bank's taxable loss were to increase (if the impairment calculated according to local rules approached the higher level of impairment according to IFRS), the difference between the settlement and the tax loss would decrease, thus reducing the deferred tax asset. As a result, the bank was able to utilize the temporary deferred tax asset both in the expected profitable operation and in a possible loss scenario.

Summary of economic policy measures made and other relevant regulatory changes in the period under review

In the section below, the measures and developments which have been made since the beginning of 2022, and – in OTP Bank's view – are relevant and have materially influenced / can materially influence the operation of the Group members.

OTP Bank excludes any liability for the completeness and accuracy of the measures presented herein.

Hungary

- On 5 April 2022 the National Bank of Hungary raised the available amount under the Green Home Programme by an additional HUF 100 billion, up from the originally announced HUF 200 billion.
- Pursuant to Government Decree No. 150/2022 published on 14 April 2022, effective from 29 April the intermediary and other fees paid by the State to commercial banks were amended in the case of the Housing Subsidy for Families (CSOK), the VAT refund subsidy for newly built homes, the repayment by the State of housing loan taken out by families with children, and the baby loans. These fees are now set as absolute amounts, instead of the previous percentage terms. Furthermore, the interest subsidy paid by the state was reduced by one percentage point in the case of baby loans requested after 29 April.
- According to the press release made by the National Bank of Hungary on 30 June 2022, the counter-cyclical capital buffer rate will be increased, for the first time since its introduction 6 years ago, to 0.5% effective from 1 July 2023.
- The baby loan programme which was originally meant to expire by the end of 2022 was extended by 2 years, till the end of 2024.

Interest rate cap

For the period between 1 January and 30 June 2022 the Hungarian Government introduced an interest rate cap for variable-rate retail mortgage loans, and with its decision announced on 18 February for housing purposes financial leasing contracts, too. Accordingly, the affected exposures' reference rate cannot be higher than the relevant contractual reference rate as at 27 October 2021. The modification loss related to the interest rate cap for variable rate mortgage loans announced was recognized in the Bank's 2021 financial accounts. The extension of the interest rate cap to housing purposes financial leasing contracts did not have a significant negative effect.
Pursuant to Government Decree No. 215/2022 (issued on 17 June) the Government extended the interest rate cap for variable-rate retail mortgage loans by an additional 6 months, i.e. until 31 December 2022. The expected one-off effect of the extension of the interest rate cap amounted to -HUF 10.1 billion (after tax) and was booked in the second quarter of 2022.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

Interest rate cap [continued]

The details of the extension of the interest rate cap scheme were revealed on 14 October 2022. Firstly, the interest rate cap was further extended by 6 months, until the end of June 2023. Secondly, from 1 November 2022 the provisions of the interest rate cap must applied to the market-based mortgages with up to 5 years interest rate repricing period, too.
On 22 October 2022 the Government announced that starting from 15 November until 30 June 2023, the reference rate of certain MSE loans will also be capped, as set out by Government Decree 415/2022 (X. 26.) published on 26 October. Accordingly, the provisions shall be applied to HUF denominated, non-subsidized, floating rate loans to micro and small enterprises and financial lease contracts, excluding overdraft loan agreements. In this period, the reference rate of these exposures cannot be higher than the relevant reference rate as specified in the contract as at 28 June 2022 (on that day the 3M BUBOR stood at 7.77%). The financial burden of the MSE rate cap must be shouldered by the banks. The cost of the rate cap scheme is borne by the banks.
The expected negative after tax effect of the measures taken in October 2022 amounted to HUF 26.4 billion and was accounted for in the fourth quarter of 2022 in one sum.

Moratorium, one-off effect

In Hungary the first phase of the moratorium on loan payments was effective from 19 March 2020 to 31 December 2020. At the end of 2020 the moratorium was extended in unchanged form for the period between 1 January 2021 and 30 June 2021. Furthermore, according to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021. Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium: the blanket moratorium was extended by an additional month, until the end of October, in an unchanged form. Furthermore, from the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay. Similarly, with its Government Decree No. 216/2022 published on 17 June, the Government further extended the expiry of the moratorium, until the end of 2022. Eligible clients had to notify their bank about their intention to participate in the payment holiday until the end of July 2022. The general payment holiday expired at the end of 2022.
Starting from September 2022 to the end of 2023, due to the severe draught, agricultural companies can enjoy a payment moratorium on their working capital and investment loans. Eligible borrowers can decide whether to join the scheme or not. At the end of 2022, HUF 41 billion worth of loans were subject to the moratorium for agricultural companies, making up 0.6% of OTP Core’s total gross loan volume.
During the term of the moratorium OTP Bank accrues the unpaid interest in its statement of recognized income, amongst the revenues. At the same time, due to the fact that interest cannot be charged on the unpaid interest, and the unpaid interest will be repaid later, in the course of 2020, 2021 and 2022 altogether HUF 44.1 billion one-off loss emerged in Hungary (after tax).

Financial assets modified during the period related to moratorium in the Group for the year ended 31 December 2022 (in HUF mn)

Modification due to prolongation of deadline of moratorium from 30 June until 31 July 2022

	Group
Gross carrying amount before modification	159,850
Loss allowance before modification	(31,718)
Net amortised cost before modification	**128,132**
Modification loss	(471)
Net amortised cost after modification	**127,661**

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

Financial assets modified during the period related to moratorium in the Group for the year ended 31 December 2022 (in HUF mn) [continued]

Modification due to prolongation of interest rate cap till 30 June 2022

	Group
Gross carrying amount before modification	289,630
Loss allowance before modification	(7,771)
Net amortised cost before modification	**281,859**
Modification loss	(11,144)
Net amortised cost after modification	**270,715**

Modification due to prolongation of deadline of moratorium till 30 September 2022

	Group
Gross carrying amount before modification	1,053
Loss allowance before modification	(108)
Net amortised cost before modification	**945**
Modification loss	(5)
Net amortised cost after modification	**940**

Modification due to moratorium related to agriculture and prolongation of deadline of existing moratorium till 30 September 2022

	Group
Gross carrying amount before modification	152,051
Loss allowance before modification	(24,910)
Net amortised cost before modification	**127,141**
Modification loss	(2,122)
Net amortised cost after modification	**125,019**

Modification due to prolongation of interest rate cap till 30 November 2022

	Group
Gross carrying amount before modification	154,421
Loss allowance before modification	(6,184)
Net amortised cost before modification	**148,237**
Modification loss	(536)
Net amortised cost after modification	**147,701**

Modification due to scope extension (mortgage loans with 5-year fixing without subsidy) and prolongation of the existing interest rate cap till 31 December 2022

	Group
Gross carrying amount before modification	422,201
Loss allowance before modification	(12,604)
Net amortised cost before modification	**409,597**
Modification loss	(22,860)
Net amortised cost after modification	**386,737**

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

Financial assets modified during the period related to moratorium in the Group for the year ended 31 December 2021 (in HUF mn)

Modification due to prolongation of deadline of covid moratoria until 30 September:

	Group
Gross carrying amount before modification	1,175,230
Loss allowance before modification	(66,066)
Net amortised cost before modification	**1,109,164**
Modification loss due to covid moratoria	(6,620)
Net amortised cost after modification	**1,102,544**

Modification due to prolongation of deadline of covid moratoria until 31 October:

	Group
Gross carrying amount before modification	1,166,115
Loss allowance before modification	(69,415)
Net amortised cost before modification	**1,096,700**
Modification loss due to covid moratoria	(2,104)
Net amortised cost after modification	**1,094,596**

In the case of credit card and overdraft loans interest charged during the moratoria period should be refunded to the debtors in amount determined as a difference between the charged interest and a premoratoria personal loan interest at 11,99%. The Bank has managed this government measure as loan agreement modification in the financial statements.

	Group
Gross carrying amount before modification	57,892
Loss allowance before modification	(9,234)
Net amortised cost before modification	**48,658**
Modification loss due to covid moratoria	(1,983)
Net amortised cost after modification	**46,675**

Modification due to prolongation of deadline of covid moratoria until 30 June 2022:

	Group
Gross carrying amount before modification	113,728
Loss allowance before modification	(25,428)
Net amortised cost before modification	**88,300**
Modification loss due to covid moratoria	(2,838)
Net amortised cost after modification	**85,462**

Modification due to temporarily fixing of loan with variable interest rate:

On 24 December 2021 new regulation was issued on fixing of retail loan product's interest, under that interest rates of mortgage loans with variable interest shall be fixed at reference rates of 27 October 2021, predictably till 30 June 2022.

	Group
Gross carrying amount before modification	321,323
Loss allowance before modification	(9,317)
Net amortised cost before modification	**312,006**
Modification loss due to covid moratoria	(3,397)
Net amortised cost after modification	**308,609**

NOTE 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANKS (in HUF mn)

	2022	2021
Cash on hand		
In HUF	92,526	87,489
In foreign currency	582,950	409,045
	675,476	**496,534**

Amounts due from banks and balances with the National Banks

	2022	2021
Within one year		
In HUF	732,956	83,540
In foreign currency	2,814,663	1,977,069
	3,547,619	**2,060,609**
Over one year		
In HUF	-	-
In foreign currency	-	-
	-	**-**
Loss allowance on amounts due from bank and balances with the National Banks	(1,703)	(1,108)
Total	**4,221,392**	**2,556,035**
Compulsory reserve set by the National Banks	(1,623,704)	(854,474)
Cash and cash equivalents	**2,597,688**	**1,701,561**

Foreign subsidiary banks within the Group have to comply with country specific regulation of local National Banks. Each country within the Group has its own regulation for compulsory reserve calculation and maintenance. Based on those banks are obliged to place compulsory reserve at their National Bank in a specified percentage of their liabilities considered in compulsory reserve calculation.

An analysis of the change in the loss allowance on amounts from banks and balances with the National Banks is as follows:

	2022	2021
Balance as at 1 January	**1,108**	**-**
Loss allowance for the period	8,072	952
Release of loss allowance for the period	(7,697)	-
Use of loss allowance for the period	-	-
Foreign currency translation difference	220	156
Closing balance	**1,703**	**1,108**

NOTE 6: PLACEMENTS WITH OTHER BANKS (in HUF mn)

	2022	2021
Within one year		
In HUF	681,892	851,053
In foreign currency	447,648	523,205
	1,129,540	**1,374,258**
Over one year		
In HUF	199,056	162,774
In foreign currency	26,323	50,823
	225,379	**213,597**
Loss allowance on placements	(3,837)	(2,994)
Total	**1,351,082**	**1,584,861**

An analysis of the change in the loss allowance on placements with other banks is as follows:

	2022	2021
Balance as at 1 January	**2,994**	**1,489**
Loss allowance for the period	38,314	25,133
Release of loss allowance for the period	(38,378)	(23,613)
Use of loss allowance for the period	(100)	(112)
Foreign currency translation difference	1,007	97
Closing balance	**3,837**	**2,994**

Interest conditions of placements with other banks:

	2022	2021
Interest rates on placements with other banks denominated in HUF	0.00% - 25.70%	(1.50)% - 5.90%
Interest rates on placements with other banks denominated in foreign currency	(1.5)% - 13.29%	(5.00)% - 29.00%

	2022	2021
Average interest rates on placements with other banks (%)	11.02%	1.52%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	2022	2021
Within one year		
In HUF	41,250	33,710
In foreign currency	-	27,632
	41,250	**61,342**
Over one year		
In HUF	-	-
In foreign currency	-	-
	-	**-**
Loss allowance on repo receivables	(241)	(290)
Total	**41,009**	**61,052**

An analysis of the change in the loss allowance on repo receivables is as follows:

	2022	2021
Balance as at 1 January	**290**	**292**
Loss allowance for the period	4,744	1,112
Release of loss allowance for the period	(4,794)	(1,124)
Use of loss allowance	-	-
Foreign currency translation difference	1	10
Closing balance	**241**	**290**

Interest conditions of repo receivables (%):

	2022	2021
Interest rates on repo receivables denominated in HUF	10.70% - 18.00%	3.04% - 3.20 %
Interest rates on repo receivables denominated in foreign currency	-	(0.58)% - 9.62%

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2022	2021
Securities held for trading		
Government bonds	78,897	97,531
Equity instruments and fund units	385	1,173
Corporate bonds	119	740
Discounted Treasury bills	22,896	923
Mortgage bonds	72	101
Other interest-bearing securities	1,628	1,347
Other non-interest-bearing securities	753	1,695
	104,750	**103,510**
Non-trading securities mandatorily at fair value through profit or loss		
Equity instruments, shares and open-ended fund units	49,746	44,894
Bonds	5,409	8,509
	55,155	**53,403**
Debt securities designated at fair value through profit or loss	**-**	**-**
Total	**159,905**	**156,913**

Positive fair value of derivative financial assets held for trading

	2022	2021
Foreign exchange swaps held for trading	79,395	38,728
Interest rate swaps held for trading	127,230	59,504
Commodity swaps	33,693	51,523
CCIRS and mark-to-market CCIRS held-for-trading [1]	20,512	11,758
Foreign exchange forward contracts held for trading	13,085	10,790
Held-for-trading option contracts	2,122	1,285
Held-for-trading forward security agreement	13	-
Other derivative transactions held for trading[2]	432	10,896
Total	**276,482**	**184,484**
Total	**436,387**	**341,397**

[1] CCIRS: Cross Currency Interest Rate Swaps (See Note 2.6.3.)
[2] Other category includes: fx spot, equity swaps, option and index futures.

An analysis of securities held for trading portfolio by currency (%):

	2022	2021
Denominated in HUF	81.47%	30.46%
Denominated in foreign currency	18.53%	69.54%
Total	**100.0%**	**100.0%**

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

An analysis of government bond portfolio by currency (%):

	2022	2021
Denominated in HUF	78.42%	28.31%
Denominated in foreign currency	21.58%	71.69%
Total	**100.00%**	**100.00%**

Interest conditions of held for trading securities (%):

	2022	2021
Interest rates on securities held for trading denominated in HUF	0.00% - 16.69%	0.00% - 6.75%
Interest rates on securities held for trading denominated in foreign currency	0.00% - 7.63%	0.00% - 9.57%

Interest conditions and the remaining maturities of **securities held for trading** can be analysed as follows:

	2022	2021
Within one year		
With variable interest	3,041	111
With fixed interest	29,025	44,011
	32,066	**44,122**
Over one year		
With variable interest	9,535	1,544
With fixed interest	62,011	54,976
	71,546	**56,520**
Non-interest-bearing securities	1,138	2,868
Total	**104,750**	**103,510**

	2022	2021
Profit from associates from shares measured at fair value through profit or loss	12,216	3,893

An analysis of **non-trading securities** mandatorily measured at fair value through profit or loss portfolio by currency (%):

	2022	2021
Denominated in HUF	60.69%	57.11%
Denominated in foreign currency	39.31%	42.89%
Total	**100.00%**	**100.00%**

	2022	2021
Interest rates on non-trading securities mandatorily measured at fair value through profit or loss	0.00% - 0.00%	0.00% - 0.00%

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)

	2022	2021
Securities at fair value through other comprehensive income		
Government bonds	1,301,179	1,765,172
Corporate bonds	82,651	88,519
Listed securities:		
In HUF	-	*2,896*
In foreign currency	*13,626*	*51,882*
	13,626	**54,778**
Non-listed securities:		
In HUF	*14,304*	*15,487*
In foreign currency	*54,721*	*18,254*
	69,025	**33,741**
Mortgage bonds	54,553	63,072
Discounted Treasury bills	-	96,625
Interest bearing treasury bills	182,726	63,115
Securities issued by the National Bank of Hungary	74,867	109,774
Other securities	3,470	3,257
Total	**1,699,446**	**2,189,534**

	2022	2021
Non-trading equity instruments to be measured at fair value through other comprehensive income		
Listed securities:		
In HUF	-	-
In foreign currency	*11,233*	*8,416*
	11,233	**8,416**
Non-listed securities:		
In HUF	*403*	*403*
In foreign currency	*28,521*	*26,157*
	28,924	**26,560**
	40,157	**34,976**
Total	**1,739,603**	**2,224,510**

An analysis of securities at fair value through other comprehensive income by currency (%):

	2022	2021
Denominated in HUF	36.47%	32.74%
Denominated in foreign currency	63.53%	67.26%
Total	**100.00%**	**100.00%**

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn) [continued]

Detailed information of the non-trading equity instruments to be measured at fair value through other comprehensive income:

	2022	2021
Strategic investments closely related to banking actitvity		
Fair value	31,873	29,320
Dividend income from instruments held at the reporting date	1,120	438
Derecognition		
Fair value of derecognized equity instrument, fund units	-	65
Cumulative gain / loss on disposal transferred to retained earnings	-	29
Other strategic investments		
Fair value	8,284	5,656
Dividend income from instruments held at the reporting date	59	29
Derecognition		
Cumulative gain / loss on disposal transferred to retained earnings	-	196
Total		
Total fair values	**40,157**	**34,976**
Dividend income from instruments held at the reporting date	**1,179**	**467**
Fair value of derecognized equity instrument, fund units	**-**	**65**
Cumulative gain / loss on disposal transferred to retained earnings	**-**	**225**

During the year ended 31 December 2022 there wasn't any sale transaction regarding equity instruments designated to measure at fair value through other comprehensive income in the Group while during the year ended 31 December 2021 the Group sold HUF 65 million equity instruments designated to measure at fair value through other comprehensive income

An analysis of government bonds by currency (%):

	2022	2021
Denominated in HUF	23.64%	24.29%
Denominated in foreign currency	76.36%	75.71%
Total	**100.00%**	**100.00%**

Interest conditions of the security portfolio at fair value through other comprehensive income are as follows (%):

	2022	2021
Interest rates on securities at fair value through other comprehensive income denominated in HUF	1.50% - 15.11%	1.25% - 7.00%
Interest rates on securities at fair value through other comprehensive income denominated in foreign currency	0.00% - 18.24%	0.00% - 17.25%

	2022	2021
Average interest rates securities at fair value through other comprehensive income denominated in HUF (%)	3.31%	2.00%
Average interest rates on securities at fair value through other comprehensive income denominated in foreign currency (%)	2.55%	2.51%

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn) [continued]

Interest conditions and the remaining maturities of securities at fair value through other comprehensive income can be analysed as follows:

	2022	2021
Within one year		
With variable interest	15,124	1,091
With fixed interest	507,888	522,939
	523,012	**524,030**
Over one year		
With variable interest	28,523	51,211
With fixed interest	1,147,911	1,614,293
	1,176,434	**1,665,504**
Non-interest-bearing securities	40,157	34,976
Total	**1,739,603**	**2,224,510**

Certain securities are hedged against interest rate risk. See Note 37.4.

NOTE 10: SECURITIES AT AMORTIZED COST (in HUF mn)

	2022	2021
Government bonds	4,375,085	3,651,508
Corporate bonds	250,538	172,526
Bonds of Hungarian National Bank	177,679	-
Discounted Treasury bills	19,539	15,705
Mortgage bonds	24,586	24,356
Interest bearing Treasury bills	4,977	-
Other securities	82,583	36,353
	4,934,987	**3,900,448**
Loss allowance on securities at amortized cost	(43,049)	(9,113)
Total	**4,891,938**	**3,891,335**

Interest conditions and the remaining maturities of securities at amortized cost can be analysed as follows:

	2022	2021
Within one year		
With variable interest	159	8,101
With fixed interest	951,773	480,296
	951,932	**488,397**
Over one year		
With variable interest	25,753	5,122
With fixed interest	3,957,302	3,406,929
	3,983,055	**3,412,051**
Total	**4,934,987**	**3,900,448**

An analysis of securities at amortized cost by currency (%):

	2022	2021
Denominated in HUF	63.50%	75.42%
Denominated in foreign currency	36.50%	24.58%
Total	**100.00%**	**100.00%**

Interest conditions of securities at amortized cost (%):

	2022	2021
Interest rates of securities at amortized cost with variable interest	0.75% - 17.74%	1.20% - 2.08%
Interest rates of securities at amortized cost with fixed interest	0.00% - 23.00%	0.00% - 9.00%

	2022	2021
Average interest rates on securities at amortized cost denominated in HUF (%)	3.31%	2.46%

NOTE 10: SECURITIES AT AMORTIZED COST (in HUF mn) [continued]

An analysis of the change in the loss allowance on securities at amortized cost is as follows:

	2022	2021
Balance as at 1 January	**9,113**	**5,657**
Opening change due to modification	-	1,281
Balance as at 1 January after modification	**9,113**	**6,938**
Loss allowance for the period	37,104	6,634
Release of loss allowance	(5,603)	(3,621)
Use of loss allowance	-	(992)
Foreign currency translation difference	2,435	154
Closing balance	**43,049**	**9,113**

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn)

Loans at amortized cost

	2022	2021
Within one year		
In HUF	1,422,663	1,243,635
In foreign currency	3,672,023	2,901,682
	5,094,686	**4,145,317**
Over one year		
In HUF	2,425,793	2,359,485
In foreign currency	9,540,339	7,840,375
	11,966,132	**10,199,860**
	17,060,818	**14,345,177**
Loss allowance on loans	(966,360)	(851,994)
Total	**16,094,458**	**13,493,183**

An analysis of the gross loan portfolio at amortized cost by currency (%):

	2022	2021
In HUF	22.56%	25.12%
In foreign currency	77.44%	74.88%
Total	**100.00%**	**100.00%**

Interest rates of the loan portfolio at amortized cost are as follows:

	2022	2021
Loans at amortized cost denominated in HUF[1]	0.00% - 43.70%	0.00% - 52.00%
Loans at amortized cost denominated in foreign currency[2]	(0.10)% - 90.00%	(0.59)% - 90.00%

[1] The highest interest rate relates to HUF loan is overdraft loan, both in the current and in the previous years.
[2] The highest interest rate relates to loan in foreign currency regarding POS services in Russia both in the current and in the previous years.

	2022	2021
Average interest rates on loans at amortized cost denominated in HUF (%)	8.65%	6.23%
Average interest rates on loans at amortized cost denominated in foreign currency (%)	5.47%	4.79%

The amount of those loans which were written-off in the current year but they are still subject to enforcement activity to be collected is still going on were HUF 117,357 million and HUF 104,940 million as at 31 December 2022 and 2021, respectively.

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn) [continued]

An analysis of the change in the loss allowance on loans is as follows:

	2022	2021
Balance as at 1 January	**851,994**	**829,543**
Opening change due to modification	-	(1,281)
Balance as at 1 January after modification	**851,994**	**828,262**
Loss allowance for the period	*676,389*	*546,284*
Release of loss allowance	*(469,929)*	*(464,888)*
Loss allowance in the current period	206,460	81,396
from this: effect of change in parameters used for loss allowance calculation	10,276	(60,531)
Use of loss allowance	(92,004)	(66,784)
Partial write-off [1]	(67,651)	(17,936)
Unwinding	-	345
Foreign currency translation difference	67,561	26,711
Closing balance	**966,360**	**851,994**

[1] See details in Note 2.11.

Movement in loss allowance on loans and placements is summarized as below:

	2022	2021
Loss allowance on placements and gains from write-off and sale of placements	(39)	1,664
Loss allowance on loans and gains from write-off and sale of loans	114,163	34,776
Total [2]	**114,124**	**36,440**

[2] See details in Note 31.

Loans mandatorily at fair value through profit or loss

	2022	2021
Within one year		
In HUF	70,883	61,537
In foreign currency	-	-
	70,883	**61,537**
Over one year		
In HUF	1,176,531	1,006,293
In foreign currency	-	281
	1,176,531	**1,006,574**
Total	**1,247,414**	**1,068,111**

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn) [continued]

An analysis of the loan portfolio mandatorily at fair value through profit or loss by currency (%):

	2022	2021
In HUF	100.00%	99.17%
In foreign currency	0.00%	0.83%
Total	**100.00%**	**100.00%**

Interest rates of the loan portfolio mandatorily at fair value through profit or loss are as follows (%):

	2022	2021
Interest rates on loans denominated in HUF	1.12% - 18.26%	1.21% - 10.83%
Interest rates on loans denominated in foreign currency	-	4.00% - 4.00%

	2022	2021
Average interest rates on loan portfolio at fair value through profit or loss denominated in HUF (%)	4.55%	4.17%
Average interest rates on loan portfolio at fair value through profit or loss denominated in foreign currency (%)	0.04%	1.82%

NOTE 12: ASSOCIATES AND OTHER INVESTMENTS (in HUF mn)

	2022	2021
Investments		
Investments in associates (non-listed)	29,010	42,409
Other investments (non-listed)	56,919	37,327
	85,929	**79,736**
Impairment on investments	(12,080)	(12,514)
Total	**73,849**	**67,222**

An analysis of the change in the impairment on investments is as follows:

	2022	2021
Balance as at 1 January	**12,514**	**5,864**
Impairment for the period	1,312	7,266
Release of impairment for the period	(411)	(626)
Modification due to merge	(1,238)	28
Use of impairment	-	-
Foreign currency translation difference	(97)	(18)
Closing balance	**12,080**	**12,514**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

There are different kinds of tangible and intangible assets held by the Group. In the followings there are presented reasons of the changes from opening values to closing ones in the gross values, the accumulated depreciation and amortization and in the impairment of the tangible and intangible assets in the Group. Here can be found information about the fair values of the tangible assets and gross amounts of those assets which were fully depreciated but which are still in use.

Carrying amount of the temporarily idle properties was HUF 3,466 million and HUF 3,057 million as at 31 December 2022 and 31 December 2021, respectively.
There were no restrictions on title and properties, plants or equipment pledged as security for liabilities as at 31 December 2022 and 2021.
As at 31 December 2022 and 2021 the amount of contractual commitments for the acquisition of tangible and intangible assets was HUF 21,116 million and HUF 1,595 million, respectively.

Impairment for the properties in the current period was needed as a result of the valuation performed by using the comparative value method (market analogy method) with direct comparison to the market price of other similar properties. Actual market transactions were used based on the 6-month period prior to the valuation date where the market price of the analogous property is adjusted by an expert coefficient for market adaptation (“ECMA”). Usually this range is from -25% to +25% and reflects the availability of sufficient market information for similar items but at these properties ECMA exceeded this range where the circumstances were exceptional although by decision of the appraiser it was used only for unique properties with characteristics similar to the appraised ones, for which no sufficient market analogues are available. The price was adjusted by coefficients reflecting the area, location, size and structure of the property, as well as a weighing factor reflecting the weight of the selected market analogies in the determined fair value.
The Bank decided that the recoverable amount of goodwill is determined based on fair value less cost of disposal. When the Bank prepares goodwill impairment tests of the subsidiaries, the two methods which are used based on discounted cash-flow calculation that shows the same result; however, they represent different economical logics. Based on the internal regulation of the Bank as at 31 December 2021 impairment test was prepared where a three-year cash-flow model was applied with an explicit period between 2022-2024. The basis for the estimation was the actual data of May 2022 and based on the prepared medium-term (2022-2024) forecasts. When the Bank prepared the calculations for the period 2022-2024, it considered the actual worldwide economic situations, the expected economic growth for the following years, their possible effects on the financial sector, the plans for growing which result from these, and the expected changes of the mentioned factors.

Present value calculation with the Free Cash-Flow method

The Bank calculated the expected cash-flow for the given period based on the expected after-tax profit of the companies. The calculation is highly sensitive to the level of discount rate and growth rate used. As discount factor the Bank uses a zero coupon yield curve derived by the Headquarter Asse-Liability Management department. This zero coupon curve is estimated for each related countries, based on the countries’ issued bonds and segmented by the issuances’ currencies. By subsidiaries where the yield curves were not available (Ukraine) the daily Overnight deposit yield was used as a benchmark, provided by National Bank of Ukraine as currently the only available proxy for the hryvnia rate.
The Bank calculated risk premiums on the basis of information from the country risk premiums that are published by Aswath Damodaran – New York STERN University, according to the Bank’s assumption the risk-free interest rate includes the country-dependent risks in an implicit way.
When the subsidiary owns subordinated debt, the discount rate is calculated as a weighted average of the expected return on equity presented previously and the subordinated debt’s interest rate. At the end of the calculation, the value of subordinated debt is being subtracted from the valuations’ result.
The growth rate in the explicit period is the growth rate of the profit after tax adjusted by the interest rate of the cash and subordinated loans. The supposed growth rates for the periods of residual values reflect the long-term economic expectations in case of every country.
The values of the subsidiaries in the FCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

Summary of the impairment test for the year ended 31 December 2022 and 2021

Based on the valuations of the subsidiaries for the year ended 31 December 2022 67,715 million HUF goodwill impairment was needed to be recorded by the Group for JSC “OTP Bank” (Russia) while for the year ended 31 December 2021 no goodwill impairment was needed to be recorded by the Group.

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2022

Cost	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Balance as at 1 January	**408,003**	**105,640**	**304,922**	**243,731**	**41,252**	**67,657**	**30,833**	**1,202,038**
Increase due to acquisition	706	478	933	522	-	-	-	2,639
Additions	111,397	-	66,034	29,709	2,728	79,638	12,892	302,398
Foreign currency translation differences	16,350	3,067	15,936	10,951	408	316	1,952	48,980
Disposals	(65,036)		(12,060)	(13,034)	(1,100)	(94,067)	(14,471)	(199,768)
Closing balance	**471,420**	**109,185**	**375,765**	**271,879**	**43,288**	**53,544**	**31,206**	**1,356,287**

Depreciation and amortization	Intangible assets	Property	Machinery and office equipment	Vehicle	Tangible assets subject to operating lease	Total
Balance as at 1 January	**262,307**	**83,707**	**173,138**	**7,188**	**9,493**	**535,833**
Charge for the period	49,750	10,627	26,770	2,433	4,249	93,829
Foreign currency translation differences	9,482	4,145	8,081	257	718	22,683
Disposals	(21,627)	(5,191)	(12,375)	(738)	(5,605)	(45,536)
Closing balance	**299,912**	**93,288**	**195,614**	**9,140**	**8,855**	**606,809**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2022 [continued]

Impairment	Intangible assets	Goodwill	Property	Machinery and office equipment	Tangible assets subject to operating lease	Total
Balance as at 1 January	**2,705**	**-**	**3,553**	**43**	**137**	**6,438**
Impairment for the period	37	67,715	590	-	-	68,342
Release of impairment for the period	-	-	-		(122)	(122)
Foreign currency translation differences	54	(26,849)	258	3	7	(26,527)
Use of impairment	-		(150)	-	(3)	(153)
Closing balance	**2,796**	**40,866**	**4,251**	**46**	**19**	**47,978**

	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Carrying value								
Balance as at 1 January	**142,991**	**105,640**	**217,662**	**70,550**	**34,064**	**67,657**	**21,203**	**659,767**
Closing balance	**168,712**	**68,319**	**278,226**	**76,219**	**34,148**	**53,544**	**22,332**	**701,500**
Fair values	**-**	**-**	**308,375**	**76,230**	**34,122**	**-**	**22,351**	**441,078**
Gross amount of the fully depreciated assets that are still in use	**152,718**	**-**	**26,007**	**144,310**	**1,504**	**-**	**-**	**324,539**

An analysis of the intangible assets for the year ended 31 December 2022 is as follows:

Intangible assets	Self-developed	Purchased	Total
Gross values	14,704	456,716	471,420
Accumulated amortization	(5,508)	(294,404)	(299,912)
Impairment	-	(2,796)	(2,796)
Carrying value	**9,196**	**159,516**	**168,712**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2022 [continued]

Carrying value of the investment and goodwill allocated to the appropriate cash generating units

Subsidiaries	Carrying amounts of the subsidiary in HUF million	Goodwill values in HUF million	Goodwill values in million functional currency	Type of functional currency	Consolidated ownership interest	With ownership adjusted company value in HUF million	Applied long term grow rate	Applied long term discount rate
DSK Bank EAD	280,722	44,375	28,541	HUF	99.92%	840,031	3.00%	12.54%
(Bulgaria)			77	BGN				
OTP banka d.d.								
(Croatia)	205,349	23,235	58	EUR	100.00%	410,711	2.69%	10.69%
POK-DSK Rodina a.d.								
(Bulgaria)	1,680	11	11	HUF	99.85%	16,564	3.00%	12.54%
George Consult								
(Croatia)	225	220	4	HRK	76.00%	171	2.69%	10.69%
OTP Home Solutions Llc.								
(Hungary)	2,570	478	478	HUF	100.00%	2,570	3.00%	16.26%
	490,546	**68,319**						

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2021

Cost	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Balance as at 1 January	**364,495**	**101,393**	**285,506**	**212,105**	**23,893**	**23,403**	**28,926**	**1,039,721**
Increase due to acquisition								-
Additions	90,887	-	28,684	37,266	19,135	111,316	13,427	300,715
Foreign currency translation differences	4,656	4,247	3,609	3,237	163	136	422	16,470
Disposals	(52,035)	-	(12,877)	(8,877)	(1,939)	(67,198)	(11,942)	(154,868)
Closing balance	**408,003**	**105,640**	**304,922**	**243,731**	**41,252**	**67,657**	**30,833**	**1,202,038**

Depreciation and amortization	Intangible assets	Property	Machinery and office equipment	Vehicle	Tangible assets subject to operating lease	Total
Balance as at 1 January	**224,180**	**77,753**	**155,292**	**6,241**	**10,279**	**473,745**
Charge for the period	44,973	9,219	22,753	1,986	4,212	83,143
Foreign currency translation differences	3,263	1,266	2,394	102	262	7,287
Disposals	(10,109)	(4,531)	(7,301)	(1,141)	(5,260)	(28,342)
Closing balance	**262,307**	**83,707**	**173,138**	**7,188**	**9,493**	**535,833**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2021 [continued]

Impairment	**Intangible assets**	**Property**	**Machinery and office equipment**	**Tangible assets subject to operating lease**	**Total**
Balance as at 1 January	**2,704**	**1,122**	**42**	**338**	**4,206**
Impairment for the period	-	2,967	-	9	2,976
Release of impairment for the period	-	-	-	(204)	(204)
Foreign currency translation differences	5	55	6	(1)	65
Use of impairment	(4)	(591)	(5)	(5)	(605)
Closing balance	**2,705**	**3,553**	**43**	**137**	**6,438**

	Intangible assets	**Goodwill**	**Property**	**Machinery and office equipment**	**Vehicle**	**Construction in progress**	**Tangible assets subject to operating lease**	**Total**
Carrying value								
Balance as at 1 January	**137,611**	**101,393**	**206,631**	**56,771**	**17,652**	**23,403**	**18,309**	**561,770**
Closing balance	**142,991**	**105,640**	**217,662**	**70,550**	**34,064**	**67,657**	**21,203**	**659,767**
Fair values	**-**	**-**	**247,754**	**70,258**	**34,063**	**-**	**21,339**	**373,414**
Gross amount of the fully depreciated assets that are still in use	**129,805**	**-**	**25,396**	**132,611**	**924**	**-**	**-**	**288,736**

An analysis of the intangible assets for the year ended 31 December 2021 is as follows:

Intangible assets	**Self-developed**	**Purchased**	**Total**
Gross values	12,700	395,303	408,003
Accumulated amortization	(5,017)	(257,290)	(262,307)
Impairment	-	(2,705)	(2,705)
Carrying value	**7,683**	**135,308**	**142,991**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2021 [continued]

Carrying value of the investment and goodwill allocated to the appropriate cash generating units

Subsidiaries	Carrying amounts of the subsidiary in HUF million	Goodwill values in HUF million	Goodwill values in million functional currency	Type of functional currency	Consolidated ownership interest	With ownership adjusted company value in HUF million	Applied long term grow rate	Applied long term discount rate
DSK Bank EAD	280,692	43,138	28,541	HUF	99.91%	832,445	3.00%	7.90%
(Bulgaria)			77	BGN				
OTP banka d.d. (Croatia)	205,349	21,421	58	EUR	100.00%	361,995	2.69%	8.83%
JSC “OTP Bank” (Russia)	124,411	40,866	9,395	RUB	97.92%	187,552	1.89%	15.44%
POK-DSK Rodina a.d. (Bulgaria)	1,680	11	11	HUF	99.85%	15,299	3.00%	7.90%
George Consult (Croatia)	225	204	4	HRK	76.00%	171	2.69%	8.83%
	612,357	**105,640**						

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

An analysis of the change in gross values of investment properties is as follows:

Gross values	2022	2021
Balance as at 1 January	**40,241**	**54,154**
Increase due to transfer from inventories or owner-occupied properties	1,830	3,425
Increase from purchase	20,935	134
Transfer to held-for-sale properties	(321)	(66)
Transfer to inventories or owner-occupied properties	(1,442)	(2,858)
Disposal due to sale	(1,798)	(14,993)
Foreign currency translation difference	1,901	445
Closing balance	**61,346**	**40,241**

The applied depreciation and amortization rates were as follows:

	2022	2021
Depreciation and amortization rates	2.00% - 20.00%	1.00% - 20.00%

An analysis of the movement in the depreciation and amortization on investment properties is as follows:

Depreciation and amortization	2022	2021
Balance as at 1 January	**9,111**	**11,383**
Additions due to transfer from inventories or owner-occupied properties	1,513	1,296
Charge for the period	912	1,113
Transfer to inventories or owner-occupied properties	(126)	(236)
Disposal due to sale	(780)	(4,577)
Transfer to held-for-sale properties	(17)	-
Foreign currency translation difference	660	132
Closing balance	**11,273**	**9,111**

An analysis of the movement in the impairment on investment properties is as follows:

Impairment	2022	2021
Balance as at 1 January	**1,248**	**4,170**
Impairment for the period	1,389	54
Release of impairment for the period	(63)	(297)
Use of impairment	(40)	(2,726)
Decrease due to transfer to inventories or owner-occupied properties	(8)	-
Foreign currency translation difference	95	47
Closing balance	**2,621**	**1,248**

NOTE 14: INVESTMENT PROPERTIES (in HUF mn) [continued]

Carrying values	**2022**	**2021**
Balance as at 1 January	**29,882**	**38,601**
Closing balance	**47,452**	**29,882**
Fair values	**61,198**	**34,257**

The Group chose the cost model for measuring investment properties but estimates and reviews the fair value of the investment properties by external experts, these investment properties would have been presented on level 3 in the fair value hierarchy if the Group didn’t apply cost method for this recognition.

Income and expenses	**2022**	**2021**
Rental income	2,511	2,621
Direct operating expenses of investment properties – income generating	426	318
Direct operating expenses of investment properties – non income generating	82	14

NOTE 15: DERIVATIVE FINANCIAL ASSETS DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Positive fair value of derivative financial assets designated as fair value hedge

	2022	2021
CCIRS and mark-to-market CCIRS designated as fair value hedge	20,732	5,471
Foreign exchange swap designated as fair value hedge	1,696	-
Interest rate swaps designated as fair value hedge	25,819	13,286
Total	**48,247**	**18,757**

NOTE 16: OTHER ASSETS (in HUF mn)

Other assets are expected to be recovered or settled no more than twelve months after the reporting period.

	2022	2021
Other financial assets		
Receivables from card operations	67,981	27,820
Prepayments and accrued income on other financial assets	29,284	27,778
Trade receivables	37,777	24,951
Receivables from investment services	57,189	15,077
Other advances	19,652	21,043
Stock exchange deals	31,234	12,255
Giro clearing accounts	12,593	2,635
Receivables due from pension funds and investment funds	6,478	3,250
Receivables from leasing activities	1,778	363
Advances for securities and investments	358	525
Other financial assets	30,490	17,019
Loss allowance on other financial assets	(31,833)	(16,800)
Total	**262,981**	**135,916**

Other non-financial assets	**2022**	**2021**
Prepayments and accrued income on other non-financial assets	62,878	46,418
Receivables, subsidies from the State, Government	23,383	15,800
Settlement and suspense accounts	40,066	14,974
Biological assets and agricultural produce	8,366	5,193
Other non-financial assets	27,963	15,495
Impairment on other non-financial assets	(7,041)	(4,413)
Total	**155,615**	**93,467**

Other assets (under IAS 2)	**2022**	**2021**
Inventories	48,210	43,843
Repossessed real estate	6,985	6,354
Repossessed other non-financial assets	1,192	1,069
Write-down of the assets measured under IAS 2	(3,864)	(3,864)
Total	**52,523**	**47,402**
Total other assets	**471,119**	**276,785**

NOTE 16: OTHER ASSETS (in HUF mn) [continued]

An analysis of the movement in the loss allowance on **other financial assets** is as follows:

	2022	2021
Balance as at 1 January	**16,800**	**18,459**
Loss allowance for the period	22,472	8,569
Release of allowance for the period	(8,917)	(6,903)
Use of loss allowance	(2,083)	(3,767)
Reclassification	253	-
Foreign currency translation difference	3,308	442
Closing balance	**31,833**	**16,800**

An analysis of the movement in the impairment on **other non-financial assets** is as follows:

	2022	2021
Balance as at 1 January	**4,413**	**4,699**
Impairment for the period	3,304	949
Release of impairment for the period	(647)	(653)
Use of impairment	(324)	(751)
Reclassification	(253)	-
Foreign currency translation difference	548	169
Closing balance	**7,041**	**4,413**

NOTE 17: AMOUNTS DUE TO BANKS, THE NATIONAL GOVERNMENTS, DEPOSITS FROM THE NATIONAL BANKS AND OTHER BANKS (in HUF mn)

	2022	2021
Within one year		
In HUF	369,015	277,397
In foreign currency	218,611	225,398
	587,626	**502,795**
Over one year		
In HUF	689,579	900,948
In foreign currency	185,953	163,605
	875,532	**1,064,553**
Total	**1,463,158**	**1,567,348**

Interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks are as follows:

	2022	2021
Within one year		
In HUF	(2.40)% - 18.00%	(2.04)% - 4.66%
In foreign currency [1]	(2.32)% - 12.00%	(2.40)% - 17.60%
Over one year		
In HUF	(2.40)% - 9.23%	(2.40)% - 4.66%
In foreign currency [1]	(2.40)% - 13.76%	(2.40)% - 12.00%

[1] The highest interest rates for due to banks denominated in foreign exchange relate to loans taken from EBRD and Green for Growth Fund in Ukraine.

	2022	2021
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in HUF	2.28%	1.20%
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in in foreign currency	2.40%	1.49%

NOTE 18: REPO LIABILITIES (in HUF mn)

	2022	2021
Within one year		
In HUF	29,147	49,726
In foreign currency	197	29,321
	29,344	**79,047**
Over one year		
In HUF	96	-
In foreign currency	187,929	-
	188,025	**-**
Total	**217,369**	**79,047**

Interest rates on repo liabilities are as follows:

	2022	2021
Interest rates on repo liabilities denominated in HUF	4.75% - 15.47%	0.00% - 2.80%
Interest rates on repo liabilities denominated in foreign currency	2.47% - 5.20%	(0.95)% - 0.00%

NOTE 19: FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2022	2021
Within one year		
In HUF	1,716	1,784
In foreign currency	-	-
	1,716	**1,784**
Over one year		
In HUF	52,475	39,400
In foreign currency	-	-
	52,475	**39,400**
Total	**54,191**	**41,184**
Contractual amount outstanding	19,853	21,479
Result from associated entity's measured at fair value attributable to the Group	37,616	21,051

Interest conditions of financial liabilities designated at fair value through profit or loss can be analysed as follows:

	2022	2021
Interest rates on financial liabilities designated at fair value denominated in HUF within one year	2.19% - 3.96%	0.46% - 2.46%
Interest rates on financial liabilities designated at fair value denominated in HUF over one year	0.01% - 4.63%	0.01% - 2.90%

Certain MFB ("Hungarian Development Bank") refinanced loan receivables are categorised as fair value through profit or loss based on SPPI test. Related refinancing loans at the liability side are categorised as fair value through profit or loss based on fair value option due to accounting mismatch as provided by the IFRS 9 standard.

The Group controls capital funds where it does not hold the 100% of the owner rights. The related non-controlling interest is treated as financial liability designated at fair value through profit or loss as it is not considered equity under IAS 32.

NOTE 20: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2022	2021
Within one year		
In HUF	7,910,448	7,829,595
In foreign currency	16,757,984	12,758,360
	24,668,432	**20,587,955**
Over one year		
In HUF	274,217	293,606
In foreign currency	246,156	187,083
	520,373	**480,689**
Total	**25,188,805**	**21,068,644**

Interest rates on deposits from customers are as follows:

	2022	2021
Within one year		
In HUF	0.00% - 17.95%	(2.48)% - 7.96%
In foreign currency[1]	(0.40)% - 45.10%	(1.01)% - 17.20%
Over one year		
In HUF	0.00%- 13.00%	0.01% - 3.00%
In foreign currency	0.00% - 18.00%	0.00% - 8.90%

[1] The highest interest rate regarding within-one-year deposits in foreign currency for the current and previous year relate to treasury deposit in Turkish lira in Hungary.

	2022	2021
Average interest rates on deposits from customers denominated in HUF	2.21%	0.18%
Average interest rates on deposits from customers denominated in foreign currency	0.68%	0.34%

An analysis of deposits from customers by type is as follows:

	2022		2021	
Retail deposits	13,739,669	54.55%	11,982,784	56.88%
Corporate deposits	10,408,982	41.32%	8,093,206	38.41%
Municipality deposits	1,040,154	4.13%	992,654	4.71%
Total	**25,188,805**	**100.00%**	**21,068,644**	**100.00%**

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	2022	2021
With original maturity		
Within one year		
In HUF	48,755	9,332
In foreign currency	6,427	13
	55,182	**9,345**
Over one year		
In HUF	373,645	426,929
In foreign currency	441,855	51
	815,500	**426,980**
Total	**870,682**	**436,325**

Interest rates on liabilities from issued securities are as follows:

	2022	2021
Issued securities denominated in HUF	0.60% - 15.00%	0.60% - 4.26%
Issued securities denominated in foreign currency	0.74% - 7.35%	0.74% - 5.00%

	2022	2021
Average interest rates on issued securities denominated in HUF	5.00%	2.20%
Average interest rates on issued securities denominated in foreign currency	2.95%	0.25%

Issued securities denominated in HUF as at 31 December 2022 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
1	OTPX2023A	22/03/2013	24/03/2023	312	410	indexed	1.70	hedged
2	OTPX2023B	28/06/2013	26/06/2023	198	260	indexed	0.60	hedged
3	OTPX2024A	18/06/2014	21/06/2024	241	310	indexed	1.30	hedged
4	OTPX2024B	10/10/2014	16/10/2024	295	378	indexed	0.70	hedged
5	OTPX2024C	15/12/2014	20/12/2024	242	309	indexed	0.60	hedged
6	OTP_HUF_25/1	18/11/2022	18/11/2025	25,562	26,046	fix	15.00	
7	OTP_HUF_26/1	22/12/2022	05/01/2026	10,229	10,270	fix	12.00	
8	OTPRF2023A	22/03/2013	24/03/2023	1,010	1,215	indexed	1.70	hedged
	Subtotal			**38,089**	**39,198**			

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2022 (in HUF mn) [continued]

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
9	OJB2023_I	05/04/2018	24/11/2023	44,120	39,968	fix	1.75	hedged
10	OJB2024_A	17/09/2018	20/05/2024	53,732	53,933	floating	17.36	
11	OJB2024_II	10/10/2018	24/10/2024	96,800	79,228	fix	2.50	hedged
12	OJB2025_II	03/02/2020	26/11/2025	22,550	16,193	fix	1.50	hedged
13	OJB2027_I	23/07/2020	27/10/2027	76,850	52,608	fix	1.25	hedged
14	OJB2029_A	25/07/2022	24/05/2029	91,510	91,488	floating	17.13	
15	OJB2031_I	18/08/2021	22/10/2031	82,000	49,515	fix	2.50	hedged
16	Other			269	269			
	Total issued securities in HUF			**505,920**	**422,400**			

Issued securities denominated in foreign currency as at 31 December 2022

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)		Amortized cost (FX mn)		Interest conditions (actual interest rate in % p.a.)	
1	XS2560693181	01/12/2022	04/03/2026	EUR	650	260,136	653	261,341	fix	7.35
2	XS2499691330	13/07/2022	13/07/2025	EUR	399	159,859	409	163,893	fix	5.50
3	XS2536446649	29/09/2022	29/09/2026	USD	60	22,541	61	22,972	fix	7.25
4	Other [1]				12	60	15	76		
	Total issued securities in FX					**442,596**		**448,282**		
	Total issued securities							**870,682**		

[1]Issued other securities denominated in foreign currency are promissory notes issued by JSC "OTP Bank" (Russia) in the amount of HUF 60 million as at 31 December 2022.

Issued securities denominated in HUF as at 31 December 2021 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
1	OTPX2022A	22/03/2012	23/03/2022	175	236	indexed	NaN	hedged
2	OTPX2022B	18/07/2012	18/07/2022	164	549	indexed	1.70	hedged
3	OTPX2022C	29/10/2012	28/10/2022	177	317	indexed	1.70	hedged
4	OTPX2022D	28/12/2012	27/12/2022	238	290	indexed	1.70	hedged
5	OTPX2023A	22/03/2013	24/03/2023	312	366	indexed	1.70	hedged
6	OTPX2023B	28/06/2013	26/06/2023	198	272	indexed	0.60	hedged
7	OTPX2024A	18/06/2014	21/06/2024	241	277	indexed	1.30	hedged
8	OTPX2024B	10/10/2014	16/10/2024	295	336	indexed	0.70	hedged
9	OTPX2024C	15/12/2014	20/12/2024	242	275	indexed	0.60	hedged
10	OTPRF2022A	22/03/2012	23/03/2022	2,321	2,513	indexed	1.70	hedged
11	OTPRF2022B	22/03/2012	23/03/2022	934	1,011	indexed	1.70	hedged
12	OTPRF2022C	28/06/2012	28/06/2022	209	266	indexed	1.70	hedged
	Subtotal			**5,506**	**6,708**			

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2021 (in HUF mn) [continued]

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
13	OTPRF2022D	28/06/2012	28/06/2022	286	324	indexed	1.70	hedged
14	OTPRF2022E	29/10/2012	31/10/2022	862	933	indexed	1.70	hedged
15	OTPRF2022F	28/12/2012	28/12/2022	708	773	indexed	1.70	hedged
16	OTPRF2023A	22/03/2013	24/03/2023	899	977	indexed	1.70	hedged
17	OJB2023_I	05/04/2018	24/11/2023	44,120	42,300	1.75	fix	
18	OJB2024_A	17/09/2018	20/05/2024	57,067	57,010	4.26	floating	
19	OJB2024_C	24/02/2020	24/10/2024	80,125	79,972	3.95	floating	
20	OJB2024_II	10/10/2018	24/10/2024	96,800	89,138	2.5	fix	
21	OJB2025_II	03/02/2020	26/11/2025	22,550	20,003	1.5	fix	hedged
22	OJB2027_I	23/07/2020	27/10/2027	76,850	67,257	1.25	fix	
23	OJB2031_I	18/08/2021	22/10/2031	82,000	70,655	2.5	fix	
33	Other			211	211			
	Total issued securities in HUF			**467,984**	**436,261**			

Issued securities denominated in foreign currency are promissory notes issued by JSC “OTP Bank” (Russia) in the amount of HUF 64 million as at 31 December 2021.

Hedge accounting

Certain issued structured securities are hedged by the Bank with interest rate swaps (“IRS”) which exchange the fixed and floating interest rate with the interest rate of the securities between the parties at a notional amount that equals the nominal amount of the hedged securities. These are considered as fair value hedge relationships as they cover the interest rate risk arising from the coupons of the hedged securities. OTP Bank does not intend to be exposed to the risk embedded in the structured bonds, consequently as part of interest rate swap transaction the structured interest payments are swapped to floating interest rate.

This hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item

The cash-flows of the fixed rate securities issued by the Bank are exposed to the changes in the HUF/EUR foreign exchange rate and the volatility of the quoted interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS transactions, where the fixed interests were swapped to payments linked to 3-month HUF BUBOR and EURIBOR, resulting in a decrease in the interest rate and foreign exchange exposure of issued securities.

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Term Note Program in the value of HUF 200 billion for the year of 2022/2023

On 10 May 2022 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. On 10 August the National Bank of Hungary approved the prospectus of Term Note Program. The prospectus is valid for 12 months following the disclosure.
The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

Term Note Program in the value of HUF 200 billion for the year of 2021/2022

On 28 May 2021 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. On 8 July 2021, the National Bank of Hungary approved the prospectus of Term Note Program. The prospectus is valid for 12 months following the disclosure.
The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

Issuance of Green Senior Preferred Notes in the aggregate nominal amount of EUR 400 million

OTP Bank Plc have been issued "green" notes (ISIN: XS2499691330) on 13 July 2022 as value date in the aggregate nominal amount of EUR 400 million. The non-call 2 years senior preferred notes have a three-year term and carry an annually paid fixed coupon of 5.500% in the first two years. With respect to the third year, the quarterly coupon is calculated as the sum of the initial margin (of 426.5 basis points) and the 3-month EURIBOR rate. The notes are rated 'BBB' by S&P Ratings Europe Limited and 'BBB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

Issuance of Green Senior Preferred Notes in the aggregate nominal amount of USD 60 million

OTP Bank Plc issued "green" notes (ISIN: XS2536446649) on 29 September 2022 as value date in the aggregate nominal amount of USD 60 million. The notes are rated 'BBB' by S&P Ratings Europe Limited and 'BBB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

Issuance of Senior Preferred Notes in the aggregate nominal amount of EUR 650 million

OTP Bank Plc have been issued the notes (ISIN: XS2560693181) on 1 December 2022 as value date in the aggregate nominal amount of EUR 650 million. The 3.25 Non-Call 2.25 years Senior Preferred Notes were priced on 23 November 2022. The notes are rated 'BBB' by S&P Ratings Europe Limited and 'BBB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

There was other issuance of notes denominated in USD after the balance sheet date. See details in Note 52.

NOTE 22: DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING (in HUF mn)

Negative fair value of derivative financial liabilities held for trading by type of contracts

	2022	2021
Foreign exchange swaps held for trading	83,149	46,380
Commodity swaps	31,632	51,508
Interest rate swaps held for trading	237,269	87,945
Foreign exchange forward contracts held-for-trading	13,740	7,738
CCIRS and mark-to-market CCIRS held for trading	15,759	7,789
Held for trading option contracts	1,891	479
Held-for-trading forward security agreement	-	13
Other derivative transactions held for trading[1]	2,307	864
Total	**385,747**	**202,716**

[1] Other category includes: fx spot, equity swaps, forward rate agreement, options and index futures.

NOTE 23: DERIVATIVE FINANCIAL LIABILITIES DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Negative fair value of derivative financial liabilities designated as hedge accounting by type of contracts

	2022	2021
CCIRS and mark-to-market CCIRS designated as fair value hedge	5,398	5,451
Foreign exchange swap designated as fair value hedge	16,199	-
Interest rate swaps designated as fair value hedge	6,352	5,777
Total	**27,949**	**11,228**

NOTE 24: PROVISIONS AND OTHER LIABILITIES (in HUF mn)

Other liabilities are expected to be recovered or settled no more than twelve months after the reporting period. Besides the total other liabilities mentioned above, which are expected to be recovered or settled more than twelve months after the reporting period are the following: accrued contractual liabilities, compulsory pension reserve, loans from government and liabilities from preferential dividend shares.

	2022	2021
Other financial liabilities		
Liabilities connected to Cafeteria benefits	91,001	114,867
Liabilities from investment services	108,513	92,612
Accrued expenses on other financial liabilities	55,898	58,247
Liabilities from card transactions	75,544	31,484
Accounts payable	56,828	46,243
Liabilities due to short positions	24,596	16,904
Giro clearing accounts	32,133	14,830
Advances received from customers	12,540	11,903
Liabilities from wages and other salary related payments	34,672	13,092
Loans from government	7,961	5,851
Dividend payable	207	135
Other financial liabilities	82,387	79,603
Subtotal	**582,280**	**485,771**

Other non-financial liabilities	**2022**	**2021**
Clearing and giro settlement accounts	46,800	48,715
Liabilities from social security contributions	11,749	11,853
Accrued expenses on other non-financial liabilities	13,647	13,029
Liabilities related to housing loans	12,868	11,428
Insurance technical reserve	2,354	3,416
Other non-financial liabilities	37,956	23,869
Subtotal	**125,374**	**112,310**
Total	**707,654**	**598,081**

NOTE 24: PROVISIONS AND OTHER LIABILITIES (in HUF mn) [continued]

The provisions are detailed as follows:

	2022	2021
Commitments and guarantees given	63,372	51,990
Total provision according to IFRS 9	**63,372**	**51,990**
Pending legal issues and tax litigation	37,043	35,354
Pensions and other retirement benefit obligations	8,225	9,308
Other long-term employee benefits	1,331	910
Restructuring	1,256	1,801
Provision due to CHF loans conversion at foreign subsidiaries	900	1,285
Other provision	19,494	19,151
Total provision according to IAS 37	**68,249**	**67,809**
Total	**131,621**	**119,799**

The movements of provisions according to IFRS 9 can be summarized as follows:

	2022	2021
Balance as at 1 January	**51,990**	**54,810**
Provision for the period	102,928	28,869
Release of provision for the period	(96,783)	(28,770)
Use of provision	(293)	(7)
Change due to acquisition	21	-
Transfer	-	(4,426)
Foreign currency translation differences	5,509	1,514
Closing balance	**63,372**	**51,990**

The movements of provisions according to IAS 37 can be summarized as follows:

	2022	2021
Balance as at 1 January	**67,809**	**61,657**
Provision for the period	27,290	37,924
Release of provision for the period	(24,846)	(27,167)
Use of provision	(6,878)	(10,953)
Change due to actuarial gains or losses related to employee benefits	(1,098)	(42)
Change due to acquisition	57	-
Unwinding of the discounted amount	16	7
Transfer	-	4,426
Foreign currency translation differences	5,899	1,957
Closing balance	**68,249**	**67,809**

NOTE 25: SUBORDINATED BONDS AND LOANS (in HUF mn)

	2022	2021
Within one year		
In HUF	-	-
In foreign currency	3,395	2,841
	3,395	**2,841**
Over one year		
In HUF	-	-
In foreign currency	298,589	275,493
	298,589	**275,493**
Total	**301,984**	**278,334**

Types of subordinated bonds and loans are as follows:

	2022	2021
Debt securities issued	7,798	6,558
Loan received	294,186	271,776
Total	**301,984**	**278,334**

Interest rates on subordinated bonds and loans are as follows:

	2022	2021
Denominated in HUF	-	-
Denominated in foreign currency	2.90% - 5.00%	2.50% - 5.00%

	2022	2021
Average interest rates on subordinated bonds and loans denominated in foreign currency	3.10%	2.75%

Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as at 31 December 2022
Subordinated bond	EUR 231 million	07/11/2006	Perpetual	99.375%	Three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	4.742%
Subordinated bond	EUR 499 million	15/07/2019	15/07/2029	99.738%	Fixed 2.875% annual in the first 5 years and callable after 5 years, starting from year 6 fix coupon (payable annually) is calculated as a sum of the initial margin (320 basis point) and the 5 year mid-swap rate prevailing at the end of the 5 year.	2.875%
Subordinated loan	USD 17.0 million	05/06/2018	30/06/2025	100.00%	Bullet repayment, once at the end of the loan agreement	5.00%

NOTE 26: SHARE CAPITAL (in HUF mn)

	2022	2021
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

Share capital is the portion of the Bank's equity that has been obtained by the issue of shares in the corporation to a shareholder, usually for cash.

The nominal value of the shares is HUF 100 per shares. All of the shares are ordinary shares representing the same rights to the shareholders. Furthermore, there are no restrictions on the distribution of dividends and the repayment of capital.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn)

In 2021, the Bank did not pay dividend based on the earlier NBH warnings issued due to covid moratoria. In 2022 dividend of HUF 119 billion from the profit of years 2019 and 2020 and HUF 1 billion from the profit of year 2021 (totally HUF 120 billion) was paid out, which meant HUF 425.89 (for the year 2019 and 2020) and HUF 3.57 (for the year 2021) dividend per share payable to shareholders.
In 2023 dividend of HUF 84,000 million are expected to be proposed by the Management from the profit of the year 2022, which means HUF 300 dividend per share payable to the shareholders.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 774,151 million and HUF 844,343 million) and reserves (HUF 2,621,064 million and HUF 2,265,166 million) as at 31 December 2022 and 2021, respectively. The reserves include mainly the option reserve, other reserves, the fair value adjustment of financial instruments at fair value through other comprehensive income, share-based payment reserve, fair value of hedge transactions, additional reserves of Income Certificates Exchangeable for Shares ("ICES"), changes in equity accumulated in the previous years at the subsidiaries and due to consolidation as well as translation of foreign exchange differences.
In the Consolidated Financial Statements, the Group recognizes the non-monetary items at historical cost. The difference between the historical cost of the non-monetary items in forint amount and the translated foreign currencies into the presentation currency using the exchange rate at the balance sheet date, is presented in the shareholders' equity as a translation difference. The accumulated amounts of exchange differences were HUF 237,853 million and HUF 58,164 million as at 31 December 2022 and 2021, respectively.

On 19 October 2006, the Bank sold 14.5 million Treasury shares owned by the Group through an issue of ICES. Within the transaction 10 million shares owned by OTP Bank, and a further 4.5 million shares owned by the Group were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. ("OPUS"), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds were perpetual and the investors could have exercised the conversion right between years 6 and 10. The bonds carried a fixed coupon of 3.95% during the first 10 years, and thereafter the Issuer had the right to redeem the bonds at face value. Following year 10, the bonds carried a coupon of 3-month EURIBOR +3%. OTP Bank had a discretional right to cancel the interest payments. The interest payable was non-cumulative.
Due to the conditions described above, ICES was accounted as an equity instrument and therefore any payment was accounted as equity distribution paid to ICES holders.

On 14 September 2021 the Bank decided to terminate the subordinated swap agreement related to ICES transaction as at 29 October 2021, and to exercise its option for repurchasing approximately 14.5 million OTP ordinary shares held by Opus at market price based on the swap agreement. On the same day, the Bank recognised liability due to Opus as a reduction of EUR 514 million in the shareholder's equity.

Treasury shares were repurchased on 29 October 2021 on a price HUF 18,118 and on the same day the swap transaction was financially settled. As a result of the closure of the subordinated swap agreement the Bank's shareholder's equity increased by HUF 75,421 million, the Group's shareholders' equity increased by HUF 35,063 million.

Approximately 12 million pieces of treasury shares were sold to OTP SECOP I. ("OTP Special Employee Stock Ownership Program") and OTP SECOP II.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

Retained earnings

Profit of previous years generated by the Group that are not distributed to shareholders as dividends.

Other reserves

The other reserves contain separated reserves due to statutory provisions.

Option reserve

OTP Bank Plc and MOL Plc entered into a share swap agreement in 16 April 2009, whereby OTP has changed 24,000,000 OTP ordinary shares for 5,010,501 „A series" MOL shares. The amended final maturity of the share swap agreement is 11 July 2027, until which any party can initiate cash or physical settlement of the transaction. Option reserve represents the written put option over OTP ordinary shares were accounted as a deduction from equity at the date of OTP-MOL share swap transaction.

Share-based payment reserve

Share-based payment reserve represents the increase in the equity due to the goods or services were received by the Bank in an equity-settled share-based payment transaction, valued at the fair value of the goods or services received (see details in Note 40).

Other comprehensive income

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by other IFRSs.

Net investment hedge in foreign operations

Reserve presented as net investment hedge in foreign operations in the sharholders' equity is related to DSK Bank EAD, OTP banka d.d. and Crnogorska komercijalna banka a.d.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

Changes in equity accumulated in the previous year at the subsidiaries and due to consolidation

The accumulated changes at the subsidiaries contain the accumulated gains and losses of the subsidiaries from the first day when they were included in the consolidation process. The changes due to consolidation contain the effect on the result of the eliminations in the consolidation process of the previous years.

	2022	2021
Retained earnings	774,151	844,343
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	129,902	129,208
Actuarial loss related to employee defined benefits	544	(471)
Fair value of financial instruments measured at fair value through other comprehensive income	(107,676)	11,690
Share-based payment reserve	49,110	46,162
Net investment hedge in foreign operations	(27,405)	(27,405)
Profit after income tax	346,354	455,592
Changes in equity accumulated in the previous year at the subsidiaries and due to consolidation	2,047,798	1,647,642
Foreign currency translation differences	237,853	58,164
Retained earnings and other reserves [1]	**3,395,215**	**3,109,509**

[1]See more details in the Consolidated Statement of Comprehensive Income and in the Consolidated statement of Changes in equity on page 6 and 7.

Fair value adjustment of securities at fair value through other comprehensive income	2022	2021
Balance as at 1 January	**(7,653)**	**43,958**
Change of fair value	(180,981)	(49,621)
Deferred tax related to change of fair value	22,401	3,035
Other transfer to retained earnings	-	(5,070)
Deferred tax related to other transfer to retained earnings	-	457
Transfer to profit or loss due to derecognition	1,040	(2,547)
Deferred tax related to transfer to proft or loss	(194)	491
Foreign currency translation difference	955	1,644
Closing balance	**(164,432)**	**(7,653)**

Expected credit loss on securities at fair value through other comprehensive income	2022	2021
Balance as at 1 January	**6,710**	**6,984**
Increase of loss allowance	40,664	4,414
Release of loss allowance	(11,391)	(3,453)
Decrease due to sale, derecognition	(43)	(1,749)
Foreign currency translation difference	3,685	514
Closing balance	**39,625**	**6,710**

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

Fair value changes of equity instruments as at fair value through other comprehensive income	**2022**	**2021**
Balance as at 1 January	**12,633**	**10,454**
Change of fair value	5,394	2,465
Deferred tax related to change of fair value	(1,282)	(361)
Transfer to retained earnings due to derecognition	-	(207)
Foreign currency translation difference	386	282
Closing balance	**17,131**	**12,633**

Actuarial loss related to defined employee benefits	**2022**	**2021**
Balance as at 1 January	**(471)**	**(513)**
Change of actuarial loss related to employee benefits	1,097	98
Deferred tax related to change of actuarial loss related to employee benefits	(43)	(11)
Foreign currency translation difference	(39)	(45)
Closing balance	**544**	**(471)**

Foreign currency translation difference	**2022**	**2021**
Balance as at 1 January	**58,164**	**(3,369)**
Change of foreign currency translation	179,689	61,533
Closing balance	**237,853**	**58,164**

NOTE 28: TREASURY SHARES (in HUF mn)

	2022	2021
Nominal value (Ordinary shares)	1,132	1,091
Carrying value at acquisition cost	106,862	106,941

The changes in the carrying value of treasury shares are due to repurchase and sale transactions on market authorised by the General Assembly.

Change in number of shares:

	2022	2021
Number of shares as at 1 January	**10,906,881**	**23,924,900**
Additions	1,801,256	16,251,451
Disposals	(1,390,041)	(29,269,470)
Closing number of shares	**11,318,096**	**10,906,881**

Change in carrying value:

	2022	2021
Balance as at 1 January	**106,941**	**124,080**
Additions	16,268	276,433
Disposals	(16,347)	(293,572)
Closing balance	**106,862**	**106,941**

NOTE 29: NON-CONTROLLING INTEREST (in HUF mn)

	2022	2021
Balance as at 1 January	**6,198**	**4,116**
Increase due to business combination	-	1,041
Non-controlling interest included in net profit for the period	727	836
Purchase of non-controlling interest	(886)	-
Foreign currency translation difference	(80)	205
Closing balance	**5,959**	**6,198**

The non-controlling interest is not significant in respect of the whole OTP Group.

NOTE 30: INTEREST INCOME, INCOME SIMILAR TO INTEREST INCOME AND EXPENSE (in HUF mn)

	2022	2021
Interest income calculated using the effective interest method from / on		
loans	981,566	692,432
securities at amortized cost	144,757	79,602
finance lease receivables	78,262	59,084
securities at fair value through other comprehensive income	54,046	49,473
banks and balances with the National Banks	62,121	16,527
placements with other banks	162,532	20,922
liabilities (negative interest expense)	20,505	3,672
repo receivables	4,261	827
Subtotal	**1,508,050**	**922,539**
Income similar to interest income from		
swap deals related to placements with other banks	364,496	128,519
loans mandatorily at fair value through profit or loss	54,036	40,131
swap deals related to credit institutions	68,123	15,557
rental income	9,264	8,964
non-trading securities mandatorily at fair value through profit or loss	54	1,749
Subtotal	**495,973**	**194,920**
Total interest income and incomes similar to interest income	**2,004,023**	**1,117,459**

	2022	2021
Interest expense due to / from / on		
swaps related to banks, National Governments and to deposits from the National Banks	390,375	116,895
deposits from customers	270,407	50,645
swaps related to deposits from customers	128,153	23,860
banks, National Governments and on deposits from the National Banks	35,134	17,467
issued securities	27,838	9,822
subordinated and supplementary bonds and loans	8,986	7,598
financial assets (negative interest income)	11,830	7,275
depreciation of assets subject to operating lease and investment properties	5,161	5,325
leases	2,386	1,556
repo liabilities	31,006	2,299
other	1,433	407
Total interest expense	**912,709**	**243,149**

NOTE 31: LOSS ALLOWANCES / IMPAIRMENT / PROVISIONS (in HUF mn)

	2022	2021
Loss allowance on loans		
Loss allowance for the period	676,389	546,284
Release of loss allowance	(477,513)	(475,067)
from this: impairment gain	9,517	10,179
Income from loan recoveries	(67,869)	(51,876)
Income from recoveries exceeding the gross loans	(8,658)	(8,752)
Impairment gain	(50,715)	(35,194)
Income from provisions on loans before OTP acquisition	(1,664)	(1,622)
Income from recoveries of written-off, but legally existing loans	(6,832)	(6,308)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(13,346)	16,289
Loss allowance on finance lease	49,433	20,694
Release of loss allowance on finance lease	(25,020)	(14,918)
	142,074	**41,406**
Loss allowance on due from banks, balances with National Banks, on placements and on repo receivables		
Allowance for the period	51,130	27,341
Release of allowance	(50,869)	(24,737)
	261	**2,604**
Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost		
Allowance for the period	77,768	11,048
Release of allowance	(16,994)	(7,074)
	60,774	**3,974**
Impairment / (Release of impairment) of intangible, tangible assets subject to operating lease and of investment properties		
Impairment for the period	1,389	63
Release of impairment	(185)	(501)
	1,204	**(438)**
Provision for commitments and guarantees given		
Provision for the period	102,928	28,869
Release of provision	(96,783)	(28,770)
	6,145	**99**
Loss allowances / Impairment and provisions	**210,458**	**47,645**

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions	2022	2021
Fees and commissions related to lending[1]	**43,179**	**36,999**
Deposit and account maintenance fees and commissions	251,684	203,553
Fees and commissions related to the issued bank cards	136,341	99,766
Currency exchange gains and losses	113,494	47,843
Fees related to cash withdrawal	61,738	46,143
Fees and commissions related to security trading	32,172	30,224
Fees and commissions related to fund management	29,906	23,553
Insurance fee income	19,588	16,974
Other	51,474	49,058
Fees and commissions from contracts with customers	**696,397**	**517,114**
Total	**739,576**	**554,113**

[1] Such kinds of fees and commissions related to lending which aren't included in the effective interest rate calculation due to their nature.

Fee type	Nature and timing of obligation settlement, and the significant payment terms	Revenue recognition under IFRS 15
Deposit and account maintenance fees and commissions and fees related to cash withdrawal	The Group provides a number of account management services for both retail and corporate customers in which they charge a fee. Fees related to these services can be typically account transaction fees (money transfer fees, direct debit fees, money standing order fees, etc.), internet banking fees (e.g. OTP Direct fee), account control fees (e.g. sms fee), or other fees for occasional services (account statement fees, other administration fees, etc.). Fees for ongoing account management services are charged to the customer's account on a monthly basis. The fees are commonly fixed amounts that can be vary per account package and customer category. In the case of the transaction-based fees where the services include money transfer the fee is charged when the transaction takes place. The rate of the fee is typically determined in a certain % of the transaction amount. In the case of other transaction-based fees (e.g. SMS fee), the fee is settled monthly. In the case of occasional services, the Group basically charges the fees when the services are used by the customer. The fees can be fixed fees or they can be set in %. The rates are reviewed by the Group regularly.	Fees for ongoing account management services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes place or charged monthly at the end of the month.

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Fee type	Nature and timing of obligation settlement, and the significant payment terms	Revenue recognition under IFRS 15
Fees and commission related to the issued bank cards	The Group provides a variety of bank cards to its customers, for which different fees are charged. The fees are basically charged in connection with the issuance of cards and the related card transactions. The annual fees of the cards are charged in advance in a fixed amount. The amount of the annual card fee depends on the type of card. In case of transaction-based fees (e.g. cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount. For all other cases where the Group provides a continuous service to the customers (e.g. card closing fee), the fees are charged monthly. The fee is calculated in a fix amount. The rates are reviewed by the Group regularly.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes place or charged monthly at the end of the month.
Fees and commissions related to security account management services	The Group provides its clients security account management services. Fees will be charged for account management and transactions on accounts. Account management fees are typically charged quarterly or annually. The amount is determined in %, based on the stocks of securities managed by the clients on the account in a given period. Fees for transactions on the securities account are charged immediately after the transaction. They are determined in %, based on the transaction amount. Fees for complex services provided to clients (e.g. portfolio management or custody) are typically charged monthly or annually. The fees are fixed monthly amounts and in some cases a bonus fee are charged.	Fees for ongoing services are charged quarterly or annually during the period when they are provided. The fees are accrued monthly. Transaction-based fees are charged when the transaction takes place.
Fees and commissions related to fund management	Fees from fund management services provided to investment funds and from portfolio management provided to insurance companies, funds. The fee income are calculated on the basis of net asset value of the portfolio and by the fee rates determined in the contracts about portfolio management.	Fees for ongoing services are charged usually on monthly (mutual funds) or semi-annually (venture capital funds) during the period when they are provided but accrued monthly.
Net insurance fee income	Due to the fact that the Group rarely provides insurance services to its clients, only acts as an agent, the fee income charged to the customers and fees payable to the insurance company are presented net in the fee income. In addition, agency fee charged for the sale of insurance contracts is also recorded in this line. The fee is charged on a monthly basis and determined in %.	Fees for ongoing services are charged on a monthly basis during the period when they are provided.
Other	Fees that are not significant in the Group total income are included in Other fees category. Such fees are safe lease, special procedure fee, account rent fee, fee of a copy of document, etc. Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., safe lease fees) at the beginning of the period, typically at a fixed rate. Fees for ad hoc services are charged immediately after the service obligation were met, usually in a fixed amount.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Fees for ad hoc services are charged when the transaction takes place.

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Expense from fees and commissions	2022	2021
Fees and commissions related to issued bank cards	56,190	42,662
Interchange fees	30,470	22,831
Fees and commissions paid on loans	9,164	9,502
Fees and commissions related to deposits	9,834	8,438
Cash withdrawal transaction fees	5,292	4,063
Fees and commissions related to security trading	4,263	3,730
Insurance fees	1,578	1,413
Fees and commissions related to collection of loans	985	830
Postal fees	576	590
Money market transaction fees and commissions	333	281
Other agent fee	1,912	1,335
Other	18,619	16,264
Total	**139,216**	**111,939**
Net profit from fees and commissions	**600,360**	**442,174**

NOTE 33: GAIN AND LOSSES BY TRANSACTIONS (in HUF mn)

Gains and losses by transactions	2022	2021
Gain by transactions	7,173	5,662
Loss by transactions	(3,700)	(4,808)
Gain from sale of loans, placements, finance lease	**3,473**	**854**
Gain by transactions	41	3,552
Loss by transactions	(5,169)	(2,521)
(Loss) / Gain from derecognition of securities and other receivables at amortized cost	**(5,128)**	**1,031**
(Loss) / Gain from derecognition of financial assets at amortized cost	**(1,655)**	**1,885**

Foreign exchange result consists of revaluation difference from converting assets and liabilities in foreign currencies into the presentation currency of the consolidation financial statements.

Gains and losses by transactions	2022	2021
Gain by transactions	16,494	9,553
Loss by transactions	(19,645)	(4,537)
Fx (loss) / gain on securities at fair value through profit or loss	**(3,151)**	**5,016**
Gain by transactions	-	2,405
Loss by transactions	(323)	(1,889)
Fx (loss) / gain on derecognition of investment in subsidiaries, associates	**(323)**	**516**
Gain by transactions	4,502	10,505
Loss by transactions	(5,516)	(13,092)
Fx loss on securities at fair value through other comprehensive income	**(1,014)**	**(2,587)**
Gain by transactions	-	2,847
Loss by transactions	-	(232)
Fx gain on other securities	**-**	**2,615**
(Loss) / Gain on securities, net	**(4,488)**	**5,560**

Gains and losses by transactions	2022	2021
Gain by transactions	4,247	5,835
Loss by transactions	(4,102)	(1,023)
Gain on non-trading securities mandatorily at fair value through profit or loss	**145**	**4,812**
Gain by transactions	50,693	36,591
Loss by transactions	(60,234)	(44,346)
Loss on loans mandatorily at fair value through profit or loss (adjustment resulting from change in market factors)	**(9,541)**	**(7,755)**
Gain by transactions	7,809	2,868
Loss by transactions	(2,577)	(457)
Gain on financial assets and liabilities designated at fair value through profit or loss	**5,232**	**2,411**
Fair value adjustment on financial instruments measured at fair value through profit or loss	**(4,164)**	**(532)**

NOTE 33: GAINS AND LOSSES (in HUF mn) [continued]

Gains and losses by transactions	2022	2021
Gain by transactions	147,311	74,582
Loss by transactions	(150,804)	(64,034)
(Loss) / Gain from fx swap, swap and option deals	**(3,493)**	**10,548**
Gain by transactions	4,156	2,684
Loss by transactions	(5,082)	(3,005)
Loss from option deals	**(926)**	**(321)**
Gain by transactions	148,699	94,639
Loss by transactions	(132,968)	(95,794)
Gain / (Loss) from commodities deals	**15,731**	**(1,155)**
Gain by transactions	752	745
Loss by transactions	(1,506)	(3,019)
Loss from futures deals	**(754)**	**(2,274)**
Net results on derivative instruments and hedge relationships	**10,558**	**6,798**

Gains and losses attributable to the hedged risk on the hedged item and on the hedging instruments and ineffectiveness in case of fair value hedge on amortised cost line items are as follows:

Fair value hedge	2022	2021
Hedged items	6,750	17,406
Hedging instrument	(9,352)	(15,147)
Hedge effectiveness	(2,602)	2,259

NOTE 34: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Other operating income	**2022**	**2021**
Income from agricultural activity	62,809	42,526
Income from tourism activity	23,197	8,588
Gains on transactions related to property activities	5,269	6,424
Rental income	2,175	2,132
Income from computer programming	1,250	1,113
Fair value adjustment of biological assets and agricultural produce	(1,939)	(2,551)
Income from written-of receivable	3,727	3,577
Income from air passenger transport	1,863	762
Gains on transactions related to insurance activity	1,369	657
Non-repayable assets received	447	165
Negative goodwill due to acquisition	3,784	31
Other income from non-financial activities	21,464	17,904
Total	**125,415**	**81,328**

Other operating expenses	**2022**	**2021**
Expense related to agricultural activity	45,612	30,392
Provision for off-balance sheet commitments and contingent liabilities	2,878	11,395
Financial support for sport association and organization of public utility	16,370	11,111
Expenses related to tourism activity	20,868	7,928
Loss allowance and loan losses on other financial assets	13,306	2,624
Expenses from losses due to foreign currency loan conversion at foreign subsidiaries	562	949
Impairment on investments [1]	901	6,640
Non-repayable assets contributed	1,339	881
Impairment on tangible and intangible assets	627	2,967
Impairment / (Release of impairment) and loan losses on other non-financial assets and assets measured under IAS 2	2,667	(638)
Release of provision due to foreign currency loan conversion at foreign subsidiaries	(434)	(638)
Operating expenses of assets subject to operating lease and investment property	883	-
Other	23,206	12,121
Other expenses from non-financial activities	*5,927*	*5,613*
Other costs	*17,279*	*6,508*
Total	**128,785**	**85,732**

[1] See details in Note 12.

NOTE 34: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

Other administrative expenses	**2022**	**2021**
Personnel expenses		
Wages	311,231	271,497
Taxes related to personnel expenses	49,015	44,049
Other personnel expenses	42,317	25,138
Subtotal	**402,563**	**340,684**
Depreciation, amortization of tangible, intangible assets, right-of-use assets [2]	**107,588**	**94,996**
Other administrative expenses		
Taxes, other than income tax [3]	193,587	93,678
Services	150,505	113,400
Professional fees	22,932	21,775
Fees payable to authorities and other fees	54,751	44,113
Advertising	20,827	19,457
Administration expenses	17,211	14,662
Rental fees	5,184	4,847
Subtotal	**464,997**	**311,932**
Total	**975,148**	**747,612**

[2] See details in Note 13 and Note 36.
[3] Special tax of financial institutions was paid by the Group in the amount of HUF 99,974 million for the year ended 31 December 2022 and HUF 19,652 million for the year 2021, recognized as an expense thus decreased the corporate tax base. For the year ended 31 December 2022 financial transaction duty was paid by the Bank in the amount of HUF 88,642 million while for the year ended 31 December 2021 the same duty was HUF 68 billion.

The table below contains the detailing of the fees for audit and non-audit services:

Ernst & Young Audit Ltd.	**2022**	**2021**
	In thousand EUR	
OTP – annual audit – separate financial statements	458	458
OTP – annual audit – consolidated financial statements	738	659
Other audit services based on statutory provisions to OTP Group members	1,120	1,050
Other services providing assurance	1,805	1,575
Other non-audit services	426	316
Total	**4,547**	**4,058**

Ernst & Young Network	**2022**	**2021**
	In thousand EUR	
Audit based on statutory provisions	2,354	1,788
Other services providing assurance	-	-
Tax consulting services	209	29
Other non-audit services	1,015	209
Total	**3,578**	**2,026**

NOTE 35: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 35% of taxable income.

Deferred tax is calculated at the income tax rate of 9% in Hungary and Montenegro, 10% in Bulgaria, 12% in Moldova, 15% in Serbia and Albania, 16% in Romania, 18% in Ukraine and Croatia, 19% in Slovenia, 20% in Russia, 25.5% in the Netherlands and 35% in Malta.

The breakdown of the income tax expense is:

	2022	2021
Current tax expense	91,537	65,692
Deferred tax (income) / expense	(32,286)	6,431
Total	**59,251**	**72,123**

A reconciliation of the net deferred tax asset/liability is as follows:

	2022	2021
Balance as at 1 January	**(8,936)**	**(3,673)**
Deferred tax income / (expense) in profit or loss	32,286	(6,431)
Deferred tax receivable related to items recognized directly in equity and in Comprehensive Income	14,591	1,294
Due to acquisition of subsidiary	-	(737)
Foreign currency translation difference	(2,614)	611
Closing balance	**35,327**	**(8,936)**

A breakdown of the deferred tax assets are as follows:

	2022	2021
Loss allowance on granted loans	13,244	8,244
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	7,668	7,688
Securities at amortized cost	8	9
Difference in depreciation of tangible assets	1,304	3,636
Fair value adjustment of non-trading instruments mandatorily at fair value though profit or loss	214	256
Fair value adjustment of derivative financial instruments	7,227	992
Provision on other financial, non-financial liabilities	564	1,073
Difference in accounting for leases	430	999
Fair value adjustment of securities at fair value through other comprehensive income	7,563	202
Unused tax allowance	12,103	-
Loss allowance / impairment on other financial, non-financial assets	159	2,427
Tax accrual caused by negative taxable income	19,744	152
Difference in depreciation of right-of-use assets	564	214
Loss allowance on investment	84	77
Fair value adjustment of securities at fair value through profit or loss	4,023	95
Difference in accounting for investment properties	51	4
Amounts unenforceable by tax law	32	-
Other	477	3,980
Deferred tax asset	**75,459**	**30,048**

NOTE 35: INCOME TAXES (in HUF mn) [continued]

A breakdown of the deferred tax liabilities are as follows:

	2022	2021
Difference in depreciation of tangible assets	(10,944)	(10,245)
Fair value adjustment of securities at fair value through other comprehensive income	(4,586)	(6,569)
Fair value adjustment of securities at fair value through profit or loss	-	(2,781)
Loss allowance on investment	(1,293)	(1,142)
Fair value adjustment of non-trading instruments mandatorily at fair value though profit or loss	(25)	-
Securities at amortized cost	(959)	(210)
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	(639)	(559)
Loss allowance on granted loans	(4,383)	(944)
Interbank placements and receivables	(1,269)	(491)
Fair value adjustment of derivative financial instruments	-	(214)
Loss allowance / impairment on other financial, non-financial assets	(91)	(2,261)
Repurchase agreement and security lending	(265)	-
Provision on other financial, non-financial liabilities	-	(1,875)
Difference in accounting for investment properties	(204)	(186)
Difference in depreciation of right-of-use assets	(272)	-
Other	(15,202)	(11,507)
Deferred tax liabilities	**(40,132)**	**(38,984)**

	2022	2021
Net deferred tax asset / (liability)	**35,327**	**(8,936)**
(amount presented in the consolidated statement of financial position)		
Deferred tax assets	**75,421**	**15,109**
Deferred tax liabilities	**(40,094)**	**(24,045)**

Among deferred tax assets the tax accruals are included the following accruals by entities:

Tax accrual caused by negative taxable income	**2022**	**2021**	**Date until it can be used**
OTP Bank	19,424	-	31 December 2027
Merkantil Bank Ltd.	-	40	31 December 2030
OTP Real Estate Leasing Ltd.	142	55	31 December 2030
Nagisz Ltd.	55	-	31 December 2025
Nagisz Ltd.	56	-	31 December 2026
Nagisz Ltd.	67	57	31 December 2030
	19,744	**152**	

NOTE 35: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the income tax income / expense is as follows:

	2022	2021
Profit before income tax	**394,888**	**528,435**
Income tax expense at statutory tax rates	**53,933**	**68,823**
Income tax adjustments due to permanent differences are as follows:		
Deferred use of tax allowance	(12,102)	(8)
Tax effect of transaction costs related to share-based payment recognized directly in shareholders' equity	-	323
Reversal of statutory general provision	(5)	-
Permanent differences from unused tax losses	(1,894)	(103)
Tax effect of transaction costs related to treasury share transaction recognized directly in shareholders' equity	267	-
Amounts unenforceable by tax law	61	(846)
Use of tax allowance in the current year	(23)	(4,036)
Other	(2,804)	(11,250)
Income tax expense	**37,433**	**52,903**
Effective tax rate	**9.48%**	**10.01%**
Business tax and innovation contribution	**21,818**	**19,220**
Total income tax expense	**59,251**	**72,123**

	2022	2021
Net current tax liability (amount presented in the consolidated statement of financial position)	**(23,216)**	**(6,603)**
Current income tax receivables	**5,650**	**29,978**
Current income tax payable	**(28,866)**	**(36,581)**

NOTE 36: LEASES (in HUF mn)

The Group as a lessee:

Right-of-use assets by class of underlying assets as at 31 December 2022:

2022	Property	Office equipment and vehicles	Total
Depreciation expense of right-of-use assets	17,680	328	18,008
Additions to right-of-use assets	19,416	1,931	21,347
Carrying amount of right-of-use assets at the end of the reporting period	56,842	2,095	58,937

Right-of-use assets by class of underlying assets as at 31 December 2021:

2021	Property	Office equipment and vehicles	Total
Depreciation expense of right-of-use assets	15,710	355	16,065
Additions to right-of-use assets	13,915	245	14,160
Carrying amount of right-of-use assets at the end of the reporting period	50,265	461	50,726

The total cash outflow for leases was HUF 31,872 million as at 31 December 2022 and HUF 19,663 million as at 31 December 2021.

The Group mainly leases real estate, a significant part of its right-of-use assets are related to branch offices, a smaller part to office buildings and office space.

Leasing liabilities by maturities:

	2022	2021
Within one year	13,757	11,761
Over one year	50,021	41,525
Total	**63,778**	**53,286**

Lease liabilities by payments:

	2022	2021
Arising from fixed lease payments	38,636	36,047
Arising from variable lease payments	25,142	17,239
Total	**63,778**	**53,286**

On 31 December 2022 and 31 December 2021 HUF 44 million and HUF 123 million is the lease payment respectively to be paid in the future due to leases not yet commenced to which the Group is committed. The future lease payment not taken into account would be HUF 4,220 million as at 31 December 2022 and would have been HUF 4,041 million as at 31 December 2021 arising from extension options if they had been taken into account.
The most typical indexes/rates on which the variable lease payments depend are: Consumer Price Index, Inflation Rate, BUBOR, EURIBOR.

NOTE 36: LEASES (in HUF mn) [continued]

The Group as a lessee [continued]:

Amounts recognized in profit and loss	**2022**	**2021**
Interest expense on lease liabilities	2,386	1,556
Expense relating to short-term leases	3,935	3,885
Expense relating to leases of low value assets	919	694
Expense relating to variable lease payments not included in the measurement of lease liabilities	-	-
Income from subleasing right-of-use assets	6	11
Gains or losses arising from sale and leaseback transactions	-	-

The Group as a lessor:

The Group’s leasing activities are most significant in Hungary, Bulgaria, Slovenia, Ukraine and Croatia. The main activity of the leasing companies is finance leasing. About half of the underlying assets are passenger cars, besides this the Group leases mainly agricultural machinery, commercial vehicles, vessels and construction machinery.

The Group manages the risk associated with the rights held in the underlying assets by, inter alia, buy-back agreements, determining the residual values on level lower than future market values and registering pledge on the underlying asset.

The Group as a lessor, finance lease:

Amounts receivable under finance leases	**2022**	**2021**
In less than 1 year	438,205	469,646
Between 1 and 2 years	391,229	332,360
Between 2 and 3 years	265,744	241,217
Between 3 and 4 years	175,723	159,306
Between 4 and 5 years	175,420	90,548
More than 5 years	69,877	60,000
Total receivables from undiscounted lease payments	**1,516,198**	**1,353,077**
Unguaranteed residual values	395	692
Gross investment in the lease	**1,516,593**	**1,353,769**
Less: unearned finance income	(164,710)	(141,138)
Present value of minimum lease payments receivable	**1,351,883**	**1,212,631**
Loss allowance	(53,131)	(30,003)
Net investment in the lease	**1,298,752**	**1,182,628**

An analysis of the change in the gross values on finance receivables is as follows:

	2022	**2021**
Balance as at 1 January	**1,212,631**	**1,075,742**
Additions due to new contracts	662,694	656,055
Additions due to interest income and amortized fees	82,181	64,168
Decrease due to write-off	(484)	(543)
Decrease due to repossession of the asset	(3,616)	(3,174)
Decrease due to sale	(1,697)	(3,864)
Decrease due to early repayment	(77,500)	(59,246)
Decrease due to regular lease payment	(572,293)	(530,157)
Foreign currency translation difference	49,967	13,650
Closing balance	**1,351,883**	**1,212,631**

NOTE 36: LEASES (in HUF mn) [continued]

The Group as a lessor [continued]:

The Group as a lessor, finance lease [continued]:

An analysis of the change in the loss allowance on finance receivables is as follows:

	2022	2021
Balance as at 1 January	**30,003**	**24,602**
Loss allowance for the period	49,433	20,694
Release of loss allowance	(25,020)	(14,918)
Use of loss allowance	(319)	(257)
Partial write-off	(516)	-
Decrease due to sale	(61)	(513)
Foreign currency translation difference	(389)	395
Closing balance	**53,131**	**30,003**

Result from finance leases	**2022**	**2021**
Selling profit or loss	-	325
Finance income on the net investment in the lease	78,262	59,084
Income relating to variable lease payments not included in the measurement of the net investment in the lease	-	-

The Group as a lessor, operating lease:

Amounts receivable under operating leases	**2022**	**2021**
In less than 1 year	6,636	10,383
Between 1 and 2 years	6,177	5,172
Between 2 and 3 years	4,782	3,527
Between 3 and 4 years	3,481	2,704
Between 4 and 5 years	2,644	2,019
More than 5 years	2,173	904
Total receivables from undiscounted lease payments	**25,893**	**24,709**

Result from operating leases	**2022**	**2021**
Lease income	11,439	10,791
Therein lease income relating to variable lease payments that do not depend on an index or a rate	-	-

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial instruments may result in certain risks to the Group. The most significant risks the Group faces include:

37.1. Credit risk

The Group takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical areas and loan types. Such risks are monitored on a periodical basis and are subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is managed by obtaining collateral, corporate and personal guarantees.

Defining the expected credit loss on individual and collective basis

On individual basis:

Individually assessed are the non-retail or non- micro- and small enterprise exposure of significant amount on a stand-alone basis:

- exposure in stage 3,
- exposure in workout management,
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above.

The calculation of impairment must be prepared and approved by the risk management functional areas. The calculation, all relevant factors (amortized cost, original and current EIR, contracted and expected cash flows (from business and/or collateral) for the individual periods of the entire lifecycle, other essential information enforced during the valuation) and the criteria thereof (including the factors underlying the classification as stage 3) must be documented individually.

The expected credit loss of the exposure equals the difference of the items' AC (gross book value) on the valuation date and the present value of the receivable's expected cash flows discounted to the valuation date by the exposure's original effective interest rate (EIR) (calculated at the initial recognition, or in the case of variable rate, recalculated due to the last interest rate change). The estimation of the expected future cash flows should be forward looking, it must also contain the effects of the possible change of macroeconomic outlook.
At least two scenarios must be used for the estimation of the expected cash flow. It should be at least one scenario in which the entity anticipates that realized cash flows will be significantly different from the contractual cash flows. Probability weights must be allocated to the individual scenarios. The estimation must reflect the probability of the occurrence and non-occurrence of the credit loss, even if the most probable result is the non-occurrence of the loss.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

Defining the expected credit loss on individual and collective basis [continued]

On collective basis:

The following exposures are subject to collective assessment:
- retail exposure irrespective of the amount,
- micro and small enterprise exposures irrespective of the amount,
- all other exposure which are insignificant on a stand-alone basis and not part of the workout management,
- exposure which are not in stage 3, significant on a stand-alone basis,
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above.

In the collective impairment methodology credit risk and the change of credit risk can be correctly captured by understanding the risk characteristics of the portfolio. In order to achieve this, the main risk drivers shall be identified and used to form homogeneous segments having similar risk characteristics. The segmentation is expected to stay stable from month to month, however a regular (at least yearly) revision of the segmentation process should be set up to capture the change of risk characteristics. The segmentation must be performed separately for each parameter, since in each case different factors may have relevance.

The Bank's Headquarter Group Reserve Committee stipulates the guidelines related to the collective impairment methodology at group level. In addition, it has right of agreement in respect of the risk parameters (PD -probability of default, LGD - loss given default, EAD – exposure at default) and segmentation criteria proposed by the group members.

The review of the parameters must be performed at least annually, and the results should be approved by the Group Reserve Committee. Local Risk Managements are responsible for parameter estimations / updates, macroeconomic scenarios are calculated by OTP Bank Headquarter for each subsidiary and each parameter. Based on the consensus proposal of Local Risk Management and OTP Bank Headquarter, the Group Reserve Committee decides on the modification of parameters (all parameters for impairment calculation).

At least on a yearly basis the impairment parameters should be back tested as well.

The expected loss calculation should be forward looking, including forecasts of future economic conditions. This may be achieved by applying 3-5 different macroeconomic scenarios, which may be integrated in the PD, LGD and EAD parameters.

In 2022 in Slovenia and Romania the PD parameter estimation was extended to estimate parameters based on rating categories only. The more granular estimation resulted EUR 11 million less impairment in Slovenia, while in Romania the RON 95 million impairment release outcome of the review was netted with a post model adjustment resulting neutral overall effect.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.1. Financial instruments by stages

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and of interest-bearing securities at fair value through other comprehensive income and financial commitments and provision on them by stages as at 31 December 2022:

		Gross carrying amount / Notional value					Accumulated loss allowance / Provision				
2022	**Carrying amount / Exposure**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Placements with other banks	**1,351,082**	1,354,832	63	24	-	**1,354,919**	3,801	12	24	-	**3,837**
Repo receivables	**41,009**	41,250	-	-	-	**41,250**	241	-	-	-	**241**
Mortgage loans	**4,433,192**	3,975,636	373,433	161,684	53,844	**4,564,597**	12,638	23,738	78,932	16,097	**131,405**
Loans to medium and large corporates	**6,824,520**	5,912,383	996,292	202,188	25,350	**7,136,213**	64,479	100,793	138,877	7,544	**311,693**
Consumer loans	**3,199,520**	2,879,094	363,047	388,258	13,495	**3,643,894**	61,424	81,256	294,251	7,443	**444,374**
Loans to micro and small enterprises	**594,427**	460,940	114,173	64,383	3,079	**642,575**	4,710	9,136	32,558	1,744	**48,148**
Car-finance loans	**512,580**	433,316	82,146	20,705	1,098	**537,265**	5,751	6,830	11,199	905	**24,685**
Municipal loans	**530,219**	515,299	20,229	746	-	**536,274**	3,187	2,212	656	-	**6,055**
Loans at amortized cost	**16,094,458**	**14,176,668**	**1,949,320**	**837,964**	**96,866**	**17,060,818**	**152,189**	**223,965**	**556,473**	**33,733**	**966,360**
Finance lease receivable	**1,298,752**	1,045,688	235,817	70,050	328	**1,351,883**	4,797	15,241	32,875	218	**53,131**
Interest bearing securities at fair value through other comprehensive income [1]	**1,699,446**	1,642,481	28,285	28,680	-	**1,699,446**	13,754	1,040	24,831	-	**39,625**
Securities at amortized cost	**4,891,938**	4,867,061	15,141	52,785	-	**4,934,987**	23,675	611	18,763	-	**43,049**
Financial assets total	**25,376,685**	**23,127,980**	**2,228,626**	**989,503**	**97,194**	**26,443,303**	**198,457**	**240,869**	**632,966**	**33,951**	**1,106,243**
Loan commitments given	**4,191,766**	3,954,773	258,655	16,660	201	**4,230,289**	24,124	11,285	3,085	29	**38,523**
Financial guarantees given	**1,447,014**	1,378,871	80,187	7,515	1	**1,466,574**	14,678	2,932	1,950	-	**19,560**
Other commitments given	**559,224**	509,314	20,394	34,805	-	**564,513**	2,755	904	1,630	-	**5,289**
Financial liabilities total	**6,198,004**	**5,842,958**	**359,236**	**58,980**	**202**	**6,261,376**	**41,557**	**15,121**	**6,665**	**29**	**63,372**

[1] Interest bearing securities at fair value through other comprehensive income are recognized in the Consolidated statement of financial position as at fair value (see in Note 9). Loss allowances for securities at fair value through other comprehensive income that are in Stage 1 and / or in Stage 2 is recognized in the Other comprehensive income. It is included in the accumulated loss allowance of this table showed above.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.1. Financial instruments by stages [continued]

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and of interest-bearing securities at fair value through other comprehensive income and financial commitments and provision on them by stages as at 31 December 2021:

		Gross carrying amount / Notional value					Accumulated loss allowance / Provision				
2021	**Carrying amount / Exposure**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Placements with other banks	**1,584,861**	1,587,827	-	28	-	**1,587,855**	2,966	-	28	-	**2,994**
Repo receivables	**61,052**	61,342	-	-	-	**61,342**	290	-	-	-	**290**
Mortgage loans	**3,822,426**	3,173,491	559,939	178,066	57,988	**3,969,484**	10,450	25,590	84,937	26,081	**147,058**
Loans to medium and large corporates	**5,294,170**	4,680,180	657,586	158,773	24,117	**5,520,656**	51,724	69,724	98,017	7,021	**226,486**
Consumer loans	**2,963,112**	2,585,014	422,975	356,485	12,856	**3,377,330**	49,104	84,158	274,098	6,858	**414,218**
Loans to micro and small enterprises	**500,991**	412,247	76,131	54,458	2,339	**545,175**	4,751	9,707	28,351	1,375	**44,184**
Car-finance loans	**446,341**	370,790	79,965	9,675	2,452	**462,882**	2,988	4,978	6,508	2,067	**16,541**
Municipal loans	**466,143**	444,944	23,890	816	-	**469,650**	1,372	1,475	660	-	**3,507**
Loans at amortized cost	**13,493,183**	**11,666,666**	**1,820,486**	**758,273**	**99,752**	**14,345,177**	**120,389**	**195,632**	**492,571**	**43,402**	**851,994**
Finance lease receivable	**1,182,628**	959,361	210,955	41,944	371	**1,212,631**	4,432	11,140	14,243	188	**30,003**
Interest bearing securities at fair value through other comprehensive income [1]	**2,189,534**	2,187,835	1,699	-	-	**2,189,534**	6,566	144	-	-	**6,710**
Securities at amortized cost	**3,891,335**	3,879,749	20,699	-	-	**3,900,448**	7,789	1,324	-	-	**9,113**
Financial assets total	**22,402,593**	**20,342,780**	**2,053,839**	**800,245**	**100,123**	**23,296,987**	**142,432**	**208,240**	**506,842**	**43,590**	**901,104**
Loan commitments given	**3,776,768**	3,665,153	128,603	14,805	211	**3,808,772**	20,539	7,482	3,961	22	**32,004**
Financial guarantees given	**913,038**	887,585	35,648	4,568	7	**927,808**	11,814	1,408	1,542	6	**14,770**
Other commitments given	**1,174,462**	1,127,354	44,064	8,260	-	**1,179,678**	3,170	1,140	906	-	**5,216**
Financial liabilities total	**5,864,268**	**5,680,092**	**208,315**	**27,633**	**218**	**5,916,258**	**35,523**	**10,030**	**6,409**	**28**	**51,990**

[1] Interest bearing securities at fair value through other comprehensive income are recognized in the Consolidated statement of financial position as at fair value (see in Note 9). Loss allowances for securities at fair value through other comprehensive income that are in Stage 1 and / or in Stage 2 is recognized in the Other comprehensive income. It is included in the accumulated loss allowance of this table showed above.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2022:

2022	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments[1]	Closing balance
Stage 1	**142,432**	**138,017**	**(43,066)**	**(120,475)**	**71,441**	**(4,547)**	**(88)**	**14,743**	**198,457**
Placements with other banks	2,966	34,558	(11,574)	(1,345)	(20,902)	-	-	98	3,801
Repo receivables	290	4,457	(389)	-	(1,044)	-	-	(3,073)	241
Loans at amortized cost	120,389	93,238	(28,281)	(101,521)	56,228	(4,576)	(88)	16,800	152,189
Finance lease receivables	4,432	2,647	(1,105)	1,668	(3,384)	29	-	510	4,797
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	14,355	3,117	(1,717)	(19,277)	40,543	-		408	37,429
Stage 2	**208,240**	**52,749**	**(24,038)**	**9,927**	**(26,352)**	**6,158**	**(959)**	**15,144**	**240,869**
Placements with other banks	-	-	-	1,345	(1,518)	-	-	185	12
Repo receivables	-	-	-	-	-	-	-	-	-
Loans at amortized cost	195,632	42,790	(22,408)	12,796	(23,558)	6,174	(959)	13,498	223,965
Finance lease receivables	11,140	6,646	(1,630)	(4,296)	2,102	(16)	-	1,295	15,241
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	1,468	3,313	-	82	(3,378)	-	-	166	1,651
Stage 3	**506,842**	**72,119**	**(52,134)**	**110,548**	**69,855**	**743**	**(124,057)**	**49,050**	**632,966**
Placements with other banks	28	11	(14)	-	(121)	-	(4)	124	24
Repo receivables	-	-	-	-	-	-	-	-	-
Loans at amortized cost	492,571	34,977	(49,466)	88,725	67,932	743	(122,687)	43,678	556,473
Finance lease receivables	14,243	12,732	(2,654)	2,628	3,374	-	(1,366)	3,918	32,875
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	24,399	-	19,195	(1,330)	-	-	1,330	43,594
Loss allowance on financial assets subtotal	**857,514**	**262,885**	**(119,238)**	**-**	**114,944**	**2,354**	**(125,104)**	**78,937**	**1,072,292**

[1]Other adjustment mainly includes changes due to foreign exchange conversion.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2022 [continued]:

2022	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments[1]	Closing balance
POCI	**43,590**	**-**	**(3,534)**	**-**	**6,116**	**(138)**	**(6,610)**	**(5,473)**	**33,951**
Placements with other banks	-	-	-	-	-	-	-	-	-
Repo receivables	-	-	-	-	-	-	-	-	-
Loans at amortized cost	43,402		(3,434)	-	6,098	(138)	(6,572)	(5,623)	33,733
Finance lease receivables	188	-	(100)	-	18	-	(38)	150	218
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	-	-	-	-	-	-	-	-
Loss allowance on financial assets total	**901,104**	**262,885**	**(122,772)**	**-**	**121,060**	**2,216**	**(131,714)**	**73,464**	**1,106,243**
Loan commitments and financial guarantees given - stage 1	35,523	22,118	(6,033)	(10,309)	708	(1,368)	-	918	41,557
Loan commitments and financial guarantees given - stage 2	10,030	4,024	(2,236)	6,939	(6,070)	302	(11)	2,143	15,121
Loan commitments and financial guarantees given - stage 3	6,409	1,975	(619)	3,370	(4,728)	(156)	(1)	415	6,665
Loan commitments and financial guarantees given - poci	28	5	(9)	-	5	-	-	-	29
Provision on financial liabilities total	**51,990**	**28,122**	**(8,897)**	**-**	**(10,085)**	**(1,222)**	**(12)**	**3,476**	**63,372**

[1]Other adjustment mainly includes changes due to foreign exchange conversion.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2021:

31/12/2021	Opening balance	Modi-fication	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments[1]	Closing balance
Stage 1	**123,675**	**-**	**141,894**	**(37,619)**	**(103,930)**	**25,663**	**(4,885)**	**(102)**	**(2,264)**	**142,432**
Placements with other banks	1,377	-	24,635	(4,383)	-	(18,854)	-	-	191	**2,966**
Repo receivables	292	-	667	-	-	(669)	-	-	-	**290**
Loans at amortized cost	106,151	-	109,970	(29,761)	(91,303)	33,215	(4,442)	(102)	(3,339)	**120,389**
Finance lease receivables	4,141	-	2,643	(255)	(12,106)	10,426	(443)	-	26	**4,432**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	11,714	-	3,979	(3,220)	(521)	1,545	-		858	**14,355**
Stage 2	**203,173**	**-**	**29,705**	**(21,813)**	**9,826**	**(27,800)**	**8,202**	**(498)**	**7,445**	**208,240**
Placements with other banks	1	-	-	-	-	-		(1)	-	-
Repo receivables	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost	194,941	(1,281)	26,947	(21,200)	3,766	(23,004)	8,550	(497)	7,410	**195,632**
Finance lease receivables	8,103	-	2,696	(613)	5,539	(4,229)	(348)	-	(8)	**11,140**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	128	1,281	62	-	521	(567)	-	-	43	**1,468**
Stage 3	**476,668**	**-**	**19,133**	**(44,871)**	**94,104**	**21,425**	**8,856**	**(69,523)**	**1,050**	506,842
Placements with other banks	111	-	-	-	-	46	-	(240)	111	**28**
Repo receivables	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost	463,570	-	17,649	(43,539)	87,537	25,360	9,852	(67,453)	(405)	**492,571**
Finance lease receivables	12,188	-	1,484	(1,332)	6,567	(3,981)	(996)	(1,022)	1,335	**14,243**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	799	-	-	-	-	-	-	(808)	9	-
Loss allowance on financial assets subtotal	**803,516**	**-**	**190,732**	**(104,303)**	**-**	**19,288**	**12,173**	**(70,123)**	**6,231**	**857,514**

[1]Other adjustment mainly includes changes due to foreign exchange conversion.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2021 [continued]:

31/12/2021	Opening balance	Modi-fication	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments[1]	Closing balance
POCI	**65,051**	**-**	**-**	**(2,929)**	**-**	**(17,138)**	**(129)**	**(4,370)**	**3,105**	**43,590**
Placements with other banks	-	-	-	(2,929)	-	6,004	(129)	(4,370)	1,424	**-**
Repo receivables	-	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	64,881	-	-	-	-	(23,142)	-	-	1,663	**43,402**
Finance lease receivables	170	-	-	-	-	-	-	-	18	**188**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	-	-	-	-	-	-	-	-	**-**
Loss allowance on financial assets total	**868,567**	**-**	**190,732**	**(107,232)**	**-**	**2,150**	**12,044**	**(74,493)**	**9,336**	**901,104**
Loan commitments and financial guarantees given - stage 1	37,297	-	23,514	(5,522)	1,446	(20,069)	(1,031)	-	(112)	**35,523**
Loan commitments and financial guarantees given - stage 2	11,055	-	3,804	(791)	(2,173)	(2,216)	436	-	(85)	**10,030**
Loan commitments and financial guarantees given - stage 3	6,458	-	932	(1,337)	727	196	(65)	-	(502)	**6,409**
Loan commitments and financial guarantees given - poci	-	-	31	(4)	-	3	(1)	-	(1)	**28**
Provision on financial liabilities total	**54,810**	**-**	**28,281**	**(7,654)**	**-**	**(22,086)**	**(661)**	**-**	**(700)**	**51,990**

[1]Other adjustment mainly includes changes due to foreign exchange conversion.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.3. Loan portfolio by internal ratings

2022	**Gross carrying amount**				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1-4)	9,947,741	569,504	-	3,703	10,520,948
Medium risk grade (5-7)	5,073,919	1,033,413	-	36,259	6,143,591
High risk grade (8-9)	200,696	582,220	-	2,913	785,829
Non-performing	-	-	908,014	54,319	962,333
Total loans at amortized cost and finance lease receivable	**15,222,356**	**2,185,137**	**908,014**	**97,194**	**18,412,701**

2022	**Accumulated loss allowance**				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1-4)	(66,621)	(51,998)	-	(172)	(118,791)
Medium risk grade (5-7)	(82,554)	(121,985)	-	(6,235)	(210,774)
High risk grade (8-9)	(7,811)	(65,223)	-	(250)	(73,284)
Non-performing	-	-	(589,348)	(27,294)	(616,642)
Total loans at amortized cost and finance lease receivable	**(156,986)**	**(239,206)**	**(589,348)**	**(33,951)**	**(1,019,491)**

2021	**Gross carrying amount**				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1-4)	7,644,341	631,138	-	2,921	8,278,400
Medium risk grade (5-7)	4,692,656	869,200	-	46,708	5,608,564
High risk grade (8-9)	289,030	526,928	-	2,563	818,521
Non-performing	-	4,175	800,217	47,931	852,323
Total loans at amortized cost and finance lease receivable	**12,626,027**	**2,031,441**	**800,217**	**100,123**	**15,557,808**

2021	**Accumulated loss allowance**				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1-4)	52,654	42,988	-	129	95,771
Medium risk grade (5-7)	57,421	81,894	-	13,009	152,324
High risk grade (8-9)	14,746	78,111	-	375	93,232
Non-performing	-	3,779	506,814	30,077	540,670
Total loans at amortized cost and finance lease receivable	**124,821**	**206,772**	**506,814**	**43,590**	**881,997**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.4. Loan portfolio by countries

An analysis of the non-qualified and qualified gross loan portfolio at amortized cost, finance lease receivables, placements with other banks and repo receivables and their loss allowances by country is as follows:

	2022		2021	
Country	**Gross amount of exposure**	**Loss allowance**	**Gross amount of exposure**	**Loss allowance**
Hungary	5,955,212	235,946	5,528,516	215,911
Bulgaria	3,537,330	159,412	2,972,390	206,233
Croatia	2,279,085	102,039	1,826,233	101,067
Serbia	2,127,646	70,779	1,729,147	47,085
Romania	1,326,510	65,646	1,076,696	57,665
Slovenia	1,200,735	14,627	981,307	16,244
Russia	1,053,208	187,610	812,070	137,920
Ukraine	543,159	124,859	684,030	52,678
Montenegro	454,567	22,421	385,342	24,930
France	272,848	1,171	182,850	725
Albania	390,856	16,660	233,391	10,551
Moldova	171,616	11,181	166,720	5,025
Germany	39,631	525	84,164	675
Belgium	38,855	134	80,434	328
Austria	3,182	31	40,426	201
Slovakia	121,591	545	80,117	319
The Netherlands	101,078	1,864	36,858	622
Switzerland	63,843	3,138	80,611	1,701
United Kingdom	13,833	1,336	21,209	1,763
United States of America	45,232	205	106,347	419
Luxembourg	3,477	1,085	33,251	1,271
Poland	34,012	987	19,203	239
Italy	9,330	235	10,558	239
Ireland	5,966	116	5,375	106
Cyprus	5,311	217	8,646	562
Denmark	46	7	339	16
Czech Republic	739	10	899	12
Canada	74	4	4,823	16
Australia	58	13	3,164	10
Greece	999	122	1,808	192
Turkey	1,418	63	1,810	95
Spain	1,164	35	1,095	25
Israel	937	13	1,174	15
Bosnia and Herzegovina	673	97	467	76
Sweden	542	30	810	63
Norway	107	9	334	23
Saudi Arabia	87	70	239	9
United Arab Emirates	36	26	532	30
Egypt	726	14	582	15
Kazakhstan	224	9	209	15
Latvia	50	30	46	26
Other[1]	2,877	248	2,783	164
Total	**19,808,870**	**1,023,569**	**17,207,005**	**885,281**

[1] Other category as at 31 December 2022 mainly includes e.g.: Japan, Macedonia, Portugal, China, Brazil, Lithuania, Republic of South-Africa, Armenia, Belorussia, Tunisia, Iran, Syria, Kosovo and other countries.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.4. Loan portfolio by countries [continued]

Country	2022	2021
Hungary	1,247,401	1,067,830
Croatia	-	281
Others	13	-
Total loans at fair value	**1,247,414**	**1,068,111**

37.1.5. Loan portfolio classification by economic activities

Gross loan at amortized cost and finance lease receivable portfolio by economic activities	2022	2021
Retail	8,575,020	7,826,752
Agriculture, forestry and fishing	752,497	610,270
Manufacturing, mining and quarrying and other industry	2,338,129	1,830,591
Construction	734,908	600,945
Wholesale and retail trade, transportation and storage accommodation and food service activities	2,948,392	2,525,942
Information and communication	241,809	196,045
Financial and insurance activities	354,235	273,817
Real estate activities	841,069	568,810
Professional, scientific, technical, administration and support service activities	657,055	437,813
Public administration, defence, education, human health and social work activities	494,955	429,290
Other services	474,632	257,533
Total gross loans and finance lease receivable	**18,412,701**	**15,557,808**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.5. Loan portfolio classification by economic activities [continued]

Loss allowance on loans at amortized cost and finance lease receivable by economic activities	2022	2021
Retail	633,253	599,650
Agriculture, forestry and fishing	39,200	20,118
Manufacturing, mining and quarrying and other industry	94,324	62,951
Construction	26,040	22,165
Wholesale and retail trade, transportation and storage accommodation and food service activities	141,799	105,934
Information and communication	6,293	5,117
Financial and insurance activities	12,373	12,945
Real estate activities	29,500	21,363
Professional, scientific, technical, administration and support service activities	18,079	13,464
Public administration, defence, education, human health and social work activities	7,783	4,828
Other services	10,847	13,462
Total loss allowance on loans and finance lease receivable	**1,019,491**	**881,997**

37.1.6. Collateral

The values of collateral received and held by the Group by type are as follows (**total collateral**). The collateral covers loans as well as off-balance sheet exposures.

Types of collateral	2022	2021
Mortgages	16,332,892	13,367,891
Guarantees and warranties	1,630,318	1,296,415
Guarantees of state or organizations owned by state	1,635,382	1,070,479
Assignments (revenue or other receivables)	423,098	422,030
Securities	168,941	237,076
Cash deposits	208,487	187,934
Other	1,758,802	2,211,671
Total	**22,157,920**	**18,793,496**

The values of collateral received and held by the Group by type are as follows (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral	2022	2021
Mortgages	8,044,836	6,479,871
Guarantees of state or organizations owned by state	1,241,702	832,432
Guarantees and warranties	1,016,672	799,775
Assignments (revenue or other receivables)	220,062	290,066
Securities	99,345	156,715
Cash deposits	80,313	76,338
Other	752,241	1,295,740
Total	**11,455,171**	**9,930,937**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.6. Collateral [continued]

The coverage level of the loan portfolio (total collateral) increased by 2.22 pps and the coverage level to the extent of the exposures also increased by 0.06 pps as at 31 December 2022.

The values of collateral given and held by the Group according to which financial asset is recognized as collateral are as follows:

Financial assets as collaterals recognized in the consolidated statement of financial position	**2022**	**2021**
Cash, amounts due from banks and balances with the National Banks	87,916	15,791
Placements with other banks	11,313	9,590
Repo receivables	13,253	35,826
Securities at fair value through other comprehensive income	-	16,546
Securities at amortized cost	91,991	42,233
Loans at amortized cost	1,099,311	1,089,614
Finance lease receivables	32,553	32,553
Total	**1,336,337**	**1,242,153**

37.1.7. Restructured loans

	2022		**2021**	
	Gross portfolio	**Loss allowance**	**Gross portfolio**	**Loss allowance**
Retail mortgage loans	89,167	(5,803)	269,700	(8,779)
Loans to medium and large corporations	403,643	(59,453)	276,796	(44,197)
Retail consumer loans	64,268	(21,346)	149,469	(32,850)
Loans to micro and small enterprises	59,096	(4,750)	57,403	(7,668)
Municipal	-	-	75	(8)
Other loans	3,417	(1,361)	27,092	(2,555)
Total	**619,591**	**(92,713)**	**780,535**	**(96,057)**

The forborne definition used by the Group is based on EU 2015/227 regulation.
Restructuring (forbearance) is a modification of the contract – initiated by either the client or the bank – that provides a concession or allowance towards the client in respect to the client's current or future financial difficulties. The table of restructured loans contains exposures classified as performing forborne. An exposure is considered performing forborne if the conditions of the non-performing status are not met at the time of the restructuring, or the exposure fulfilled the requirements of the minimum one-year cure period as non-performing forborne.

The loan volume of Hungarian entities classified as performing forborne exclusively due to moratoria participation decreased significantly due the expiration of the probation period for retail exposures (a total decrease of HUF 320 billion). This was partially offset by the increased volume of forborne exposures in Ukraine and Russia (a total increase of HUF 132 billion).

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by Moody's rating categories

Securities held for trading as at fair value through profit or loss

2022	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	N/A	Total
Government bonds	346	-	-	-	197	-	9,850	63,992	843	-	3,669	-	-	**78,897**
Equity instruments and fund units	-	-	20	42	47	29	15	24	-	39	2	4	163	**385**
Corporate bonds	-	-	-	-	-	-	-	-	116	-	-	-	3	**119**
Discounted Treasury bills	-	-	-	-	-	-	-	22,865	-	-	-	-	31	**22,896**
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-	72	**72**
Other interest bearing securities	-	1	-	-	-	-	-	1,627	-	-	-	-	-	**1,628**
Other non-interest bearing securities	479	-	-	-	-	-	-	-	-	-	-	-	274	**753**
Total	**825**	**1**	**20**	**42**	**244**	**29**	**9,865**	**88,508**	**959**	**39**	**3,671**	**4**	**543**	**104,750**

2021	Aaa	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	B1	B3	N/A	Total
Government bonds	-	-	-	16	-	18,747	26,024	11,282	10,156	31,306	-	-	-	**97,531**
Equity instruments and fund units	569	19	49	59	35	12	24	83	-	2	6	-	315	**1,173**
Corporate bonds	-	-	-	-	485	-	-	97	-	-	-	-	158	**740**
Discounted Treasury bills	-	-	-	-	-	-	869	-	-	-	-	54	-	**923**
Mortgage bonds	-	-	-	-	-	-	-	-	-	-		-	101	**101**
Other interest bearing securities	-	-	-	-	-	-	1,347	-	-	-	-	-	-	**1,347**
Other non-interest bearing securities	561	-	-	-	-	-	-	-	-	-	-	-	1,134	**1,695**
Total	**1,130**	**19**	**49**	**75**	**520**	**18,759**	**28,264**	**11,462**	**10,156**	**31,308**	**6**	**54**	**1,708**	**103,510**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by Moody's rating categories [continued]

Non-trading securities mandatorily at fair value through profit or loss

2022	Aaa	Aa3	A3	Baa2	Baa3	N/A	Total
Non-trading equity instruments mandatorily at fair value through profit or loss	-	-	-	8,152	-	41,594	**49,746**
Non-trading debt instruments mandatorily at fair value through profit or loss	949	797	6	1,182	1,006	1,469	**5,409**
Total	**949**	**797**	**6**	**9,334**	**1,006**	**43,063**	**55,155**

2021	Aa3	Baa3	Ba1	N/A	Total
Non-trading equity instruments mandatorily at fair value through profit or loss	-	-	7,811	37,083	**44,894**
Non-trading debt instruments mandatorily at fair value through profit or loss	3,498	1,043	56	3,912	**8,509**
Total	**3,498**	**1,043**	**7,867**	**40,995**	**53,403**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by Moody's rating categories [continued]

Securities at fair value through other comprehensive income

2022	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	B1	Caa1	Caa3	Not rated	N/A	Total
Government bonds	19,775	6,773	-	17,544	24,234	80,968	138,811	534,476	120,053	10,198	157,469	105,049	145	26,597	31,672	27,415	**1,301,179**
Corporate bonds	-	-	-		-	1,691	-	-	39,309	3,820	13,721	9,262	-	-	14,848	-	**82,651**
Mortgage bonds	-	-	-	42,407	-	-	-	-	-	-	-	-	-	-	12,146	-	**54,553**
National Bank of Hungary bonds	-	-	-	-	-	-	-	74,867	-	-	-	-		-	-	-	**74,867**
Interest bearing treasury bills	-	-	-	-	-	-	-	182,726	-	-	-	-	-	-	-	-	**182,726**
Other securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,470	-	**3,470**
Non-trading equity instruments	5,767	-	3,036	388	-	-	-	323	30	-	-	-	-	-	30,613	-	**40,157**
Total	**25,542**	**6,773**	**3,036**	**60,339**	**24,234**	**82,659**	**138,811**	**792,392**	**159,392**	**14,018**	**171,190**	**114,311**	**145**	**26,597**	**92,749**	**27,415**	**1,739,603**

2021	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B3	Caa1	N/A	Total
Government bonds	21,728	7,849	-	17,808	28,492	99,425	203,172	495,231	372,198	188,395	162,477	-	76,732	91,487	178	-	**1,765,172**
Corporate bonds	-	-	-	-	-	2,896	-	6,152	44,606	4,144	12,630	-	-	-	-	18,091	**88,519**
Mortgage bonds	-	-	-	47,568	-	-	-	-	-	-	-	-	-	-	-	15,504	**63,072**
Discounted treasury bills	-	-	-	-	-	-	-	44,924	-	51,701	-	-	-	-	-	-	**96,625**
National Bank of Hungary bonds	-	-	-	-	-	-	-	-	-	-	-	109,774	-	-	-	-	**109,774**
Interest bearing treasury bills	-	-	-	-	-	-	-	63,115	-	-	-	-	-	-	-	-	**63,115**
Other securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,257	**3,257**
Non-trading equity instruments	-	-	6,112	349	-	-	-	-	305	-	-	-	-	-	-	28,210	**34,976**
Total	**21,728**	**7,849**	**6,112**	**65,725**	**28,492**	**102,321**	**203,172**	**609,422**	**417,109**	**244,240**	**175,107**	**109,774**	**76,732**	**91,487**	**178**	**65,062**	**2,224,510**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by Moody's rating categories [continued]

Securities at amortized cost

2022	Aaa	Aa2	A1	A2	A3	Baa1	Baa2	Baa3	Ba2	B1	B3	Caa3	Not rated	N/A	Total
Government bonds	285,285	27,551	12,382	26,341	33,154	218,408	3,019,422	154,043	163,104	39,470	23,623	308,798	-	24,427	**4,336,008**
Corporate bonds	-	-	-	-	-	-	-	15,800	-	2,839	-	-	229,322	-	**247,961**
Bonds of Hungarian National Bank	-	-	-	-	-	-	-	177,679	-	-	-	-	-	-	**177,679**
Discounted Treasury bills	-	-	-	-		-	-	-	-	-	18,871	-	-	-	**18,871**
Mortgage bonds	-	-	12,966	-	-	-	-	-	-	-	-	-	11,518	-	**24,484**
Interest bearing Treasury bills	-	-	-	-	-	-	-	-	-	4,954	-	-	-	-	**4,954**
Other securities	-	-	1,911	9,357	403	11,874	3,971	13,223	1,968	-	-	-	39,274	-	**81,981**
Total	**285,285**	**27,551**	**27,259**	**35,698**	**33,557**	**230,282**	**3,023,393**	**360,745**	**165,072**	**47,263**	**42,494**	**308,798**	**280,114**	**24,427**	**4,891,938**

2021	Aaa	Aa2	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	B1	B3	N/A	Total
Government bonds	185,261	45,392	20,043	-	31,892	172,502	2,858,111	174,929	26,544	12,617	25,587	91,423	-	**3,644,301**
Corporate bonds	-	-	-	-	-	-	-	32,013	-	-	-	-	138,862	**170,875**
Discounted Treasury bills	-	-	-	-	-	-	6	-	-	-	-	15,696	-	**15,702**
Mortgage bonds	-	-	12,992	-	-	-	-	47	-	-	-	-	11,282	**24,321**
Other securities	298	-	-	8,210	-	7,343	3,682	-	-	-	-	-	16,603	**36,136**
Total	**185,559**	**45,392**	**33,035**	**8,210**	**31,892**	**179,845**	**2,861,799**	**206,989**	**26,544**	**12,617**	**25,587**	**107,119**	**166,747**	**3,891,335**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of assets, liabilities and liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity position in accordance with regulations prescribed by the NBH.

The essential aspect of the liquidity risk management strategy is to identify all relevant systemic and idiosyncratic sources of liquidity risk and to measure the probability and severity of such events. During liquidity risk management the Group considers the effect of liquidity risk events caused by reasons arising in the bank business line (deposit withdrawal), the national economy (exchange rate shock yield curve shock) and the global financial system (capital market shock).

In line with the Group's risk management policy liquidity risks are measured and managed on multiply hierarchy levels and applying integrated unified VaR based methodology. The basic requirement is that the Group must keep high quality liquidity reserves which means it can fulfill all liabilities when they fall due without material additional costs.

The liquidity reserves can be divided in two parts. There are separate decentralized liquid asset portfolios at subsidiary level and a centralized flexible liquidity pool at a Group level. The reserves at subsidiary levels are held to cover the relevant shocks of the subsidiaries which may arise in local currencies (deposit withdrawal, local capital market shock, unexpected business expansion), while the centralized liquidity pool is held to cover the Bank's separate shocks (deposit-, yield curve- and exchange rate shocks) and all group member's potential shocks that may arise in foreign currencies (deposit withdrawal, capital market shock).

The recalculation of shocks is made at least quarterly while the recalibration of shock measurement models and review of the risk management methodology is an annual process. The monitoring of liquidity reserves for both centralized and decentralized liquid asset portfolio has been built into the daily reporting process.

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Group increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of potential liquidity risk exposure by high quality liquid assets is high. There were no material changes in the liquidity risk management process for the year ended 31 December 2022.

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash-flows like gross finance lease obligations (before deducting finance charges); prices specified in forward agreements to purchase financial assets for cash; net amounts for pay-floating/receive-fixed interest rate swaps for which net cash-flows are exchanged; contractual amounts to be exchanged in a derivative financial instrument for which gross cash-flows are exchanged; gross loan commitments.

Such undiscounted cash-flows differ from the amount included in the Consolidated Statement of Financial Position because the amount in that statement is based on discounted cash-flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

The following tables provide an analysis of assets and liabilities about the non-discounted cash-flow into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of assets, liabilities and liquidity risk [continued]

2022	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	4,223,091	4	-	-	-	4,223,095
Placements with other banks	1,062,238	67,317	221,803	2,969	806	1,355,133
Repo receivables	41,250	-	-	-	-	41,250
Trading securities at fair value through profit or loss	5,350	29,118	67,117	11,794	50	113,429
Non-trading instruments mandatorily at fair value through profit or loss	594	1,127	9,163	20	34,490	45,394
Securities at fair value through other comprehensive income	254,204	301,798	996,103	286,950	131,680	1,970,735
Securities at amortized cost	534,388	439,296	2,423,815	1,585,672	-	4,983,171
Loans at amortized cost	2,013,234	3,287,432	6,141,665	6,441,001	30,584	17,913,916
Finance lease receivable	87,867	215,640	1,007,512	83,753	-	1,394,772
Loans measured at fair value through profit or loss	40,151	38,038	239,627	973,060	-	1,290,876
Associates and other investments	-	-	-	-	85,929	85,929
Other financial assets [1]	271,648	4,039	3,917	8,485	6,726	294,815
TOTAL ASSETS	**8,534,015**	**4,383,809**	**11,110,722**	**9,393,704**	**290,265**	**33,712,515**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	387,564	213,599	665,930	296,766	-	1,563,859
Repo liabilities	29,153	191	188,025	-	-	217,369
Financial liabilities designated at fair value through profit or loss	583	1,133	5,535	50,218	-	57,469
Deposits from customers	23,399,285	1,275,142	398,900	123,290	-	25,196,617
Liabilities from issued securities	10,644	44,375	730,703	173,510	-	959,232
Leasing liabilities	4,720	9,616	33,534	18,397	72	66,339
Other financial liabilities [1]	550,802	34,748	11,065	817	4,231	601,663
Subordinated bonds and loans	3,395	-	8,603	291,801	-	303,799
TOTAL LIABILITIES	**24,386,146**	**1,578,804**	**2,042,295**	**954,799**	**4,303**	**28,966,347**
NET POSITION [2]	**(15,852,131)**	**2,805,005**	**9,068,427**	**8,438,905**	**285,962**	**4,746,168**

Without derivative financial instruments.

[2] Analysis for net position of assets and liabilities are calculated in accordance with IFRS 7, therefore certain financial instruments are presented in the earliest period in which the Group could be required to pay. On-demand deposits are presented in the earliest (within 3 month) period category, however based on the Management's discretion the Group has appropriate liquidity reserves as maintenance and management of liquidity risk.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of assets, liabilities and liquidity risk [continued]

2022	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Receivables from derivative financial instruments held for trading	7,242,836	1,270,841	476,343	186,089	-	9,176,109
Liabilities from derivative financial instruments held for trading	(7,885,403)	(1,623,033)	(499,998)	(192,979)	-	(10,201,413)
Net position of financial instruments held for trading	**(642,567)**	**(352,192)**	**(23,655)**	**(6,890)**	**-**	**(1,025,304)**
Receivables from derivative financial instruments designated as hedge accounting	316,440	186,839	784,159	15,859	-	1,303,297
Liabilities from derivative financial instruments designated as hedge accounting	(297,714)	(217,102)	(2,031,727)	(13,425)	-	(2,559,968)
Net position of financial instruments designated as hedge accounting	**18,726**	**(30,263)**	**(1,247,568)**	**2,434**	**-**	**(1,256,671)**
Net position of derivative financial instruments total	**(623,841)**	**(382,455)**	**(1,271,223)**	**(4,456)**	**-**	**(2,281,975)**
Commitments to extend credit	3,937,023	236,103	54,355	2,808	-	4,230,289
Bank guarantees	602,335	308,787	337,105	164,790	-	1,413,017
Confirmed letters of credit	47,631	5,733	193	-	-	53,557
Factoring loan commitment	414,585	5,035	-	-	-	419,620
Off-balance sheet commitments	**5,001,574**	**555,658**	**391,653**	**167,598**	**-**	**6,116,483**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of assets, liabilities and liquidity risk [continued]

2021	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	2,557,092	51	-	-	-	2,557,143
Placements with other banks	1,314,523	61,455	145,180	67,764	-	1,588,922
Repo receivables	61,373	-	-	-	-	61,373
Trading securities at fair value through profit or loss	29,714	21,975	37,345	13,530	1,738	104,302
Non-trading instruments mandatorily at fair value through profit or loss	-	-	9,769	19	43,615	53,403
Securities at fair value through other comprehensive income	295,977	249,131	1,114,027	544,167	40,798	2,244,100
Securities at amortized cost	34,190	482,530	2,146,652	1,202,747	-	3,866,119
Loans at amortized cost	1,827,131	2,599,854	5,897,202	4,742,146	136,975	15,203,308
Finance lease receivable	124,074	307,745	770,154	48,636	-	1,250,609
Loans measured at fair value through profit or loss	30,164	31,662	221,069	835,014	-	1,117,909
Associates and other investments	-	-	-	-	79,736	79,736
Other financial assets [1]	130,133	3,244	6,265	3,270	9,804	152,716
TOTAL ASSETS	**6,404,371**	**3,757,647**	**10,347,663**	**7,457,293**	**312,666**	**28,279,640**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	332,330	173,171	704,505	366,025	-	1,576,031
Repo liabilities	79,045	-	2	-	-	79,047
Financial liabilities designated at fair value through profit or loss	530	1,253	4,421	34,980	-	41,184
Deposits from customers	19,593,347	997,565	336,246	148,580	-	21,075,738
Liabilities from issued securities	6,702	2,664	303,223	159,139	-	471,728
Leasing liabilities	3,060	9,058	27,307	15,530	-	54,955
Other financial liabilities [1]	465,022	26,311	10,312	674	6,235	508,554
Subordinated bonds and loans	2,886	-	7,495	269,698	-	280,079
TOTAL LIABILITIES	**20,482,922**	**1,210,022**	**1,393,511**	**994,626**	**6,235**	**24,087,316**
NET POSITION [2]	**(14,078,551)**	**2,547,625**	**8,954,152**	**6,462,667**	**306,431**	**4,192,324**

Without derivative financial instruments

[2] Analysis for net position of assets and liabilities are calculated in accordance with IFRS 7, therefore certain financial instruments are presented in the earliest period in which the Group could be required to pay. On-demand deposits are presented in the earliest (within 3 month) period category, however based on the Management's discretion the Group has appropriate liquidity reserves as maintenance and management of liquidity risk.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of assets, liabilities and liquidity risk [continued]

2021	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Receivables from derivative financial instruments held for trading	4,396,050	1,993,311	302,924	151,959	-	6,844,244
Liabilities from derivative financial instruments held for trading	(4,349,598)	(1,991,763)	(296,648)	(146,398)	-	(6,784,407)
Net position of financial instruments held for trading	**46,452**	**1,548**	**6,276**	**5,561**	**-**	**59,837**
Receivables from derivative financial instruments designated as hedge accounting	5,693	37,815	580,489	16,195	-	640,192
Liabilities from derivative financial instruments designated as hedge accounting	(7,765)	(47,374)	(595,938)	(16,417)	-	(667,494)
Net position of financial instruments designated as hedge accounting	**(2,072)**	**(9,559)**	**(15,449)**	**(222)**	**-**	**(27,302)**
Net position of derivative financial instruments total	**44,380**	**(8,011)**	**(9,173)**	**5,339**	**-**	**32,535**
Commitments to extend credit	3,749,199	234,503	74,915	6,385	-	4,065,002
Bank guarantees	532,445	347,448	307,030	106,918	-	1,293,841
Confirmed letters of credit	61,124	2,937	853	163	-	65,077
Factoring loan commitment	464,341	-	-	-	-	464,341
Off-balance sheet commitments	**4,807,109**	**584,888**	**382,798**	**113,466**	**-**	**5,888,261**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.3. Net foreign currency position and foreign currency risk

2022	**USD**	**EUR**	**CHF**	**Other**	**Total**
Assets	1,092,435	9,990,818	50,641	9,646,119	20,780,013
Liabilities	(1,523,947)	(9,320,156)	(148,570)	(7,646,515)	(18,639,188)
Derivative financial instruments	499,444	1,014,423	161,697	(355,391)	1,320,173
Net position	**67,932**	**1,685,085**	**63,768**	**1,644,213**	**3,460,998**

2021	**USD**	**EUR**	**CHF**	**Other**	**Total**
Assets	1,163,960	7,661,460	88,639	7,677,060	16,591,119
Liabilities	(1,013,972)	(6,769,472)	(107,902)	(5,971,941)	(13,863,287)
Derivative financial instruments	(186,774)	(371,225)	32,021	(101,951)	(627,929)
Net position	**(36,786)**	**520,763**	**12,758**	**1,603,168**	**2,099,903**

The table above provides an analysis of the main foreign currency exposures of the Group that arise in the non-functional currency of the entities constituting the Group. The remaining foreign currencies are shown within 'Others'. 'Others' category contains mainly foreign currencies in RON, RSD, HRK, UAH, RUB, BGN, ALL and MDL. The Group monitors its foreign exchange position for compliance with the regulatory requirements of the National Banks and its own limit system established in respect of limits on open positions. The measurement of the open foreign currency position of the Group involves monitoring the "VaR" limit on the foreign exchange exposure of the Group. The derivative financial instruments detailed in the table above are presented at fair value.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

The majority of the interest-bearing assets and liabilities of the Group are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

In addition, the significant spread existing between the different types of interest-bearing assets and liabilities enables the Group to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

The following table presents the interest repricing periods of the assets and liabilities. Variable yield assets and liabilities have been reported in accordance with their next repricing date. Fixed income assets and liabilities have been reported in accordance with their maturity.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2022

ASSETS	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**641,960**	**1,166,289**	**309**	**14,649**	**-**	**28,967**	**-**	**20,323**	**-**	**14,550**	**183,201**	**2,151,144**	**825,470**	**3,395,922**	**4,221,392**
fixed rate	641,503	1,085,631	-	-	-	4,941	-	-	-	-	-	-	641,503	1,090,572	**1,732,075**
variable rate	457	80,658	309	14,649	-	24,026	-	20,323	-	14,550	-	-	766	154,206	**154,972**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	183,201	2,151,144	183,201	2,151,144	**2,334,345**
Placements with other banks	**682,568**	**345,915**	**46,805**	**37,222**	**100,744**	**2,007**	**-**	**28**	**-**	**22,016**	**48,754**	**65,023**	**878,871**	**472,211**	**1,351,082**
fixed rate	2,151	239,634	6,542	37,222	352	-	-	28	-	22,016	-	-	9,045	298,900	**307,945**
variable rate	680,417	106,281	40,263	-	100,392	2,007	-	-	-	-	-	-	821,072	108,288	**929,360**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	48,754	65,023	48,754	65,023	**113,777**
Repo receivables	**41,009**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41,009**	**-**	**41,009**
fixed rate	41,009	-	-	-	-	-	-	-	-	-	-	-	41,009	-	**41,009**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Trading instruments at fair value through profit or loss	**7,171**	**1,234**	**16,157**	**661**	**12,146**	**4,265**	**21,882**	**2,436**	**27,900**	**9,760**	**124**	**1,014**	**85,380**	**19,370**	**104,750**
fixed rate	7,156	1,234	11,967	661	3,775	4,265	21,882	2,436	27,900	9,760	-	-	72,680	18,356	**91,036**
variable rate	15	-	4,190	-	8,371	-	-	-	-	-	-	-	12,576	-	**12,576**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	124	1,014	124	1,014	**1,138**
Non-trading instruments mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,057**	**25,098**	**30,057**	**25,098**	**55,155**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	30,057	25,098	30,057	25,098	**55,155**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2022 [continued]

ASSETS [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Securities at fair value through other comprehensive income	**150,015**	**194,093**	**62,611**	**57,998**	**127,352**	**134,675**	**15,327**	**101,052**	**278,680**	**577,643**	**265**	**39,892**	**634,250**	**1,105,353**	**1,739,603**
fixed rate	120,553	194,092	62,610	44,277	127,345	134,675	15,327	100,597	278,680	577,643	-	-	604,515	1,051,284	**1,655,799**
variable rate	29,462	1	1	13,721	7	-	-	455	-	-	-	-	29,470	14,177	**43,647**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	265	39,892	265	39,892	**40,157**
Securities at amortized cost	**197,317**	**364,928**	**-**	**61,623**	**375,979**	**216,496**	**288,026**	**48,565**	**2,247,457**	**1,091,547**	**-**	**-**	**3,108,779**	**1,783,159**	**4,891,938**
fixed rate	177,967	364,928	-	56,550	375,979	216,496	288,026	48,565	2,247,457	1,090,235	-	-	3,089,429	1,776,774	**4,866,203**
variable rate	19,350	-	-	5,073	-	-	-	-	-	1,312	-	-	19,350	6,385	**25,735**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost, net of allowance for loan losses	**186,499**	**6,653,388**	**2,251,999**	**2,762,858**	**77,681**	**1,428,579**	**38,430**	**403,633**	**961,205**	**1,116,179**	**129,999**	**84,008**	**3,645,813**	**12,448,645**	**16,094,458**
fixed rate	20,139	1,643,455	1,160,027	324,583	14,300	565,806	11,987	344,884	290,461	1,016,774	-	-	1,496,914	3,895,502	**5,392,416**
variable rate	166,360	5,009,933	1,091,972	2,438,275	63,381	862,773	26,443	58,749	670,744	99,405	-	-	2,018,900	8,469,135	**10,488,035**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	129,999	84,008	129,999	84,008	**214,007**
Finance lease receivables	**70,923**	**326,963**	**10,843**	**147,623**	**21,539**	**183,361**	**30,106**	**94,727**	**217,805**	**182,904**	**194**	**11,764**	**351,410**	**947,342**	**1,298,752**
fixed rate	5,969	144,070	818	8,234	8,971	36,041	29,796	34,165	207,861	75,332	-	-	253,415	297,842	**551,257**
variable rate	64,954	182,893	10,025	139,389	12,568	147,320	310	60,562	9,944	107,572	-	-	97,801	637,736	**735,537**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	194	11,764	194	11,764	**11,958**
Loans mandatorily at fair value through profit or loss	**26,449**	**-**	**10,992**	**-**	**70,371**	**-**	**231,141**	**-**	**908,461**	**-**	**-**	**-**	**1,247,414**	**-**	**1,247,414**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
variable rate	26,449	-	10,992	-	70,371	-	231,141	-	908,461	-	-	-	1,247,414	-	**1,247,414**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Fair value adjustment of derivative financial instruments	**1,808,603**	**3,091,633**	**906,446**	**1,424,864**	**485,449**	**545,738**	**36,682**	**35,986**	**183,664**	**98,654**	**28,204**	**730,436**	**3,449,048**	**5,927,311**	**9,376,359**
fixed rate	1,687,569	3,023,972	428,080	879,090	271,921	518,869	36,682	35,986	183,664	98,654	-	-	2,607,916	4,556,571	**7,164,487**
variable rate	121,034	67,661	478,366	545,774	213,528	26,869	-	-	-	-	-	-	812,928	640,304	**1,453,232**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	28,204	730,436	28,204	730,436	**758,640**
Other financial assets	**2,217**	**25,400**	**2,703**	**1,316**	**-**	**712**	**-**	**-**	**-**	**143**	**93,577**	**136,913**	**98,497**	**164,484**	**262,981**
fixed rate	2,217	14,552	2,504	1,018	-	712	-	-	-	123	-	-	4,721	16,405	**21,126**
variable rate	-	10,848	199	298	-	-	-	-	-	20	-	-	199	11,166	**11,365**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	93,577	136,913	93,577	136,913	**230,490**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2022 [continued]

LIABILITIES	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**17,358**	**187,834**	**27,239**	**55,363**	**109,518**	**80,566**	**71,613**	**5,187**	**751,109**	**42,918**	**81,757**	**32,696**	**1,058,594**	**404,564**	**1,463,158**
fixed rate	12,847	62,086	27,239	5,079	109,518	70,661	71,613	5,182	751,109	42,913	-	-	972,326	185,921	**1,158,247**
variable rate	4,511	125,748	-	50,284	-	9,905	-	5	-	5	-	-	4,511	185,947	**190,458**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	81,757	32,696	81,757	32,696	**114,453**
Repo liabilities	**29,145**	**188,121**	**98**	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,243**	**188,126**	**217,369**
fixed rate	29,143	5	98	5	-	-	-	-	-	-	-	-	29,241	10	**29,251**
variable rate	2	188,116	-	-	-	-	-	-	-	-	-	-	2	188,116	**188,118**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Financial liabilities designated at fair value through profit or loss	**16,575**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**37,616**	**-**	**54,191**	**-**	**54,191**
fixed rate	26	-	-	-	-	-	-	-	-	-	-	-	26	-	**26**
variable rate	16,549	-	-	-	-	-	-	-	-	-	-	-	16,549	-	**16,549**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	37,616	-	37,616	-	**37,616**
Deposits from customers	**7,466,580**	**13,217,695**	**292,239**	**1,746,958**	**153,147**	**869,141**	**37,952**	**154,101**	**220,222**	**189,032**	**14,525**	**827,213**	**8,184,665**	**17,004,140**	**25,188,805**
fixed rate	1,097,639	6,265,835	292,239	1,746,958	153,147	869,141	37,952	151,009	220,222	189,032	-	-	1,801,199	9,221,975	**11,023,174**
variable rate	6,368,941	6,951,860	-	-	-	-	-	3,092	-	-	-	-	6,368,941	6,954,952	**13,323,893**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	14,525	827,213	14,525	827,213	**841,738**
Liabilities from issued securities	**1,878**	**-**	**1,215**	**18**	**194,515**	**41**	**79,497**	**-**	**145,295**	**448,205**	**-**	**18**	**422,400**	**448,282**	**870,682**
fixed rate	211	-	-	18	44,390	41	79,497	-	145,295	448,205	-	-	269,393	448,264	**717,657**
variable rate	1,667	-	1,215	-	150,125	-	-	-	-	-	-	-	153,007	-	**153,007**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	18	-	18	**18**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2022 [continued]

LIABILITIES [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Fair value adjustment of derivative financial instruments	**2,868,787**	**2,091,600**	**478,930**	**1,824,450**	**577,862**	**556,209**	**22,780**	**36,714**	**118,071**	**113,968**	**246,135**	**529,820**	**4,312,565**	**5,152,761**	**9,465,326**
fixed rate	2,783,756	1,945,423	331,253	972,676	218,514	531,863	22,758	36,714	118,071	113,968	-	-	3,474,352	3,600,644	**7,074,996**
variable rate	85,031	146,177	147,677	851,774	359,348	24,346	22	-	-	-	-	-	592,078	1,022,297	**1,614,375**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	246,135	529,820	246,135	529,820	**775,955**
Leasing liabilities	**2,005**	**9,146**	**2**	**1,329**	**-**	**5,384**	**4**	**7,647**	**1,277**	**31,084**	**-**	**5,900**	**3,288**	**60,490**	**63,778**
fixed rate	1,905	8,686	1	408	-	2,197	4	2,541	1,277	17,244	-	-	3,187	31,076	**34,263**
variable rate	100	460	1	921	-	3,187	-	5,106	-	13,840	-	-	101	23,514	**23,615**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	5,900	-	5,900	**5,900**
Other financial liabilities	**93,677**	**36,041**	**2,247**	**1,735**	**11**	**6,706**	**-**	**2,494**	**-**	**2,408**	**288,478**	**211,855**	**384,413**	**261,239**	**645,652**
fixed rate	93,668	35,843	1,748	1,735	7	3,283	-	2,401	-	2,319	-	-	95,423	45,581	**141,004**
variable rate	9	198	499	-	4	3,423	-	93	-	89	-	-	512	3,803	**4,315**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	288,478	211,855	288,478	211,855	**500,333**
Subordinated bonds and loans	**-**	**-**	**-**	**93,110**	**-**	**201,076**	**-**	**-**	**-**	**7,798**	**-**	**-**	**-**	**301,984**	**301,984**
fixed rate	-	-	-	-	-	-	-	-	-	7,798	-	-	-	7,798	**7,798**
variable rate	-	-	-	93,110	-	201,076	-	-	-	-	-	-	-	294,186	**294,186**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net position	**(6,681,274)**	**(3,560,594)**	**2,506,895**	**785,846**	**236,208**	**825,677**	**449,748**	**500,607**	**3,589,198**	**2,277,983**	**(154,136)**	**1,637,790**	**(53,361)**	**2,467,309**	**2,413,948**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2021

ASSETS	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**37,712**	**821,501**	**-**	**28,183**	**-**	**12,391**	**-**	**6,697**	**-**	**12,423**	**133,248**	**1,503,880**	**170,960**	**2,385,075**	**2,556,035**
fixed rate	36,376	661,318	-	28,183	-	12,391	-	6,697	-	12,423	-	-	36,376	721,012	**757,388**
variable rate	1,336	160,183	-	-	-	-	-	-	-	-	-	-	1,336	160,183	**161,519**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	133,248	1,503,880	133,248	1,503,880	**1,637,128**
Placements with other banks	**435,888**	**360,795**	**67,304**	**109,822**	**30,509**	**50,770**	**49,632**	**27,234**	**405,437**	**17,202**	**24,415**	**5,853**	**1,013,185**	**571,676**	**1,584,861**
fixed rate	271,734	134,382	449	96,918	1,007	50,238	49,632	27,234	254,065	17,202	-	-	576,887	325,974	**902,861**
variable rate	164,154	226,413	66,855	12,904	29,502	532	-	-	151,372	-	-	-	411,883	239,849	**651,732**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	24,415	5,853	24,415	5,853	**30,268**
Repo receivables	**33,638**	**21,535**	**-**	**5,828**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51**	**33,638**	**27,414**	**61,052**
fixed rate	33,638	21,535	-	5,828	-	-	-	-	-	-	-	-	33,638	27,363	**61,001**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	51	-	51	**51**
Trading instruments at fair value through profit or loss	**1,237**	**7,034**	**664**	**26,796**	**2,506**	**16,960**	**360**	**6,634**	**25,036**	**13,415**	**1,770**	**1,098**	**31,573**	**71,937**	**103,510**
fixed rate	32	7,034	487	26,796	2,233	16,960	360	6,634	25,036	13,415	-	-	28,148	70,839	**98,987**
variable rate	1,205	-	177	-	273	-	-	-	-	-	-	-	1,655	-	**1,655**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,770	1,098	1,770	1,098	**2,868**
Non-trading instruments mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,074**	**25,329**	**28,074**	**25,329**	**53,403**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	28,074	25,329	28,074	25,329	**53,403**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2021 [continued]

ASSETS [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Securities at fair value through other comprehensive income	**205,473**	**291,988**	**22,420**	**92,258**	**97,202**	**202,157**	**40,289**	**177,681**	**362,610**	**697,456**	**(353)**	**35,329**	**727,641**	**1,496,869**	**2,224,510**
fixed rate	157,136	291,987	6,897	92,258	88,628	202,157	40,289	177,681	395,460	684,739	-	-	688,410	1,448,822	**2,137,232**
variable rate	48,337	1	15,523	-	8,574	-	-	-	(32,850)	12,717	-	-	39,584	12,718	**52,302**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	(353)	35,329	(353)	35,329	**34,976**
Securities at amortized cost	**117**	**124,634**	**-**	**24,325**	**365,576**	**28,559**	**264,200**	**56,712**	**2,305,098**	**722,114**	**-**	**-**	**2,934,991**	**956,344**	**3,891,335**
fixed rate	-	117,026	-	19,513	365,576	28,559	264,200	56,712	2,305,098	722,114	-	-	2,934,874	943,924	**3,878,798**
variable rate	117	7,608	-	4,812	-	-	-	-	-	-	-	-	117	12,420	**12,537**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost, net of allowance for loan losses	**800,665**	**5,419,263**	**534,858**	**1,525,057**	**60,259**	**1,431,981**	**264,434**	**410,199**	**1,636,001**	**1,180,170**	**121,187**	**109,109**	**3,417,404**	**10,075,779**	**13,493,183**
fixed rate	51,410	1,029,075	2,075	260,668	16,048	683,927	187,209	374,260	942,294	835,327	-	-	1,199,036	3,183,257	**4,382,293**
variable rate	749,255	4,390,188	532,783	1,264,389	44,211	748,054	77,225	35,939	693,707	344,843	-	-	2,097,181	6,783,413	**8,880,594**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	121,187	109,109	121,187	109,109	**230,296**
Finance lease receivables	**117,384**	**304,444**	**16,580**	**131,417**	**5,736**	**161,672**	**20,288**	**88,194**	**197,583**	**137,387**	**-**	**1,943**	**357,571**	**825,057**	**1,182,628**
fixed rate	6,555	118,251	440	8,408	5,736	37,140	20,288	40,715	188,967	64,125	-	-	221,986	268,639	**490,625**
variable rate	110,829	186,193	16,140	123,009	-	124,532	-	47,479	8,616	73,262	-	-	135,585	554,475	**690,060**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	1,943	-	1,943	**1,943**
Loans mandatorily at fair value through profit or loss	**27,185**	**281**	**11,172**	**-**	**73,893**	**-**	**29,473**	**-**	**926,107**	**-**	**-**	**-**	**1,067,830**	**281**	**1,068,111**
fixed rate	2	-	-	-	-	-	-	-	-	-	-	-	2	-	**2**
variable rate	27,183	281	11,172	-	73,893	-	29,473	-	926,107	-	-	-	1,067,828	281	**1,068,109**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Fair value adjustment of derivative financial instruments	**1,516,897**	**1,249,024**	**395,951**	**937,234**	**680,161**	**863,886**	**10,760**	**57,580**	**221,053**	**17,693**	**181,110**	**672,531**	**3,005,932**	**3,797,948**	**6,803,880**
fixed rate	1,409,585	1,125,415	188,029	551,410	574,143	862,177	10,760	57,521	221,053	17,681	-	-	2,403,570	2,614,204	**5,017,774**
variable rate	107,312	123,609	207,922	385,824	106,018	1,709	-	59	-	12	-	-	421,252	511,213	**932,465**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	181,110	672,531	181,110	672,531	**853,641**
Other financial assets	**3,395**	**13,864**	**1,261**	**19**	**-**	**212**	**-**	**-**	**-**	**128**	**49,086**	**67,951**	**53,742**	**82,174**	**135,916**
fixed rate	3,393	4,860	1,155	13	-	12	-	-	-	103	-	-	4,548	4,988	**9,536**
variable rate	2	9,004	106	6	-	200	-	-	-	25	-	-	108	9,235	**9,343**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	49,086	67,951	49,086	67,951	**117,037**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2021 [continued]

LIABILITIES	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**103,123**	**200,292**	**41,404**	**56,912**	**26,730**	**79,200**	**355,132**	**26,401**	**616,005**	**12,724**	**35,951**	**13,474**	**1,178,345**	**389,003**	**1,567,348**
fixed rate	58,913	103,240	12,367	23,208	26,730	52,310	355,132	26,356	615,961	12,724	-	-	1,069,103	217,838	**1,286,941**
variable rate	44,210	97,052	29,037	33,704	-	26,890	-	45	44	-	-	-	73,291	157,691	**230,982**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	35,951	13,474	35,951	13,474	**49,425**
Repo liabilities	**49,726**	**29,321**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49,726**	**29,321**	**79,047**
fixed rate	49,726	29,321	-	-	-	-	-	-	-	-	-	-	49,726	29,321	**79,047**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Financial liabilities designated at fair value through profit or loss	**20,133**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,051**	**-**	**41,184**	**-**	**41,184**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
variable rate	20,133	-	-	-	-	-	-	-	-	-	-	-	20,133	-	**20,133**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	21,051	-	21,051	-	**21,051**
Deposits from customers	**7,533,566**	**10,675,265**	**198,955**	**456,849**	**94,140**	**735,911**	**31,975**	**75,104**	**248,209**	**120,403**	**16,356**	**881,911**	**8,123,201**	**12,945,443**	**21,068,644**
fixed rate	463,512	4,039,568	198,955	456,849	92,653	735,911	31,975	74,680	248,209	120,403	-	-	1,035,304	5,427,411	**6,462,715**
variable rate	7,070,054	6,635,697	-	-	1,487	-	-	424	-	-	-	-	7,071,541	6,636,121	**13,707,662**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	16,356	881,911	16,356	881,911	**898,267**
Liabilities from issued securities	**864**	**-**	**8,514**	**-**	**170,732**	**-**	**-**	**51**	**256,151**	**-**	**-**	**13**	**436,261**	**64**	**436,325**
fixed rate	211	-	-	-	-	-	-	51	256,151	-	-	-	256,362	51	**256,413**
variable rate	653	-	8,514	-	170,732	-	-	-	-	-	-	-	179,899	-	**179,899**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	13	-	13	**13**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2021 [continued]

LIABILITIES [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Fair value adjustment of derivative financial instruments	**941,607**	**1,905,033**	**220,057**	**1,084,185**	**709,948**	**870,647**	**12,943**	**54,920**	**96,381**	**77,044**	**453,672**	**388,146**	**2,434,608**	**4,379,975**	**6,814,583**
fixed rate	721,374	1,714,718	151,795	579,964	526,007	868,848	12,398	54,847	96,558	77,044	-	-	1,508,132	3,295,421	**4,803,553**
variable rate	220,233	190,315	68,262	504,221	183,941	1,799	545	73	(177)	-	-	-	472,804	696,408	**1,169,212**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	453,672	388,146	453,672	388,146	**841,818**
Leasing liabilities	**916**	**7,401**	**353**	**1,076**	**483**	**5,359**	**892**	**4,534**	**1,011**	**24,823**	**-**	**6,438**	**3,655**	**49,631**	**53,286**
fixed rate	830	6,948	72	435	7	1,757	319	2,582	1,011	17,403	-	-	2,239	29,125	**31,364**
variable rate	86	453	281	641	476	3,602	573	1,952	-	7,420	-	-	1,416	14,068	**15,484**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	6,438	-	6,438	**6,438**
Other financial liabilities	**117,189**	**50,063**	**2,518**	**672**	**-**	**479**	**-**	**133**	**-**	**103**	**173,503**	**141,111**	**293,210**	**192,561**	**485,771**
fixed rate	117,185	50,046	907	564	-	211	-	133	-	67	-	-	118,092	51,021	**169,113**
variable rate	4	17	1,611	108	-	268	-	-	-	36	-	-	1,615	429	**2,044**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	173,503	141,111	173,503	141,111	**314,614**
Subordinated bonds and loans	**-**	**-**	**-**	**85,551**	**-**	**186,225**	**-**	**-**	**-**	**6,514**	**-**	**44**	**-**	**278,334**	**278,334**
fixed rate	-	-	-	-	-	-	-	-	-	6,514	-	-	-	6,514	**6,514**
variable rate	-	-	-	85,551	-	186,225	-	-	-	-	-	-	-	271,776	**271,776**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	44	-	44	**44**
Net position	**(5,587,533)**	**(4,253,012)**	**578,409**	**1,195,694**	**313,809**	**890,767**	**278,494**	**669,788**	**4,861,168**	**2,556,377**	**(161,996)**	**991,937**	**282,351**	**2,051,551**	**2,333,902**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.5. Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a 'Value-at-Risk' (VaR) methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk, foreign currency risk and interest rate risk is detailed in Notes 37.2., 37.3. and 37.4., respectively.)

37.5.1. Market Risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level.

The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approach. The diversification effect has not been validated among the various market risk types when capital calculation happens.
In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

The VaR of the trading portfolio can be summarized as follows (in HUF mn):

Historical VaR (99%, one-day) by risk type	**Average VaR**	
	2022	**2021**
Foreign exchange	5,896	1,691
Interest rate	890	212
Equity instruments	42	20
Diversification	-	-
Total VaR exposure	**6,829**	**1,923**

The table above shows the VaR figures by asset classes. Since processes driving the value of the major asset classes are not independent (for example the depreciation of HUF against the EUR mostly coincide with the increase of the yields of Hungarian Government Bonds), a diversification impact emerges, so the overall VaR is less than the sum of the VaR of each individual asset class.

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 37.5.2., for interest rate risk in Note 37.5.3., and for equity price sensitivity analysis in Note 37.5.4.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.5. Market risk [continued]

37.5.2. Foreign currency sensitivity analysis

The Bank changed its methodology of foreign currency sensitivity analysis and has been using a historical VaR calculation since 31 March 2021. The former Monte Carlo simulation represented the Group's sensitivity to the rise and fall in the HUF exchange rate against EUR, over a 3-month period. The sensitivity analysis included only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. In line with the Management's intention, the former EUR (310) million strategic open position was fully closed as at 31 March 2021.
Since the closing of the strategic open position, the Group has been using a historical VaR calculation with a 1 day holding period. The analysis includes the same net open foreign exchange position as used under the internal capital adequacy assessment process (ICAAP). The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets.
Additionally, the Bank determines the foreign currency risk of assets evaluated through the Other Comprehensive Income, which includes securities valuated on fair value through other comprehensive income and the foreign currency translation reserves.

The following table shows the result of the foreign currency sensitivity analysis.
The numbers below indicate the expected daily profit or loss of the portfolio beside the given confidence level.

Probability	**Effects to the Consolidated Statement of Profit or Loss In HUF million**		**Effects to the Consolidated Statement of Other Comprehensive Income In HUF million**	
	2022	**2021**	**2022**	**2021**
1%	(4,746)	(194)	(5,604)	(1,707)
5%	(2,542)	(132)	(2,992)	(1,038)
25%	(843)	(50)	(1,190)	(398)
50%	(15)	(1)	(235)	98
25%	990	53	834	531
5%	2,837	142	2,415	1,215
1%	4,245	221	4,767	1,509

Note:
(1) Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 31 December 2021 and 2022.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.5. Market risk [continued]

37.5.3. Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis was prepared by assuming only adverse interest rate changes. The main assumptions were as follows:

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- Deposits with an interest rate lower than 0.3% even at high market rates were assumed to be unchanged for the whole period.

The sensitivity of interest income to changes in BUBOR was analysed by assuming two interest rate path scenarios:

(1) BUBOR increases gradually by 100 bps over the next year (probable scenario)
(2) BUBOR decreases gradually by 50 bps over the next year (alternative scenario)

The net interest income in a one-year period after 1 January 2023 would be decreased by HUF (9,002) million (probable scenario) and increased by HUF 4,306 million (alternative scenario) as a result of these simulation. A similar simulation indicated HUF 1,487 million increase (probable scenario) and HUF (1,025) million (alternative scenario) decrease in the Net interest income in a one-year period after 1 January 2022.
This effect is further enhanced by capital results HUF (350) million (for probable scenario) and HUF 181 million (for alternative scenario) as at 31 December 2022, the comparative results were (HUF (619) million for probable scenario, HUF 322 million for alternative scenario as at 31 December 2021) on the government bond portfolio held for hedging (economic).

Furthermore, the effects of an instant 10bps parallel shift of the HUF, EUR and USD yield-curves on net interest income over a one-year period and on the market value of the hedge government bond at fair value through other comprehensive income portfolio booked against capital was analysed. The results can be summarized as follows (in HUF million):

	2022		2021	
Description	**Effects to the net interest income**	**Effects to capital**	**Effects to the net interest income**	**Effects to capital**
HUF (0.1%) parallel shift	1,669	36	(105)	64
HUF 0.1% parallel shift	(1,667)	(36)	44	(64)
EUR (0.1%) parallel shift	(3,661)	-	(1,989)	-
USD (0.1%) parallel shift	119	-	(257)	-
USD 0.1% parallel shift	(290)	-	85	-

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.5. Market risk [continued]

37.5.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.
The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	2022	2021
VaR (99%, one day, HUF million)	15	12
Stress test (HUF million)	(26)	(21)

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.6. Capital management

Capital management

The primary objective of the capital management of the Group is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.
The capital management of the Group members includes the management and evaluation of the shareholders` equity and other types of funds available for hedging risks, to be recorded in the equity and all material risks to be covered by the capital.
The basis of the capital management of the Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.
The Group members maintain the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing their profitability. In the event that the planned risk level of a Group member exceeded its Core and the previously raised Supplementary capital, it ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

The Capital Requirements Directive package (CRDIV/CRR) transposes the new global standards on banking regulation (known as the Basel III agreement) into the EU legal framework. The new rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This new framework makes institutions in the EU more solid and strengthens their capacity to adequately manage the risks linked to their activities and absorb any losses they may incur in doing business.
The capital adequacy of the Group is supervised based on the financial statements data prepared in accordance with IFRS applying the current directives, rulings and indicators from 1 January 2014.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method, and the advanced method (“AMA”) in case of the operational risk.

For international comparison purposes, the Group calculated the Regulatory capital based on IFRS data as adopted by the EU, and the consolidated Capital adequacy ratio based on this in accordance with the regulations of Basel III. The Capital adequacy ratio of the Group (IFRS) was 17.5%, the Regulatory capital was HUF 3,565,933 million and the Total regulatory capital requirement was HUF 1,632,426 million as at 31 December 2022. The same ratios calculated as at 31 December 2021 were the following: 19.1%, HUF 3,191,765 million and HUF 1,335,305 million.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.6. Capital management [continued]

Capital adequacy [continued]

Calculation on IFRS basis (in HUF million)	2022	2021
Core capital (Tier 1) = Common Equity Tier 1 (CET 1)	**3,277,984**	**2,926,882**
Issued capital	28,000	28,000
Reserves [1]	3,154,801	2,896,118
Fair value adjustments	(135,081)	(15,715)
Other capital components	286,963	104,326
Non-controlling interests	2,485	1,996
Treasury shares	(119,138)	(121,941)
Goodwill and other intangible assets	(170,344)	(183,440)
Other adjustments	230,298	217,538
Additional Tier 1 (AT1)	-	-
Supplementary capital (Tier 2)	**287,949**	**264,883**
Subordinated bonds and loans	287,362	264,397
Other issued capital components	-	-
Components recognized in T2 capital issued by subsidiaries	587	486
Regulatory capital	**3,565,933**	**3,191,765**
Credit risk capital requirement	1,478,168	1,199,423
Market risk capital requirement	29,322	13,440
Operational risk capital requirement	124,936	122,442
Total requirement regulatory capital	**1,632,426**	**1,335,305**
Surplus capital	**1,933,507**	**1,856,460**
CET 1 ratio	16.10%	17.50%
Tier 1 ratio	16.10%	17.50%
Capital adequacy ratio	**17.50%**	**19.10%**

[1] The dividend amount planned to pay out / paid out is deducted from reserves.

Basel III

The components of the Common Equity Tier 1 capital (CET 1) are the following: Issued capital, Reserves (Retained earnings, Other reserves, Changes in the equity of subsidiaries, Net Profit for the year, Changes due to consolidation) Fair value adjustments, Other capital components, (Revaluation reserves, Share based payments, Cash-flow hedges, Net investment hedge in foreign operations), Non-controlling interest, Treasury shares, Goodwill and other Intangible assets, other adjustments (due to prudential filters, due to deferred tax receivables, due to temporary regulations).
Supplementary capital (Tier 2): Subordinated loan capital, Supplementary loan capital, Other issued capital components, Components recognized in T2 capital issued by subsidiaries.

For regulatory compliance the capital adequacy ratios according to regulatory scope of consolidation are relevant. The Pillar3 Disclosure of OTP Group contains the capital adequacy ratios calculated under regulatory scope of consolidation.
The Group has entirely complied with the regulatory capital requirements in the year ended as at 31 December 2022 as well as 2021.

NOTE 38: TRANSFER OF FINANCIAL INSTRUMENTS (in HUF mn)

Financial assets transferred but not derecognized

	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount		Carrying amount	
	2022		2021	
Financial assets at fair value through other comprehensive income				
Debt securities	-	-	52,371	45,484
Total	**-**	**-**	**52,371**	**45,484**
Financial assets at amortized cost				
Debt securities	332,082	282,227	92,765	90,986
Loans and advances	3,534	1,647	833	1,056
Total	**335,616**	**283,874**	**93,598**	**92,042**
Total	**335,616**	**283,874**	**145,969**	**137,526**

As at 31 December 2022 and 2021, the Group had an obligation from repurchase agreements (repo liability) of HUF 217,264 million and HUF 79,045 million respectively. Securities sold temporarily under repurchase agreements will continue to be recognized in the Consolidated Statement of Financial Position of the Group in the appropriate securities category. The related liability is measured at amortized cost in the Consolidated Statement of Financial Position as "Amounts due to the National Governments, to the National Banks and other banks and repo liabilities".

Financial assets transferred, derecognized with continuing involvement

Financial assets which would have been derecognized but would be represented the continuing involvement are not recognized in the Consolidated Statement of Financial Position as at 31 December 2022 or as at 31 December 2021.

NOTE 39: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Group becomes a party to various financial transactions that are not reflected on the Consolidated statement of financial position and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities	**2022**	**2021**
Commitments to extend credit	4,230,289	4,065,002
Guarantees arising from banking activities	1,413,017	1,293,841
Factoring loan commitment	419,620	464,341
Confirmed letters of credit	53,557	65,077
Other	144,893	27,997
Contingent liabilities and commitments total in accordance with IFRS 9	**6,261,376**	**5,916,258**
Legal disputes (disputed value)	86,137	75,453
Underwriting guarantees	1,397	-
Other	5,393	5,410
Contingent liabilities and commitments total in accordance with IAS 37	**92,927**	**80,863**
Total	**6,354,303**	**5,997,121**

Legal disputes

At the balance sheet date, the Group was involved in various claims and legal proceedings of a nature considered normal to its business. The amount of these claims and legal proceedings corresponds to the amount of claims and legal proceedings in previous years.

The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash-flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 37,043 million as at 31 December 2022 and HUF 35,354 million as at 31 December 2021, respectively. (See Note 24.)

Commitments to extend credit, guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The Management of the Group believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loan commitments are minimal.

NOTE 39: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Guarantees, payment undertakings arising from banking activities

Payment undertaking is a promise by the Group to assume responsibility for the debt obligation of a borrower if that borrower defaults until a determined amount, until a determined date, in case of fulfilling conditions, without checking the underlying transactions. The guarantee’s liability is joint and primary with the principal, in case of payment undertaking, while the Group assumes the obligation derived from guarantee independently by the conditions established by the Group. A guarantee is most typically required when the ability of the primary obligor to perform its obligations under a contract is in question, or when there is some public or private interest which requires protection from the consequences of the principal's default or delinquency.

A contract of guarantee is subject to the statute of frauds (or its equivalent local laws) which has maturity and is only enforceable if recorded in writing and signed by the surety and the principal. This means that if the beneficiary has not exercised his rights against the surety or guarantor by the deadline indicated, he automatically forfeits all his claims against the guarantor or surety.
In the case of a simple surety, the beneficiary is obliged to seek recovery of the debt from the debtor, because as long as the debt is recoverable from the debtor, the guarantor can refuse to pay, whereas in the case of a cash surety, the beneficiary can also go to the guarantor immediately, there being no objection to enforcement.

Derivatives

The Group maintains strict control limits on net open derivative positions, that is the difference between purchase and sale contracts, regarding both the amount and the term. At any time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Group in most of the cases requires margin deposits.

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn)

The previously approved option program required a modification due to the introduction of the Bank Group Policy on Payments accepted in resolution of Annual General Meeting regarding to the amendment of CRD III. Directives and Act on Credit Institutions and Financial Enterprises.
Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance-based payments are deferred in accordance with the rules of Credit Institutions Act.
The Bank ensures the share-based payment part for the management personnel of the Group members.
During implementation of the Remuneration Policy of the Group appeared that in case of certain foreign subsidiaries it is not possible to ensure the originally determined share-based payment because of legal reasons – incompatible with relevant EU-directives –, therefore a decision was made to cancel the share-based payment in affected countries, and virtual share-based payment – cash payment fixed to share price - was made from 2017. In case of foreign subsidiaries virtual share-based payment was made uniformly from 2021 (in the case of payments related to 2021).
The quantity of usable shares for individuals calculated for settlement of share-based payment shall be determined as the ratio of the amount of share-based payment and share price determined by Supervisory Board (until the end of 2014 by Board of Directors).
The value of the share-based payment at the performance assessment is determined within 10 days by Supervisory Board based on the average of the three previous trade day's middle rate of OTP Bank's equity shares fixed on the Budapest Stock Exchange.
At the same time the conditions of discounted share-based payment are determined, and share-based payment shall contain maximum HUF 6,000 discount at the assessment date, and earnings for the shares at the payment date is maximum HUF 12,000. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies.

The parameters for the share-based payment relating to ongoing years 2017-2019 by the Supervisory Board for periods of each year as follows:

Year	**Share purchasing at a discounted price**		Price of remuneration exchanged to share	**Share purchasing at a discounted price**		Price of remuneration exchanged to share	**Share purchasing at a discounted price**		Price of remuneration exchanged to share
	Exercise price	Maximum earnings		Exercise price	Maximum earnings		Exercise price	Maximum earnings	
					HUF per share				
	for the year 2017			**for the year 2018**			**for the year 2019**		
2018	8,064	3,000	10,064	-	-	-	-	-	-
2019	8,064	3,500	10,064	10,413	4,000	12,413	-	-	-
2020	8,064	4,000	10,064	10,413	4,000	12,413	9,553	4,000	11,553
2021	8,064	4,000	10,064	10,413	4,000	12,413	9,553	4,000	11,553
2022	8,064	4,000	10,064	10,913	4,000	12,413	9,553	4,000	11,553
2023	-	-	-	10,913	4,000	12,413	9,553	4,000	11,553
2024	-	-	-	10,913	4,000	12,413	9,553	4,000	11,553
2025	-	-	-	10,913	4,000	12,413	9,553	4,000	11,553
2026	-	-	-	-	-	-	9,553	4,000	11,553

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

The parameters for the share-based payment relating to ongoing years 2020-2021 by the Supervisory Board for periods of each year as follows:

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings		Exercise price	Maximum earnings	
	HUF per share					
	for the year 2020			for the year 2021		
2021	12,644	9,000	16,644	-	-	-
2022	12,644	8,000	16,644	5,912	6,000	8,912
2023	13,644	8,000	16,644	6,912	7,000	8,912
2024	13,644	8,000	16,644	6,912	8,000	8,912
2025	13,644	8,000	16,644	6,912	9,000	8,912
2026	13,644	8,000	16,644	6,912	10,000	8,912
2027	13,644	8,000	16,644	6,912	10,000	8,912
2028[1]	-	-	-	6,912	10,000	8,912

[1]Parameters of benefits for year after 2021 due in 2028 only is applicable to foreign companies and for virtual benefits.

Relevant factors considered during measurement of fair value related to share-based payment as follows:

Year	Reference price	Assumed volatility	Risk-free interest rate (HUF)						
			1-year	2-year	3-year	4-year	5-year	6-year	7-year
2017	9,200	21.30%	0.10%	0.50%	0.70%	1.00%	1.30%	1.30%	1.30%
2018	10,064	26.00%	0.20%	0.60%	1.00%	1.30%	1.60%	1.90%	2.10%
2019	12,413	19.20%	0.20%	0.70%	0.90%	1.10%	1.30%	1.40%	1.60%
2020	11,553	33.60%	0.60%	0.40%	0.50%	0.60%	0.80%	0.90%	1.00%
2021	16,644	28.60%	1.00%	1.60%	1.80%	1.90%	2.00%	2.10%	2.10%
2022	8,912	42.60%	7.10%	7.90%	7.60%	7.30%	7.10%	7.00%	6.90%

Year	Expected dividends (HUF/Share)							Pricing model
	1 -year	2-year	3-year	4-year	5-year	6-year	7-year	
2017	219	219	252	290	334	384	442	Binomial
2018	219	219	219	219	219	219	219	Binomial
2019	252	290	333	383	440	507	583	Binomial
2020	219	252	290	333	383	440	507	Binomial
2021	371	321	357	393	432	475	523	Binomial
2022	452	497	547	601	661	728	800	Binomial

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board relating to the year **2017** effective pieces are as follows as at 31 December 2022:

	Approved pieces of shares	Exercised until 31 December 2022	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2022
Share purchasing period started in 2018	108,243	108,243	11,005	-	-
Remuneration exchanged to share provided in 2018	11,926	11,926	10,098	-	-
Share purchasing period started in 2019	212,282	212,282	12,096	-	-
Remuneration exchanged to share provided in 2019	26,538	26,538	11,813	-	-
Share purchasing period started in 2020	101,571	101,565	12,084	6	-
Remuneration exchanged to share provided in 2020	11,584	11,584	11,897	-	-
Share purchasing period started in 2021	109,460	109,460	16,288	-	-
Remuneration exchanged to share provided in 2021	11,531	11,531	16,477	-	-
Share purchasing period started in 2022	42,820	-	-	-	42,820
Remuneration exchanged to share provided in 2022	2,950	2,950	8,529	-	-

Based on parameters accepted by Supervisory Board relating to the year **2018** effective pieces are as follows as at 31 December 2022:

	Approved pieces of shares	Exercised until 31 December 2022	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2022
Share purchasing period started in 2019	82,854	82,854	13,843	-	-
Remuneration exchanged to share provided in 2019	17,017	17,017	11,829	-	-
Share purchasing period started in 2020	150,230	150,230	14,294	-	-
Remuneration exchanged to share provided in 2020	33,024	33,024	11,897	-	-
Share purchasing period started in 2021	73,799	73,799	16,314	-	-
Remuneration exchanged to share provided in 2021	14,618	14,618	16,468	-	-
Share purchasing period started in 2022	86,456	-	-	-	86,456
Remuneration exchanged to share provided in 2022	13,858	13,858	8,529	-	-
Share purchasing period starting in 2023	-	-	-	-	45,155
Remuneration exchanged to share applying in 2023	-	-	-	-	4,114
Remuneration exchanged to share applying in 2024	-	-	-	-	864
Remuneration exchanged to share applying in 2025	-	-	-	-	432

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board relating to the year **2019** effective pieces are as follows as at 31 December 2022:

	Approved pieces of shares	Exercised until 31 December 2022	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2022
Share purchasing period started in 2020	91,403	91,403	12,218	-	-
Remuneration exchanged to share provided in 2020	22,806	22,806	11,897	-	-
Share purchasing period started in 2021	201,273	201,273	16,298	-	-
Remuneration exchanged to share provided in 2021	30,834	30,834	17,618	-	-
Share purchasing period started in 2022	107,760	-	-	1,335	106,425
Remuneration exchanged to share provided in 2022	10,564	10,564	8,529	-	-
Share purchasing period starting in 2023	-	-	-	-	125,771
Remuneration exchanged to share applying in 2023	-	-	-	-	18,025
Share purchasing period starting in 2024	-	-	-	-	44,421
Remuneration exchanged to share applying in 2024	-	-	-	-	6,279
Remuneration exchanged to share applying in 2025	-	-	-	-	1,000
Remuneration exchanged to share applying in 2026	-	-	-	-	500

Based on parameters accepted by Supervisory Board relating to the year **2020** effective pieces are as follows as at 31 December 2022:

	Approved pieces of shares	Exercised until 31 December 2022	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2022
Share purchasing period started in 2021	41,098	14,142	17,997	26,956	-
Remuneration exchanged to share provided in 2021	17,881	17,881	17,498	-	-
Share purchasing period started in 2022	83,688	-	-	1,288	82,400
Remuneration exchanged to share provided in 2022	15,232	14,743	8,529	-	489
Share purchasing period starting in 2023	-	-	-	-	47,826
Remuneration exchanged to share applying in 2023	-	-	-	-	9,292
Share purchasing period starting in 2024	-	-	-	-	51,002
Remuneration exchanged to share applying in 2024	-	-	-	-	9,518
Share purchasing period starting in 2025	-	-	-	-	13,080
Remuneration exchanged to share applying in 2025	-	-	-	-	3,443
Remuneration exchanged to share applying in 2026	-	-	-	-	680
Remuneration exchanged to share applying in 2027	-	-	-	-	680

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board relating to the year **2021** effective pieces are as follows as at 31 December 2022:

	Approved pieces of shares	Exercised until 31 December 2022	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2022
Share purchasing period started in 2022	60,018	59,776	10,122	242	-
Remuneration exchanged to share provided in 2022	11,028	10,708	8,537	-	320
Share purchasing period starting in 2023	-	-	-	-	117,276
Remuneration exchanged to share applying in 2023	-	-	-	-	10,824
Share purchasing period starting in 2024	-	-	-	-	50,829
Remuneration exchanged to share applying in 2024	-	-	-	-	4,942
Share purchasing period starting in 2025	-	-	-	-	54,324
Remuneration exchanged to share applying in 2025	-	-	-	-	4,942
Share purchasing period starting in 2026	-	-	-	-	58,222
Remuneration exchanged to share applying in 2026	-	-	-	-	4,942
Share purchasing period starting in 2027	-	-	-	-	25,305
Remuneration exchanged to share applying in 2027	-	-	-	-	631

Effective pieces relating to the periods starting in 2023-2027 settled during valuation of performance of year 2018-2021, can be modified based on risk assessment and personal changes.

In connection with the share-based compensation for Board of Directors and connecting compensation, shares given as a part of payments detailed above and for the year 2022 based on performance assessment accounted as equity-settled share-based transactions, HUF 2,948 million and HUF 3,589 million was recognized as expense for the year ended 31 December 2022 and 2021 respectively.

Defined benefit plan

Defined benefit plan is post-employment benefit plans other than defined contribution plan. The Group's net obligation is calculated by estimating the amount of employee's future benefit based on their servicies for the current and prior periods. The future value of benefit is being discounted to present value.

The Group has small number of plans and mainly in Bulgaria, Serbia, Montenegro, Croatia and Slovenia. These plans are providing retirement benefits upon pension age as lump-sum payment based either on fixed amounts or certain months of salary.
These plans are unfunded consequently there are no significant plan assets associated with these plans.

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Defined benefit plan [continued]

The movements of defined benefit obligation can be summarized as follows:

	2022	2021
Balance as at 1 January	**5,264**	**5,022**
Current service cost	432	457
Interest cost	105	61
Actuarial gains from changes in demographic assumptions	(110)	(6)
Actuarial gains from changes in financial assumptions	(1,179)	(122)
Benefits paid	(271)	(225)
Past service cost	47	(164)
Other decreases (-) / increases (+)	(19)	252
Revaluation difference	459	(11)
Closing balance	**4,728**	**5,264**

Amounts recognized in profit and loss	**2022**	**2021**
Current service cost	432	457
Net interest expense	105	61
Past service cost	47	(164)
Actuarial losses	(288)	(78)
Other cost	(129)	44
Total	**167**	**320**

Maturity analysis of the present value of defined benefit obligations	**2022**	**2021**
Within one year	575	127
Within 5 years and over one year	1,285	1,237
Within 10 years and over 5 years	1,470	2,210
Over 10 years	1,398	1,688
Total present value	**4,728**	**5,262**

Actuarial assumptions	**2022**	**2021**
Discount rate	1.80% - 6.00%	0.35% - 4.50%
Future salary increases	0.75% - 8.00%	0.75% - 8.00%

Since plan asset is not recognized in the Consolidated Financial Statements, the effect of the asset ceiling, the effect of changes in foreign exchange rates and the return on plan assets, excluding amounts included in interest accounts are also not recognized and therefore not presented.

OTP Group made an insignificant amount of contribution to the defined benefit plans during the year ended 31 December 2022 and 2021.

NOTE 41: RELATED PARTY TRANSACTIONS (in HUF mn)

The compensation of key management personnel, such as the members of the Board of Directors, members of the Supervisory Board, key employees of the Bank and its major subsidiaries involved in the decision-making process in accordance with the compensation categories defined in IAS 24 Related Party Disclosures, is summarised below:

Compensations	2022	2021
Short-term employee benefits	9,790	8,881
Share-based payment	2,638	3,110
Other long-term employee benefits	875	743
Termination benefits	293	-
Post-employment benefits	1	112
Total	**13,597**	**12,846**

Share based compensations to the members of the Board of Directors, Supervisory Board or key employees of the Bank and its major subsidiaries are detailed in Note 40 Share-based payments.

An analysis of payment to executives of the Group related to their activity in Board of Directors and Supervisory Board is as follows:

	2022	2021
Members of Board of Directors	3,049	3,023
Members of Supervisory Board	386	283
Total	**3,435**	**3,306**

NOTE 41: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

Connections with related party (key management personnel and their close family member and companies) by which line of the consolidated statement of financial position and off-balance sheet is presented:

	2022				2021			
Assets	**Other related parties**	**Associated companies**	**Other companies**	**Total**	**Other related parties**	**Associated companies**	**Other companies**	**Total**
Securities	601	-	-	601	596	-	-	596
Loans at amortized cost (gross value)	75,704	23,554	4,067	103,325	111,529	1,828	1,798	115,155
Loss allowance on loans at amortized cost	-	-	-	-	(3,197)	(669)	(6)	(3,872)
Finance lease receivable	-	22	-	22	-	-	-	-
Loans at fair value through profit or loss	164	-	-	164	108	-	-	108
Total assets	**76,469**	**23,576**	**4,067**	**104,112**	**109,036**	**1,159**	**1,792**	**111,987**
Liabilities								
Deposits from customers and loan liabilities	54,002	12,490	2,104	68,596	39,872	4,280	2,732	46,884
Fair value adjustment of derivative financial instruments	-	46	-	46	-	-	-	-
Total liabilities	**54,002**	**12,536**	**2,104**	**68,642**	**39,872**	**4,280**	**2,732**	**46,884**

NOTE 41: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

Connections with related party (key management personnel and their close family member and companies) by which line of the consolidated statement of financial position and off-balance sheet is presented [continued]:

	2022				2021			
Off-balance sheet items	**Other related parties**	**Associated companies**	**Other companies**	**Total**	**Other related parties**	**Associated companies**	**Other companies**	**Total**
Undrawn line of credit	47,522	322	2,209	50,053	30,369	1,913	1,176	33,458
Bank Guarantee	8,455	-	2,652	11,107	6,220	-	551	6,771
Commitments and guarantees given	24	-	-	24	-	-	-	-
Total off-balance sheet items	**56,001**	**322**	**4,861**	**61,184**	**36,589**	**1,913**	**1,727**	**40,229**

Statement of profit or loss (turnover during the current period)	**2022**	**2021**
Interest income	860	167
Fees and commissions	117	61
Interest expense	(243)	(13)
Fees and commission expenses	(7)	(22)
Loss allowance / Provision on loans, placements, for commitments and guarantees given	(29)	(652)
Operational costs	(1,852)	(224)

In the normal course of business, the Bank enters into other transactions with its unconsolidated subsidiaries of the Group, the amounts and volumes of which are not significant to these Consolidated Financial Statements taken as a whole. Related party transactions were made on terms equivalent to those that prevail in arm’s length transactions and such terms can be substantiated.

NOTE 42: ACQUISITION (in HUF mn)

Purchase and consolidation of subsidiaries

On 6 December 2021 OTP Bank signed an acquisition agreement with Alpha International Holdings Single Member S.A. on purchasing 100% shareholding of Alpha Bank SH.A., the Albanian subsidiary of the Greek Alpha Bank S.A. The purchase price has been agreed at EUR 55 million. The financial closing of the transaction was completed on 18 July 2022.
The Seller shall, on an after-tax basis, indemnify and keep indemnified OTP Bank (the Purchaser) against all losses suffered or incurred by it arising directly out of two lawsuits. The aggregate liability of the Seller for all indemnity claims shall not exceed three million euros.
The Seller made a strategic decision to dispose of its Albanian subsidiary. Purchasing an entity with negative goodwill is reasoned by altogether the expected cost synergies arising from the market situation in Albania.

On 31 May 2021, OTP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of Nova KBM d.d. and its subsidiaries, which are 80% owned by funds managed by affiliates of Apollo Global Management, Inc. and 20% by EBRD. The financial closing of the transaction took place on 6 February 2023, after obtaining all the necessary regulatory approvals.

The Nova KBM acquisition completed in February 2023 and the pending acquisition of Ipoteka Bank in Uzbekistan (expected to be financially closed in the second quarter) may substantially contribute to the consolidated profit after tax; in addition to this, the expected positive after-tax effect of one-off items to be booked in relation to the consolidation of Nova KBM (badwill, PPA, initial risk cost, etc.) might reach EUR 230 million.

The fair value of the assets and liabilities acquired is as follows:

	Alpha Bank SH.A.
Cash amounts and due from banks and balances with the National Banks	(58,880)
Placements with other banks, repo receivables	(26,500)
Financial assets at fair value through profit or loss	-
Securities at fair value through other comprehensive income	(46,003)
Loans at amortized cost	(101,642)
Loans mandatorily at fair value through profit or loss	-
Associates and other investments	-
Securities at amortized cost	(3,038)
Property and equipment	(1,063)
Intangible assets	(1,391)
Right-of-use assets	(3,209)
Investment properties	-
Derivative financial assets designated as hedge accounting	-
Other assets	(6,852)
Total assets	**(248,579)**

NOTE 42: ACQUISITION (in HUF mn) [continued]

The fair value of the assets and liabilities acquired is as follows [continued]:

	Alpha Bank SH.A.
Amounts due to the banks, the National Governments, deposits from the National Banks and other banks and repo liabilities	1,969
Financial liabilities designated at fair value through profit or loss	-
Deposits from customers	213,400
Liabilities from issued securities	-
Derivative financial liabilities held for trading	-
Derivative financial liabilities designated as hedge accounting	-
Leasing liabilities	3,346
Other liabilities	6,089
Subordinated bonds and loans	-
Total liabilities	**224,804**
Net assets	**(23,775)**

	2022
Net assets total	(23,775)
Non-controlling interest	-
Negative goodwill	3,784
Net cash	**(19,991)**
Cash acquired on purchase	58,880
Net cash paid for acquisition	**38,889**

Breakdown of the acquired entity’s income, profit / loss from the date of the acquisition:

	Interest income	**Net result**
Alpha Bank SH.A.	2,704	(5,920)

Breakdown of the acquired entity’s income, profit / loss if the Group would have acquired from the beginning of year 2022:

	Interest income	**Net result**
Alpha Bank SH.A.	6,889	(11,572)

With the acquisition the following shares were purchased:

	Number of shares	**Type**	**Voting rights**
ALPHAALTECH1	5,720,372	Common stock	100.00%

NOTE 43: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn)

The control is established when the Group has the right and exposure over the variable positive yield of the investee but the same time put up with the consequences of the negative returns and the Group by its decisions is able to influence the extent of the yields.
The Group primarily considering the following factors in the process of determining the existing of the control:
- investigation of the decision-making mechanism of the entity,
- authority of the Board of Directors, Supervisory Board and General meeting based on the deed of association,
- existence of investments with preferential voting rights.

If the control can't be obviously determined, then it should be supposed that the control does not exist.
Significant influence is presumed by the Group to exist – unless the contrary case is proven – when the Group holds 20% or more of the voting power of an investee but does not have a control.

Investments in companies in which the Bank has a controlling interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless otherwise stated. The Group considers a subsidiary significant when it is a financial institution or when the subsidiary contributes to the Groups' total balance sheet with higher amount. The Bank considers the subsidiaries as cash generating units.

NOTE 43: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Significant subsidiaries

Name	Ownership (Direct and Indirect)		Activity
	2022	2021	
DSK Bank AD (Bulgaria)	99.92%	99.91%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
JSC "OTP Bank" (Russia)	97.92%	97.92%	commercial banking services
OTP banka d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. Novi Sad (Serbia)	100.00%	100.00%	commercial banking services
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
Banka OTP Albania SH.A. (Albania)	100.00%	100.00%	commercial banking services
OTP Bank S.A. (Moldova)	98.26%	98.26%	commercial banking services
SKB Banka d.d. Ljubljana (Slovenia)	100.00%	100.00%	commercial banking services
OTP Financing Malta Company Ltd. (Malta)	100.00%	100.00%	refinancing activities
OTP Financing Netherlands B.V. (the Netherlands)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	housing savings and loan
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Kettő Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing

NOTE 43: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Significant associates and joint ventures

Summarized financial and non-financial information of associates which are accounted according to IAS 28 and in line with IFRS 9 as at 31 December 2022 is as follows:

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
OTP Risk Fund I.	520	44.12%	(52)	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	683	22.00%	13	Hungary /Budapest	Trusts, funds and similar financial entities
D-ÉG Thermoset Ltd 'u.l.'	-	46.99%	-	Hungary / Dunaújváros	Wholesale of hardware, plumbing and heating equipment and supplies
Company for Cash Services AD	392	25.00%	183	Bulgaria / Sofia	Other financial service activities, except insurance and pension funding
Edrone spółka z ograniczoną odpowiedzialnością	822	23.54%	(516)	Poland / Krakow	Computer programming activities
NovaKid Inc.	1,723	4.07%	(5,409)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc	216	17.42%	267	Hungary /Budapest	Computer programming activities
ClodeCool Ltd	1,323	20.15%	1	Hungary /Budapest	Other education
Pepita.hu Closed Co. Plc	1,323	40.00%	(157)	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd	8,689	19.26%	(3)	UK / London	Computer programming activities
VCC Live Group Closed Co. Plc	1,308	24.75%	(226)	Hungary /Budapest	Computer programming activities
Cursor Insight Ltd	75	6.75%	n.a.	UK / London	Computer programming activities
Fabetker Ltd	1	20.48%	135	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
OneSoil Ag.	362	3.72%	(514)	Switzerland / Zurich	Computer programming activities
Packhelp Spółka Akcyjna	1,168	3.15%	(3,385)	Poland / Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
Phoenix Play Invest closed Co. Plc	2,350	21.69%	(1)	Hungary /Budapest	Activities of holding companies
Algorithmiq Invest Closed Co. Plc	8,195	21.69%	792	Hungary /Budapest	Activities of holding companies
NGY Propertiers Investment SRL	11,735	14.54%	(22,567)	Romania / Bucharest	Renting and operating of own or leased real estate
Deligo Vision Technologies Ltd	205	2.50%	(15)	Hungary /Budapest	Other information service activities
GRADUW Invest Closed Co. Plc	4,803	3.81%	131	Hungary /Budapest	Sale and purchase of own real estate
SEH-Partner Ltd	6,403	30.56%	n.a.	Hungary /Budapest	Activities of holding companies
Simonyi út 20. Ingatlanhasznosító Ltd	90	47.62%	-	Hungary /Debrecen	Renting and operating of own or leased real estate
Fintech CEE Software Invest Ltd	127	20.04%	n.a.	Hungary /Budapest	Activities of holding companies
New Frontier Technology Invest SARL	3,393	14.01%	n.a.	Luxemburg / Luxembourg	Activities of holding companies
Mindgram sp. z.o.o	200	2.38%	(328)	Poland / Warsaw	Other human health activities

NOTE 43: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Significant associates and joint ventures [continued]

The Group made significant investments into associates during 2021. Venture capital funds under the control of the Group obtained ownership interest in Phoenix Play Invest Co.Plc, in Algorithmiq Invest Closed Co. Plc and in NGY Propertiers Investment SRL.

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
OTP Risk Fund I.	526	44.12%	(52)	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	288	22.00%	13	Hungary /Budapest	Trusts, funds and similar financial entities
D-ÉG Thermoset Ltd 'u.l.'	-	46.99%	-	Hungary / Dunaújváros	Wholesale of hardware, plumbing and heating equipment and supplies
Company for Cash Services AD	392	25.00%	(183)	Bulgaria / Sofia	Other financial service activities, except insurance and pension funding
Edrone spółka z ograniczoną odpowiedzialnością	779	17.34%	(293)	Poland / Krakow	Computer programming activities
Graboplast Closed Co. Plc	700	7.00%	n.a.	Hungary / Győr	Manufacture of builders' ware of plastic
NovaKid Inc.	2,006	4.17%	(4,621)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc	374	17.42%	n.a.	Hungary /Budapest	Computer programming activities
ClodeCool Ltd	1,770	20.15%	1	Hungary /Budapest	Other education
Pepita.hu Closed Co. Plc	516	34.00%	(132)	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd	4,756	23.86%	(4)	UK / London	Computer programming activities
Starschema Ltd	3,944	36.19%	n.a.	Hungary /Budapest	Computer consultancy activities
VCC Live Group Closed Co. Plc	1,672	49.56%	(203)	Hungary /Budapest	Computer programming activities
Virtual Solutaion Ltd	n.a.	8.33%	n.a.	Hungary /Budapest	Computer programming activities
Yieldigo s.r.o.	76	1.97%	(168)	Czech Republic / Prague	Computer programming activities
Szallas.hu Closed Co. Plc[1]	8,809	51.19%	1,278	Hungary / Miskolc	Web portals
Cursor Insight Ltd	146	6.75%	(247)	UK / London	Computer programming activities
Fabetker Ltd	1	20.48%	132	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
OneSoil Ag.	318	3.72%	(1,058)	Switzerland / Zurich	Computer programming activities
Packhelp Spółka Akcyjna	2,160	1.00%	(3,038)	Poland / Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
Phoenix Play Invest closed Co. Plc	3,081	21.69%	(1)	Hungary /Budapest	Activities of holding companies
Algorithmiq Invest Closed Co. Plc	8,996	21.69%	792	Hungary /Budapest	Activities of holding companies
NGY Propertiers Investment SRL	12,331	14.54%	(22,567)	Romania / Bucharest	Renting and operating of own or leased real estate

It does not control another entity even though it holds more than half of the voting rights.

NOTE 44: TRUST ACTIVITIES (in HUF mn)

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Group, they have been excluded from the accompanying Consolidated Statement of Financial Position.

	2022	2021
The amount of loans managed by the Group as a trustee	37,714	36,517

NOTE 45: CONCENTRATION OF ASSETS AND LIABILITIES

	2022	2021
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	14.75%	15.87%

There were no other significant concentrations of the assets or liabilities of the Group either as at 31 December 2022 or as at 31 December 2021.

The Group continuously provides the NBH with reports on the extent of dependency on large depositors as well as the exposure of the biggest 50 depositors towards the Group.

Further to this obligatory reporting to the NBH, the Group pays particular attention on the exposure of its largest partners and cares for maintaining a closer relationship with these partners in order to secure the stability of the level of deposits.

The organisational unit of the Bank in charge of partner-risk management analyses the biggest partners on a constant basis and sets limits on the Bank’s and the Group’s exposure separately partner-by-partner. If necessary, it modifies partner-limits in due course thereby reducing the room for manoeuvring of the Treasury and other business areas.

The Bank’s internal regulation (Limit-management regulation) controls risk management related to exposures of clients. The Bank makes a difference between clients or clients who are economically connected with each other, partners, partners operating in the same geographical region or in the same economic sector, exposures from customers. Limit-management regulation includes a specific range provision system used by the Bank to control risk exposures. This regulation has to be used by the Bank for its business (lending) risk-taking activity both in retail and corporate sector.

To specify credit risk limits Group strives their clients get an acceptable margin of risk based on their financial situation. In the Group limit system has to be provided a lower-level decision-making delegation.
If a Group member takes risk against a client or group of clients (either inside the local economy or outside), the client will be qualified as a group level risk and these limits will be specified at group level.
The validity period of this policy is 12 months. The limit shall be reviewed prior to the expiry date but at least once a year - based on the relevant information required to limit calculations.

NOTE 46: EARNINGS PER SHARE

Consolidated Earnings per share attributable to the ordinary shares of the Group are determined by dividing consolidated Net profit for the year attributable to ordinary shareholders, after the deduction of declared preference dividends, by the weighted average number of ordinary shares outstanding during the year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares.

Earnings per share from continuing and discontinued operations	2022	2021
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	346,354	455,592
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	268,790,272	262,017,836
Basic Earnings per share (in HUF)	**1,289**	**1,738**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	346,354	455,592
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	268,873,185	262,094,958
Diluted Earnings per share (in HUF)	**1,288**	**1,738**

Earnings per share from continuing operations	2022	2021
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	334,910	455,476
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	268,790,272	262,017,836
Basic Earnings per share (in HUF)	**1,246**	**1,738**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	334,910	455,476
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	268,873,185	262,094,958
Diluted Earnings per share (in HUF)	**1,246**	**1,738**

Earnings per share from discontinued operations	2022	2021
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	11,444	116
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	268,790,272	262,017,836
Basic Earnings per share (in HUF)	**43**	**-**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	11,444	116
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	268,873,185	262,094,958
Diluted Earnings per share (in HUF)	**43**	**-**

NOTE 46: EARNINGS PER SHARE [continued]

	2022	2021
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	11,209,738	17,982,174
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**268,790,272**	**262,017,836**
Dilutive effects of options issued in accordance with the remuneration policy and convertible into ordinary shares [1]	82,913	77,122
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**268,873,185**	**262,094,958**

Both in the year 2022 and 2021 the dilutive effect is in connection with the Remuneration Policy and the Management Option Program.

NOTE 47: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

2022	Net interest / similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Compre-hensive Income
Cash, amounts due from banks and balances with the National Banks	62,121	-	(375)	-
Placements with other banks	154,231	-	39	-
Repo receivables	4,261	-	50	-
Trading securities at fair value through profit or loss	-	(3,151)	-	-
Non-trading instruments mandatorily at fair value through profit or loss	54	145	-	-
Securities at fair value through other comprehensive income [1]	54,046	(1,014)	(29,273)	(119,377)
Securities at amortized cost	144,757	(4,636)	(31,501)	-
Loans at amortized cost	978,037	32,572	(167,506)	-
Finance lease receivables	78,262	-	(24,413)	-
Loans mandatorily at fair value through profit or loss	54,036	(5,951)	13,346	-
Other financial assets [2]	4,103	-	(1,204)	-
Derivative financial instruments [2]	(85,909)	10,558	-	-
Total result on financial assets	**1,447,999**	**28,523**	**(240,837)**	**(119,377)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(16,315)	-	-	-
Repo liabilities	(31,006)	-	-	-
Financial liabilities designated at fair value through profit or loss	(562)	1,932	-	-
Deposits from customers	(269,592)	342,427	-	-
Liabilities from issued securities	(27,838)	-	-	-
Leasing liabilities	(2,386)	-	-	-
Subordinated bonds and loans	(8,986)	-	-	-
Total result on financial liabilities	**(356,685)**	**344,359**	**-**	**-**
Total result on financial instruments	**1,091,314**	**372,882**	**(240,837)**	**(119,377)**

For the year 2022 HUF (1,014) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.
[2] Gains from other financial assets and derivative financial instruments recognized in net interest income as Income similar to interest income.

NOTE 47: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn) [continued]

2021	Net interest / similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Compre-hensive Income
Cash, amounts due from banks and balances with the National Banks	16,527	-	(952)	-
Placements with other banks	24,594	-	(1,664)	-
Repo receivables	827	-	12	-
Trading securities at fair value through profit or loss	-	5,016	-	-
Non-trading instruments mandatorily at fair value through profit or loss	1,749	4,812	-	-
Securities at fair value through other comprehensive income [1]	49,473	(2,587)	(961)	(44,877)
Securities at amortized cost	79,602	1,031	(3,013)	-
Loans at amortized cost	692,432	26,354	(32,159)	-
Finance lease receivables	59,084	-	(5,776)	-
Loans mandatorily at fair value through profit or loss	40,131	4,459	(16,289)	-
Other financial assets [2]	3,639	-	438	-
Derivative financial instruments [2]	3,321	9,412	-	-
Total result on financial assets	**971,379**	**48,497**	**(60,364)**	**(44,877)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(24,249)	-	-	-
Repo liabilities	(2,299)	-	-	-
Financial liabilities designated at fair value through profit or loss	(493)	(3,916)	-	-
Deposits from customers	(51,052)	267,033	-	-
Liabilities from issued securities	(9,822)	-	-	-
Leasing liabilities	(1,556)	-	-	-
Subordinated bonds and loans	(7,598)	-	-	-
Total result on financial liabilities	**(97,069)**	**263,117**	**-**	**-**
Total result on financial instruments	**874,310**	**311,614**	**(60,364)**	**(44,877)**

For the year of 2021 HUF (2,587) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

[2] Gains from other financial assets and derivative financial instruments recognized in net interest income as Income similar to interest income.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Group uses the market price in the case of instruments that are quoted on an active market. In most cases market price is not publicly available, so the Group has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 48.4. for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instruments that are originally measured at amortized cost, the Group used the discounted cash-flow analyses (loans, placements with other banks, repo receivables, amounts due to banks, repo liabilities, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Banks represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk-free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash-flows are considered for the performing loans and for the non-performing loans, the amortized cost less impairment is considered as fair value,
- the future cash-flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

Classes of assets and liabilities not measured at fair value in the Consolidated Statement of Financial Position, the income approach was used to convert future cash-flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates, and the fair value of other classes not measured at fair value of the Consolidated Statement of Financial Position is measured at discounted cash-flow method. Fair value of loans, net of loss allowance for loans measured at discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market.

Fair value measurements – in relation to instruments measured not at fair value – are mainly categorized in level 3 of the fair value hierarchy.

Use of modified yield curve

During the year ended 31 December 2022 yield curves derived from Hungarian government bonds ("ÁKK curve") have become distorted due to certain market events, which means that real liquidity has concentrated on certain part of the yield curve. Therefore, a modified yield curve - which is not observable on the market - has been used at the concerning fair value calculations. This yield curve is based on the relevant yield curve points of the original ÁKK curve. Based on Management's discretion fair value calculated with modified yield curves can represent the perspective of market participants reliable at current market conditions.

Modified yield curve was used for calculating fair value in case of subsidized personal loans represented in "Loans mandatorily measured at fair value through profit or loss" line.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.1. Fair value of financial assets and liabilities

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Banks	4,221,392	4,221,392	2,556,035	2,556,035
Placements with other banks	1,351,082	1,322,560	1,584,861	1,566,458
Repo receivables	41,009	42,993	61,052	61,121
Securities at amortized cost	4,891,938	4,048,877	3,891,335	3,645,046
Loans at amortized cost	16,094,458	15,557,928	13,493,183	13,106,425
Finance lease receivables	1,298,752	1,320,286	1,182,628	1,183,089
Other financial assets	262,981	262,981	135,916	135,916
Total assets not measured at fair value	**28,161,612**	**26,777,017**	**22,905,010**	**22,254,090**
Financial assets at fair value through profit or loss	436,387	436,387	341,397	341,397
Trading securities at fair value through profit or loss	*104,750*	*104,750*	*103,510*	*103,510*
Fair value of derivative financial assets held for trading	*276,482*	*276,482*	*184,484*	*184,484*
Non-trading instruments mandatorily at fair value through profit or loss	*55,155*	*55,155*	*53,403*	*53,403*
Financial assets designated at fair value through profit or loss	-	-	-	-
Equity instruments at fair value through other comprehensive income	40,157	40,157	34,976	34,976
Securities at fair value through other comprehensive income	1,699,446	1,699,446	2,189,534	2,189,534
Loans mandatorily at fair value through profit or loss	1,247,414	1,247,414	1,068,111	1,068,111
Derivative financial assets designated as hedge accounting	48,247	48,247	18,757	18,757
Total assets measured at fair value	**3,471,651**	**3,471,651**	**3,652,775**	**3,652,775**
Financial assets total	**31,633,263**	**30,248,668**	**26,557,785**	**25,906,865**
Amounts due to the National Governments, to the National Banks and other banks	1,463,158	1,109,924	1,567,348	1,446,036
Repo liabilities	217,369	227,669	79,047	79,010
Deposits from customers	25,188,805	25,056,412	21,068,644	21,002,125
Liabilities from issued securities	870,682	743,907	436,325	400,071
Leasing liabilities	63,778	63,791	53,286	53,447
Other financial liabilities	645,652	645,652	485,771	485,771
Subordinated bonds and loans	301,984	268,911	278,334	284,709
Total liabilities not measured at fair value	**28,751,428**	**28,116,265**	**23,968,755**	**23,751,169**
Financial liabilities designated at fair value through profit or loss	54,191	54,191	41,184	41,184
Held for trading derivative financial liabilities	385,747	385,747	202,716	202,716
Derivative financial liabilities designated as hedge accounting	27,949	27,949	11,228	11,228
Total liabilities measured at fair value	**467,887**	**467,887**	**255,128**	**255,128**
Financial liabilities total	**29,219,315**	**28,584,152**	**24,223,883**	**24,006,297**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.2. Fair value of derivative instruments

The Group regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to qualify as hedge accounting, therefore these transactions were accounted for as derivatives held for trading.
The assessment of the hedge effectiveness (both for fair value hedges and cash flow hedges) to determine the economic relationship between the hedged item and the hedging instrument is accomplished with prospective scenario analysis via different rate shift scenarios of the relevant risk factor(s) of the hedged risk component(s). The fair value change of the hedged item and the hedging instrument is compared in the different scenarios. Economic relationship is justified if the change of the fair value of the hedged item and the hedging instrument are in the opposite direction and the absolute changes are similar amounts. The hedge ratio is determined as the ratio of the notional of the hedged item and the notional of the hedging instrument. The sources of hedge ineffectiveness are the not hedged risk components (e.g. change of cross currency basis spreads in case of interest rate risk hedges), slight differences in maturity dates and interest payment dates in case of fair value hedges, and differences between the carrying amount of the hedged item and the carrying amount of the hedging instrument in case of FX hedges (e.g. caused by interest rate risk components in the fair value of the hedging instrument).

The summary of the derivatives held for trading and derivatives designated as hedge accounting of the Group are as follows:

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.2. Fair value of derivative instruments [continued]

	2022					2021				
	Before netting		Netting	After netting		Before netting		Netting	After netting	
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Held for trading derivative financial instruments										
Interest rate derivatives										
Interest rate swaps	165,478	(171,706)	155,468	10,010	(16,238)	58,512	(56,070)	40,783	17,729	(15,287)
Cross currency interest rate swaps	11,332	(12,139)	-	11,332	(12,139)	7,316	(7,621)	-	7,316	(7,621)
OTC options	1,074	(1,069)	-	1,074	(1,069)	484	(299)	-	484	(299)
Forward rate agreement	505	(3)	505	-	502	-	-	-	-	-
Total interest rate derivatives (OTC derivatives)	**178,389**	**(184,917)**	**155,973**	**22,416**	**(28,944)**	**66,312**	**(63,990)**	**40,783**	**25,529**	**(23,207)**
Foreign exchange derivatives										
Foreign exchange swaps	76,881	(72,959)	-	76,881	(72,959)	37,638	(42,272)	-	37,638	(42,272)
Foreign exchange forward contracts	13,085	(13,740)	-	13,085	(13,740)	10,790	(7,738)	-	10,790	(7,738)
OTC options	1,048	(822)	-	1,048	(822)	801	(180)	-	801	(180)
Foreign exchange spot conversion	177	(177)	-	177	(177)	187	(242)	-	187	(242)
Total foreign exchange derivatives (OTC derivatives)	**91,191**	**(87,698)**	**-**	**91,191**	**(87,698)**	**49,416**	**(50,432)**	**-**	**49,416**	**(50,432)**
Equity stock and index derivatives										
Commodity Swaps	33,693	(31,632)	-	33,693	(31,632)	51,523	(51,508)	-	51,523	(51,508)
Equity swaps	54	(702)	-	54	(702)	10,538	(357)	-	10,538	(357)
OTC derivatives total	**33,747**	**(32,334)**	**-**	**33,747**	**(32,334)**	**62,061**	**(51,865)**	**-**	**62,061**	**(51,865)**
Exchange traded futures and options	214	(1,887)	-	214	(1,887)	171	(278)	-	171	(278)
Total equity stock and index derivatives	**33,961**	**(34,221)**	**-**	**33,961**	**(34,221)**	**62,232**	**(52,143)**	**-**	**62,232**	**(52,143)**
Derivatives held for risk management not designated in hedge										
Interest rate swaps	136,164	(239,975)	18,944	117,220	(221,031)	47,457	(78,340)	5,682	41,775	(72,658)
Foreign exchange swaps	2,514	(10,190)	-	2,514	(10,190)	1,090	(4,108)	-	1,090	(4,108)
Foreign exchange spot	-	(43)	-	-	(43)	-	-	-	-	-
Cross currency interest rate swaps	9,180	(3,620)	-	9,180	(3,620)	4,442	(168)	-	4,442	(168)
Total derivatives held for risk management not designated in hedge	**147,858**	**(253,828)**	**18,944**	**128,914**	**(234,884)**	**52,989**	**(82,616)**	**5,682**	**47,307**	**(76,934)**
Total held for trading derivative financial instruments	**451,399**	**(560,664)**	**174,917**	**276,482**	**(385,747)**	**230,949**	**(249,181)**	**46,465**	**184,484**	**(202,716)**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.2. Fair value of derivative instruments [continued]

	2022					2021				
	Before netting		Netting	After netting		Before netting		Netting	After netting	
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Derivative financial instruments designated as hedge accounting										
Derivatives designated in cash flow hedges										
Interest rate swaps	2,651	(2,651)	2,651	-	-	1,020	(1,020)	1,020	-	-
Total derivatives designated in cash flow hedges	**2,651**	**(2,651)**	**2,651**	**-**	**-**	**1,020**	**(1,020)**	**1,020**	**-**	**-**
Derivatives designated in fair value hedges										
Interest rate swaps	56,757	(37,290)	30,938	25,819	(6,352)	25,417	(17,908)	12,131	13,286	(5,777)
Cross currency interest rate swaps	20,732	(5,398)	-	20,732	(5,398)	5,471	(5,451)	-	5,471	(5,451)
Foreign exchange swaps	1,696	(16,199)	-	1,696	(16,199)	-	-	-	-	-
Total derivatives designated in fair value hedges	**79,185**	**(58,887)**	**30,938**	**48,247**	**(27,949)**	**30,888**	**(23,359)**	**12,131**	**18,757**	**(11,228)**
Total derivatives held for risk management (OTC derivatives)	**81,836**	**(61,538)**	**33,589**	**48,247**	**(27,949)**	**31,908**	**(24,379)**	**13,151**	**18,757**	**(11,228)**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting

Interest rate risk management is centralized at the Group. Interest rate risk exposures in major currencies are managed at OTP Headquarter on a consolidated level. Although risk exposures in local currencies are managed at subsidiary level, the respective decisions are subject to Headquarter ALCO approval. Interest rate risk is measured by simulating NII and EVE under different stress and plan scenarios, the established risk limits are described in „OTP Bank's Group-Level Regulations on the Management of Liquidity Risk and Interest Rate Risk of Banking Book". The interest rate risk management activity aims to stabilize NII within the approved risk limits

The risk management objective of these hedge relationships is to mitigate the risk of clean fair value (i.e. excluding accrued interest) change of MIRS loans due to the change of interest rate reference indices (BUBOR, EURIBOR, LIBOR, etc.) of the respective currency.

The ineffective part of fair value hedge accounting is presented on Interest income / Interest expense in the Consolidated Statement of Profit or Loss.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 31 December 2022 (in fx million)

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	-	-	-	(64,875)	30,300	**(34,575)**
		Average Interest Rate (%)	-	-	-	7.15%	1.40%	
		EUR						
		Notional	-	-	101	10	50	**161**
		Average Interest Rate (%)	-	-	0.24%	0.22%	0.05%	
		USD						
		Notional	-	90	-	29	47	**166**
		Average Interest Rate (%)	-	2.60%	-	2.35%	4.18%	
		JPY						
		Notional	-	-	-	4,500	-	**4,500**
		Average Interest Rate (%)	-	-	-	0.22%	-	
Fair Value Hedge	**Foreign exchange & Interest rate risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	1	2	10	11	**24**
		Average Interest Rate (%)	(1.64%)	(1.68%)	(1.68%)	(1.71%)	(1.82%)	
		Average FX Rate	310.41	310.17	310.20	309.74	307.71	

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 31 December 2022 (in fx million) [continued]

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Foreign exchange risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	(10)	125	878	-	**993**
		Average FX Rate	363.88	407.57	362.11	373.88	-	
		RON/HUF						
		Notional	-	-	400	3,121	-	**3,521**
		Average FX Rate	-	-	72.92	75.08	-	
		JPY/HUF						
		Notional	-	-	-	4,500	-	**4,500**
		Average FX Rate	-	-	-	2.79	-	
		USD/HUF						
		Notional	-	(7)	144	146	-	**283**
		Average FX Rate	-	323.77	323.77	323.77	-	

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 31 December 2021 (in fx million)

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	-	2,000	900	(52,474)	42,950	**(6,624)**
		Average Interest Rate (%)	-	1.09%	0.49%	1.65%	1.31%	
		EUR						
		Notional	-	-	1	111	50	**162**
		Average Interest Rate (%)	-	-	0.23%	0.24%	0.05%	
		USD						
		Notional	-	-	-	119	47	**166**
		Average Interest Rate (%)	-	-	-	2.54%	4.18%	
		JPY						
		Notional	-	-	-	4,500	-	**4,500**
		Average Interest Rate (%)	-	-	-	0.22%	-	
Fair Value Hedge	**Foreign exchange & Interest rate risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	1	2	12	12	**27**
		Average Interest Rate (%)	(1.64)%	(1.68)%	(1.67)%	(1.69)%	(1.82)%	
		Average FX Rate	310.41	310.29	310.26	310.01	307.81	

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 31 December 2021 (in fx million) [continued]

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Foreign exchange risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	(6)	35	572	-	**601**
		Average FX Rate	363.88	354.22	356.94	355.93	-	
		RON/HUF						
		Notional	-	-	200	2,225	-	**2,425**
		Average FX Rate	-	-	66.21	73.08	-	
		RUB/HUF						
		Notional	-	-	-	11,200	-	**11,200**
		Average FX Rate	-	-	-	4.15	-	
		JPY/HUF						
		Notional	-	-	-	4,500	-	**4,500**
		Average FX Rate	-	-	-	2.79	-	
		USD/HUF						
		Notional	-	-	(3)	306	-	**303**
		Average FX Rate	-	323.77	323.77	323.77	-	
	Other	**Interest rate swap**						
		HUF						
		Notional	-	3,345	1,823	3,093	-	**8,261**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

As at 31 December 2022 is as follows:

Type of hedge	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument as at 31 December 2022					Line item in the consolidated statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the six-month period ended as at 31 December 2022
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge	IRS	Interest rate risk	444,627	56,636	(37,258)	30,938	25,698	(6,320)	Derivative financial instruments designated as hedge accounting	12,873
	CCIRS	FX & IR risk	7,292	-	(2,679)	-	-	(2,679)	Derivative financial instruments designated as hedge accounting	3
	CCIRS	FX risk	813,430	20,732	(2,719)	-	20,732	(2,719)	Derivative financial instruments designated as hedge accounting	(6,087)
	FX swap	FX risk	290,982	1,696	(16,199)	-	1,696	(16,199)	Derivative financial instruments designated as hedge accounting	-
	IRS	Other	5,584	121	(32)	-	121	(32)	Derivative financial instruments designated as hedge accounting	1
Fair value hedges total			**1,561,915**	**79,185**	**(58,887)**	**30,938**	**48,247**	**(27,949)**		**6,790**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

As at 31 December 2021 is as follows:

Type of hedge	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument as at 31 December 2021					Line item in the consolidated statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended as at 31 December 2021
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge	IRS	Interest rate risk	409,595	23,986	(17,908)	12,131	11,855	(5,777)	Derivative financial instruments designated as hedge accounting	6,494
	CCIRS	FX & IR risk	8,175	-	(2,375)	-	-	(2,375)	Derivative financial instruments designated as hedge accounting	4
	CCIRS	FX risk	566,936	5,471	(3,076)	-	5,471	(3,076)	Derivative financial instruments designated as hedge accounting	(1,687)
	IRS	Other	8,261	1,431	-	-	1,431	-	Derivative financial instruments designated as hedge accounting	3
Fair value hedges total			**992,967**	**30,888**	**(23,359)**	**12,131**	**18,757**	**(11,228)**		**4,814**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

As at 31 December 2022 is as follows:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2022		Amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item for the year ended 31 December 2022		Line item in the consolidated statement of financial position in which the hedged item is included
Fair value hedges		**Assets**	**Liabilities**	**Assets**	**Liabilities**	
- Loans	Interest rate risk	64,596	-	(5,033)	-	Loans
- Loans	Interest rate risk	-	143,208	-	(34,149)	Amounts due to banks, the National Governments, deposits from the National Banks and other banks
- Government bonds	Interest rate risk	14,814	-	(4,601)	-	Securities at amortized cost
- Government bonds	Interest rate risk	151,501	-	(45,319)	-	Securities at fair value through other comprehensive income
- Government bonds	Interest rate risk	-	-	-	-	Financial assets at fair value through profit or loss
- Other bonds	Interest rate risk	44,508	-	(638)	-	Securities at fair value through other comprehensive income
- Other bonds	Interest rate risk	-	25,563	-	448	Liabilities from issued securities
- Loans	Foreign exchange & Interest rate risk	9,099	-	503	-	Loans
- Loans	Foreign exchange risk	716,841	-	-	-	Loans
- Government bonds	Foreign exchange risk	12,797	-	-	-	Securities at fair value through other comprehensive income
- Government bonds	Foreign exchange risk	113,806	-	-	-	Securities at amortized cost
- Other securities	Other risk	-	2,299	-	(218)	Liabilities from issued securities
Fair value hedges total		**1,127,962**	**171,070**	**(55,088)**	**(33,919)**	

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

As at 31 December 2021 is as follows:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2021		Amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item for the year ended 31 December 2021		Line item in the consolidated statement of financial position in which the hedged item is included
Fair value hedges		**Assets**	**Liabilities**	**Assets**	**Liabilities**	
- Loans	Interest rate risk	57,176	-	637	-	Loans
- Loans	Interest rate risk	-	142,649	-	(16,858)	Amounts due to banks, the National Governments, deposits from the National Banks and other banks
- Government bonds	Interest rate risk	13,921	-	1,230	-	Securities at amortized cost
- Government bonds	Interest rate risk	152,830	-	22,457	-	Securities at fair value through other comprehensive income
- Other bonds	Interest rate risk	42,008	-	318	-	Securities at fair value through other comprehensive income
- Loans	Foreign exchange & Interest rate risk	101,934	-	611	(1,114)	Loans
- Loans	Foreign exchange risk	458,312	-	-	-	Loans
- Government bonds	Foreign exchange risk	12,811	-	-	-	Securities at fair value through other comprehensive income
- Government bonds	Foreign exchange risk	98,668	-	-	-	Securities at amortized cost
- Other securities	Other risk	-	8,261	-	(161)	Liabilities from issued securities
Fair value hedges total		**937,660**	**150,910**	**25,253**	**(18,133)**	

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

Change in basis swap spread recognised in the consolidated other comprehensive income related fair value hedges as follows:

Type of risk	Carrying amount of the hedged item		Items recognized in the consolidated other comprehensive income for the year ended 31 December 2022	Change in the items recognized in other comprehensive income for the year ended 31 December 2022	Line item in the consolidated statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	716,841	-	(363)	605	Loans at amortised cost
FX risk	12,797	-	(52)	-	Securities at fair value through other comprehensive income
Total	**729,638**	**-**	**(415)**	**605**	

Type of risk	Carrying amount of the hedged item		Items recognised in the consolidated other comprehensive income for the year 2021	Change in the items recognized in other comprehensive income for the year 2021	Line item in the consolidated statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	458,312	-	(1,032)	(1,681)	Loans at amortised cost
FX risk	12,811	-	64	-	Securities at fair value through other comprehensive income
Total	**471,123**	**-**	**(968)**	**(1,681)**	

On Group level there weren’t any cash-flow hedges for the year ended as at 31 December 2022 and 2021.

Neither at the end of 31 December 2022 nor at the end of 31 December 2021 regarding net investment hedges for foreign subsidiaries there aren’t any disclosure requirements to be presented.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels

Methods and significant assumptions used to determine fair value of the different levels of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2022	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	**436,387**	**85,339**	**339,060**	**11,988**
Trading securities at fair value through profit or loss	*104,750*	*50,131*	*54,619*	-
Positive fair value of derivative financial assets held for trading	*276,482*	*214*	*276,268*	-
Non-trading instruments mandatorily at fair value through profit or loss [1]	*55,155*	*34,994*	*8,173*	*11,988*
Securities at fair value through other comprehensive income [2]	1,739,603	562,081	1,103,082	74,440
Loans mandatorily measured at fair value through profit or loss	1,247,414	-	-	1,247,414
Positive fair value of derivative financial assets designated as fair value hedge	48,247	-	48,247	-
Financial assets measured at fair value total	**3,471,651**	**647,420**	**1,490,389**	**1,333,842**
Financial liabilities designated at fair value through profit or loss	54,191	-	-	54,191
Negative fair value of held-for-trading derivative financial liabilities	385,747	1,886	383,211	650
Negative fair value of derivative financial liabilities designated as fair value hedge	27,949	-	27,949	-
Financial liabilities measured at fair value total	**467,887**	**1,886**	**411,160**	**54,841**

The portfolio in level 3 includes Visa C shares.
[2] The portfolio in level 3 includes HUF 26,571 million Ukrainian and HUF 27,415 million Russian government bonds.

The fair value of investment properties is presented in Note 14 and they are categorized in level 3.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

2021	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	**341,397**	**90,877**	**227,153**	**23,367**
Trading securities at fair value through profit or loss	*103,510*	*58,727*	*44,777*	*6*
Positive fair value of derivative financial assets held for trading	*184,484*	*171*	*174,143*	*10,170*
Non-trading instruments mandatorily at fair value through profit or loss [1]	*53,403*	*31,979*	*8,233*	*13,191*
Securities at fair value through other comprehensive income [2]	2,224,510	910,324	1,250,833	63,353
Loans mandatorily measured at fair value through profit or loss	1,068,111	281	-	1,067,830
Positive fair value of derivative financial assets designated as fair value hedge	18,757	-	18,757	-
Financial assets measured at fair value total	**3,652,775**	**1,001,482**	**1,496,743**	**1,154,550**
Financial liabilities designated at fair value through profit or loss	41,184	-	-	41,184
Negative fair value of held-for-trading derivative financial liabilities	202,716	278	202,438	-
Negative fair value of derivative financial liabilities designated as fair value hedge	11,228	-	11,228	-
Financial liabilities measured at fair value total	**255,128**	**278**	**213,666**	**41,184**

The portfolio in level 3 includes mainly Visa C shares.
[2] The portfolio in level 3 includes HUF 55,476 million Ukrainian government bonds.

The fair value of investment properties is presented in Note 14 and they are categorized in level 3.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

2022	Opening balance	Purchase (+)	Issuance /Disbursement (+)	Settlement / Close (-)	Sale (-)	FVA (+/-)	Transfer (+/-)	Fx effect / Revaluation	Other	Closing balance
Trading securities at fair value through profit or loss	6	-	-	-	-	-	-	-	(6)	-
Positive fair value of derivative financial assets held for trading	10,170	-	-	-	-	(10,170)	-	-	-	-
Non-trading securities mandatorily at fair value through profit or loss	13,191	-	1,171	-	-	(1,745)	-	482	(1,111)	**11,988**
Securities at fair value through other comprehensive income	63,353	981	-	-	(33,288)	15,310	19,678	(1,051)	9,457	**74,440**
Loans mandatorily measured at fair value through profit or loss [1]	1,067,830	-	258,658	(81,764)	(1,490)	3,885	-	(11)	306	**1,247,414**
Financial assets measured at fair value total	**1,154,550**	**981**	**259,829**	**(81,764)**	**(34,778)**	**7,280**	**19,678**	**(580)**	**8,646**	**1,333,842**
Financial liabilities designated at fair value through profit or loss	41,184	-	-	(1,624)	-	(1,934)	-	-	16,565	**54,191**
Negative fair value of held-for-trading derivative financial liabilities	-	-	-	-	-	650	-	-	-	**650**
Financial liabilities designated at fair value total	**41,184**	**-**	**-**	**(1,624)**	**-**	**(1,284)**	**-**	**-**	**16,565**	**54,841**

[1] HUF 13,346 million fair value adjustment resulting from risk factors and HUF (9,991) million adjustment resulting from market factors.are included into FVA change for the current year at loans mandatorily measured at fair value through profit or loss.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

Movements in Level 3 financial instruments measured at fair value [continued]

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

2021	Opening balance	Purchase (+)	Issuance /Disbursement (+)	Settlement / Close (-)	Sale (-)	FVA (+/-)	Transfer (+/-)	Fx effect / Revaluation	Other	Closing balance
Trading securities at fair value through profit or loss	12	-	-	-	-	-	-	-	(6)	**6**
Positive fair value of derivative financial assets held for trading	6,586	-	-	-	-	3,584	-	-	-	**10,170**
Non-trading securities mandatorily at fair value through profit or loss	15,433	-	390	-	(4,501)	640	(57)	256	1,030	**13,191**
Securities at fair value through other comprehensive income	56,906	81,795	-	(5,544)	(2,018)	(91)	(69,636)	1,813	128	**63,353**
Loans mandatorily measured at fair value through profit or loss [1]	798,981	-	333,931	(41,038)	-	(24,044)	-	-	-	**1,067,830**
Financial assets measured at fair value total	**877,918**	**81,795**	**334,321**	**(46,582)**	**(6,519)**	**(19,911)**	**(69,693)**	**2,069**	**1,152**	**1,154,550**
Financial liabilities designated at fair value through profit or loss	31,896	-	-	(9,685)	-	3,916	-	-	15,057	**41,184**
Financial liabilities designated fair value total	**31,896**	**-**	**-**	**(9,685)**	**-**	**3,916**	**-**	**-**	**15,057**	**41,184**

[1] FVA change for the previous period at loans mandatorily measured at fair value through profit or loss consists of HUF 16,289 million adjustment resulting from risk factors and HUF 7,755 million adjustment resulting from market factors.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

Valuation techniques on Level 2 instruments

The fair value of Level 2 instruments is calculated by discounting their expected interest and capital cash flows. Discounting is done with the respective swap curve of each currency.

Valuation techniques and sensitivity analysis on Level 3 instruments

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of the valuation techniques used, as well as the availability and reliability of observable proxy and historical date and the impact of using alternative models.
The calculation is based on a range or spread data of reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

Unobservable inputs used in measuring fair value

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates for unobservable input
VISA C shares	Market approach combined with expert judgement.	Illiquidity	+12% / (12%)
MFB refinancing loans	Discounted cash flow model	Probability of default	+/ (20)%
Subsidized personal loans	Discounted cash flow model	Probability of default	+/ (20)%
Subsidized personal loans	Discounted cash flow model	Operational costs	+/ (20)%
Subsidized personal loans	Discounted cash flow model	Demography	Change in the cash flow estimation +/(5)%
Ministry of Finance of Russia	Discounted cash flow model	Credit risk	+/ (15)%
Ministry of Finance of Ukraine	Discounted cash flow model	Credit risk	+/ (1)%

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

The effect of unobservable inputs on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 changing the assumptions used to reasonably possible alternative assumptions would have the following effects.

2022	Presentation in the Statement of Financial Position	Unobservable inputs	Book value	Fair values		Effect on profit and loss	
				Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Non-trading instruments mandatorily at fair value through profit or loss	Illiquidity	2,951	3,430	2,472	479	(479)
MFB refinancing loans	Financial liabilities designated at fair value through profit or loss	Probability of default	15,483	15,602	15,364	119	(119)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Probability of default	772,094	773,281	770,911	1,187	(1,183)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Operational costs	772,094	777,898	769,012	5,804	(3,082)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Demography	772,094	774,528	769,544	2,434	(2,550)
Russian government bonds	Trading securities at fair value through other comprehensive income	Credit risk	37,580	50,468	24,692	12,888	(12,888)
Ukrainian government bonds	Trading securities at fair value through other comprehensive income	Credit risk	26,571	26,571	26,571	-	-
Loans mandatorily at fair value through profit or loss	Loans mandatorily at fair value through profit or loss	Probability of default	454,164	454,383	453,945	219	(219)
Loans mandatorily at fair value through profit or loss	Loans mandatorily at fair value through profit or loss	Operational costs	454,164	459,950	448,558	5,786	(5,606)
Total			**3,307,195**	**3,336,111**	**3,281,069**	**28,916**	**(26,126)**

2021	Presentation in the Statement of Financial Position	Unobservable	Book value	Fair values		Effect on profit and loss	
				Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Non-trading instruments mandatorily at fair value through profit or loss	Illiquidity	5,891	6,704	5,078	813	(813)
MFB refinancing loans	Financial liabilities designated at fair value through profit or loss	Probability of default	19,095	19,218	18,972	123	(123)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Probability of default	635,416	639,006	631,855	3,590	(3,561)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Operational costs	635,416	647,291	623,933	11,875	(11,483)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Demography	635,416	635,484	635,387	68	(29)
Ukrainian government bonds	Trading securities at fair value through other comprehensive income	Credit risk	55,475	55,475	55,475	-	-
Loans mandatorily at fair value through profit or loss	Loans mandatorily at fair value through profit or loss	Probability of default	405,819	406,368	405,272	549	(547)
Loans mandatorily at fair value through profit or loss	Loans mandatorily at fair value through profit or loss	Operational costs	405,819	412,873	399,025	7,054	(6,794)
Total			**2,798,347**	**2,822,419**	**2,774,997**	**24,072**	**(23,350)**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

The effect of unobservable inputs on fair value measurement [continued]

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of Visa C shares have been calculated by modifying the discount rate used for the valuation by +/-12% as being the best estimates of the management as at 31 December 2022 and 31 December 2021 respectively.

In the case of Hungarian Development Bank ("MFB") refinancing loans and subsidised personal loans the Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of probability of default by +/- 20% as one of the most significant unobservable inputs.
In case of subsidised personal loans operational cost and factors related to demography are considered as unobservable inputs to the applied fair value calculation model in addition to credit risk.
The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of operational costs by +/- 20% as one of the most significant unobservable inputs.

In case of subsidised personal loans cash flow estimation are based on assumption related to the future number of childbirths performed by the debtors both in the current and the comparative period. According to the assumptions used in comparative period 15% of the debtors will not fulfill the conditions of the subsidy determined by the government after 5 years ("breach of conditions"), thereby debtors will be obliged to pay back the interest subsidy given in advance. Furthermore, in this case subsidised loans are converted to loans provided based on market conditions. Loans are prepaid by the government as part of the subsidy after the second and the third childbirth following the signatory of the loan contract. The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the demographical assumption of breach of conditions by +/- 5% as the most significant unobservable input in the cash flow estimation.

For the year ended 31 December 2022 the Bank used a new and more detailed model for cash flow calculations of the subsidised personal loans. The new model uses more scenarios compared to the previous one. These scenarios based on the above-mentioned events (child births after signatory and breach of conditions) and also the event of divorce. The model uses public statistical information for these events to estimate. The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the demographical assumption of future child births by +/-5% as one of the most significant unobservable inputs in the cash flow estimation.

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of FVOCI securities have been calculated by modifying the discount rate used for the valuation by +/-15% and +/-1% as being the best estimates of the management as at 31 December 2022 and 2021 respectively.

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn)

The Group distinguishes business and geographical segments. The report on the base of the business and geographical segments is reported below.

The reportable segments of the Group on the base of IFRS 8 are as the follows:
OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Merkantil Group, Asset Management subsidiaries, Other subsidiaries and Corporate Center.

OTP Core is an economic unit for measuring the result of core business activity of the Group in Hungary. Financials for OTP Core are calculated from the partially Consolidated Financial Statements of the companies engaged in the Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc, OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financial Point Ltd., and companies providing intragroup financing. The Bank Employee Stock Ownership Plan Organization was included from the fourth quarter of 2016; OTP Card Factory Ltd., OTP Facility Management Llc., Monicomp Ltd. and OTP Real Estate Lease Ltd. were included from the first quarter of 2017 (from the first quarter of 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc., OTP Ingatlanpont Llc. were included from the first quarter of 2019, OTP Ecosystem Ltd. (previous name: OTP eBIZ Ltd.) from the first quarter of 2020 and OTP Home Solutions Ltd. was included from the second quarter of 2021. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. The latter is a virtual entity.

Within the Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within the Group but outside OTP Core. Therefore, the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes arranged by OTP under its running EMTN program.

From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, OTP Real Estate Lease Ltd, OTP Fund Management Ltd, OTP Real Estate Investment Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

The results of foreign factoring companies (OTP Factoring Ukraine LLC, OTP Factoring SRL, OTP Factoring Bulgaria LLC, OTP Factoring Serbia d.o.o., and OTP Debt Collection d.o.o. (formerly known as: OTP Factoring Montenegro d.o.o.), as well as the foreign leasing companies are included into the relevant foreign bank's segment.

The Other subsidiaries include, among others: OTP Real Estate Ltd., OTP Life Annuity Ltd, OTP Funds Servicing and Consulting Ltd.

The reportable business and geographical segments of the Group are those components where:

- separated income and expenses, assets and liabilities can be identified and assignable to the segments,
- transactions between the different segments were eliminated,
- the main decisive board of the Group regularly controls the operating results,
- separated financial information is available.

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Adjustments

Goodwill / investment impairment and their tax shield effect:

According to the accounting standards the effect of the goodwill impairment of JSC "OTP Bank" (Russia) was HUF 67,714 million in the first quarter of 2022, which equals to the original RUB 9,395 million amount and the historic FX rate at the time of entry. However, due to the change in RUB exchange rate against HUF until the booking of the goodwill impairment, there was a revaluation gain of HUF 26,848 million booked directly against equity. Thus, the goodwill impairment's net impact on the shareholders' equity was HUF (40,866) million (before tax).
Furthermore, in the first quarter of 2022 investment impairment was booked in relation to the Russian, Ukrainian and Moldovan subsidiary banks. The impairments themselves are eliminated on consolidated level, therefore they do not have an effect for the consolidated profit or loss, but their positive tax shield is still recognized in the consolidated profit or loss (+HUF 11,400 million effect).
In the third quarter of 2022 HUF 1.8 billion corporate tax effect emerged in the wake of the impairment booked in relation to the revaluation of the subsidiary investment in OTP Mortgage Bank.
In the fourth quarter of 2022 HUF (4.8) billion corporate tax effect emerged due to the reversal of impairment booked mainly in relation to the revaluation of the investment in the Russian and Serbian subsidiaries.

As at 31 December 2021 HUF 39,546 million impairment was booked on the investment in OTP Bank Romania S.A. on which HUF 3,559 million positive tax effect was recognized, HUF 9,906 million impairment release was booked on OTP Banka Srbija a.d. on which HUF 892 million negative tax effect was recognized, 16,628 million impairment release was booked on Crnogorska komercjalna banka a.d. on which HUF 1,496 million negative tax effect was recognized, 8,463 million impairment was booked on Monicomp Ltd. on which HUF 763 million positive tax effect was recognized.

Special taxes on financial institutions (after income tax):

The after-tax effect of the special tax on financial institutions payable in Hungary since 2010 reached HUF 20.2 billion for full-year 2022, the whole amount was booked in the first quarter. Furthermore, for 2022 the after-tax burden of the windfall tax (announced by the Hungarian Government on 4 June and payable temporarily in 2022 and 2023) was HUF 67.9 billion, accounted for in a lump sum in the second quarter. Thirdly, the newly introduced special tax on certain companies in Croatia was booked in the fourth quarter of 2022 with an after-tax effect of HUF (3.2) billion.

Effect of acquisitions (after income tax):

The following main items appeared on this line in the period under review: the integration costs of the acquired banks and other direct effects related to the acquisitions (such as customer base value amortisation).

Moratorium one-off effect:

During the term of the moratorium OTP Bank accrues the unpaid interest in its statement of recognized income, amongst the revenues. At the same time, due to the fact that interest cannot be charged on the unpaid interest, and the unpaid interest will be repaid later, in the course of 2020, 2021 and 2022 altogether HUF 44.1 billion one-off after tax loss emerged in Hungary.

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Adjustments [continued]

Impairments on Russian government bonds at OTP Core and DSK Bank:

As at 31 December 2022 the face value of Russian government bonds held by OTP Bank and DSK Bank comprised HUF 135.7 billion.
During the first quarter those exposures were shifted into the Stage 3 category, and altogether HUF 38.3 billion impairments were recognized in the course of 2022 (mainly in the first quarter) in relation to those exposures, resulting in an after-tax negative effect of HUF 34.8 billion.
Also, the fair value of those exposures that are measured at fair value was reduced through a negative fair value adjustment recognized within the comprehensive income statement. As a combined effect of the above two factors, the net book value of these Russian bonds held by OTP Bank in Hungary and DSK Bank in Bulgaria stood at HUF 62 billion.

Effect of the liquidation of Sberbank Hungary:

The liquidation of Sberbank Hungary resulted in an after-tax effect of HUF (10.4) billion. In the second quarter the Hungarian Group members were obliged to pay HUF 28.5 billion extraordinary contribution to the National Deposit Insurance Fund. At the same time this amount was offset by the expected recovery from the already completed sale of Sberbank's assets.

Interest rate cap Hungary:

For the period between 1 January and 30 June 2022 the Hungarian Government introduced an interest rate cap for variable-rate retail mortgage loans, and for housing purposes financial leasing contracts, too. Pursuant to Government Decree, the Government extended the interest rate cap by an additional 6 months, that is until 31 December 2022. The expected one-off effect of the extension of the interest rate cap amounted to HUF (10.1) billion (after tax) and was booked in the second quarter of 2022. On 22 October 2022 the Government announced that starting from 15 November until 30 June 2023, the reference rate of certain MSE loans will also be capped and the provisions shall be applied to HUF denominated, non-subsidized, floating rate loans to micro and small enterprises and financial lease contracts, excluding overdraft loan agreements. The expected negative after tax effect of the measures taken in October 2022 amounted to HUF 26.4 billion and was accounted for in the fourth quarter of 2022 in one sum.

Explanation to the segments in the following table below:

3; 4; 6: The segments distinguished by geographical basis contain banks in that country and sometimes other financial institutions (like leasing or factoring companies) or other companies. The incomes mainly arises from providing financial services like: collecting deposits, granting loans, leasing and treasury activities, payment and investment services and other financial services.
7: Merkantil Group conducts leasing activities in Hungary, originates its income from providing leasing services (financing cars and production equipment).
8: Incomes arising in this segment is mainly fee income of fund management companies in Hungary, Bulgaria, Romania, Ukraine based on capital in investment funds or assets in funds.
9: The activities of other Hungarian and foreign subsidiaries are very divergent, so their income also originates from different sources. The main part of the income in the Other subsidiaries segment comes from the activities of OTP Funds Servicing and Consulting, OTP Real Estate, OTP Real Estate Fund Management and PortfoLion Funds.
10: Net interest income of Corporate Centre includes interest expense on liabilities and interest income on assets allocated into this segment.

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below:

As at 31 December 2022

Main components of the consolidated statement of profit or loss in HUF million	**OTP Group - in the consolidated statement of profit or loss - structure of accounting reports** **a**	Adjustments on the accounting in Recognized Income b	**OTP Group - in the consolidated statement of profit or loss - structure of management reports** **1=a+b**
Profit after income tax for the year from continued and discontinued operations	**347,081**		**347,081**
Profit after income tax for the year from discontinued operations	**11,444**		**11,444**
Profit after income tax for the year from continued operations	**335,637**		**335,637**
Adjustments (total)		**(245,468)**	**(245,468)**
Dividends and net cash transfers (after income tax)		1,927	1,927
Goodwill /investment impairment (after income tax)		(59,254)	(59,254)
Special tax on financial institutions (after income tax)		(91,353)	(91,353)
Effect of acquisition (after income tax)		(15,594)	(15,594)
Expected one-off negative effect of the debt repayment moratorium in Hungary (after income tax)		(2,473)	(2,473)
Result of the treasury share swap agreement at OTP Core (after income tax)		3,028	3,028
Loss allowance on Russian government bonds at OTP Core and DSK Bank (after income tax)		(34,775)	(34,775)
Effect of the winding up of Sberbank Hungary (after income tax)		(10,389)	(10,389)
Expected one-off effect of the extension of the interest rate cap for certain retail loans in Hungary (after income tax)		(36,585)	(36,585)

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2022 [continued]

Main components of the consolidated statement of profit or loss in HUF million	**OTP Group - in the consolidated statement of profit or loss - structure of accounting reports**	Adjustments on the accounting in Recognized Income	**OTP Group - in the consolidated statement of profit or loss - structure of management reports**	Hungarian segment and other foreign subsidiaries not reported in "Foreign bank segment" subtotal (without adjustments)	Foreign banks in EU subtotal (without adjustments)	Foreign banks not in EU subtotal (without adjustments)	Eliminations and adjustments
	a	b	**1=a+b; 1=2+3+4+5**	2	3	4	5
Consolidated adjusted profit after income tax for the year	**335,637**	**256,911**	**592,548**	**304,293**	**189,617**	**92,869**	**5,769**
Profit before income tax	**394,888**	**295,134**	**690,022**	**353,561**	**217,950**	**110,918**	**7,593**
Adjusted operating profit	**734,658**	**138,957**	**873,615**	**361,426**	**232,797**	**278,563**	**829**
Adjusted total income	**1,709,806**	**(48,107)**	**1,661,699**	**759,142**	**446,844**	**470,700**	**(14,987)**
Adjusted net interest income	1,091,314	2,265	1,093,579	448,001	303,256	341,577	745
Adjusted net profit					-	-	
from fees and commissions	600,360	(203,242)	397,118	207,941	113,606	78,675	(3,104)
Adjusted other net non-interest income	18,132	152,870	171,002	103,200	29,982	50,448	(12,628)
Adjusted other administrative expenses	**(975,148)**	**187,064**	**(788,084)**	**(397,716)**	**(214,047)**	**(192,137)**	**15,816**
Personnel expenses	(402,563)	6,259	(396,304)	(179,651)	(108,850)	(108,716)	913
Depreciation and amortization	(107,588)	22,925	(84,663)	(46,891)	(18,928)	(18,482)	(362)
Other general expenses	(464,997)	157,880	(307,117)	(171,174)	(86,269)	(64,939)	15,265
Gains from derecognition of							
financial assets at amortized cost	**(1,655)**	**-**	**(1,655)**	**(7,342)**	**1,746**	**3,933**	**8**
Modification loss	**(39,997)**	**40,822**	**825**	**-**	**20**	**805**	**-**
Total risk costs	**(298,118)**	**115,355**	**(182,763)**	**(523)**	**(16,613)**	**(172,383)**	**6,756**
Adjusted loss allowance on							
financial assets and liabilities							
(without the effect of revaluation of FX)	(210,458)	70,929	(139,529)	34,015	(9,672)	(163,792)	(80)
Goodwill impairment	(67,715)	67,715	-	-	-	-	-
Other impairment (adjustment)	(19,945)	(23,289)	(43,234)	(34,538)	(6,941)	(8,591)	6,836
from this: Adjusted impairment under IAS 36	(4,185)	888	(3,297)	(1,356)	(774)	(1,166)	(1)
Income tax	**(59,251)**	**(38,223)**	**(97,474)**	**(49,268)**	**(28,333)**	**(18,049)**	**(1,824)**
				-	-	-	
Total Assets	**32,804,210**	**-**	**32,804,210**	**21,275,751**	**12,650,295**	**6,452,844**	**(7,574,680)**
Total Liabilities	**29,481,898**	**-**	**29,481,898**	**17,337,096**	**11,104,567**	**5,452,540**	**(4,412,305)**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2022 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	**Hungarian segment and other foreign subsidiaries not reported in "Foreign bank segment" subtotal (without adjustments)**	OTP CORE (Hungary)	Merkantil Group (Hungary)	Asset Management subsidiaries	Other subsidiaries	Corporate Centre
	2=6+…+10	6	7	8	9	10
Consolidated adjusted profit after income tax for the year	**304,293**	**253,230**	**10,971**	**9,619**	**27,505**	**2,968**
Profit before income tax	**353,561**	**296,670**	**12,616**	**10,870**	**29,982**	**3,423**
Adjusted operating profit	**361,426**	**299,378**	**13,945**	**10,955**	**33,725**	**3,423**
Adjusted total income	**759,142**	**642,591**	**24,780**	**15,799**	**70,921**	**5,051**
Adjusted net interest income	448,001	412,611	22,537	32	7,770	5,051
Adjusted net profit from fees and commissions	207,941	176,830	921	15,242	14,948	-
Adjusted other net non-interest income	103,200	53,150	1,322	525	48,203	-
Adjusted other administrative expenses	**(397,716)**	**(343,213)**	**(10,835)**	**(4,844)**	**(37,196)**	**(1,628)**
Personnel expenses	(179,651)	(157,512)	(5,371)	(2,905)	(13,752)	(111)
Depreciation and amortization	(46,891)	(40,536)	(1,462)	(251)	(4,640)	(2)
Other general expenses	(171,174)	(145,165)	(4,002)	(1,688)	(18,804)	(1,515)
Gains from derecognition of financial assets at amortized cost	**(7,342)**	**(7,198)**	**(144)**	-	-	-
Modification loss	-	-	-	-	-	-
Total risk costs	**(523)**	**4,490**	**(1,185)**	**(85)**	**(3,743)**	-
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	34,015	34,925	(939)	-	29	-
Goodwill impairment	-	-	-	-	-	-
Other impairment (adjustment)	(34,538)	(30,435)	(246)	(85)	(3,772)	-
from this: Adjusted impairment under IAS 36	(1,356)	(58)	(18)	14	(1,294)	-
Income tax	**(49,268)**	**(43,440)**	**(1,645)**	**(1,251)**	**(2,477)**	**(455)**
Total Assets	**21,275,751**	**15,758,292**	**948,735**	**29,916**	**690,628**	**3,848,180**
Total Liabilities	**17,337,096**	**13,742,272**	**891,144**	**11,180**	**293,169**	**2,399,331**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2022 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	Foreign banks in EU subtotal (without adjustments) 3=11+…+14	DSK Bank AD (Bulgaria) 11	OTP banka d.d. (Croatia) 12	SKB Banka d.d. (Slovenia) 13	OTP Bank Romania S.A. (Romania) 14
Consolidated adjusted profit after income tax for the year	**189,617**	**119,884**	**42,801**	**23,859**	**3,073**
Profit before income tax	**217,950**	**132,564**	**52,095**	**29,569**	**3,722**
Adjusted operating profit	**232,797**	**142,393**	**48,973**	**24,046**	**17,385**
Adjusted total income	**446,844**	**230,844**	**102,001**	**51,403**	**62,596**
Adjusted net interest income	303,256	145,461	70,547	33,688	53,560
Adjusted net profit from fees and commissions	113,606	68,755	24,692	15,416	4,743
Adjusted other net non-interest income	29,982	16,628	6,762	2,299	4,293
Adjusted other administrative expenses	**(214,047)**	**(88,451)**	**(53,028)**	**(27,357)**	**(45,211)**
Personnel expenses	(108,850)	(41,946)	(27,020)	(15,278)	(24,606)
Depreciation and amortization	(18,928)	(7,831)	(4,845)	(1,671)	(4,581)
Other general expenses	(86,269)	(38,674)	(21,163)	(10,408)	(16,024)
Gains from derecognition of financial assets at amortized cost	**1,746**	**1,249**	**578**	**-**	**(81)**
Modification loss	**20**	**-**	**-**	**20**	**-**
Total risk costs	**(16,613)**	**(11,078)**	**2,544**	**5,503**	**(13,582)**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(9,672)	(12,251)	6,564	7,028	(11,013)
Goodwill impairment		-	-	-	-
Other impairment (adjustment)	(6,941)	1,173	(4,020)	(1,525)	(2,569)
from this: Adjusted impairment under IAS 36	(774)	(367)	122	(53)	(476)
Income tax	**(28,333)**	**(12,680)**	**(9,294)**	**(5,710)**	**(649)**
Total Assets	**12,650,295**	**5,946,815**	**3,224,955**	**1,790,944**	**1,687,581**
Total Liabilities	**11,104,567**	**5,167,720**	**2,834,372**	**1,596,100**	**1,506,375**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2022 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	**Foreign banks not in EU subtotal (without adjustments) 4=15+…+20**	OTP banka Srbija a.d. (Serbia) 15	OTP Bank JSC (Ukraine) 16	JSC "OTP Bank" (Russia) and Touch Bank 17	Crnogorska komercijalna banka a.d. (Montenegro) 18	Banka OTP Albania SHA (Albania) 19	OTP Bank S.A. (Moldova) 20
Consolidated adjusted profit after income tax for the year	**92,869**	**36,873**	**(15,923)**	**42,548**	**9,792**	**10,174**	**9,405**
Profit before income tax	**110,918**	**42,991**	**(13,205)**	**46,180**	**11,976**	**12,187**	**10,789**
Adjusted operating profit	**278,563**	**58,543**	**79,862**	**98,137**	**15,134**	**9,335**	**17,552**
Adjusted total income	**470,700**	**104,523**	**110,805**	**178,494**	**28,816**	**20,232**	**27,830**
Adjusted net interest income	341,577	76,635	90,007	118,004	20,832	16,927	19,172
Adjusted net profit from fees and commissions	78,675	17,954	12,673	35,251	7,106	3,067	2,624
Adjusted other net non-interest income	50,448	9,934	8,125	25,239	878	238	6,034
Adjusted other administrative expenses	**(192,137)**	**(45,980)**	**(30,943)**	**(80,357)**	**(13,682)**	**(10,897)**	**(10,278)**
Personnel expenses	(108,716)	(23,342)	(18,170)	(50,404)	(6,529)	(4,318)	(5,953)
Depreciation and amortization	(18,482)	(3,342)	(2,570)	(8,712)	(1,711)	(1,023)	(1,124)
Other general expenses	(64,939)	(19,296)	(10,203)	(21,241)	(5,442)	(5,556)	(3,201)
Gains from derecognition of financial assets at amortized cost	**3,933**	**1,300**	**286**	**3,284**	**(80)**	**(671)**	**(186)**
Modification loss	**805**	**2,062**	**(1,245)**	**-**	**(12)**	**-**	**-**
Total risk costs	**(172,383)**	**(18,914)**	**(92,108)**	**(55,241)**	**(3,066)**	**3,523**	**(6,577)**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(163,792)	(17,783)	(89,877)	(54,330)	731	3,176	(5,709)
Goodwill impairment	-	-	-	-	-	-	-
Other impairment (adjustment)	(8,591)	(1,131)	(2,231)	(911)	(3,797)	347	(868)
from this: Adjusted impairment under IAS 36	(1,166)	(151)	(33)	(263)	(677)	-	(42)
Income tax	**(18,049)**	**(6,118)**	**(2,718)**	**(3,632)**	**(2,184)**	**(2,013)**	**(1,384)**
Total Assets	**6,452,844**	**2,708,993**	**1,048,713**	**1,029,721**	**664,395**	**635,364**	**365,658**
Total Liabilities	**5,452,540**	**2,350,873**	**926,221**	**723,417**	**565,264**	**574,537**	**312,228**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2021

Main components of the consolidated statement of profit or loss in HUF million	**OTP Group - in the consolidated statement of profit or loss - structure of accounting reports** **a**	Adjustments on the accounting in Recognized Income b	**OTP Group - in the consolidated statement of profit or loss - structure of management reports** **1=a+b**
Profit after income tax for the year from continued and discontinued operations	**456,428**		**456,428**
Profit after income tax for the year from discontinued operations	**116**		**116**
Profit after income tax for the year from continued operations	**456,312**		**456,312**
Adjustments (total)		**(40,475)**	**(40,475)**
Dividends and net cash transfers (after income tax)		729	729
Goodwill /investment impairment (after income tax)		1,909	1,909
Bank tax on financial institutions (after income tax)		(18,893)	(18,893)
Effect of acquisition (after income tax)		(15,506)	(15,506)
Expected one-off negative effect of the debt re-payment moratorium in Hungary (after income tax)		(15,040)	(15,040)
Result of the treasury share swap agreement at OTP Core (after income tax)		6,326	6,326

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2021 [continued]

Main components of the consolidated statement of profit or loss in HUF million	OTP Group - in the consolidated statement of profit or loss - structure of accounting reports	Adjustments on the accounting in Recognized Income	OTP Group - in the consolidated statement of profit or loss - structure of management reports	Hungarian segment and other foreign subsidiaries not reported in "Foreign bank segment" subtotal (without adjustments)	Foreign banks in EU subtotal (without adjustments)	Foreign banks not in EU subtotal (without adjustments)	Eliminations and adjustments
	a	b	1=a+b; 1=2+3+4+5	2	3	4	5
Consolidated adjusted profit after income tax for the year	**456,312**	**44,071**	**500,383**	**240,838**	**131,309**	**124,272**	**3,964**
Profit before income tax	**528,435**	**62,899**	**591,334**	**284,803**	**152,663**	**148,419**	**5,449**
Adjusted operating profit	**597,770**	**61,589**	**659,359**	**299,431**	**178,192**	**183,171**	**(1,435)**
Adjusted total income	**1,345,382**	**(33,290)**	**1,312,092**	**632,013**	**356,257**	**335,934**	**(12,112)**
Adjusted net interest income	874,310	9,702	884,012	392,588	237,745	252,782	897
Adjusted net profit from fees and commissions	442,174	(116,626)	325,548	177,034	90,092	63,699	(5,277)
Adjusted other net non-interest income	28,898	73,634	102,532	62,391	28,420	19,453	(7,732)
Adjusted other administrative expenses	**(747,612)**	**94,879**	**(652,733)**	**(332,582)**	**(178,065)**	**(152,763)**	**10,677**
Personnel expenses	(340,684)	483	(340,201)	(163,957)	(91,350)	(85,606)	712
Depreciation and amortization	(94,996)	22,180	(72,816)	(42,088)	(16,383)	(13,966)	(379)
Other general expenses	(311,932)	72,216	(239,716)	(126,537)	(70,332)	(53,191)	10,344
Gains from derecognition of financial assets at amortized cost	**1,885**	**(1)**	**1,884**	**(1,791)**	**1,814**	**1,862**	**(1)**
Modification loss	**(13,672)**	**10,131**	**(3,541)**	**(3,397)**	**(14)**	**(130)**	**-**
Total risk costs	**(57,548)**	**(8,820)**	**(66,368)**	**(9,440)**	**(27,329)**	**(36,484)**	**6,885**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(47,645)	7,809	(39,836)	2,010	(23,973)	(21,918)	4,045
Other impairment (adjustment)	(9,903)	(16,629)	(26,532)	(11,450)	(3,356)	(14,566)	2,840
from this: adjusted impairment under IAS 36	(9,903)	437	(9,466)	(6,190)	(3,001)	(274)	(1)
Income tax	**(72,123)**	**(18,828)**	**(90,951)**	**(43,965)**	**(21,354)**	**(24,147)**	**(1,485)**
Total Assets [1]	**27,551,338**	**-**	**27,551,338**	**18,637,440**	**10,075,267**	**5,183,118**	**(6,344,487)**
Total Liabilities	**24,516,618**	**-**	**24,516,618**	**14,861,117**	**8,680,440**	**4,316,145**	**(3,341,084)**

[1] Relating to the discontinued operations the assets were HUF 2,046 million.

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2021 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	**Hungarian segment and other foreign subsidiaries not reported in "Foreign bank segment" subtotal (without adjustments) 2=6+…+10**	OTP CORE (Hungary) 6	Merkantil Group (Hungary) 7	Asset Management subsidiaries 8	Other subsidiaries 9	Corporate Centre 10
Consolidated adjusted profit after income tax for the year	**240,838**	**213,378**	**7,998**	**6,321**	**10,254**	**2,887**
Profit before income tax	**284,803**	**253,972**	**8,916**	**7,138**	**11,777**	**3,000**
Adjusted operating profit	**299,431**	**256,151**	**11,961**	**7,141**	**23,938**	**240**
Adjusted total income	**632,013**	**545,185**	**23,291**	**11,064**	**51,213**	**1,260**
Adjusted net interest income	392,588	369,309	20,680	4	1,335	1,260
Adjusted net profit from fees and commissions	177,034	150,578	116	10,786	15,554	-
Adjusted other net non-interest income	62,391	25,298	2,495	274	34,324	-
Adjusted other administrative expenses	**(332,582)**	**(289,034)**	**(11,330)**	**(3,923)**	**(27,275)**	**(1,020)**
Personnel expenses	(163,957)	(143,234)	(4,654)	(2,443)	(13,531)	(95)
Depreciation and amortization	(42,088)	(36,926)	(1,428)	(231)	(3,501)	(2)
Other general expenses	(126,537)	(108,874)	(5,248)	(1,249)	(10,243)	(923)
Gains from derecognition of financial assets at amortized cost	**(1,791)**	**(1,598)**	**(193)**	**-**	**-**	**-**
Modification loss	**(3,397)**	**(3,397)**	**-**	**-**	**-**	**-**
Total risk costs	**(9,440)**	**2,816**	**(2,852)**	**(3)**	**(12,161)**	**2,760**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	2,010	4,910	(2,900)	-	-	-
Other impairment (adjustment)	(11,450)	(2,094)	48	(3)	(12,161)	2,760
from this: adjusted impairment under IAS 36	(6,190)	70	179	(14)	(6,425)	-
Income tax	**(43,965)**	**(40,594)**	**(918)**	**(817)**	**(1,523)**	**(113)**
Total Assets	**18,637,440**	**14,205,354**	**782,222**	**27,753**	**512,742**	**3,109,369**
Total Liabilities	**14,861,117**	**12,195,467**	**722,976**	**12,610**	**236,701**	**1,693,363**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2021 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	**Foreign banks in EU subtotal (without adjustments) 3=11+…+14**	DSK Bank AD (Bulgaria) 11	OTP banka d.d. (Croatia) 12	SKB Banka d.d. (Slovenia) 13	OTP Bank Romania S.A. (Romania) 14
Consolidated adjusted profit after income tax for the year	**131,309**	**76,789**	**33,446**	**16,822**	**4,252**
Profit before income tax	**152,663**	**85,243**	**41,064**	**20,660**	**5,696**
Adjusted operating profit	**178,192**	**106,240**	**43,421**	**19,595**	**8,936**
Adjusted total income	**356,257**	**178,470**	**88,735**	**42,354**	**46,698**
Adjusted net interest income	237,745	112,869	60,933	27,673	36,270
Adjusted net profit from fees and commissions	90,092	54,508	18,183	13,258	4,143
Adjusted other net non-interest income	28,420	11,093	9,619	1,423	6,285
Adjusted other administrative expenses	**(178,065)**	**(72,230)**	**(45,314)**	**(22,759)**	**(37,762)**
Personnel expenses	(91,350)	(34,284)	(23,111)	(13,015)	(20,940)
Depreciation and amortization	(16,383)	(7,160)	(4,392)	(1,350)	(3,481)
Other general expenses	(70,332)	(30,786)	(17,811)	(8,394)	(13,341)
Gains from derecognition of financial assets at amortized cost	**1,814**	**1,893**	**1,449**	**-**	**(1,528)**
Modification loss	**(14)**	**-**	**-**	**(14)**	**-**
Total risk costs	**(27,329)**	**(22,890)**	**(3,806)**	**1,079**	**(1,712)**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(23,973)	(20,831)	318	1,833	(5,293)
Other impairment (adjustment)	(3,356)	(2,059)	(4,124)	(754)	3,581
from this: adjusted impairment under IAS 36	(3,001)	(2,401)	(135)	-	(465)
Income tax	**(21,354)**	**(8,454)**	**(7,618)**	**(3,838)**	**(1,444)**
Total Assets	**10,075,267**	**4,627,132**	**2,576,445**	**1,433,206**	**1,438,484**
Total Liabilities	**8,680,440**	**3,927,757**	**2,225,422**	**1,253,691**	**1,273,570**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2021 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	Foreign banks not in EU subtotal (without adjustments) 4=15+…+20	OTP banka Srbija a.d. (Serbia) 15	OTP Bank JSC (Ukraine) 16	JSC "OTP Bank" (Russia) and Touch Bank 17	Crnogorska komercijalna banka a.d. (Montenegro) 18	Banka OTP Albania SHA (Albania) 19	OTP Bank S.A. (Moldova) 20
Consolidated adjusted profit after income tax for the year	**124,272**	**32,104**	**39,025**	**37,624**	**4,139**	**5,521**	**5,859**
Profit before income tax	**148,419**	**35,714**	**47,267**	**47,314**	**4,956**	**6,507**	**6,661**
Adjusted operating profit	**183,171**	**40,754**	**54,761**	**62,368**	**10,240**	**7,212**	**7,836**
Adjusted total income	**335,934**	**83,493**	**83,567**	**118,158**	**22,046**	**13,398**	**15,272**
Adjusted net interest income	252,782	62,497	62,051	91,364	16,553	10,619	9,698
Adjusted net profit from fees and commissions	63,699	14,410	14,494	25,728	4,880	1,843	2,344
Adjusted other net non-interest income	19,453	6,586	7,022	1,066	613	936	3,230
Adjusted other administrative expenses	**(152,763)**	**(42,739)**	**(28,806)**	**(55,790)**	**(11,806)**	**(6,186)**	**(7,436)**
Personnel expenses	(85,606)	(22,569)	(16,580)	(33,773)	(5,805)	(2,794)	(4,085)
Depreciation and amortization	(13,966)	(2,820)	(2,131)	(6,263)	(1,461)	(559)	(732)
Other general expenses	(53,191)	(17,350)	(10,095)	(15,754)	(4,540)	(2,833)	(2,619)
Gains from derecognition of financial assets at amortized cost	**1,862**	**554**	**916**	**467**	**(31)**	**(33)**	**(11)**
Modification loss	**(130)**	**-**	**(130)**	**-**	**-**	**-**	**-**
Total risk costs	**(36,484)**	**(5,594)**	**(8,280)**	**(15,521)**	**(5,253)**	**(672)**	**(1,164)**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(21,918)	(941)	(6,613)	(13,542)	677	(847)	(652)
Other impairment (adjustment)	(14,566)	(4,653)	(1,667)	(1,979)	(5,930)	175	(512)
from this: adjusted impairment under IAS 36	(274)	(245)	(3)	24	(51)	1	-
Income tax	**(24,147)**	**(3,610)**	**(8,242)**	**(9,690)**	**(817)**	**(986)**	**(802)**
Total Assets	**5,183,118**	**2,224,715**	**983,557**	**799,965**	**513,522**	**350,848**	**310,511**
Total Liabilities	**4,316,145**	**1,918,085**	**823,801**	**559,241**	**431,495**	**315,713**	**267,810**

( ) used at: provisions, impairment and expenses

NOTE 50: ASSET CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (in HUF mn)

Discontinued operation

The Serbian Pevec d.o.o. Beograd company as the investment of OTP Factoring Ltd. was classified as asset held-for-sale by the Group as at 31 December, 2021. This investment was not revalued in the Consolidated Financial Statements. Classification as asset held-for-sale was needed due to the purchase agreement had been concluded already in 2021 for the real estates in the ownership of Pevec. In the first half year of 2022, the purchase price was paid out and the transfer of ownership happened. The purchase price of the sold real estate was EUR 9,918,995. the estimated value of those real estates which weren't sold was defined in the amount of EUR 300,000 by a value assessment in January 2021. These assets which were classified as held-for-sale in the amount of HUF 2,046 million at the end of 31 December 2021 were eliminated during the first half year of 2022 from these Consolidated Financial Statements.

Asset classified as held-for-sale

On 2 November 2022, the Group sold its share in the associated company Szállás.hu Zrt. to the Polish Wirtualna Polska Media S.A. The whole company was sold for EUR 83 million. The Group's gain recognized in the year under review related to the transaction was HUF 10,458 million, which is presented in the Other income.

NOTE 51: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2022

1) Term Note Program

See details in Note 21.

2) Purchase of the majority stake in the Uzbek Ipoteka Bank

On 12 December 2022 OTP Bank signed a purchase and sale contract for the purchase of the majority stake of Ipoteka Bank and its subsidiaries with the Ministry of Finance of the Republic of Uzbekistan. OTP Bank will purchase 100% of the shares held by the Ministry of Finance of the Republic of Uzbekistan (nearly 97% total shareholding) in two steps: 75% of the shares now and the remaining 25% three years after the financial closing of the first transaction. Ipoteka Bank is the fifth largest bank in Uzbekistan, with a market share of 8.5% based on total assets on 1 October 2022, with more than 1.6 million retail customers and a significant corporate clientele.
The financial closure of the first transaction is expected in the second quarter of 2023 subject to obtaining all the necessary regulatory approvals.

3) Joint venture company in China

On 2 June 2022 OTP Bank Plc executed transaction agreements with its partners to establish a consumer finance joint venture company as a greenfield investment in China, with a 15% shareholding.

4) Special taxes on financial institutions

Pursuant to Government Decree No. 197/2022 published on 4 June 2022, the Hungarian Government decided to impose a windfall tax on credit institutions and financial enterprises temporarily, that is for 2022 and 2023.
As for 2022, the base of the windfall tax is the net revenues based on the 2021 financial statements, calculated according to local tax law, whereas the tax rate is 10%.
The after-tax effect of the special tax on financial institutions payable in Hungary since 2010 reached HUF 20.2 billion for full-year 2022, the whole amount was booked in the first quarter. Furthermore, for 2022 the after-tax burden of the windfall tax was HUF 67.9 billion, accounted for in a lump sum in the second quarter. Thirdly, the newly introduced special tax on certain companies in Croatia was booked in the fourth quarter of 2022 with an after-tax effect of HUF (3.2) billion.

5) Maturity of OTP MOL Swap

The amended final maturity of the share swap agreement concluded with MOL Plc ("MOL") on 16 April 2009 – whereby OTP has exchanged 24.000.000 OTP ordinary shares for 5.010.501 (from 28 September 2017 for 40.084.008) „A" series MOL ordinary shares – is 11 July 2027, until which each party can initiate cash or physical settlement of the transaction.

6) Prolongation of deadline of loan moratorium and interest rate cap

See details in Note 4.

7) Interest benchmark reform

The Group was actively involved in industry efforts supporting transition to IBOR alternatives. The Group has taken extensive steps to prepare for the discontinuation of IBORs and worked closely with clients to ensure awareness and support transition activities. As the transition is complex, time-consuming process and relevant for the whole Group, the management of Group has evaluated the impacts of the interest rate benchmarks reform, preparing itself for the transition through a dedicated internal group-wide project. As LIBOR's five currencies (USD, GBP, EUR, JPY and CHF) and EONIA will be replaced by Risk Free Rates – which are different in nature compared to IBOR rates – OTP Group has implemented the relevant rates into the IT systems and reached out the clients. The Group's priority was to ensure that the Group can continue to offer clients the products and services they need, while also supporting them in the transition to the new alternative Risk-Free Rates.

NOTE 51: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2022 [continued]

7) Interest benchmark reform [continued]

During the IBOR reform the Group identified several risks at the beginning of 2021, which the project had to manage and monitor closely. These risks include but are not limited to the following:

- The abolution of LIBOR affected several transactions that may require automated IT solutions,
- The new reference rates are different in nature from LIBOR that cause difficulties to settle the value differences with the customers,
- It was necessary to implement new processes not to develop LIBOR based products, and to develop a strategy for removing or modifying the affected products handled by the Group,
- After the termination of LIBOR, the Group has to act under the "Fallback clauses", the clauses that regulate the replacement of the reference interest rates in the contract and the use of an alternative interest as a reference. The content of these clauses needs to be clearly defined and checked from a business point of view, ie which reference interest rate will be applied instead of LIBOR for the given contract and whether it is commercially appropriate. In defining the fallback clauses, efforts had to be made to provide a viable alternative to the termination of LIBOR that would not result in a business loss for the Group.
- Legal risks related to the termination of LIBOR. Such risks can arise when Fallback clauses are not included in the contracts, or the law governing the contract doesn't contain a statutory reference rate. In these cases, the contracts can be cancelled due to impossibility or the termination by either party.
- Missing of contractual interest rates can result in settlement disputes, compensation cases or litigation.
- Business risks of the termination of LIBOR. The most significant of these are:
  - the law governing the contract can set the applicable interest rate that can be result in a business loss for the Group,
  - business loss due to negative customer experience,
  - operational risk, when several unique contracts must be handled in a short time.

Terminating interest rates	Alternative Reference Rates
LIBOR USD[1] (1 week and 2 months settings), FedFund Rate	SOFR
LIBOR GBP	SONIA
LIBOR JPY	TONA
LIBOR EUR	EURIBOR
LIBOR CHF[2]	SARON
EONIA	€STR

[1] The following USD LIBOR settings will be terminated after June 30, 2023: overnight and 1, 3, 6 and 12 Months. The affected USD LIBOR contracts will be handled on an ongoing basis until the remaining USD LIBOR settings' cessation date.
[2] In the case of CHF LIBOR, OTP Bank acts in accordance with the implementing regulation of the European Commission (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI_COM:C(2021)7488&from=EN).

Amounts effected by IBOR reform as at 31 December 2022

Reference rate	Type of the contract	Nominal value of the contract	Pieces of contracts
USD LIBOR	Loan	139,883	2,299
USD LIBOR	Deposit	27,697	43
USD LIBOR	Derivatives	451,042	113
Other LIBOR	Loan	16,065	1,293
Other LIBOR	Derivatives	25,593	4
Other LIBOR	Bonds (assets)	5,319	1
Total		**665,599**	**3,753**

The above LIBOR-based amounts outstanding as at 31 December 2022 will be managed at the next first interest period therefore they do not cause a risk to the Group or to the customers.

NOTE 51: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2022 [continued]

8) Risk relating to the Russian-Ukrainian armed conflict

On 24 February 2022 Russia launched a military operation against Ukraine which is still ongoing at the date of this Report. Until now many countries, as well as the European Union imposed sanctions due to the armed conflict on Russia and Russian businesses and citizens. Russia responded to these sanctions with similar measures.

The armed conflict and the international sanctions influence the business and economic activities significantly all around the world. There are a number of factors associated with the Russian-Ukrainian armed conflict and the international sanctions as well as their impact on global economies that could have a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions such as the OTP Group.

The armed conflict and the international sanctions cause significant economic damage to the affected parties and in addition they cause disruptions in the global economic processes, of which the precise consequences (inter alia the effects on energy and grain markets, the global transport routes and international trade as well as tourism) are difficult to be estimated at the moment.

It remains unclear how this will evolve through 2022 and the OTP Group continues to monitor the situation closely. However, the OTP Group's ability to conduct business may be adversely affected by disruptions to its infrastructure, business processes and technology services. This may cause significant customer detriment, costs to reimburse losses incurred by the OTP Group’s customers, and reputational damage.

Furthermore, the OTP Group relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing and assessing capital adequacy. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and as such assumptions may later potentially prove to be incorrect, this can affect the accuracy of their outputs. This may be exacerbated when dealing with unprecedented scenarios, such as the Russian-Ukrainian armed conflict and the international sanctions, due to the lack of reliable historical reference points and data.

Any and all such events mentioned above could have a material adverse effect on the OTP Group’s business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings, as well as on the OTP Group’s customers, employees and suppliers.

NOTE 52: POST BALANCE SHEET EVENTS

Summary of economic policy measures made and other relevant regulatory changes as post-balance sheet events

In the section below, the measures and developments which have been made since the balance sheet date, and – in OTP Bank's view – are relevant and have materially influenced / can materially influence the operation of the Group members. OTP Bank excludes any liability for the completeness and accuracy of the measures presented herein.

Hungary

- On 4 January 2023 OTP Bank announced that the National Bank of Hungary imposed the below additional capital requirements for OTP Group, on consolidated level, effective from 1 January 2023 until the next review:
    - 1.13%-points in case of the Common Equity Tier1 (CET1) capital, accordingly the minimum requirement for the consolidated CET1 ratio is 5.63% (without regulatory capital buffers);
    - 1.50%-points in case of the Tier1 capital, accordingly the minimum requirement for the consolidated Tier1 ratio is 7.50% (without regulatory capital buffers);
    - 2.00%-points in case of the Total SREP Capital Requirement (TSCR), accordingly the minimum requirement for the consolidated capital adequacy ratio is 10.00% (without regulatory capital buffers).
- On 23 January 2023 the Ministry of Economic Development announced that the Gábor Baross Reindustrialization Loan Programme will be launched from February by Eximbank, with a total available amount of HUF 700 billion. Under the scheme, the HUF and EUR denominated loans will be available for all purposes, depending on the loan amount either through commercial banks or directly through Eximbank, but all the funding need will be provided or refinanced by Eximbank. The interest rate of the loans will be fixed throughout the whole tenor and will be typically maximum 6% in the case of HUF loans and maximum 3.5% in the case of EUR loans.
- On 24 January 2023 the National Bank of Hungary kept the reference rates unchanged. The NBH held a long-term deposit tender on 25 January, and from 1 February discount bill auctions are held on a weekly basis. The NBH said that it will continue to meet foreign currency liquidity needs in the coming months to reach market balance related to the energy account. Furthermore, the Deputy Governor announced that effective from April the mandatory reserve requirement for banks will be increased from 5% to 10%.
- On 27 January 2023 S&P Global Ratings lowered the long- and short-term foreign and local currency sovereign credit ratings on Hungary to 'BBB-/A-3' from 'BBB/A-2'. The outlook on the long-term ratings is stable.
- According to the press release published on 30 January 2023 by S&P Global Ratings, the rating agency downgraded its long- and short-term issuer credit ratings, as well as the long- and short-term resolution counterparty ratings on OTP Bank Plc and OTP Mortgage Bank Ltd. to 'BBB-/A-3' from 'BBB/A-2', and the senior preferred debt rating of OTP Bank Plc was also downgraded by one notch to 'BBB-'. The outlook on the long-term issuer ratings is stable.
- The financial completion of the transaction to purchase 100% shareholding of Nova KBM d.d. and its subsidiary in Slovenia – after obtaining all necessary regulatory approvals – has been completed on 6 February 2023.
- According to the press release published on 6 February 2023 by Moody's Investors Service, the rating agency concluded the ratings review initiated in July 2021. The rating agency downgraded OTP Bank's subordinated bond rating by one notch to 'Ba2' from 'Ba1'. All other ratings and assessments of OTP Bank have been affirmed. Outlook is stable.
- At the same time, Moody's Investors Service downgraded the backed long-term domestic currency issuer rating of OTP Mortgage Bank to 'Baa3' from 'Baa2'. All other ratings and assessments of OTP Mortgage Bank have been affirmed. Outlook is stable.
- On 15 February 2023 as value date OTP Bank issued Tier 2 Notes in the aggregate nominal amount of USD 650 million. The Tier 2 Notes with 10.25 years maturity, redeemable at par any time during the 3-month period prior to the Reset Date at 5.25 years, were priced on 8 February 2023.

NOTE 52: POST BALANCE SHEET EVENTS [continued]

Summary of economic policy measures made and other relevant regulatory changes as post-balance sheet events [continued]

Bulgaria

- On 17 February 2023 the Minister of Finance announced that the originally planned accession date to the Eurozone of 1 January 2024 will be postponed. The new target date will be declared by the new Parliament formed after the elections scheduled to 2 April.

Serbia

- On 12 January 2023 the central bank hiked the base rate by 25 bps to 5.25%.
- On 9 February 2023 the central bank hiked the base rate by 25 bps to 5.5%.

Slovenia

- On 2 February 2023 the ECB hiked its key interest rate by 50 bps to 3.0%.
- On 7 February 2023 Moody's upgraded the deposit rating of NKBM to 'A3', the outlook is stable. At the same time, the Bank's unsecured non-preferred debt rating was upgraded to 'Baa3'.

Romania

- On 20 January 2023 the central bank hiked the base rate by 25 bps to 7%.

Russia

- Effective from 1 January 2023 the capital conservation buffer in Russia decreased temporarily to 0% from 2.5%, which does not affect the minimum requirement for OTP Group.

Ukraine

- Effective from 1 January 2023 the Ukrainian central bank raised the mandatory reserve requirement for local and foreign currency denominated deposits by 5-5 pps each, to 5% and 15%, respectively.
- On 10 February 2023 Moody's downgraded the Ukrainian sovereign credit rating from 'Caa' to 'Ca', the outlook is stable.

Moldova

- On 7 February 2023 Moldova's central bank cut its key rate to 17% from 20%.

OTHER INFORMATIONS

CORPORATE GOVERNANCE

Senior officers, strategic employees and their shareholding of OTP shares as at 31 December 2022

Type[1]	Name	Position	Commencement date of the term	Expiration/termination of the term	Number of shares
IT	dr. Sándor Csányi [2]	Chairman and CEO	15/05/1992	2026	325.047
IT	Tamás Erdei	Deputy Chairman	27/04/2012	2026	43.085
IT	Gabriella Balogh	member	16/04/2021	2026	8.193
IT	Mihály Baumstark	member	29/04/1999	2026	53.600
IT	Péter Csányi	member, Deputy CEO	16/04/2021	2026	9.648
IT	dr. István Gresa	member	27/04/2012	2026	182.858
IT	Antal Kovács[3]	member, Deputy CEO	15/04/2016	2026	114.759
IT	György Nagy[4]	member	16/04/2021	2026	34.800
IT	dr. Márton Gellért Vági	member	16/04/2021	2026	8.500
IT	dr. József Vörös	member	15/05/1992	2026	186.714
IT	László Wolf	member, Deputy CEO	15/04/2016	2026	535.347
FB	Tibor Tolnay	Chairman	15/05/1992	2023	54
FB	dr. Gábor Horváth	Deputy Chairman	19/05/1995	2023	0
FB	Klára Bella	member	12/04/2019	2023	408
FB	dr. Tamás Gudra	member	16/04/2021	2023	0
FB	András Michnai	member	25/04/2008	2023	100
FB	Olivier Péqueux	member	13/04/2018	2023	0
SP	László Bencsik	Deputy CEO			12.744
SP	György Kiss-Haypál	Deputy CEO			10.905
TOTAL No. of shares held by management:					**1,526,762**

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Dr. Sándor Csányi, Chairman and CEO, directly or indirectly: 4,602,174
[3] Number of OTP shares owned by Antal Kovács, Member of Board of Directors, directly or indirectly: 119,059
[4] Number of OTP shares owned by György Nagy, Member of Board of Directors, directly or indirectly: 1,118,955

Board of Directors
The members of the Board of Directors are elected by the General Meeting for a term of five years.

Executive members:

Dr. Sándor Csányi
Chairman of the BoD
Chairman & CEO

He graduated from the College of Finance and Accounting in 1974 with a bachelor's degree in business administration and in 1980 from the Karl Marx University of Economic Sciences (now: Corvinus University) with a master in economics and finance, where he also obtained his doctorate in finance between 1981-1983. He is a chartered auditor – certified in 1982 at the Ministry of Finance. After graduation he worked at the Tax Revenue Directorate and then at the Secretariat (Bank Supervision Section) of the Ministry of Finance. Between 1983 and 1986, he was a departmental head at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he worked as a senior head of department at Hungarian Credit Bank (MHB). He was Deputy CEO of K&H Bank from 1989 to 1992.
He has been the Chairman & CEO of OTP Bank Plc. since 1992.
He is Vice Chairman of the Board of Directors of MOL Plc. and Co-Chairman of the Chinese-Hungarian Business Council.

Owner of Bonitás 2002 Zrt. which is the holding company overlooking his investments in agriculture, food industry, real estate and asset management comprising of over 200 directly or indirectly owned companies.

He is one of the largest investors in agriculture and food industry in the CEE region through Bonafarm Group and KITE generating aggregated annual revenue of EUR 2 billion with over 9,000 employees and with 40,000 hectares cultivated land in total. Bonafarm Group is vertically integrated whereby agriculture companies produce the raw materials for food processors. He has significant investments in real estate through his minority holding in Gránit Pólus (15%) and Limedale (18.2%) (portfolio of USD 1 billion), in VC (Bonitás Venture Capital Fund with EUR 20 million funds under management) and asset management (CSAM in Singapore).

He has been the President of the Hungarian Football Association (MLSZ) since 2010, and a member of the UEFA Executive Committee since March 2015; and the Vice President of the UEFA Executive Committee since 2019. Since 2017 he has been a member of the FIFA Council and the Vice President of the FIFA Council

since 2018. Within UEFA he is also the Chairman of the UEFA National Team Competition Committee, a member of the UEFA Finance Committee and the UEFA Professional Football Strategy Council.
He has been the owner of Pick Szeged Handball Club since 2011. He has been the Honorary Vice President of the International Judo Federation since 2008.
Since 1995 he has been the Vice President of the Board of Trustees of the International Children's Safety Service, and since 2003 he has been the Chairman of the Board of Trustees of the Prima Primissima Foundation. In 2005, he established the Csányi Foundation for Children from his own assets. Since 2009, he has been a member of the Board of Trustees of the Media Union for Social Awareness Formation Foundations. Since 2020, he has been the Chairman of the Board of Trustees of the Pro Sopron University Foundation. In 2021, he became Chairman of the Board of Trustees of the Foundation for the Hungarian Agricultural and Life Sciences University (MATE).

As of 31 December 2022 he held 325,047 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 4,602,174).

Péter Csányi
member of the BoD
Deputy CEO
Digital Division

He graduated from City University London in 2006 with a bachelor's degree in economics, then in 2007 with a master's degree in finance from the IE Business School in Madrid. In 2015, he received the Master of Business Administration (MBA) diploma from Kellogg School of Management in the USA.

He began his career in 2006 at Merrill Lynch's London office as an intern and he was working on corporate finance projects for financial institutions.
From 2007 to 2011, he worked at Deutsche Bank's London office, first as an analyst and later as an associate in the field of corporate finance (for Central and Eastern European corporate customers).

From 2011-2016, he worked for McKinsey & Company Inc. as an associate mostly working on banking related projects.

He joined OTP Bank in 2016 as Managing Director of the Digital Sales and Development Directorate. After the agile transformation at the Bank, he became responsible for the management of the Omnichannel Tribe from 2019. In addition, since January 2021, he has been the head of the Daily Banking Tribe.
From March 2021, he is the Deputy CEO of OTP Bank, the head of the IT Division (as of 1 May 2021 Digital Division).
From 2020 he has been Chairman of the Supervisory Board of OTP banka d.d. in Croatia. He is also a member of the OTP Mobil Kft. Supervisory Board and the Board of Directors of PortfoLion Ltd. He is also the head of the Digitization Working Group of the Hungarian Banking Association and a member of the Mastercard European Advisory Board.

He has been a member of OTP Bank's Board of Directors since 16 April 2021.

As of 31 December 2022 he held 9,648 ordinary OTP share.

Antal György Kovács
member of the BoD
Deputy CEO
Retail Division

He graduated from the Karl Marx University of Economic Sciences with a degree in economics.
He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995.

He has been working at OTP Bank Plc. since 1995, first as a county director and from 1998 as the executive director of OTP Bank's South Transdanubian Region.
Since 1 July 2007 he has been OTP Bank's Deputy CEO, until 31 December 2022 he was the head of Retail Division.

He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute.

Between April 2007 and April 2012 he was Chairman of the Supervisory Board of OTP banka Hrvatska d.d. He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012. He has been Chairman of the Board of Directors of OTP Mortgage Bank Ltd. and OTP Building Society Ltd. since 24 April 2014. He is Chairman of the Supervisory Board of OTP Fund Management and OTP Home Solutions Ltd.
He was a member of OTP Bank’s Supervisory Board from 2004 to 14 April 2016.
He has been a member of OTP Bank's Board of Directors since 15 April 2016.

As of 31 December 2022 he held 114,759 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 119,059).

László Wolf
member of the BoD
Deputy CEO
Commercial Banking Division

He graduated from the Karl Marx University of Economic Sciences in 1983. After graduation, he worked at the Bank Relations Department of the National Bank of Hungary for 8 years, and then he was head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993.

From April 1993 he was managing director of OTP Bank’s Treasury Directorate, and since 1994 he has been the head of Commercial Banking Division as Deputy CEO.
Since 2003 he has been a member of DSK Bank’s Supervisory Board.
He has been Chairman of the Board of Directors of OTP banka Srbija since 10 December 2010.

He has been a member of OTP Bank's Board of Directors since 15 April 2016.

As of 31 December 2022 he held 535,347 ordinary OTP shares.

Non-executive members:

Tamás György Erdei
Deputy Chairman of the BoD
BSc Business Administration

He graduated in 1978 with a degree from the College of Finance and Accounting. He began his professional career at OTP, in a variety of administrative roles (his last position was branch manager), before going on to work at the Ministry of Finance in the area of bank supervision.

From 1983 he was employed by the Hungarian Foreign Trade Bank (today MKB), where he gradually worked his way up through the ranks. In 1985 he became managing director, in 1990 he was appointed Deputy CEO, then in 1994 he became CEO, and from 1997 until the end of March 2012 he was Chairman & CEO.

Between 1997 and 2008, and between 2009 and 2011, he was the elected president of the Hungarian Banking Association.
He is the Chairman of the Supervisory Board of the International Children’s Safety Service.

He has been a member of OTP Bank’s Board of Directors since 27 April 2012. He has been the Chairman of OTP Bank's Risk Assumption and Risk Management Committee, and he was a member of the Nomination Committee between 2014 and 2020. He has been the Deputy Chairman of the Board of Directors of OTP Bank Plc. since April 2019 and the Chairman of the Work-out Committee since October 2019.
He has been Chairman of the Board of Directors at OTP Factoring Ltd. since December 2019.

As of 31 December 2022 he held 43,085 ordinary OTP shares.

Gabriella Balogh
member of the BoD
MSc Economics, specialization in marketing

She graduated as organizing chemical engineer from the University of Veszprém in 1993 and as marketing economist from the University of Economics, Budapest in 1997.

She worked as a marketing associate between 1993 and 1998, as director of the Marketing Department from 1998 to 2005 and as managing director of the Marketing and Sales Directorate between 2005 and 2008 at OTP Bank Plc.

She has been managing director of GoodStep Consulting Kft. since 2008. She fulfilled group management tasks as a Board of Directors member at the Central European Media and Publishing Company between 2010 and 2017.
She has been co-owner and Board of Directors member of Net Media Plc. since 2016. She is Presidium member and Chairwoman of the Marketing and Media Board of the Hungarian Football Association. She is the Chairwoman of the Supervisory Board of Művészetek Palotája Ltd.

She has been a member of OTP Bank's Board of Directors since 16 April 2021.

As of 31 December 2022 she held 8,193 ordinary OTP shares.

Mihály Baumstark
member of the BoD
BSc Agricultural Business Administration,
MSc Economics

He graduated with a degree in agricultural business administration at Gödöllő University of Agriculture (1973), and went on to do a masters in economics at the Karl Marx University of Economic Science (1981).

He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left the Ministry he was Deputy head of the Investment Policy Department. Then he was managing director of Hubertus Bt., and from 1999 to 2011 he was deputy CEO and then Chairman & CEO of Villányi Winery Ltd. (now Csányi Winery Ltd.). He is currently retired.

He was a member of OTP Bank’s Supervisory Board from 1992 to 1999, and has been a non-executive member of OTP Bank’s Board of Directors since 1999.

He has been Chairman of OTP Bank's Ethics Committee since 2010, as well as a member of its Remuneration Committee since 2011. He was the member of the Nomination Committee between 2014 and 2020.

As of 31 December 2022 he held 53,600 ordinary OTP shares.

Dr. István Gresa
member of the BoD
PhD Business Administration and Economics

He graduated from the College of Finance and Accountancy in 1974 and received a degree in economics from the Karl Marx University of Economic Sciences in 1980. He earned a PhD from the University of Economic Sciences in 1983.

He has worked in the banking sector since 1989. Between 1989 and 1993 he was branch manager of Budapest Bank’s Zalaegerszeg branch.
From 1993 he was director of OTP Bank’s Zala County Directorate, and from 1998 he was the managing director of the Bank’s West Transdanubian Region.
From 1 March 2006 until 14 April 2016 – when he retired – he was Deputy CEO of the Credit Approval and Risk Management Division. He was Chairman of the Board of Directors at OTP Factoring Ltd. between 2006 and 2017.

He has been a member of OTP Bank’s Board of Directors since 27 April 2012.
As of 31 December 2022 he held 182,858 ordinary OTP shares.

György Nagy
member of the BoD
Msc International Economics

He graduated from the Department of International Foreign Economics of University of International Relations (Moscow) in 1989.

He was a founding owner of Wallis Holding (founded in 1990) and he managed the Wallis Group as CEO until 2000.
He founded Westbay Holding Kft. in 2004, the company's portfolio includes several successful investments.
He has been the Chairman of the Hungarian Shooting Federation since 2012, Presidium member of the European Shooting Confederation (ESC) since 2013 and he was elected the Vice President of ESC in 2021.

He has been a member of OTP Bank's Board of Directors since 16 April 2021.

As of 31 December 2022 he held 34,800 OTP shares (while the total number of OTP shares held by him directly and indirectly was 1,118,955).

Dr. Márton Gellért Vági
member of the BoD
General Secretary
Hungarian Football Association

He graduated in 1987 from the department of foreign economics at the Karl Marx University of Economic Science

From 1987 to 2000 he was lecturer at University of Economic Science of Budapest (today Corvinus University of Budapest) and from 1994 onwards associate professor and head of department. He has a university doctorate and a PhD in economics. He has authored or co-authored more than 80 studies, essays and books.
Between 2000 and 2006 he worked at the State Holding and Privatisation Co. (ÁPV Zrt.), as managing director, Deputy CEO and then CEO.
Between 2006 and 2010 he was Chairman of the National Development Agency.

In various periods between 2000 and 2010, he was the Chairman of the Board of Directors of Magyar Villamos Művek, Paks Nuclear Power Plant and the National Textbook Publishing House. Between 2002 and 2010, he was a member of the Board of Directors of Földhitel és Jelzálogbank Nyrt., and the Chairman of the Board of Directors for 4 years

Since 2010 he has been general secretary of the Hungarian Football Association.
He has been a member of UEFA's HatTrick Financial Assistance Committee since 2011. He has been a member of FIFA's Financial Committee since 2017.

He was a member of OTP Bank's Supervisory Board between 2011-2021.He was a member of OTP Bank's Audit Committee between 2014-2021.
He was a member of OTP Bank's Nomination Committee between 2020-2021.

He has been a member of OTP Bank's Board of Directors since 16 April 2021.

As of 31 December 2022 he held 8,500 OTP shares.

Dr. József Zoltán Vörös
member of the BoD
Professor emeritus, academician
University of Pécs

He earned a degree in economics from the Karl Marx University of Economic Sciences in 1974. In 1984 he earned a PhD in economics from the Hungarian Academy of Sciences, and a Doctor of Science degree in 1993. He has been a member of the Hungarian Academy of Sciences since 2013.

Between 1990 and 1993 he was the dean of the Faculty of Business and Economics, Janus Pannonius University (JPTE) in Pécs. In 1993 he attended a course in management for senior executives at Harvard University.
From 1994 he was a professor at JPTE, from 2021 he has been professor emeritus. He was the senior Vice Rector of the University from 2004-2007, between 2007 and 2011 he was Chairman of the Economic Council of the University of Pécs.

He has been a non-executive member of OTP Bank's Board of Directors since 1992. He has been Chairman of OTP Bank's Remuneration Committee since 2009, and member of its Risk Assumption and Risk Management Committee since 2014.

As of 31 December 2022 he held 186,714 ordinary OTP shares.

Supervisory Board
Supervisory Board members are elected by the General Meeting for a term of three years.

Independent members:

Tibor Tolnay
Chairman of the SB

He graduated from Budapest University of Technology as a qualified civil engineering in 1978, and in 1983 he obtained a degree in economic engineering. In 1993 he finished his studies as specialized economist at Budapest University of Economics.

From 1989 to 1994, he was director of State Construction Company No. 21. From 1994 to 2015 he was Chairman & CEO of the already privatized Magyar Építő Joint Stock Company.
He has been the managing director of Érték Ltd. since 1994. Since 2020 he has been the managing director of Fenyves Garden Ltd.
From 2018 to 2021 he was President of the National Association of Entrepreneurs and Employers, since 2021 co-President.

Since 1992 he has been a member of OTP Bank's Supervisory Board, and Chairman of the Supervisory Board since 1999. He was a member and Deputy Chairman of OTP Bank's Audit Committee between 2007 and 2011, and has been again since 2014. He has been the Chairman of OTP Bank's Nomination Committee since 2020.

As of 31 December 2022 he held 54 ordinary OTP shares.

Dr. József Gábor Horváth
Deputy Chairman of the SB
Lawyer

He earned a degree in law from Eötvös Loránd University in Budapest in 1980.

From 1983 he worked for the Hungarian State Development Bank He has been a lawyer since 1986, and since 1990 has run his own law firm, which specialises in corporate finance and corporate governance.

He has been a member of the Supervisory Board of OTP Bank since 1995, and was a member of MOL Plc.'s Board of Directors between 1999 and 2014.
He has been Deputy Chairman of OTP Bank's Supervisory Board since 2007.
He was Chairman of OTP Bank's Audit Committee between 2007 and 2011, and has been again since 2014.
He has been a member of OTP Bank's Nomination Committee since 2020. He was a member of the Board of Directors of INA Industrija Nafte d.d. from 2014 to 2018.

As of 31 December 2022 he held no ordinary OTP shares.

Dr. Tamás Gudra
Member of the SB
BSc Business Administration, Lawyer

He graduated as business administrator in 1993 from the College of Commerce and Catering. He is a Hungarian chartered auditor since 1997. He also obtained a university degree in 2010 as a lawyer at the Faculty of Law of Janus Pannonius University in Pécs.

He worked as an auditor from 1993 to 2001 at Deloitte & Touche. Between 2001 and 2003 he was an accounting expert of subsidiaries at the Accounting and Tax Directorate of the Hungarian Oil and Gas Public Limited Company (MOL Rt). Then he was managing director at the Auditor, Financial and Accounting Directorate of the National Privatization and Asset Manager Plc. (ÁPV Zrt.) between 2003 and 2007 and became the director of Controlling Directorate at the Hungarian National Asset Manager Plc. (MNV Zrt.) from 2008 to 2010.
Following these assignments, he worked as the CFO of the Hungarian Football Association from 2011 until June of 2020. As of July 2020, he became the group-level CFO of Bonafarm Zrt.

He was a member of the Supervisory Board of OTP Lakástakarék Zrt. between 2012 and 2021 and he is Chairman of the Hungarian Paralympic Committee's Supervisory Board since 2016. Since 2021 he has been property inspector of Hungarian University of Agriculture and Life Sciences, member of the Executive Committee of Pick Szeged Zrt., SOLE-Mizo Zrt and MCS Vágóhíd Zrt.

He has been a member of the Supervisory Board and Audit Committee of OTP Bank since 16 April 2021.

As of 31 December 2022 he held no ordinary OTP shares.

Olivier Péqueux
Member of the SB
Groupama International SA

He graduated from Institute of Actuaries of France, Polytechnique School and ENSAE Paris Tech.

Started to work in 1998 as an insurance commissioner for the French Insurance Supervisory Authority. In 2003, he joined the French Ministry of Finance to take part in the pension law reform and the setup of a pension fund for French civil servants. Then he became technical adviser to the French Minister of health and pensions.

In 2005 he joined Groupama Group, first in charge of the actuary and accounting department of Gan Patrimoine, a life insurance company, and then in 2007 as Chief Financial Officer of Groupama Paris Val de Loire.
He moved to China in March 2011 as Deputy General Manager of Groupama China, in charge of finance, actuary and investments in the joint venture between AVIC and Groupama.
From 2015 to 2017, he was the General Manager of Groupama AVIC. He has been the Chief International Officer of Groupama Assurances Mutuelles since March 2018. He has been Groupama Assurances Mutuelles Deputy CEO since September 2020.

He has been a member of OTP Bank's Supervisory Board, and Audit Committee since 2018.

As of 31 December 2022 he held no ordinary OTP shares.

Employee delegates:

Klára Bella
Member of the SB
Director
Large Corporate Department

She graduated from the College of Finance and Accountancy and later obtained a degree from the Budapest University of Economic Sciences.

From 1992 to 1994 she worked as a clerk at the Fertőszentmiklós branch of OTP Bank.

From 1994 to 1995 she was a lending consultant at Polgári Bank.
From 1995 to 1996 she worked as a risk manager at the Central Branch of OTP Bank.
From 1996 to 1997 she was authorizer in the Credit Approval and Risk Management Division.
From 1997 to 2010 she was Deputy Managing Director at the Central Branch.
From 2010 to 2016 she was Director at the Central Branch.
Between 2017 and 2020, she was Director of the Corporate Directorate.
Since 1 July 2020, she has been the Director of the Large Corporate Department of the Specialised Finance Directorate.

She has been a member of OTP Bank's Supervisory Board, and representative of the Bank's employees since 12 April 2019.

As of 31 December 2022 she held 408 ordinary OTP shares.

András Michnai
Member of the SB
Managing Director

He graduated in 1981 from the College of Finance and Accounting with a degree in business administration.

He has been an employee of the Bank since 1974, and until 1981 held a variety of posts in the branch network. Following this he held a management position in the central network coordination department before returning to work in the branch network. From 1994, as deputy managing director, he participated in the central coordination of the branch network. Between 2005 and 2014 he was the managing director of the Bank's Compliance Department.
He further expanded his professional skills, obtaining a Master's degree at the Budapest Business School, and is a registered tax advisor.

He has been a member of OTP Bank's Supervisory Board, and representative of the Bank's employees, since 2008. He has been Secretary of OTP Bank's Employees' Trade Union since December 2011.

As of 31 December 2022 he held 100 ordinary OTP shares.

Members of OTP Bank Plc.'s senior management:

Dr. Sándor Csányi
Chairman & CEO

László Bencsik
Chief Strategic and Financial Officer, Deputy CEO
Strategy and Finance Division

In 1996, he graduated from the Faculty of Business Administration at the Budapest University of Economic Sciences, and in 1999 he obtained a Master's in Business Administration (MBA) from INSEAD Business School in France.

Between 1996 and 2000 he worked as a consultant at Andersen Consulting (now Accenture).
From 2000 to 2003 he was a project manager at consulting firm McKinsey & Company.
He joined OTP Bank in 2003, when he became managing director of the Bank Operations Management Directorate, and the manager with overall responsibility for controlling and planning.

He has been deputy CEO of OTP Bank, and head of the Strategy and Finance Division, since August 2009.
Since 13 March 2012 he has been Chairman of the Supervisory Board of DSK Bank.

As of 31 December 2022 he held 12,744 ordinary OTP shares.

Péter Csányi
Member of the Board of Directors, Deputy CEO
Digital Division

György Kiss-Haypál
Deputy CEO
Credit Approval and Risk Management Division

He is a qualified economist. He graduated from the Budapest University of Economic Sciences in 1996.

He started his career as a project finance analyst for Budapest Bank Plc., and by 2007 he had been appointed head of the bank's risk management department.
Between 2002 and 2006 he also worked in Ireland as corporate credit risk portfolio manager for GE Consumer Finance Europe, and in Austria as GE Money Bank's consumer loans portfolio manager. Between 2008 and 2015 he was member of the Board of Directors of Budapest Bank.

From 2015 he was deputy head of the Credit Approval and Risk Management Division of OTP Bank Plc., and was then appointed acting head of the Division.
Since 3 May 2017, he has been deputy CEO of the Credit Approval and Risk Management Division.

As of 31 December 2022 he held 10,905 ordinary OTP shares.

Antal György Kovács
Member of the Board of Directors, Deputy CEO
Retail Division

László Wolf
Member of the Board of Directors, Deputy CEO
Commercial Banking Division

SUSTAINABILITY REPORTING ANNEX

Employee data

GRI 2-7 Employees under permanent versus temporary contracts by region, 31.12.2022	Permanent		Temporary	
	%	persons	%	persons
Hungary	96.5%	13,001	3.5%	477
Bulgaria	95.6%	5,309	4.4%	246
Croatia	92.5%	2,363	7.5%	192
Serbia	95.0%	2,667	5.0%	127
Slovenia	98.3%	909	1.7%	16
Romania	95.7%	1,788	4.3%	80
Ukraine	97.1%	2,373	2.9%	72
Russia	97.2%	7,036	2.8%	202
Montenegro	90.2%	450	9.8%	49
Albania	94.4%	473	5.6%	28
Moldova	84.2%	756	15.8%	142
Malta	80.0%	4	20.0%	1
OTP Group	95.8%	37,129	4.2%	1,646

GRI 2-7 Full and part time employees by regionally, 31.12.2022	Full time employees		Part-time employees	
	%	persons	%	persons
Hungary	91.9%	12,380	8.1%	1,098
Bulgaria	93.9%	5,217	6.1%	338
Croatia	98.5%	2,516	1.5%	39
Serbia	99.4%	2,790	0.6%	18
Slovenia	96.4%	892	3.6%	33
Romania	97.6%	1,824	2.4%	44
Ukraine	96.6%	2,362	3.4%	83
Russia	91.0%	6,587	9.0%	651
Montenegro	99.2%	495	0.8%	4
Albania	100.0%	501	0.0%	0
Moldova	99.2%	891	0.8%	7
Malta	60.0%	3	40.0%	2
OTP Group	94.0%	36,458	6.0%	2,317

GRI 401-1 **Employees left, employees hired, 2022**	Left	New hires
OTP Bank	*1,281*	*1,707*
Per country – OTP Group		
Hungary	1,805	2,309
Bulgaria	1,120	899
Croatia	228	231
Serbia	518	433
Slovenia	89	111
Romania	367	454
Ukraine	1,018	396
Russia	4,962	2,989
Montenegro	64	33
Albania	108	140
Moldova	166	170
By gender – OTP Group		
Men	2,462	2,407
Women	7,985	5,761
By age group – OTP Group		
Under 30 years	4,639	4,221
Between 30–49 years	4,687	3,431
Over 50 years	1,121	516
Total – OTP Group	*10,447*	*8,168*

GRI 205-2 **Distribution of employees by position, number of employees, 31.12.2022**	OTP Bank	OTP Group
Senior manager	6	82
Middle manager	1,361	3,638
Employees	9,149	35,055

GRI 402-1 **Minimum notice periods**
regarding significant operational changes that could substantially affect employees

	Minimum notice periods	Does the Collective Bargaining Agreement set out a minimum period of notice and provisions for consultation and negotiation?
OTP Bank and Hungarian subsidiaries with collective bargaining agreements	15 days	yes
Additional Hungarian subsidiaries	15 days	no
DSK Bank	45 days	yes
OTP Croatia	8 days	yes
OTP Bank Serbia	8 days	yes
SKB Bank	30 days	yes
OTP Bank Romania	20 working days	yes
OTP Bank Ukraine	60 days	no
OTP Bank Russia	30 days	no
CKB	8 days	no
OTP Bank Albania	1-3 months	no
OTP Bank Moldova	5 working days	no

GRI 404-2 Programmes provided to upgrade employee skills and to facilitate continued employability and the management of career endings in 2022

	OTP Bank	OTP Group
In-house training courses	Available	Typically available
Support for external trainings or education programmes	Available	Typically available
Leave of absence for studying, with job guaranteed to be reserved	Available	Typically available
Continued training for those who intend to keep on working after retirement	Not available	Typically not available
Severance pay	Available	Typically available
If the organisation provides severance pay, does it take into account the employee's age	Yes	Partly yes
If the organisation provides severance pay, does it take into account the number of the employee's years of service	Yes	Typically yes
Jobseeker assistance for employees made redundant	Not available	Typically not available
Assistance during the transition to life without employment	Not available	Typically not available

Weighted average by employee headcount.
Typically not available/Typically no: available at less than 50% of the members of the Group.
Partly available: available at 51–70% of the members of the Group.
Typically available: available at 71–99% of the members of the Group.

GRI 207-4 Country by country taxation

Country	Revenue from sales to third parties	Revenue from transactions within the Group and between countries	Profit before tax (+) profit/(-) loss	Tangible assets and inventories	Income tax on a cash flow basis	Income tax liabilities recognised against profit after tax (IAS12) excluding deferred tax	Statutory corporate tax rate	Effective tax rate excluding deferred tax
	1.	2.	3.	4.	5.	6.	7.	8=6/3
	HUF million						%	
Albania	24,989	235	6,283	11,152	1,761	2,075	15.0%	33.0%
Bulgaria	244,023	35,694	139,674	67,022	8,655	11,711	10.0%	8.4%
Cyprus	0	905	883	0	0	147	12.5%	16.6%
Netherlands	0	0	-55	0	0	0	25.8%	not applicable
Croatia	119,225	9,212	50,693	25,950	5,529	12,519	18.0%	24.7%
Hungary	1,567,482	69,966	95,321	276,720	30,800	26,341	9.0%	27.6%
Malta	3	24,457	5,822	19	866	361	35.0%	6.2%
Moldova	37,454	0	9,445	6,432	754	1,207	12.0%	12.8%
Montenegro	36,036	467	11,810	7,818	808	2,152	15.0%	18.2%
Russia	256,819	4,835	49,010	14,524	14,479	20,963	20.0%	42.8%
Romania	129,548	4,146	7,820	12,439	514	606	16.0%	7.7%
Serbia	137,435	3,869	42,888	37108	1,412	5,335	15.0%	12.4%
Slovakia	0	0	-15	0	0	0	21.0%	not applicable
Slovenia	53,800	7,139	29,124	10,455	5,467	5,536	19.0%	19.0%
Ukraine	148,438	771	-13,396	7,205	3,364	2,584	18.0%	-19.3%
Total	**2,755,250**	**161,696**	**435,310**	**476,843**	**74,411**	**91,537**	**-**	**-**

The data for Russia also include data for Velvin Ventures Ltd., a company incorporated in Belize, on account of its tax residency in Russia.

The effective tax rate is the quotient of the actual income tax expense for the current year, as recognised in the profit and loss statement as per IAS 12, and the profit before tax, including the amount of dividends received. The amount of tax liability taken into account in the calculation of the effective tax rate does not include the amount of deferred taxes. The effective tax rate in the various countries may differ from the corporate tax rate under local tax laws. The deviation can typically be traced back to the following:

- The preparation of consolidated accounts under IFRS requires some adjustments to the data of individual statements prepared in accordance with local accounting standards in order to comply with IFRS. The effective tax rate calculated using these adjusted figures may deviate from the tax rate under local tax laws.
- Revenue that does not create a tax base (e.g. dividend) or expenses that are not permanently deductible for tax purposes;
- Withholding taxes levied abroad and other taxes imposed in addition to corporate tax that are considered income taxes (e.g. Croatian bank tax, Hungarian local business tax and innovation contribution);
- Loss used in the tax year.

GRI CONTENT INDEX

The GRI content index contains technical information on sustainability reporting and the use of the GRI Standards, and shows the disclosures/indicators on which, and where, the OTP Group reports.

GRI 2-2, 2-3 **Characteristics of the Sustainability Reporting**	
Declaration on use	***OTP Bank Plc. reported on the period between 01.01.2022 and 31.12.2022 in accordance with the GRI Standards.***
GRI 1 used	***GRI 1: Basic 2021***
Applicable GRI Sector Standard(s)	**-**
Entities covered	*OTP Group: OTP Bank Plc. and subsidiaries consolidated under the IFRS* @Annual report, supplementary data
Date of publication	*28 April 2023*
Reporting cycle	*annual*
Contact info:	*csr@otpbank.hu*
External assurance	*independent (third party) assurance; assurance provider: Ernst&Young Ltd.*
Presentation of data – breakdown	• *essentially OTP Bank and OTP Group;* • *breakdown by country, where required by the GRI;* • *financial data – OTP Core*[1] *and OTP Group.*
Presentation of data – time horizon	*preferably, 5 years in retrospect*

Indicator number	*Indicator description*	*Where to find it*	*Note / Reasons for omission*
GRI 2: General disclosures 2021			
The organisation and its reporting practices			
2-1	Organisational details	pp. 561, website, GRI index	OTP Group is present in 15 countries, of which it has banks in 11 (where it performs monetary intermediary activities), engaging in significant operations.
2-2	Entities included in the organisation's sustainability reporting	pp. 175-176, GRI index	We report in full on the companies covered, including all material topics, but not all material topics and indicators are relevant to all companies. Consolidation approach applied for the topic of GHG emissions: operational control. As regards acquisition the basic principle is that – unlike in the case of financial reporting – we report on a new member company when it has been a member of OTP Group for a full year. The 2022 sustainability disclosures did not therefore cover Alpha Bank Albania; OTP Ecosystem Kft., DSK Ventures EAD, OD Kft., Mendota Invest, Nepremicninska druzba, d.o.o. and ZA-Invest Delta Kft. were not, until the second half of 2022, covered by consolidation therefore they are not covered by the sustainability report either. DSK Operating lease EOOD, OTP eBIZ Kft. and DSK Mobile EAD ceased to be covered by financial consolidation during 2022 therefore they are still included in the sustainability disclosures.
2-3	Reporting period, frequency and contact point	p. 562	
2-4	Restatements of information	pp. 156-157 GRI Index	Information may be republished due to changes in data collection methodology or if corrections are needed for previously disclosed erroneous information; this is noted at the relevant place within the text, showing the effects of re-publishing.
2-5	External assurance	GRI Index, pp. 576-579	The external assurance provider is independent of OTP Group. Interview was conducted with the head of the ESG Subcommittee during certification.
Activities and employees			
2-6	Activities, value chain and other business relationships	p. 26, p. 83, p. 86, p. 108, p. 124, GRI index, website	In addition to providing financial services, four consolidated companies of the OTP Group are operating in the agricultural and food sector. No material change occurred in the operation, value chain or relevant business relationships of the Group relative to 2021.
2-7	Employees	pp. 134-136, p. 559	
2-8	Workers who are not employees	p. 135, GRI index	Data disclosed for the first time.
Management			
2-9	Governance structure and composition	FTJ: 1.1-1.4, p. 87	

[1] OTP Core is the business entity measuring the core activities of OTP Group Hungary. Its members in 2022: OTP Bank Plc, OTP Jelzálogbank Zrt, OTP Lakástakarék Zrt, OTP Faktoring Zrt, OTP Pénzügyi Pont Kft. and entities performing group financing activities; also included are OTP Bank Munkavállalói Résztulajdonosi Program Szervezet (OTP Bank's Employee Stock Ownership Plan Organisation), OTP Kártyagyártó Kft, OTP Ingatlanüzemeltető Kft, MONICOMP Zrt, as well as OTP Ingatlanpont Ingatlanközvetítő Kft, OTP Mobil Szolgáltató Kft, OTP eBIZ Kft. and OTP Otthonmegoldások Kft.

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
2-10	Nomination and selection of the highest governance body	FTJ: 1.1.2, 1.2.2, 1.13, GRI Index	The procedure of the nomination of the members of the Board of Directors and the Supervisory Board is disclosed by the Company in its Responsible Corporate Governance Report. Regarding the candidates, the Company observes MNB recommendation No. 1/2022 (I. 17.) and Act CCXXXVII of 2013 (Credit Institutions Act) concerning independence, diversity, professional competences and conflicts of interest alike. The EBA Guidelines underlying the MNB recommendation provides that when selecting members of the management body (i.e. nominating members), the collective suitability of the management body should also be ensured, for which members with as diverse professional expertise and experience as possible should be selected because owing to the broad range of expertise and experience (e.g. IT, AML, risk management, product development, compliance, HR, etc.), the requirement of the technical/professional diversity of management bodies is a quasi supervisory requirement. Collective assessment of the professional expertise, competences and experience is carried out on the basis of the methodology recommended by EBA. The Company also has a strategy for the promotion of gender diversity. Shareholders can make proposals for candidates in the framework stipulated by law. One member of the Supervisory Board is nominated by the Groupama group which has a larger than 5% share. One third of the Supervisory Board members are nominated by the Bank's works council from the Company's employees.
2-11	Chair of the highest governance body	GRI index, FTJ: 1.2	The Chairman of the Supervisory Board is independent.
2-12	Role of the highest governance body in overseeing the management of impacts	p. 87	
2-13	Delegation of responsibility for managing impacts	pp. 87-90, p. 99, p. 120, p. 125, p. 127, p. 132, p. 154	
2-14	Role of the highest governance body in sustainability reporting	p. 82, GRI index	The sustainability disclosure is approved by the Board of Directors as part of the business report.
2-15	Conflicts of interest	pp. 121-122, GRI index, Code of Ethics, Compliance policy, FTJ: 1.2.2, 1.2.1 (p. 3)., p. 20, p. 73, pp. 314-315, pp. 493-495	Code of Ethics: 3.3; Compliance policy abstract III.1.2 All employees must be familiar with the Conflict of Interest Policy. The Conflict of Interest Policy includes the conflict of interest rules on executive officers as well, providing *inter alia* that the members of the Board of Directors and the Supervisory Board must abstain from voting on any subject in relation to which they do or may have a conflict of interest or in the case of which their objectivity or their capability of adequately fulfilling their obligations towards the Bank may be compromised. The members of the boards regularly submit declarations regarding their interests in related parties, along with declarations on conflicts of interests. Records are kept of their interests as required by law to avoid conflicts of interests. Cases of cross share ownership with suppliers and other stakeholders are not reported by the Banking Group.
2-16	Communication of critical concerns	p. 87	
2-17	Collective knowledge of the highest governance body	GRI Index	The governing bodies are informed about the implementation of the ESG strategy. In 2022 the ESG training material of the governing body was prepared; comprehensive training will take place in 2023.
2-18	Evaluation of the performance of the highest governance body	FTJ: 1.12	
2-19	Remuneration policies	p. 87, p. 141, website	
2-20	Process to determine remuneration	p. 141, website1, website2	
2-21	Annual total compensation ratio	GRI Index	Preparation of reporting the indicator was started in 2022 but it was not finished by the end of the year. Collecting and aggregating adequate data at group level technically takes longer. Also, because of the very large differences between the average wage levels in the countries of the Banking Group, we are reflecting on the most relevant way to present this. The indicator will be presented in 2025 at the latest.
Strategies, guidelines, practices			
2-22	Statement on sustainable development strategy	p. 4	
2-23	Policy commitments	p. 88, p. 122, website1, website2, GRI index	Code of Ethics: A standard Code of Ethics is in force at all members of OTP Group; any deviations are due to compliance with local laws. The Code is available on the websites of OTP Bank and the subsidiaries. The Code recognises and respects international human rights.
2-24	Embedding policy commitments	p. 122	
2-25	Processes to remediate negative impacts	p. 125, website	
2-26	Mechanisms for seeking advice and raising concerns	p. 122	
2-27	Compliance with laws and regulations	pp. 124-125	
2-28	Membership in associations	website	

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
Involvement of stakeholders			
2-29	Approach to stakeholder engagement	p. 113, p. 139, p. 145, website	@Stakeholder relations
2-30	Collective bargaining agreements	p. 138, GRI index	The working conditions and the terms and conditions of employment of employees not covered by collective agreements at the members of the Banking Group are typically not determined on the basis of the collective agreement of the member company or other organisation.
GRI 3: Material topics 2021			
3-1	Process to determine material topics	pp. 80-81	
3-2	List of material topics	p. 82	
3-3	Management of material topics	GRI Index	The descriptions of the material topics are shown in italics in the introduction of chapter 2-7. If the description of any subparagraph is missing in relation to the given topic, it means that the Banking Group has no relevant practice. Our general principle is that we (also) use the topic specific indicators of the given topic as a method of evaluation of the efficiency of the actions taken; we use the indicator's expected data as the result. With other assessment methods, the presentation of the results always includes a clear reference to the method applied.
List of material topics			
Social impacts and indirect economic impacts of lending (ST1)			
3-3	Management of material topics	p. 78, p. 91, p. 101, p. 104, p. 113	
203-2	Significant indirect economic impacts	p. 91, p. 98, p, 102, p. 105, p. 106, website	OTP Group does not employ a generic approach or objectives regarding indirect economic impacts of lending but treats individual impacts on the basis of a strategic approach. In relation to indirect economic impacts as well, we always act in accordance with the principle of ethical business behaviour.
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector.	pp. 108-109, GRI index	The report is not comprehensive as regards risk ratings (FS6 2.4).
FN-CB-410a.1.	Commercial and industrial credit exposure, by industry	pp. 108-109, GRI index	We present assets by sector. (Partial compliance.)
Indirect economic impacts of investments (ST2)			
3-3	Management of material topics	p. 91, p. 98	
203-2	Significant indirect economic impacts	p. 91, p. 98, p. 102, p. 105, p. 106, GRI index, website	OTP Group does not employ a generic approach or objectives regarding indirect economic impacts of investments but treats individual impacts on the basis of a strategic approach. In relation to indirect economic impacts as well, we always act in accordance with the principle of ethical business behaviour.
Impact on livelihoods and income levels (ST3)			
3-3	Management of material topics	p. 79, p. 133, p. 141	
2-21	Annual total compensation ratio	GRI Index	Preparation of reporting the indicator was started in 2022 but it was not finished by the end of the year. Collecting and aggregating adequate data at group level technically takes longer. Also, because of the very large differences between the average wage levels in the countries of the Banking Group, we are reflecting on the most relevant way to present this. The indicator will be presented in 2025 at the latest.
Tax payment (GRI 207 2019)			
3-3	Management of material topics	p. 78, p. 120, p. 133	
207-1	Approach to tax	p. 78, p. 132, GRI Index	In accordance with the principle of equal tax treatment, OTP Group spares no effort to ensure maximum compliance with all relevant statutory regulations on tax liabilities, in view of the purposes of taxes and contributions.
207-2	Tax governance, control, and risk management	p. 132, pp. 177-199, GRI Index, website,	The information on the disclosed taxes as part of the consolidated financial statements was audited. The disclosure of the indicators 207-1, 207-2, 207-3 and 207-4 are audited as part of the sustainability disclosures.
207-3	Stakeholder engagement and management of concerns related to tax	p. 80, p. 132, website	
207-4	Country-by-country reporting	p. 134, p. 561	
Contribution to economic stability (ST4)			
3-3	Management of material topics	p. 26, p. 78, website	
201-4	Financial assistance received from government	p. 20, p. 76, p. 127	

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
own indicator	EBA stress test result	GRI Index	Not in 2022.
own indicator	Tier 1 rate	p. 29, p. 40	
Environmental impact and GHG emission of lending (ST5)			
3-3	Management of material topics	p. 78, p. 80, p. 85, p. 154 website	
305-3	Other indirect (Scope 3) GHG emissions	p. 100, GRI index	The indicator is applied only to the Scope 3 emissions of lending. Not reported for the time being; it will be disclosed first in 2024 after improvement of calculation accuracy. Improvement in calculation accuracy will be enabled by an increase in the range of publicly reported data and an improvement in their quality.
305-4	GHG emissions intensity	GRI Index	The indicator is applied only to the Scope 3 emissions of lending. Not reported regarding Scope 3 for the time being; it will be disclosed first in 2024 after improvement of calculation accuracy. Improvement in calculation accuracy will be enabled by an increase in the range of publicly reported data and an improvement in their quality.
305-5	Reduction of GHG emissions	p. 100, GRI Index	The indicator is applied only to the Scope 3 emissions of lending. Not reported for Scope 3 for the time being, reporting is expected to be started in 2026 in accordance with the decarbonisation strategy.
201-2	Financial implications and other risks and opportunities due to climate change	pp. 92-93, pp. 98-100	
FN-MF-450a.3.	Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting climate change	p. 99	Partially reported.
FN-CB-410a.2.	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	p. 99	Partially reported.
Green loan products (ST6)			
3-3	Management of material topics	p. 78, p. 80, p. 85, p. 93	
own indicator	Disclosure according to the Taxonomy Regulation	pp. 93-94	
Environmental impact and GHG emission of investment products (ST7)			
3-3	Management of material topics	p. 80, p. 91, p. 98	
FN-IB-410a.3.	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities	p. 98, GRI index	Partially reported. Implementation and disclosure are determined by statutory requirements, because they also require the introduction of a number of new practices. The practices relating to the criteria (items 2-7) required by the indicator are improving continuously but they have not been fully developed, therefore their presentation is expected to start in a few years.
Green investment products (ST8)			
3-3	Management of material topics	p. 80, p. 91, p. 98	
own indicator	Proportion of products according to Articles 8 and 9 of the SFDR	p. 99	
GHG emissions of operation (GRI 305 2016)			
3-3	Management of material topics	p. 80, p. 85, p. 154 website	
302-1	Energy consumption within the organisation	p. 156	
305-1	Direct (Scope 1) GHG emissions	p. 157	We do not apply a base year.
305-2	Energy indirect (Scope 2) GHG emissions	p. 157	We do not apply a base year.
Equal opportunity in accessing financial services (ST9)			
3-3	Management of material topics	p. 78, p. 110, p. 114, p. 117,	
own indicator	Number of branches by country	p. 67	
FS13	Access points in low populated or economically disadvantaged areas by type	pp. 116-117	
own indicator	Accessibility for the disabled	pp. 117-119	

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
Financial welfare (ST10)			
3-3	Management of material topics	pp. 78-79, p. 110, p. 113	
417-2	Incidents of non-compliance concerning product and service information and labelling	p. 125	In 2022 there was no non-compliance with voluntarily accepted codes regarding information provision on, and labelling of, products and services.
417-3	Incidents of non-compliance concerning marketing communications	p. 125	In 2022 there was no non-compliance with voluntarily accepted codes regarding marketing communications.
own indicator	Number of complaints related to product structure transparency	p. 126	
own indicator	Percentage of overdue loans over 90 days in the retail segment	p. 113	
Prevention of money laundering (ST11)			
3-3	Management of material topics	p. 131	
own indicator	Number of reports related to money laundering	p. 132	
Responsible employment (GRI 401 2016, 404 2016)			
3-3	Management of material topics	p. 139, p. 142, website	
401-1	New employee hires and employee turnover	pp. 134-136, p. 559	
401-3	Parental leave	p. 144, GRI Index	Reporting on the number of persons entitled to parental leave can be started from 2024 due to the harmonisation of definitions and the implementation of data collection. In relation to correct retention rate the data supply is not sufficiently correct, therefore this is not stated here, we are working on its development.
402-1	Minimum notice periods regarding operational changes	p. 138, p. 560	
404-1	Average hours of training per year per employee	p. 142	
404-2	Programmes for upgrading employee skills and transition assistance programs	p. 142, p. 560	
404-3	Percentage of employees receiving regular performance and career development reviews	p. 140	
403-9	Work-related injuries	pp. 145-146	Our legally compliant occupational health and safety risk assessment did not identify threats that may pose a risk of serious accidents.
own indicator	Programmes to help with stress management	p. 144	
own indicator	Employee engagement	p. 139	
Equality of opportunities for employees (GRI 405 2016)			
3-3	Management of material topics	p. 79, p. 133, p. 137, website, GRI index	OTP Group has no comprehensive policy for giving preference to local residents in respect of employees and senior management.
202-2	Proportion of senior management hired from the local community	p. 138, GRI index	Significant locations of operations: OTP Bank and foreign subsidiaries.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 141	
405-1	Diversity of governance bodies and employees	p. 137, GRI Index	Data on ethnic background is not listed owing to statutory regulations.
405-2	Ratio of basic salary and remuneration of women to men	p. 141, GRI index	The disclosure of data on total remuneration can be implemented at Group level from 2025, because there is no single registry system for this at present
Strengthening of financial awareness in vulnerable groups (ST12)			
3-3	Management of material topics	p. 79, p. 147	
FN-CB-240a.4.	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	p. 148, p. 150	Partially reported
own indicator	Education for socially disadvantaged children	pp. 147-150	
own indicator	Financial literacy for people in disadvantaged areas	pp. 147-150	
Customer data and information security (GRI 418 2016)			
3-3	Management of material topics	p. 120, p. 128, website	

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 128	
FN-CF-230a.2.	Card-related fraud losses from (1) card-not-present fraud and (2) card-present and other fraud	p. 129	Partially reported
own indicator	Ratio of bank card fraud to turnover	p. 129	
own indicator	Amount of prevented bank card fraud	p. 129, GRI index	Reported only for OTP Bank.
Anti-corruption activities (GRI 205 2016)			
3-3	Management of material topics	p. 123, website, Code of Ethics, GRI index	OTP Group is committed to reporting on political contributions.
205-1	Operations assessed for risk related to corruption	p. 123	
205-2	Communication and training about anti-corruption policies and procedures	pp. 123-124, p. 135, p. 137, p. 560, GRI Index	The Anti-Corruption Policy is available on the websites of member companies. Each year the members of the governing bodies sign off on the Code of Ethics, i.e. they were fully – 100% – informed. They do not receive training. All employees receive annual training and information as a part of compliance training. We consider commissioned agents and suppliers as our business partners; all partners currently contracted to us were informed about the Code of Ethics at the time of contracting, which in not all cases took place in 2022.
205-3	Confirmed incidents of corruption and actions taken	p. 123	
415-1	Political contributions	GRI Index	OTP Group does not sponsor such persons or organisations.
Compliance awareness (ST13)			
3-3	Management of material topics	p. 121, website, Code of Ethics	
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	pp. 124-125	
2-27	Compliance with laws and regulations	pp. 124-125	
Financing of high social risk sectors (ST14)			
3-3	Management of material topics	p. 91, p. 100	
own indicator	Exclusion and restrictive policies	p. 100	
Non-discrimination (GRI 406 2016)			
3-3	Management of material topics	p. 122, p. 133, p. 138, website1, website2	
406-1	Incidents of discrimination and corrective actions taken	p. 122	
410-1	Security personnel trained in human rights policies or procedures	p. 122, website	

TCFD indicators		
Indicator description	Chapters[2]	Comment
I. Management Governance of the organisation in relation to climate risks and opportunities		
a, The governing body's oversight in relation to climate-related risks and opportunities	1, 2.4	
b, Management's role in assessing and managing climate related risks and opportunities.	1.	
II. Strategy The actual and potential impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material		
a, The climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	2.2, 2.3, 2.4	Utilisation of the opportunities relating to climate is targeted by green financing, which is a dominant element of the ESG strategy. In the course of the risk assessment activities presented here we also take account of transition (actual and expected, regulatory, technological, market and reputation) risks and the (acute and chronic) physical risks alike.
b, The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	2.2, 2.3, 2.4	
c, The resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	2.4	
III. Risk Management The way of the identification, assessment and management of climate risks		
a, The organisation's processes for identifying and assessing climate related risks.	2.3, 2.4	
b, The organisation's processes for managing climate related risks.	2.3, 2.4	
c, How processes for identifying, assessing, and managing climate related risks are integrated into the organisation's overall risk management.	2.4	
IV. Metrics and objectives: The metrics and objectives used in the assessment and management of the relevant climate risks where such details are relevant.		
a, The metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	Sustainability approach 2.2, 2.3, 2.4	The metrics and objectives are enhanced and they grow more and more accurate continuously.
b, Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	2.2, 2.3, 2.4, 7.	
c, The targets used by the organisation to manage climate related risks and opportunities and performance against targets	Sustainability approach 2.2, 6.	

[2] The chapters are the chapters of Sustainability Activities of the OTP Group in 2022 and Environmental Policy and Environmental Protection Measures (pp. 77- 161).

UNEP FI PRINCIPLES FOR RESPONSIBLE BANKING REPORT

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

OTP Group is one of the fastest growing financial service provider group within the Central and Eastern European region. As at the end of 2022, our Banking Group served nearly 16 million customers in eleven countries through its 1455 branches, agent networks, 4697 ATMs, internet and electronic channels and with its more than 35 000 employees. In Hungary, OTP Bank Plc. is one of the largest commercial bank when measured in terms of banking assets. OTP is a universal bank, providing a high level of service to the financial needs of retail, private banking, micro and small business, medium and large enterprise and municipal customers, both through our domestic subsidiaries and branches and via the continuously developing innovative digital services. The Bank offers a comprehensive range of other financial services, including fund management, leasing, and factoring. Serving agricultural companies and small and medium-sized enterprises is a priority for OTP Group. Besides Hungary, OTP Group currently operates in 10 countries of the region via its subsidiaries: in Albania (Banka OTP Albania SHA), in Bulgaria (DSK Bank AD), in Croatia (OTP banka dioničko društvo), in Romania (OTP Bank Romania S.A.), in Serbia (OTP banka Srbija akcionarsko društvo Novi Sad), in Slovenia (SKB Banka d.d. Ljubljana), in Ukraine (Joint-Stock Company OTP Bank), in Moldova (OTP Bank S.A.), in Montenegro (Crnogorska Komercijalna Banka AD Podgorica) and in Russia (Joint Stock Company "OTP Bank"). The continued development and expansion of OTP Bank have significantly contributed to the successful and efficient operation of the Banking Group, which can provide high quality services for both the retail and the institutional clients.	https://www.otpgroup.info/about/history https://www.otpbank.hu/portal/en/AboutUs/OTPGroup

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes

☐ No

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Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☐ UN Guiding Principles on Business and Human Rights

☒ International Labour Organization fundamental conventions

☐ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☐ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: --------------------

☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: ------------------------

☐ None of the above
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OTP Group wants to play a regional leading role in financing a fair and gradual transition to a low-carbon economy and building sustainable future with its financing solutions.

The Group's responsibility for sustainable development starts with its business activities; we contribute to a financial infrastructure that is key to a well-functioning society by reducing risks and help achieve a more sustainable future by creating business opportunities. In addition to economic considerations, ethical, social and environmental risks are incorporated into our business decision-making, our business development and our operations.

OTP Group approaches ESG from three main perspectives: as a responsible service provider, as a responsible employer and as a responsible social player. In addition to business opportunities, the strategy includes the management of relevant risks as well as social and corporate governance objectives.

OTP Group has a strong will for its activity to serve for sustainable growth and social improvement, we committed to doing it with transparency and in line with Paris Agreement. We align our sustainability strategy with the Sustainable Development Goals. In order to avoid negative environmental and social impacts and to leverage potential business benefits, OTP Group considers sustainability a high priority, which received significant external attention in.
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https://www.otpgroup.info/static/sw/file/OTPGroup_ESG_approach.pdf

https://www.otpbank.hu/static/portal/sw/file/OTP_Csoport_hozzajarulas_SDG.pdf
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Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly[3] and fulfil the following requirements/elements (a-d)[4]:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

The Group has conducted an analysis to identify the positive and negative impacts of company activities and to identify the areas with the most significant impacts, also considering the context in which it operates. We used the UNEP FI Portfolio Impact Analysis Tool to undertake an impact analysis of our portfolio. Due to the complexity of bank operations in different countries, the data collection required for the impact analysis is a major challenge. We are currently focusing on domestic market and the core business segments (retail and corporate). In Hungary Climate change, green transition, inclusive and healthy economies, affordable housing, resource efficiency and security, water quality are identified as high impact areas. To ensure consistency of proposed targets with stakeholder expectations, the Materiality matrix has been cross referenced. Green finance was rated as the most important issue for our stakeholders, while economic prosperity, financial literacy and digitalization were ranked in the top three issues for stakeholders.	*IR page x*

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

i) by sectors & industries[5] for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

[3] That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.
[4] Further guidance can be found in the Interactive Guidance on impact analysis and target setting.
[5] 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Portfolio components by sector in Hungary

Links and references

Assets by sector, on-balance sheet exposure to own customers without leasing and consolidation, 31.12.2022.	*Micro and small enterprises*	*Medium and large enterprises*
Agriculture, forestry, fishing	6%	5%
Mining, quarrying	0%	0%
Manufacturing	9%	10%
Electricity, gas, steam and air conditioning supply	0%	8%
Water supply; sewerage, waste management and remediation activities	0%	0%
Construction	18%	5%
Wholesale and retail trade; repair of motor vehicles and motorcycles	29%	14%
Transportation and storage	6%	4%
Accommodation and food service activities	4%	3%
Information, communication	3%	0%
Financial and insurance activities	0%	9%
Real estate activities	6%	15%
Professional, scientific and technical activities	5%	5%
Administrative and support service activities	4%	2%
Public administration and defence; compulsory social security	0%	3%
Education	1%	0%
Human health and social work activities	1%	0%
Arts, entertainment and recreation	1%	0%
Other services	5%	7%
Activities of households as employers; undifferentiated goods for own use	0%	n/a
Not classified	0%	9%
Total (HUF billions)	569.9	2772.0

OTP Group provides financial services to various sectors as described in 1. (Business model), some of which may present Environment and Social risks.

Based on the impact analysis, areas of high importance and risk in the countries of the OTP group and also relevant from the perspective of the financial sector:

- Housing problems
- Resources efficiency, security
- Inclisuve&Healthy economies
- Education
- Justice&Equality
- Strong Insitiutions, peace&Stability

Based on the Impact Analysis, the areas of climate change and financial inclusion are among the most significant ones.

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c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?[6] Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

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Hungary has made progress in greening its economy and cutting emissions, but it needs to speed up efforts to replace fossil fuels with renewable energy sources, improve energy efficiency in buildings and promote sustainable transport.

Rising industrial activity and energy consumption are intensifying pressures on Hungary's environment. Yet the economic rebound is an opportunity to invest more in energy efficiency and renewables, to accelerate the transition to green growth and a circular economy. Fossil fuels make up around two thirds of Hungary's energy supply.

Residential housing is Hungary's biggest consumer of energy, with some 80% of buildings lacking modern, efficient heating systems. Introducing energy efficiency measures in new buildings could reduce related energy consumption by more than half.

We conducted an impact analysis to identify the positive and negative impacts of company activities and to identify the areas with the most significant impacts, also considering the context in which it operates. The organised and effective management of the Group's environmental impacts is one of the key issues that has emerged. Our ESG goals are identifying the risks related to climate and environmental change, evaluating their impact and gradually introducing metrics for measuring them, focusing first and foremost on identifying climate risks. In said context, OTP Bank has also launched a process of acquiring useful information for managing environmental risks and gradually integrating these factors into the Risk Management Framework.

With regard to credit exposures, our objective is to follow an integrated approach to take account of climate risks at all relevant stages of the credit process, by gradually implementing tools that make it possible to collect information and incentivise lending in sectors with significant ESG performance and support the transition of companies in said sectors towards a more sustainable business model and, ultimately, a smaller environmental footprint.

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Links and references

https://www.oecd.org/environment/hungary-has-made-progress-on-greening-its-economy-and-now-needs-to-raise-its-ambitions.htm

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Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)[7]? Please disclose.

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Based on the Impact Analysis, the areas of **climate change** and **financial health& inclusion** are among the most significant ones.

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Links and references

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d) *For these (min. two prioritized impact areas)*: ***Performance measurement***: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or

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[6] Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

[7] To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

In line with OTP Bank's ESG strategy, we have set a preliminary target to increase our loan portfolio in green assets to HUF 1,500 billion by 2025. Based on the results of our impact analysis and in line with our strategic goals and target setting requirements, we started by determining a baseline for 2021. As a first step, OTP Bank, with the help of an external advisory firm (Klima Metrix), conducted a pilot estimation regarding its financed emissions. Based on the year-end 2021 exposure, we estimated the group-level GHG emissions attributable to the financing activity. For this first-time calculation, we used the Partnership for Carbon Accounting Financials (PCAF) methodology, a widely used standard based on the Greenhouse Gas Protocol. We managed to include 81.3% of our year-end exposure in the calculation, and in accordance with the PCAF methodology, we have created 4 segments: business loans, mortgages, commercial real estate and motor vehicle loans. All economic sectors were included, but what was excluded - due to lack of guidance - was mainly unsecured residential loans. In terms of accuracy, the PCAF defines five levels, with 1 being the most accurate and 5 the least accurate. Due to data availability issues, the experimental results show predominantly scores of 4 and 5, meaning that the calculation was based on average output at macroeconomic levels and where data were missing or inaccurate, proxies were used. This is a rough estimate, but the best currently possible. Our ability to quantify the impacts of increasing our green portfolio will improve over time, so this will help us to set our PRB's climate target even more accurately next year and refine it over time. We will seek to refine the results of our future estimates of our financed emissions by expanding the range of data reported and improving the quality of the data already available. This will require collaboration not only between group members, but also with our clients in all countries and sectors of the OTP Group. The aim is not only to increase our green portfolio and assess its environmental impact, but we are also making significant efforts to involve all areas of the bank's business and risk in defining and understanding what is needed to align the bank's long-term goals with the Paris Climate Change Agreement. OTP Bank has been conducting surveys for ten years now to explore the Hungarian population's self-provision habits and behaviour and their responses to various economic situations, on a sample of 1,500 18-70 years old bank account holders. The main average of the OTP Self-provision rose from 34 to 37 points in 2022, the greatest positive change within a year in the history of the surveys. Another important result was an increase in the proportion of people having savings. The survey found that the majority of people consider it important to have savings. 95 percent of the respondents also reported of increases in their expenditures and 76% characterised this increase as "significant". The survey found that most people respond to the economic uncertainty consciously, by cutting their consumption and by increasing their savings to the extent possible, and by working out financial plans. Respondents who prepare financial plans for at least the next month formed the majority again for the first time since 2020. For several years, OTP Group has made it a priority to contribute to the improvement of the financial literacy of the population. We believe that conscious money management and self-provisioning are essential for financial well-being. To this end,	*Links and references*

we have produced general financial education videos on a variety of topics, and several of our campaigns focus on responsible money management. As one of the top retail and commercial banks, we have the responsibility to support the development of inclusive and sustainable societies. We believe we can help more people prosper and enjoy the benefits Financially empowered people of growth by empowering them financially, giving them access to tailored financial products and services, and improving their financial resilience through education. We aim to financially empower more people in the near future. We seek to provide tailored finance to people with less access to credit. We offer solutions to unbanked and underserved groups. We aim to foster social mobility by helping low-income and underbanked entrepreneurs set up and grow their businesses.	

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?[8]

Scope:	☒ Yes	☐ In progress	☐ No
Portfolio composition:	☒ Yes	☐ In progress	☐ No
Context:	☒ Yes	☐ In progress	☐ No
Performance measurement:	☐ Yes	☒ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

How recent is the data used for and disclosed in the impact analysis?

☒ Up to 6 months prior to publication

☐ Up to 12 months prior to publication

☐ Up to 18 months prior to publication

☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

[8] You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT ON SUSTAINABILITY REPORTING

Building a better working world

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This is a translation of the Hungarian Report

INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT

To the management of OTP Bank Nyrt.

Scope

Ernst & Young Könyvizsgáló Kft. ("we" or "EY") have been engaged by OTP Bank Nyrt. ("OTP Bank") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on the 'Sustainability Activities of the OTP Group in 2022', the 'Sustainability Reporting Annex' and the 'GRI Content Index' ("Sustainability Report") prepared by OTP Bank for the financial year from 1 January 2022 to 31 December 2022 ("Subject matter") in accordance with the Global Reporting Initiative Standards 2021 ("GRI Standards" or "Criteria").

The scope of our work is to express limited assurance regarding the Subject matter, by expressing:

- conclusion on five specific sustainability disclosures in the Subject matter whether those are in line with the requirements of the Criteria:
  - 205-3 Confirmed incidents of corruption and actions taken
  - 302-1 Energy consumption within the organization
  - 404-1 Average hours of training per year per employee
  - 404-3 Percentage of employees receiving regular performance and career development reviews
  - FS13 Access points in low-populated or economically disadvantaged areas by type
- conclusion whether the Subject Matter overall fulfils the Criteria.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Subject Matter, and accordingly, we do not express a conclusion on this information.

OTP Bank's responsibilities

OTP Bank's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

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We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 Revised'), and the terms of reference for this engagement as agreed with OTP Bank Nyrt. on 3 February 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and have the required competencies and experience to conduct this assurance engagement.

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- We conducted interviews with key personnel and management of OTP Bank from the Real Estate Operations Department, Human and Organization Development Directorate, Retail Customer Tribe, Digital Infrastructure Services Directorate, and Compliance Directorate organizational units to understand the process for collecting, collating and reporting the Subject matter during the reporting period from 1 January 2022 to 31 December 2022.

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- We conducted an interview with key personnel of the CSR Group on the application of GRI Standards during the reporting process.
- We conducted an interview with the leader of the ESG Operating Subcommittee.
- We reviewed the narrative content of the Subject matter and the presentation of the selected disclosures to assess whether:
    - The selected disclosures in the Subject Matter are consistent with other information obtained from interviews or from internal policies or other external or internal communications about OTP Bank's sustainability agenda.
    - The selected disclosures in the Subject Matter are consistent with the requirements of the Criteria.
- We reviewed the reporting of the selected five sustainability disclosures by:
    - Conducting interviews with the OTP Bank specialists responsible for managing, collating, and reviewing data at the corporate level.
    - Observing whether the data was generated and presented according to the Criteria set for the specific disclosures.
    - Undertaking analytical review procedures on each sustainability disclosure, i.e.: report of ethic hotline cases; energy consumption data; annual training hours per employees; performance reviews of employees; number and location of ATM machines on the data.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter, in order for it to be in accordance with the Criteria.

Budapest, Hungary

18 April 2023

(The original Hungarian version has been signed.)

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