



OTP BANK PLC.

**SEPARATE FINANCIAL STATEMENTS
IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

**FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2023**

OTP BANK PLC.

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OTP BANK PLC.
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023
(in HUF mn)

	Note	30 September 2023	31 December 2022	30 September 2022
Cash, amounts due from banks and balances with the National Bank of Hungary		2,462,369	1,092,198	922,476
Placements with other banks		2,694,987	2,899,829	3,087,311
Repo receivables		252,800	246,529	122,586
Financial assets at fair value through profit or loss	4.	479,619	410,012	565,883
Financial assets at fair value through other comprehensive income	5.	532,974	797,175	920,780
Securities at amortised cost	6.	2,952,943	3,282,373	3,616,261
Loans at amortised cost	7.	4,723,988	4,825,040	4,969,025
Loans mandatorily measured at fair value through profit or loss	7.	890,413	793,242	762,573
Investments in subsidiaries	8.	2,031,004	1,596,717	1,482,214
Property and equipment		96,937	94,564	84,933
Intangible assets		76,597	69,480	62,660
Right of use assets		58,615	39,882	41,004
Investment properties		4,238	4,207	4,227
Deferred tax assets		12,670	35,742	31,852
Current tax assets		1,285	1,569	3,277
Derivative financial assets designated as hedge accounting relationships		36,223	47,220	37,279
Other assets		<u>670,248</u>	<u>329,752</u>	<u>316,841</u>
TOTAL ASSETS		<u>17,977,910</u>	<u>16,565,531</u>	<u>17,031,182</u>
Amounts due to banks and deposits from the National Bank of Hungary and other banks		1,901,960	1,736,128	1,668,349
Repo liabilities		844,438	408,366	506,734
Deposits from customers	9.	10,765,624	11,119,158	11,523,773
Leasing liabilities		60,840	41,464	43,602
Liabilities from issued securities	10.	1,118,436	498,709	212,215
Financial liabilities designated at fair value through profit or loss		19,814	16,576	16,545
Derivative financial liabilities designated as held for trading		216,884	373,401	503,728
Derivative financial liabilities designated as hedge accounting relationships		43,869	50,623	96,780
Current tax liabilities		2,868	3,199	781
Provisions		30,244	29,656	25,571
Other liabilities		348,213	313,188	471,035
Subordinated bonds and loans		<u>541,284</u>	<u>294,186</u>	<u>308,566</u>
TOTAL LIABILITIES		<u>15,894,474</u>	<u>14,884,654</u>	<u>15,377,679</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		2,061,946	1,655,601	1,628,300
Treasury shares		<u>(6,510)</u>	<u>(2,724)</u>	<u>(2,797)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>2,083,436</u>	<u>1,680,877</u>	<u>1,653,503</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>17,977,910</u>	<u>16,565,531</u>	<u>17,031,182</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2023 (UNAUDITED)
(in HUF mn)

	Note	Nine month period ended 30 September 2023	Nine month period ended 30 September 2022	Year ended 31 December 2022
Interest income and similar to interest income total	13.	1,506,958	691,917	1,098,910
Interest expenses total	13.	<u>(1,189,762)</u>	<u>(481,029)</u>	<u>(802,020)</u>
NET INTEREST INCOME	13.	<u>317,196</u>	<u>210,888</u>	<u>296,890</u>
Risk cost total		12,688	(74,720)	(94,594)
NET INTEREST INCOME AFTER RISK COST		<u>329,884</u>	<u>136,168</u>	<u>202,296</u>
Gains / (Losses) arising from derecognition of financial assets measured at amortised cost		(10,800)	(27,752)	(56,195)
Modification loss		(6,952)	(4,267)	(14,856)
Net profit from fees and commissions		237,569	217,994	296,357
Net operating income		343,974	10,512	57,422
Other administrative expenses		<u>(392,224)</u>	<u>(365,689)</u>	<u>(492,030)</u>
PROFIT BEFORE INCOME TAX		<u>501,451</u>	<u>(33,034)</u>	<u>(7,006)</u>
Income tax		<u>(46,779)</u>	<u>14,777</u>	<u>13,638</u>
PROFIT AFTER INCOME TAX		<u>454,672</u>	<u>(18,257)</u>	<u>6,632</u>
Earnings per share (in HUF)				
Basic		1,627	232	24
Diluted		1,627	232	24

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH
PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)
(in HUF mn)

	Nine month period ended 30 September 2023	Nine month period ended 30 September 2022	Year ended 31 December 2022
PROFIT AFTER INCOME TAX	<u>454,672</u>	<u>(18,257)</u>	<u>6,632</u>
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of debt instruments at fair value through other comprehensive income	26,175	(66,360)	(55,804)
Deferred tax related to fair value adjustment of debt instruments at fair value through other comprehensive income	(2,372)	6,142	5,186
Gains / (Losses) on separated currency spread of financial instruments designated as hedging instrument	3,682	3,797	(4,887)
Deferred tax related to (losses) / gains on separated currency spread of financial instruments designated as hedging instrument	(331)	(342)	440
(Losses) / Gains on derivative financial instruments designated as cash flow hedge	<u>3,717</u>	<u>(5,868)</u>	<u>(5,641)</u>
Items that will not be reclassified to profit or loss:			
Gains on equity instruments at fair value through other comprehensive income	-	2,675	2,675
Fair value adjustment of equity instruments at fair value through other comprehensive income	2,656	368	61
Deferred tax related to equity instruments at fair value through other comprehensive income	<u>(300)</u>	<u>(76)</u>	<u>(41)</u>
Total	<u>33,227</u>	<u>(59,664)</u>	<u>(58,011)</u>
TOTAL COMPREHENSIVE INCOME	<u>487,899</u>	<u>(77,921)</u>	<u>(51,379)</u>

OTP BANK PLC.
SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30
SEPTEMBER 2023 (UNAUDITED)
(in HUF mn)

	Share Capital	Capital reserve	Retained earnings and other reserves	Treasury Shares	Total
Balance as at 1 January 2022	28,000	52	1,845,784	(58,872)	1,814,964
Net profit for the period	-	-	(18,257)	-	(18,257)
Other movement	-	-	2	-	2
Other comprehensive income	-	-	(59,664)	-	(59,664)
Total comprehensive income	=	=	(77,919)	=	(77,919)
Share-based payment	-	-	2,211	-	2,211
Sale of treasury shares	-	-	-	71,696	71,696
Acquisition of treasury shares	-	-	-	(15,621)	(15,621)
Loss on treasury shares	-	-	(21,580)	-	(21,580)
Dividend for the year 2021	-	-	(120,248)	-	(120,248)
Other transaction with owners	=	=	(139,617)	56,075	(83,542)
Balance as at 30 September 2022	<u>28,000</u>	<u>52</u>	<u>1,628,248</u>	<u>(2,797)</u>	<u>1,653,503</u>
Balance as at 1 January 2023	28,000	52	1,655,549	(2,724)	1,680,877
Net profit for the period	-	-	454,672	-	454,672
Other comprehensive income	-	-	33,227	-	33,227
Total comprehensive income	=	=	487,899	=	487,899
Share-based payment	-	-	2,091	-	2,091
Sale of treasury shares	-	-	-	35,412	35,412
Acquisition of treasury shares	-	-	-	(39,198)	(39,198)
Loss on sale of treasury shares	-	-	355	-	355
Dividend for the year 2022	-	-	(84,000)	-	(84,000)
Other transaction with owners	=	=	(81,554)	(3,786)	(85,340)
Balance as at 30 September 2023	<u>28,000</u>	<u>52</u>	<u>2,061,894</u>	<u>(6,510)</u>	<u>2,083,436</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2023 (UNAUDITED)
(in HUF mn)

	Nine month period ended 30 September 2023	Nine month period ended 30 September 2022	Year ended 31 December 2022
Profit before income tax	501,451	(33,034)	(7,006)
Net accrued interest	2,685	(4,906)	(11,196)
Income tax paid	(19,964)	(15,108)	(19,953)
Depreciation and amortization	36,899	34,458	46,873
Loss allowance / (Release of loss allowance)	(15,748)	236,348	221,227
Share-based payment	2,091	2,211	2,948
Unrealised gains on fair value adjustment of financial instruments at fair value through profit or loss	(74,204)	(12,486)	11,870
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments	(91,153)	64,612	52,840
Gains on securities	9,685	34,109	62,354
Interest expense from leasing liabilities	1,413	(783)	(1,186)
Foreign exchange gain / (loss)	(6,381)	53,483	9,359
Proceeds from sale of tangible and intangible assets	(1,221)	(141)	(267)
Net change in assets and liabilities in operating activities	<u>(632,756)</u>	<u>633,172</u>	<u>(358,189)</u>
Net cash (used in) / provided by operating activities	<u>(287,203)</u>	<u>991,935</u>	<u>9,674</u>
Net provided by / (used in) cash used in investing activities	<u>370,361</u>	<u>(654,294)</u>	<u>(425,351)</u>
Net cash provided by financing activities	<u>769,804</u>	<u>90,401</u>	<u>391,805</u>
Net increase in cash and cash equivalents	<u>852,962</u>	<u>428,042</u>	<u>(23,872)</u>
Cash and cash equivalents at the beginning of the year	<u>351,770</u>	<u>375,642</u>	<u>375,642</u>
Cash and cash equivalents at the end of the year	<u>1,204,732</u>	<u>803,684</u>	<u>351,770</u>

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

These interim condensed financial statements had been prepared in accordance with the prescriptions of IAS 34.

1.2. Accounting

The Bank maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.

The presentation and the functional currency of the Bank is the Hungarian Forint (“HUF”).

The Bank followed the same accounting policies and methods of computation in the interim financial statements as compared with the most recent annual financial statements.

**NOTE 2: SIGNIFICANT EVENTS DURING THE NINE MONTH PERIOD ENDED 30
SEPTEMBER 2023**

1) Capital increase at OTP Mortgage Bank Ltd.

See details about the event in Note 8.

2) Acquisition in Slovenia

See details about the event in Note 8.

3) Issuance of USD 650 million Bonds

On 15 February 2023 as a value date the Bank issued Notes in the aggregate nominal amount of USD 650 million. The original maturity of the Tier 2 Notes is 10.25 years, redeemable at par any time during the 3-month period prior to the Reset Date at 5.25 years. The notes are rated 'Ba2' by Moody's Investor Services Cyprus Ltd., 'BB' by S&P Ratings Europe Limited and 'BB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

4) Capital increase at OTP Real Estate Ltd.

See details about the event in Note 8.

5) Prolongations of interest rate cap

The government has extended the interest rate cap, which will remain effective until the base rate falls below 10%.

6) Issuance of USD 500 million Bonds

Notes (ISIN: XS2626773381) have been issued on 25 May 2023 as value date in the aggregate nominal amount of USD 500 million. The notes are rated 'Baa3' by Moody's Investor Services Cyprus Ltd., 'BBB-' by S&P Ratings Europe Limited and 'BBB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

7) Windfall tax

The government has amended previously laid down methodology of windfall tax for the second half of 2023. According to the new rules, the gross amount of the windfall tax for the year 2023 changed to HUF 41 billion in the case of OTP Group.

8) Ipoteka Bank

See details about the event in Note 8.

9) Issuance of EUR 110 million Bonds

OTP Bank issued notes (ISIN: XS2642536671) on 27 June 2023 as value date in the aggregate nominal amount of EUR 110 million. The notes are listed on the Luxembourg Stock Exchange.

NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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. Post-balance sheet events cover the period until 3 November 2023.

- On 3 October 2023 the Ministry of Finance announced that the Government hiked the original deficit to GDP target of 3.9% to 5.2%.
- On 13 October 2023 as value date OTP Bank issued Senior Preferred notes in the aggregate nominal amount of RON 170 million. The bond’s maturity date is 13 October 2026, where the issuer’s call option is applicable on 13 October 2025; the initial rate of interest is 8.1% in the first two years, and then 1Y RON-EUR Mid-Swap + 1.7%.
- From 9 October 2023, as proposed by Hungary’s Ministry of Economic Development, and with an aim to boost lending, a voluntary interest rate cap was created for newly disbursed loans, in agreement with the Hungarian Banking Association. All banks have voluntarily implemented this cap. OTP Bank joined this initiative on 9 October 2023. Under the agreement, financial institutions offer non-subsidized housing loans at no more than 8.5% APR, and corporate working capital loans at a maximum interest rate of 12%.
- In return for accepting the interest rate cap, the government made two commitments to the Banking Association. First, if the central bank base rate sinks to single digit, the interest rate cap on existing SME loans with variable interest rates, which was launched at the end of 2021, may be phased out, and the review of the interest rate cap on the affected housing loans may begin. Second, the Ministry of Economic Development committed itself to supporting the Banking Association’s regulatory efforts and plans that target financial digitalization.
- Parties have agreed to continue negotiations, thus the interest rate caps may be revised on a monthly basis in the future.
- On 18 October 2023, the government published the draft law on the global minimum tax.
- On 24 October 2023, the MNB’s Monetary Council reduced the central bank base rate by 75 basis points, to 12.25%, and simultaneously it lowered the entire interest rate corridor by that much.
- On 25 October 2023, the government announced details on the CSOK Plus family support plan, which will take effect on 1 January 2024. The CSOK Plus subsidized housing loan will be available in communities with more than 5,000 inhabitants, where young couples may apply for HUF 15 million, 30 million, or 50 million loans, depending on the number of children. What is new compared to the previous CSOK product is that only married couples are eligible for it, i.e. CSOK Plus is not available for singles, or for those living in civil partnerships. In another change, this loan is available for yet unborn children, not for existing ones. However, existing children will be taken into consideration when examining the number of children in the family. The interest rate on this subsidized loan will be fixed at 3% until maturity, its duration may be between 10 and 25 years, and it is not available for buying land. To be eligible, the real property’s price shall not be more than HUF 80 million (for first-time home buyers), or HUF 150 million (if it is not the first home). To buy the first home, at least 10% downpayment is required; in other cases, the generally applied minimum 20% downpayment is the requirement. Basically, CSOK Plus is available for women under 40, but in a two-year transition period, women who are at least 12 weeks pregnant will also be eligible. In the first year from the loan disbursement, only the capital shall be repaid. When the child is born, the borrowers may request a one-year loan moratorium. Upon the birth of the second and further children, HUF 10 million debt will be forgiven from the capital each time. Further details are likely to be published by the middle of November.
- Pursuant to the government’s decision, the Széchenyi Card Programme’s 2023 terms and conditions and its product structure remain in effect in 2024; i.e. the plan will continue to provide loans with fixed 5% net interest rate until the end of the term for Hungarian SMEs.

NOTE 4: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	30 September 2023	31 December 2022
Held for trading securities:		
Government bonds	30,417	67,521
Other non-interest bearing securities	311	274
Hungarian government discounted Treasury Bills	98	4,785
Corporate shares and investments	685	385
Mortgage bonds	99	82
Other securities	<u>184,812</u>	<u>1,748</u>
Subtotal	<u>216,422</u>	<u>74,795</u>
Securities mandatorily measured at fair value through profit or loss		
Shares in investment funds	30,666	29,029
Bonds	147	-
Shares	<u>1,469</u>	<u>1,469</u>
Subtotal	<u>32,282</u>	<u>30,498</u>
Held for trading derivative financial instruments:		
Foreign currency swaps	91,421	121,854
Interest rate swaps	76,549	121,506
CCIRS and mark-to-market CCIRS swaps	32,175	14,847
Other derivative transactions	<u>30,770</u>	<u>46,512</u>
Subtotal	<u>230,915</u>	<u>304,719</u>
Total	<u>479,619</u>	<u>410,012</u>

NOTE 5: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)

	30 September 2023	31 December 2022
Securities at fair value through other comprehensive income		
Government bonds	198,451	177,393
Mortgage bonds	292,793	356,540
Interest bearing treasury bills	1,302	182,726
Other securities	19,902	62,594
<i>Listed securities</i>	<u>7,182</u>	<u>7,290</u>
in foreign currency	7,182	7,290
<i>Non-listed securities</i>	<u>12,720</u>	<u>55,304</u>
in HUF	12,720	14,304
in foreign currency	-	41,000
Subtotal	<u>512,448</u>	<u>779,253</u>
Non-trading equity instruments		
-non-listed securities	<u>20,526</u>	<u>17,922</u>
in HUF	528	528
in foreign currency	<u>19,998</u>	<u>17,394</u>
	<u>20,526</u>	<u>17,922</u>
Securities at fair value through other comprehensive income total	<u>532,974</u>	<u>797,175</u>

NOTE 6: SECURITIES AT AMORTISED COST (in HUF mn)

	30 September 2023	31 December 2022
Government bonds	2,646,568	2,979,400
Other bonds	310,040	314,237
Mortgage bonds	<u>24,974</u>	<u>24,586</u>
Subtotal	<u>2,981,582</u>	<u>3,318,223</u>
Loss allowance	<u>(28,639)</u>	<u>(35,850)</u>
Total	<u>2,952,943</u>	<u>3,282,373</u>

An analysis of change in the loss allowance on securities at amortised cost:

	30 September 2023	31 December 2022
Balance as at 1 January	35,850	6,685
Loss allowance	1,836	31,696
Release of loss allowance	(8,648)	(4,073)
FX movement	<u>(399)</u>	<u>1,542</u>
Closing balance	<u>28,639</u>	<u>35,850</u>

NOTE 7: LOANS (in HUF mn)**Loans measured at fair value through profit or loss**

	30 September 2023	31 December 2022
Within one year	43,625	39,694
Over one year	<u>846,788</u>	<u>753,548</u>

Loans measured at fair value through profit or loss total **890,413** **793,242**

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

	30 September 2023	31 December 2022
Within one year	2,342,285	2,481,249
Over one year	<u>2,541,144</u>	<u>2,518,671</u>
Loans at amortised cost gross total	<u>4,883,429</u>	<u>4,999,920</u>

Loss allowance on loan losses (159,441) (174,880)

Loans at amortised cost total **4,723,988** **4,825,040**

An analysis of the loan portfolio by currency (%):

	30 September 2023	31 December 2022
In HUF	59%	58%
In foreign currency	<u>41%</u>	<u>42%</u>
Total	<u>100%</u>	<u>100%</u>

An analysis of the change in the loss allowance on loans at amortised cost is as follows:

	30 September 2023	31 December 2022
Balance as at 1 January	174,880	155,557
Loss allowance	199,517	252,002
Release of loss allowance	(183,643)	(210,342)
Use of loss allowance	(25,230)	(21,274)
Partial write-off	(4,621)	(7,348)
FX movement	<u>(1,462)</u>	<u>6,285</u>
Closing balance	<u>159,441</u>	<u>174,880</u>

NOTE 8: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn)

	30 September 2023	31 December 2022
Investments in subsidiaries:		
Controlling interest	2,556,636	2,116,059
Other	<u>8,010</u>	<u>23,427</u>
Subtotal	<u>2,564,646</u>	<u>2,139,486</u>
Impairment loss	<u>(533,642)</u>	<u>(542,769)</u>
Total	<u>2,031,004</u>	<u>1,596,717</u>

An analysis of the change in the impairment loss is as follows:

	30 September 2023	31 December 2022
Balance as at 1 January	542,769	449,256
Impairment loss for the period	104	147,712
Reversal of impairment loss	(9,231)	(54,199)
Use of impairment loss	=	=
Closing balance	<u>533,642</u>	<u>542,769</u>

Significant events related to investments

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.

The 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.

Based on the share sale and purchase agreement concluded on 12 December 2022 between OTP Bank and the Ministry of Economy and Finance of the Republic of Uzbekistan the first step of the transaction was completed on 13 June 2023. Consequently, OTP Bank became the majority shareholder of Ipoteka Bank by acquiring a 73.71% shareholding, and became indirect shareholder of Ipoteka Bank's wholly-owned subsidiaries. As a result of the acquisition, OTP Group entered the Central Asian region, and is the first foreign bank to participate in the privatization of the Uzbek banking sector. Holding a market share of 7.6% in terms of total assets as of May 2023 and a retail clientele of about 1.5 million, Ipoteka Bank is the fifth largest bank of Uzbekistan. It is active both in the retail and corporate segments, whereas over the past three years the average annual growth rate of its customer loan and deposit portfolio reached 20% and 24%, respectively. As the second step of the transaction, the remaining shares held by the Ministry will be purchased in three years from now.

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 Metropolitan Court of Registration has registered a capital increase at OTP Real Estate Ltd. Accordingly, the registered capital of OTP Real Estate Ltd. was increased to HUF 1,050,000,000 from HUF 1,000,000,000.

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 September 2023	31 December 2022
Within one year:		
In HUF	7,592,400	7,982,882
In foreign currency	<u>3,150,144</u>	<u>3,112,937</u>
	<u>10,742,544</u>	<u>11,095,819</u>
Over one year:		
In HUF	<u>23,080</u>	<u>23,339</u>
	<u>23,080</u>	<u>23,339</u>
Total	<u>10,765,624</u>	<u>11,119,158</u>

An analysis of deposits from customers by type, not including accrued interest, is as follows:

	30 September 2023		31 December 2022	
Retail deposits	4,357,802	40%	4,756,881	43%
Household deposits	4,357,802	40%	4,756,881	43%
Corporate deposits	6,407,822	60%	6,362,277	57%
Deposits to medium and large corporates	5,314,272	50%	5,570,866	50%
Municipality deposits	<u>1,093,550</u>	<u>10%</u>	<u>791,411</u>	<u>7%</u>
Total	<u>10,765,624</u>	<u>100%</u>	<u>11,119,158</u>	<u>100%</u>

NOTE 10: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	30 September 2023	31 December 2022
Within one year:		
In HUF	151,183	4,311
In foreign currency	<u>18,584</u>	<u>6,351</u>
	<u>169,767</u>	<u>10,662</u>
Over one year:		
In HUF	41,917	46,192
In foreign currency	<u>906,752</u>	<u>441,855</u>
	<u>948,669</u>	<u>488,047</u>
Total	<u>1,118,436</u>	<u>498,709</u>

NOTE 11: 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

	30 September 2023	31 December 2022
Loan commitments	2,033,834	1,852,164
Guarantees arising from banking activities	1,859,205	1,873,824
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	1,055,923	955,480
Factoring loan commitments	388,190	373,417
Confirmed letters of credit	<u>1,415</u>	<u>12,376</u>
Contingent liabilities and commitments total in accordance with IFRS 9	<u>4,282,644</u>	<u>4,111,781</u>
Legal disputes (disputed value)	3,667	3,678
Contingent liabilities related to payments from shares in venture capital fund	26,225	28,614
Other	<u>16</u>	<u>7</u>
Contingent liabilities and commitments total in accordance with IAS 37	<u>29,908</u>	<u>32,299</u>
Total	<u>4,312,552</u>	<u>4,144,080</u>

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 1.904 million and HUF 1.917 million as at 30 September 2023 and 31 December 2022, respectively.

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Fair value of derivative instruments

Positive fair values of derivative instruments designated as hedge accounting relationships are presented separately in the statement of financial position, while positive fair values of derivative instruments classified as held for trading are included in financial assets at fair value through profit or loss. Negative fair values of hedging derivative instruments are presented separately in the statement of financial position, negative fair values of derivatives held for trading are included in the negative fair value of derivative financial instruments classified as held for trading line.

The Bank has the following held for trading derivatives and derivatives designated as hedge accounting:

	30 September 2023					31 December 2022				
	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	142,009	(124,559)	125,324	16,685	765	162,519	(170,144)	155,468	7,051	(14,676)
Cross currency interest rate swaps	11,183	(8,933)	-	11,183	(8,933)	11,332	(12,139)	-	11,332	(12,139)
OTC options	1,186	(1,186)	-	1,186	(1,186)	1,000	(1,000)	-	1,000	(1,000)
Forward rate agreement	-	-	-	-	-	505	(3)	505	-	502
Total interest rate derivatives (OTC derivatives)	154,378	(134,678)	125,324	29,054	(9,354)	175,356	(183,286)	155,973	19,383	(27,313)
From this: Interest rate derivatives cleared by NBH	1,373	-	-	1,373	-	2,702	-	-	2,702	-
Foreign exchange derivatives										
Foreign exchange swaps	67,610	(27,144)	-	67,610	(27,144)	109,167	(76,037)	-	109,167	(76,037)
Foreign exchange forward	10,118	(9,429)	-	10,118	(9,429)	9,909	(11,936)	-	9,909	(11,936)
OTC options	1,442	(661)	-	1,442	(661)	1,048	(822)	-	1,048	(822)
Foreign exchange spot conversion	593	(328)	-	593	(328)	162	(162)	-	162	(162)
Total foreign exchange derivatives (OTC derivatives)	79,763	(37,562)	-	79,763	(37,562)	120,286	(88,957)	-	120,286	(88,957)
From this: Foreign exchange derivatives cleared by NBH	-	-	-	-	-	22,214	-	-	22,214	-

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Fair value of derivative instruments

The Bank has the following held for trading derivatives and derivatives designated as hedge accounting:

	30 September 2023			30 September 2023			31 December 2022			31 December 2022		
	Before netting Assets	Liabilities	Netting	After netting Assets	Liabilities		Before netting Assets	Liabilities	Netting	After netting Assets	Liabilities	
Equity stock and index derivatives												
Commodity Swaps	16,530	(15,193)	-	16,530	(15,193)		34,058	(32,048)	-	34,058	(32,048)	
Equity swaps	367	(3,978)	-	367	(3,978)		54	(702)	-	54	(702)	
OTC derivatives	16,897	(19,171)	-	16,897	(19,171)	-	34,112	(32,750)	-	34,112	(32,750)	-
Exchange traded futures and options	519	(1,273)	-	519	(1,273)		214	(1,887)	-	214	(1,887)	
Total equity stock and index derivatives	17,416	(20,444)	-	17,416	(20,444)	-	34,326	(34,637)	-	34,326	(34,637)	-
Derivatives held for risk management not designated in hedges												
Interest rate swaps	76,818	(148,210)	16,954	59,864	(131,256)		133,399	(225,915)	18,944	114,455	(206,971)	
Foreign exchange swaps	23,811	(16,675)	-	23,811	(16,675)		12,687	(11,908)	-	12,687	(11,908)	
Foreign exchange spot conversion	-	-	-	-	-		-	(43)	-	-	(43)	
Forward	15	(38)	-	15	(38)		67	-	-	67	-	
Cross currency interest rate swaps	20,992	(1,555)	-	20,992	(1,555)		3,515	(3,572)	-	3,515	(3,572)	
Total derivatives held for risk management not designated in hedges	121,636	(166,478)	16,954	104,682	(149,524)	-	149,668	(241,438)	18,944	130,724	(222,494)	-
From this: Total derivatives cleared by NBH held for risk management	44,289	-	-	44,289	-		78,916	(1,879)	-	78,916	(1,879)	
Total Held for trading derivative financial instruments	373,193	(359,162)	142,278	230,915	(216,884)	-	479,636	(548,318)	174,917	304,719	(373,401)	-
Derivative financial instruments designated as hedge accounting relationships												
Derivatives designated in cash flow hedges												
Interest rate swaps	-	(15,228)	1,573	(1,573)	(13,655)		-	(25,325)	2,651	(2,651)	(22,674)	
Total derivatives designated in cash flow hedges	-	(15,228)	1,573	(1,573)	(13,655)	-	-	(25,325)	2,651	(2,651)	(22,674)	-
Derivatives designated in fair value hedges												
Interest rate swaps	48,294	(47,690)	27,936	20,358	(19,754)		58,381	(37,290)	30,938	27,443	(6,352)	
Cross currency interest rate swaps	14,372	(10,460)	-	14,372	(10,460)		20,732	(5,398)	-	20,732	(5,398)	
Foreign exchange swaps	3,066	-	-	3,066	-		1,696	(16,199)	-	1,696	(16,199)	
Total derivatives designated in fair value hedges	65,732	(58,150)	27,936	37,796	(30,214)	-	80,809	(58,887)	30,938	49,871	(27,949)	-
From this: Total derivatives cleared by NBH held for hedging	-	(1,700)	-	-	(1,700)		-	(5,485)	-	-	(5,485)	
Total derivatives held for risk management (OTC derivatives)	65,732	(73,378)	29,509	36,223	(43,869)	-	80,809	(84,212)	33,589	47,220	(50,623)	-

NOTE 13: INTEREST INCOME AND EXPENSES (in HUF mn)

	Nine month period ended 30 September 2023	Nine month period ended 30 September 2022	Year ended 31 December 2022
Interest income accounted for using the effective interest rate method from / on			
Loans at amortised cost	340,150	197,783	297,727
FVOCI securities	42,014	24,164	39,988
Securities at amortised cost	66,151	69,491	92,948
Placements with other banks	157,122	155,638	204,479
Financial liabilities	330	11,502	20,098
Amounts due from banks and balances with National Bank of Hungary	277,493	7,499	56,204
Repo receivables	<u>30,608</u>	<u>1,606</u>	<u>10,235</u>
Subtotal	<u>913,868</u>	<u>467,683</u>	<u>721,679</u>
Income similar to interest income			
Loans mandatorily measured at fair value through profit or loss	37,131	25,300	35,927
Swap and forward deals related to Placements with other banks	448,492	162,591	273,322
Swap and forward deals related to Loans at amortised cost	93,082	32,314	60,744
Swap and forward deals related to FVOCI securities	14,378	4,023	7,230
Investment properties	<u>7</u>	<u>6</u>	<u>8</u>
Subtotal	<u>593,090</u>	<u>224,234</u>	<u>377,231</u>
Interest income total	<u>1,506,958</u>	<u>691,917</u>	<u>1,098,910</u>
Interest expense due to / from / on			
Amounts due to banks and deposits from the National Bank of Hungary and other banks	472,467	270,949	408,865
Deposits from customers	481,362	161,013	301,657
Leasing liabilities	1,486	783	1,186
Liabilities from issued securities	41,686	2,561	7,742
Subordinated bonds and loans	21,636	6,128	8,646
Investment properties (depreciation)	104	101	135
Financial assets	5,617	3,929	6,369
Repo liabilities	165,404	35,376	66,049
Swap transaction related to acquisitions	-	189	1,371
Interest expense total	<u>1,189,762</u>	<u>481,029</u>	<u>802,020</u>