



OTP BANK PLC.

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

**FOR THE YEAR
ENDED 31 DECEMBER 2023**

OTP BANK PLC.

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OTP BANK PLC.
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023
(UNAUDITED) (in HUF mn)

	Note	31 December 2023	31 December 2022
Cash, amounts due from banks and balances with the National Bank of Hungary		2,708,232	1,092,198
Placements with other banks		2,702,433	2,899,829
Repo receivables		201,658	246,529
Financial assets at fair value through profit or loss	4.	257,535	410,012
Financial assets at fair value through other comprehensive income	5.	559,527	797,175
Securities at amortised cost	6.	2,710,848	3,282,373
Loans at amortised cost	7.	4,681,359	4,825,040
Loans mandatorily measured at fair value through profit or loss	7.	934,848	793,242
Investments in subsidiaries	8.	2,001,952	1,596,717
Property and equipment		107,306	94,564
Intangible assets		98,115	69,480
Right of use assets		66,222	39,882
Investment properties		4,203	4,207
Deferred tax assets		408	35,742
Current tax assets		-	1,569
Derivative financial assets designated as hedge accounting relationships		21,628	47,220
Non-current assets held for sale		130,718	-
Other assets		<u>365,961</u>	<u>329,752</u>
TOTAL ASSETS		<u>17,552,953</u>	<u>16,565,531</u>
Amounts due to banks and deposits from the National Bank of Hungary and other banks		1,761,579	1,736,128
Repo liabilities		443,694	408,366
Deposits from customers	9.	10,734,325	11,119,158
Leasing liabilities		68,282	41,464
Liabilities from issued securities	10.	1,163,109	498,709
Financial liabilities designated at fair value through profit or loss		19,786	16,576
Derivative financial liabilities designated as held for trading		183,565	373,401
Derivative financial liabilities designated as hedge accounting relationships		27,423	50,623
Current tax liabilities		14,393	3,199
Provisions		22,497	29,656
Other liabilities		295,399	313,188
Subordinated bonds and loans		<u>520,296</u>	<u>294,186</u>
TOTAL LIABILITIES		<u>15,254,348</u>	<u>14,884,654</u>
Share capital		28,000	28,000
Retained earnings and reserves		2,276,759	1,655,601
Treasury shares		<u>(6,154)</u>	<u>(2,724)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>2,298,605</u>	<u>1,680,877</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>17,552,953</u>	<u>16,565,531</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED
31 DECEMBER 2023 (UNAUDITED)
(in HUF mn)

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income and similar to interest income total	2,023,079	1,098,910
Interest expenses total	<u>(1,556,361)</u>	<u>(802,020)</u>
NET INTEREST INCOME	<u>466,718</u>	<u>296,890</u>
Risk cost total	26,687	(94,594)
NET INTEREST INCOME AFTER RISK COST	<u>493,405</u>	<u>202,296</u>
Gains / (Losses) arising from derecognition of financial assets measured at amortised cost	(19,707)	(56,195)
Modification loss	(9,017)	(14,856)
Net profit from fees and commissions	324,130	296,357
Net operating income	464,606	57,422
Other administrative expenses	<u>(528,136)</u>	<u>(492,030)</u>
PROFIT BEFORE INCOME TAX	<u>725,281</u>	<u>(7,006)</u>
Income tax	<u>(70,293)</u>	<u>13,638</u>
PROFIT AFTER INCOME TAX	<u>654,988</u>	<u>6,632</u>
Earnings per share (in HUF)		
Basic	2,344	24
Diluted	2,344	24

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 2023 (UNAUDITED)
(in HUF mn)

	Year ended 31 December 2023	Year ended 31 December 2022
PROFIT AFTER INCOME TAX	<u>654,988</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	37,917	(55,804)
Deferred tax related to fair value adjustment of debt instruments at fair value through other comprehensive income	(3,503)	5,186
Gains / (Losses) on separated currency spread of financial instruments designated as hedging instrument	3,752	(4,887)
Deferred tax related to (losses) / gains on separated currency spread of financial instruments designated as hedging instrument	(338)	440
(Losses) / Gains on derivative financial instruments designated as cash flow hedge	<u>5,700</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
Fair value adjustment of equity instruments at fair value through other comprehensive income	3,308	61
Deferred tax related to equity instruments at fair value through other comprehensive income	<u>(374)</u>	<u>(41)</u>
Total	<u>46,462</u>	<u>(58,011)</u>
TOTAL COMPREHENSIVE INCOME	<u>701,450</u>	<u>(51,379)</u>

OTP BANK PLC.
SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 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	-	-	6,632	-	6,632
Other movement	-	-	2	-	2
Other comprehensive income	=	=	<u>(58,011)</u>	=	<u>(58,011)</u>
Total comprehensive income	=	=	<u>(51,377)</u>	=	<u>(51,377)</u>
Share-based payment	-	-	2,948	-	2,948
Sale of treasury shares	-	-	-	72,416	72,416
Acquisition of treasury shares	-	-	-	(16,268)	(16,268)
Loss on treasury shares	-	-	(21,558)	-	(21,558)
Dividend for the year 2021	=	=	<u>(120,248)</u>	=	<u>(120,248)</u>
Other transaction with owners	=	=	<u>(138,858)</u>	<u>56,148</u>	<u>(82,710)</u>
Balance as at 31 December 2022	<u>28,000</u>	<u>52</u>	<u>1,655,549</u>	<u>(2,724)</u>	<u>1,680,877</u>
Balance as at 1 January 2023	28,000	52	1,655,549	(2,724)	1,680,877
Net profit for the period	-	-	654,988	-	654,988
Other comprehensive income	=	=	<u>46,462</u>	=	<u>46,462</u>
Total comprehensive income	=	=	<u>701,450</u>	=	<u>701,450</u>
Share-based payment	-	-	3,292	-	3,292
Sale of treasury shares	-	-	-	36,388	36,388
Acquisition of treasury shares	-	-	-	(39,818)	(39,818)
Loss on sale of treasury shares	-	-	416	-	416
Dividend for the year 2022	=	=	<u>(84,000)</u>	=	<u>(84,000)</u>
Other transaction with owners	=	=	<u>(80,292)</u>	<u>(3,430)</u>	<u>(83,722)</u>
Balance as at 31 December 2023	<u>28,000</u>	<u>52</u>	<u>2,276,707</u>	<u>(6,154)</u>	<u>2,298,605</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31
DECEMBER 2023 (UNAUDITED)
(in HUF mn)

	Year ended 31 December 2023	Year ended 31 December 2022
Profit before income tax	725,281	(7,006)
Net accrued interest	3,136	(11,196)
Income tax paid	(19,213)	(19,953)
Depreciation and amortization	50,834	46,873
Loss allowance / (Release of loss allowance)	(102,219)	221,227
Share-based payment	3,292	2,948
Unrealised gains on fair value adjustment of financial instruments at fair value through profit or loss	(95,953)	11,870
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments	(76,357)	52,840
Gains on securities	18,890	62,354
Interest expense from leasing liabilities	(2,081)	(1,186)
Foreign exchange gain / (loss)	(20,842)	9,359
Proceeds from sale of tangible and intangible assets	(1,225)	(267)
Net change in assets and liabilities in operating activities	<u>(634,062)</u>	<u>(358,189)</u>
Net cash (used in) / provided by operating activities	<u>(150,519)</u>	<u>9,674</u>
Net provided by / (used in) cash used in investing activities	<u>518,615</u>	<u>(425,351)</u>
Net cash provided by financing activities	<u>859,903</u>	<u>391,805</u>
Net increase in cash and cash equivalents	<u>1,227,999</u>	<u>(23,872)</u>
Cash and cash equivalents at the beginning of the year	<u>351,770</u>	<u>375,642</u>
Cash and cash equivalents at the end of the year	<u>1,579,769</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 YEAR ENDED 31 DECEMBER 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

- Government decree No. 175/2023. (V. 12.) published on 12 May 2023 further extended the interest rate cap scheme by 6 months, until the end of 2023, in the case of the affected floating and fixed rate residential mortgages, as well as floating rate micro and small enterprises loan and leasing contracts.
- Pursuant to Government Decree No. 522/2023. (XI. 30.):
 - The interest rate cap for the outstanding volume of certain residential mortgage loans was extended by six months, until 30 June 2024.
 - The rate cap for the existing volume of certain MSE loans was extended until 1 April 2024.
 - Furthermore, Government Decree No. 471/2022 (XI. 21.) was amended, thus the provision that the interest rate on HUF-denominated demand deposits and time deposits with a maximum term of one year shall not exceed the average auction yield of the most recently issued three-month discount Treasury Bill was extended by three months, until 1 April 2024. In another amendment, starting from 1 December 2023, the scope of this cap was extended for entities who qualify as business customers in Hungary's Civil Code.

These provisions shall be applied to deposit contracts concluded after 1 December 2023, as well as to demand deposit contracts existing on 1 December 2023.

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

- On 24 April 2023 Government Decree No. 144/2023 was published amending the previously laid down methodology of windfall tax calculation 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.
- Government decree No. 206/2023 (V.31.) published on 31 May 2023 outlined the details of the extra profit tax payable by credit institutions in 2024. The basis of the tax is the 2022 profit before tax (adjusted for several items). The tax rate is 13% for the part of the tax base that does not exceed HUF 20 billion, and 30% for the amount above HUF 20 billion. According to the decree, if the average amount of Hungarian government bonds owned by the financial institution increases over a certain period, the windfall tax payable by the credit institution will be reduced. The reduction cannot be more than 10% of the increase in government bond holdings and cannot exceed 50% of the windfall tax payment obligation calculated without the reduction.
- The gross amount of the windfall tax for the year 2024 will be HUF 13 billion in the case of the Hungarian Group members, which can be reduced to HUF 6.5 billion subject to the increase in government bond holdings. As for timing, the HUF 13 billion gross annual tax obligation was recognized in one sum in January 2024, whereas the pro-rated part of the reduction will be booked on a monthly basis, evenly split through 2024.

NOTE 2: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2023 [continued]

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.

10) Voluntary interest rate cap on newly granted loans

At the beginning of October 2023, the Ministry of Economic Development proposed that banks impose voluntary interest rate caps on newly granted HUF-denominated working capital loans for businesses, and on residential housing loans. OTP Bank has joined the initiative.

Effective from October 2023, the Government set the voluntary interest rate cap on new housing loans at 8.5% and that on working capital loans to businesses at 12%. From 2 November the latter was reduced to 11.5%. From January 2024, the Government reduced the voluntary interest rate cap on housing loans to 7.3% and that on corporate loans to 9.9%. In addition, the Government and the Hungarian Banking Association agreed that the voluntary interest rate cap scheme will be abolished simultaneously with the withdrawal of the interest rate cap for certain outstanding MSE volumes from 1 April 2024, i.e. in the future, interest rates will be determined by market competition.

11) Issuance of EUR 650 million Bonds

Notes (ISIN: XS2698603326) have been issued on 5 October 2023 as value date in the aggregate nominal amount of EUR 650 million. The notes are rated 'Baa3' by Moody's Investor Services Cyprus Ltd. and 'BBB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

12) Issuance of RON 170 million Bonds

The Bank issued notes (ISIN: XS2703264635) on 13 October 2023 as value date in the aggregate nominal amount of RON 170 million. The notes are rated 'BBB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

13) Issuance of EUR 75 million Bonds

The Bank issued notes (ISIN: XS2737630314) on 22 December 2023 as value date in the aggregate nominal amount of EUR 75 million. The notes are listed on the Luxembourg Stock Exchange.

NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Summary of economic policy measures made and other relevant regulatory changes as post-balance sheet events

Post-balance sheet events cover the period until 20 February 2024.

Hungary

On 23 January 2024 OTP Bank announced that notes were issued with a value date of 31 January 2024, in the aggregate nominal amount of EUR 600 million. The 5 years, Non-Call 4 years Senior Preferred Notes were priced on 23 January 2024.

- On 26 January 2024 Scope Ratings affirmed Hungary's long-term local- and foreign-currency issuer and senior unsecured debt ratings at 'BBB' with stable outlook.
- On 29 January 2024 the Ministry for National Economy announced that following discussions between the Government and the Banking Association, based on the banks' voluntary commitment, from 1 February to 1 May 2024, the interest margin above BUBOR rate for newly contracted Hungarian Forint-based, variable-rate corporate loan contracts (regardless of the purpose of the loan) will be 0%, and the margin will remain at 0% for 6 months from the date of disbursement of the loan, after which it may return to the normal level. At the same time, the Government indicated that the rate cap on outstanding variable rate MSE loans, which expires on 1 April 2024 according to the current legislation, will not be further extended.
- On 30 January 2024 the National Bank of Hungary cut its key policy rate by 75 bps to 10.0%.
- On 2 February 2024 OTP Bank announced that it decided to terminate the project aiming at establishing a consumer finance joint venture company with its partners in China with a 15% shareholding, as the condition precedents were not fulfilled until the pertaining contractual deadlines.
- On 9 February 2024 OTP Bank announced that it concluded a share sale and purchase agreement to sell its directly and indirectly owned 100% shareholding in OTP Bank Romania S.A. to Banca Transilvania S.A. ('BT'). OTP Group is also selling its 100% shareholdings in its other Romanian subsidiaries, OTP Leasing Romania IFN S.A. and OTP Asset Management S.A.I. S.A. to BT under the transaction. The financial closing of the transaction is expected in 2024 subject to the necessary regulatory approvals.
- On 12 February 2024 OTP Bank received a single permission from the Hungarian National Bank for the repurchase of treasury shares, accordingly the Bank is entitled to repurchase its own shares in the amount of HUF 60 billion until 31 December 2024. The total amount specified in the permission shall immediately be deducted from the own funds in accordance with the law.
- Capital increase at Merkantil Bank Ltd. See Note 8 for more details.
- Capital increase at Monicomp Ltd. See Note 8 for more details.
- Capital increase at Ipotek Bank. See Note 8 for more details.

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

	31 December 2023	31 December 2022
Held for trading securities:		
Government bonds	22,352	67,521
Other non-interest bearing securities	320	274
Hungarian government discounted Treasury Bills	71	4,785
Corporate shares and investments	513	385
Mortgage bonds	111	82
Other securities	<u>4,437</u>	<u>1,748</u>
Subtotal	<u>27,804</u>	<u>74,795</u>
Securities mandatorily measured at fair value through profit or loss		
Shares in investment funds	31,124	29,029
Shares	<u>1,808</u>	<u>1,469</u>
Subtotal	<u>32,932</u>	<u>30,498</u>
Held for trading derivative financial instruments:		
Foreign currency swaps	66,324	121,854
Interest rate swaps	65,434	121,506
CCIRS and mark-to-market CCIRS swaps	23,221	14,847
Other derivative transactions	<u>41,820</u>	<u>46,512</u>
Subtotal	<u>196,799</u>	<u>304,719</u>
Total	<u>257,535</u>	<u>410,012</u>

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

	31 December 2023	31 December 2022
Securities at fair value through other comprehensive income		
Government bonds	189,385	177,393
Mortgage bonds	300,569	356,540
Interest bearing treasury bills	236	182,726
Other securities	48,160	62,594
<i>Listed securities</i>	<u>11,622</u>	<u>7,290</u>
in foreign currency	11,622	7,290
<i>Non-listed securities</i>	<u>36,538</u>	<u>55,304</u>
in HUF	12,115	14,304
in foreign currency	<u>24,423</u>	<u>41,000</u>
Subtotal	<u>538,350</u>	<u>779,253</u>
Non-trading equity instruments		
-non-listed securities	<u>21,177</u>	<u>17,922</u>
in HUF	528	528
in foreign currency	<u>20,649</u>	<u>17,394</u>
	<u>21,177</u>	<u>17,922</u>
Securities at fair value through other comprehensive income total	<u>559,527</u>	<u>797,175</u>

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

	31 December 2023	31 December 2022
Government bonds	2,396,803	2,979,400
Other bonds	315,532	314,237
Mortgage bonds	<u>24,738</u>	<u>24,586</u>
Subtotal	<u>2,737,073</u>	<u>3,318,223</u>
Loss allowance	<u>(26,225)</u>	<u>(35,850)</u>
Total	<u>2,710,848</u>	<u>3,282,373</u>

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

	31 December 2023	31 December 2022
Balance as at 1 January	35,850	6,685
Loss allowance	2,287	31,696
Release of loss allowance	(10,863)	(4,073)
FX movement	<u>(1,049)</u>	<u>1,542</u>
Closing balance	<u>26,225</u>	<u>35,850</u>

NOTE 7: LOANS (in HUF mn)

Loans measured at fair value through profit or loss

	31 December 2023	31 December 2022
Within one year	46,131	39,694
Over one year	<u>888,717</u>	<u>753,548</u>
Loans measured at fair value through profit or loss total	<u>934,848</u>	<u>793,242</u>

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

	31 December 2023	31 December 2022
Within one year	2,245,979	2,481,249
Over one year	<u>2,582,795</u>	<u>2,518,671</u>
Loans at amortised cost gross total	<u>4,828,774</u>	<u>4,999,920</u>
Loss allowance on loan losses	<u>(147,415)</u>	<u>(174,880)</u>
Loans at amortised cost total	<u>4,681,359</u>	<u>4,825,040</u>

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

	31 December 2023	31 December 2022
In HUF	61%	58%
In foreign currency	<u>39%</u>	<u>42%</u>
Total	<u>100%</u>	<u>100%</u>

NOTE 7: LOANS (in HUF mn) [continued]

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

	31 December 2023	31 December 2022
Balance as at 1 January	174,880	155,557
Loss allowance	257,173	252,002
Release of loss allowance	(241,580)	(210,342)
Use of loss allowance	(35,043)	(21,274)
Partial write-off	(5,263)	(7,348)
FX movement	<u>(2,752)</u>	<u>6,285</u>
Closing balance	<u>147,415</u>	<u>174,880</u>

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

	31 December 2023	31 December 2022
Investments in subsidiaries:		
Controlling interest	2,393,718	2,116,059
Other	<u>26,349</u>	<u>23,427</u>
Subtotal	<u>2,420,067</u>	<u>2,139,486</u>
Impairment loss	<u>(418,115)</u>	<u>(542,769)</u>
Total	<u>2,001,952</u>	<u>1,596,717</u>

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

	31 December 2023	31 December 2022
Balance as at 1 January	542,769	449,256
Impairment loss for the period	348	147,712
Reversal of impairment loss	(87,345)	(54,199)
Use of impairment loss	<u>(37,657)</u>	-
Closing balance	<u>418,115</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.

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

Significant events related to investments

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.

The Metropolitan Court of Registration has registered a capital increase at Merkantil Bank Ltd. The registered capital of Merkantil Bank Ltd. was increased to HUF 3,000,000,000 from HUF 2,000,000,000.

The Metropolitan Court of Registration has registered a capital increase at Monicomp Ltd. The registered capital of Monicomp Ltd. was increased to HUF 226,500,000 from HUF 203,000,000.

The Uzbek Court of Registration has registered a capital increase at JSCMB 'IPOTEKA BANK'. The registered capital of JSCMB 'IPOTEKA BANK' was increased to UZS 3,834,217,638,941 from UZS 2,989,584,338,941. As a consequence of the capital increase the ownership ratio of OTP Bank Plc. increased to 79.58%.

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	31 December 2023	31 December 2022
Within one year:		
In HUF	7,747,906	7,982,882
In foreign currency	<u>2,962,206</u>	<u>3,112,937</u>
	<u>10,710,112</u>	<u>11,095,819</u>
Over one year:		
In HUF	24,213	23,339
	<u>24,213</u>	<u>23,339</u>
Total	<u>10,734,325</u>	<u>11,119,158</u>

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

	31 December 2023		31 December 2022	
Retail deposits	4,422,120	41%	4,756,881	43%
Household deposits	4,422,120	41%	4,756,881	43%
Corporate deposits	6,312,205	59%	6,362,277	57%
Deposits to medium and large corporates	5,402,710	51%	5,570,866	50%
Municipality deposits	<u>909,495</u>	<u>8%</u>	<u>791,411</u>	<u>7%</u>
Total	<u>10,734,325</u>	<u>100%</u>	<u>11,119,158</u>	<u>100%</u>

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

	31 December 2023	31 December 2022
Within one year:		
In HUF	161,217	4,311
In foreign currency	<u>26,670</u>	<u>6,351</u>
	<u>187,887</u>	<u>10,662</u>
Over one year:		
In HUF	43,025	46,192
In foreign currency	<u>932,197</u>	<u>441,855</u>
	<u>975,222</u>	<u>488,047</u>
Total	<u>1,163,109</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

	31 December 2023	31 December 2022
Loan commitments	1,987,539	1,852,164
Guarantees arising from banking activities	1,999,747	1,873,824
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	1,177,213	955,480
Factoring loan commitments	366,181	373,417
Confirmed letters of credit	<u>8,626</u>	<u>12,376</u>
Contingent liabilities and commitments total in accordance with IFRS 9	<u>4,362,093</u>	<u>4,111,781</u>
Legal disputes (disputed value)	4,586	3,678
Contingent liabilities related to payments from shares in venture capital fund	20,803	28,614
Other	<u>19</u>	<u>7</u>
Contingent liabilities and commitments total in accordance with IAS 37	<u>25,408</u>	<u>32,299</u>
Total	<u>4,387,501</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 1.931 million and HUF 1.917 million as at 31 December 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:

	31 December 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	130,230	(113,742)	110,939	19,291	(2,803)	162,519	(170,144)	155,468	7,051	(14,676)
Cross currency interest rate swaps	8,644	(6,532)	-	8,644	(6,532)	11,332	(12,139)	-	11,332	(12,139)
OTC options	818	(818)	-	818	(818)	1,000	(1,000)	-	1,000	(1,000)
Forward rate agreement	-	(214)	-	-	(214)	505	(3)	505	-	502
Total interest rate derivatives (OTC derivatives)	139,692	(121,306)	110,939	28,753	(10,367)	175,356	(183,286)	155,973	19,383	(27,313)
From this: Interest rate derivatives cleared by NBH	1,132	-	-	1,132	-	2,702	-	-	2,702	-
Foreign exchange derivatives										
Foreign exchange swaps	54,528	(32,818)	-	54,528	(32,818)	109,167	(76,037)	-	109,167	(76,037)
Foreign exchange forward	6,551	(10,129)	-	6,551	(10,129)	9,909	(11,936)	-	9,909	(11,936)
OTC options	1,016	(871)	-	1,016	(871)	1,048	(822)	-	1,048	(822)
Foreign exchange spot conversion	347	(303)	-	347	(303)	162	(162)	-	162	(162)
Total foreign exchange derivatives (OTC derivatives)	62,442	(44,121)	-	62,442	(44,121)	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:

	31 December 2023						31 December 2022					
	Before netting		Netting	After netting		Before netting		Netting	After netting			
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities		
Equity stock and index derivatives												
Commodity Swaps	32,402	(32,490)	-	32,402	(32,490)	34,058	(32,048)	-	34,058	(32,048)		
Equity swaps	126	(3,826)	-	126	(3,826)	54	(702)	-	54	(702)		
OTC derivatives	32,528	(36,316)	-	32,528	(36,316)	34,112	(32,750)	-	34,112	(32,750)		
Exchange traded futures and options	433	(451)	-	433	(451)	214	(1,887)	-	214	(1,887)		
Total equity stock and index derivatives	32,961	(36,767)	-	32,961	(36,767)	34,326	(34,637)	-	34,326	(34,637)		
Derivatives held for risk management not designated in hedges												
Interest rate swaps	68,380	(91,634)	22,237	46,143	(69,397)	133,399	(225,915)	18,944	114,455	(206,971)		
Foreign exchange swaps	11,796	(20,284)	-	11,796	(20,284)	12,687	(11,908)	-	12,687	(11,908)		
Foreign exchange spot conversion	-	-	-	-	-	-	(43)	-	-	(43)		
Forward	127	-	-	127	-	67	-	-	67	-		
Cross currency interest rate swaps	14,577	(2,629)	-	14,577	(2,629)	3,515	(3,572)	-	3,515	(3,572)		
Total derivatives held for risk management not designated in hedges	94,880	(114,547)	22,237	72,643	(92,310)	149,668	(241,438)	18,944	130,724	(222,494)		
From this: Total derivatives cleared by NBH held for risk management	33,042	-	-	33,042	-	78,916	(1,879)	-	78,916	(1,879)		
Total Held for trading derivative financial instruments	329,975	(316,741)	133,176	196,799	(183,565)	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	-	(9,935)	1,066	(1,066)	(8,869)	-	(25,325)	2,651	(2,651)	(22,674)		
Total derivatives designated in cash flow hedges	-	(9,935)	1,066	(1,066)	(8,869)	-	(25,325)	2,651	(2,651)	(22,674)		
Derivatives designated in fair value hedges												
Interest rate swaps	37,651	(33,054)	25,130	12,521	(7,924)	58,381	(37,290)	30,938	27,443	(6,352)		
Cross currency interest rate swaps	10,173	(10,679)	-	10,173	(10,679)	20,732	(5,398)	-	20,732	(5,398)		
Foreign exchange swaps	-	-	-	-	-	1,696	(16,199)	-	1,696	(16,199)		
Total derivatives designated in fair value microhedges	47,824	(43,733)	25,130	22,694	(18,603)	80,809	(58,887)	30,938	49,871	(27,949)		
Interest rate swaps	168	(119)	168	-	49	-	-	-	-	-		
Total derivatives designated in fair value macrohedges	168	(119)	168	-	49	-	-	-	-	-		
From this: Total derivatives cleared by NBH held for hedging	-	(1,418)	-	-	(1,418)	-	(5,485)	-	-	(5,485)		
Total derivatives held for risk management (OTC derivatives)	47,992	(53,787)	26,364	21,628	(27,423)	80,809	(84,212)	33,589	47,220	(50,623)		

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

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income accounted for using the effective interest rate method from / on		
Loans at amortised cost	457,472	297,727
FVOCI securities	50,838	39,988
Securities at amortised cost	129,054	92,948
Placements with other banks	206,280	204,479
Financial liabilities	398	20,098
Amounts due from banks and balances with National Bank of Hungary	345,696	56,204
Repo receivables	<u>37,435</u>	<u>10,235</u>
Subtotal	<u>1,227,173</u>	<u>721,679</u>
Income similar to interest income		
Loans mandatorily measured at fair value through profit or loss	51,132	35,927
Swap and forward deals related to Placements with other banks	600,959	273,322
Swap and forward deals related to Loans at amortised cost	125,151	60,744
Swap and forward deals related to FVOCI securities	18,655	7,230
Investment properties	<u>9</u>	<u>8</u>
Subtotal	<u>795,906</u>	<u>377,231</u>
Interest income total	<u>2,023,079</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	641,908	408,865
Deposits from customers	608,340	301,657
Leasing liabilities	2,314	1,186
Liabilities from issued securities	64,774	7,742
Subordinated bonds and loans	29,893	8,646
Investment properties (depreciation)	138	135
Financial assets	6,857	6,369
Repo liabilities	202,137	66,049
Swap transaction related to acquisitions	-	<u>1,371</u>
Interest expense total	<u>1,556,361</u>	<u>802,020</u>