OTP BANK PLC.

INTEGRATED ANNUAL REPORT 2023

BUDAPEST, 26 APRIL 2024

Dear Shareholders!

OTP Bank Plc. hereby provides you with the Integrated Annual Report of OTP Bank Plc. for the year 2023, which is based on the audited financial statements approved by the Annual General Meeting of the Company on 26 April 2024.

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.

26 April 2024, Budapest

dr. Sándor Csányi	László Bencsik
Chairman & CEO	Deputy CEO

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CHAIRMAN GREETINGS

GRI 2-22

2023 was OTP Group's most successful year to date, and our performance clearly indicates that we have become one of the leading financial groups in the region. The Group's balance sheet total exceeded EUR 100 billion and its profit after tax amounted to EUR 2.5 billion. Last year, we successfully completed two acquisitions, the purchase of NKBM in Slovenia was the Bank's largest ever transaction, while the acquisition of Ipoteka Bank in Uzbekistan marked our exit from the Central and Eastern European region. The bank's capital strength and stable liquidity position provide a favourable foundation for organic growth and further value-creating acquisitions, improving our market positions even further.

OTP Group's engagement to meeting its ambitious sustainability targets remains unbroken. We doubled our green loan and bond portfolio during the year, reaching and even exceeding the target set for 2023 by more than HUF 200 billion. At year-end, the Banking Group's green loan portfolio amounted to HUF 656 billion. Corporate lending accounts for the largest share of the portfolio, within which project financing represents the largest ratio. Corporate lending has also accounted for the bulk of this year's growth, but we expect to see more expansion in the retail sector and with small and medium-sized enterprises in the coming period.

An important step during the year was the extension of our corporate green loan framework to the group level, involving seven subsidiary banks. This clearly defines which loans qualify as green, which activities and sectors we focus on, and provides the basis for the green rating system we have also developed for the various loans. Obtaining reliable data on environmental performance is as much a challenge for OTP Group as it is for other market players worldwide. But these are as important when building a green portfolio as when assessing the impact of the total portfolio of financed loans. It is reassuring that there is continuous and dynamic progress in this area.

Because of its awareness-raising effect, I believe it is a good idea for our retail customers to be able to track their estimated carbon emissions related to their purchases in their mobile bank, which also encourages more environmentally-conscious choices.

In recent years, we have seen a significant increase in phishing attempts against customers. We have always made the security of our systems a top priority, improving it on an ongoing basis, and we support the protection of our customers with awareness messages and campaigns, as well as strategic partnerships at Group level.

OTP Group is similarly committed to improving the financial awareness of the population, and we are taking action to this end in all our countries of operation. Every year, OTP Group's foundations provide training to tens of thousands of young people, expanding their knowledge and shaping their awareness, and we are actively involved in a number of financial awareness initiatives and hundreds of our employees volunteer in this field.

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 2023 (SEPARATE)

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(in HUF million)	Note	31 December 2023	31 December 2022
Cash, amounts due from banks and balances with the National Bank of Hungary	5.	2,708,232	1,092,198
Placements with other banks	6.	2,702,433	2,899,829
Repo receivables	7.	201,658	246,529
Financial assets at fair value through profit or loss	8.	257,535	410,012
Financial assets at fair value through other comprehensive income	9.	559,527	797,175
Securities at amortised cost	10.	2,710,848	3,282,373
Loans at amortised cost	11.	4,681,359	4,825,040
Loans mandatorily measured at fair value through profit or loss	11.	934,848	793,242
Investments in subsidiaries	12.	2,001,952	1,596,717
Property and equipment	13.	107,306	94,564
Intangible assets	13.	98,115	69,480
Right of use assets		66,222	39,882
Investment properties	14.	4,203	4,207
Deferred tax assets	34.	408	35,742
Current tax assets	34.	-	1,569
Derivative financial assets designated as hedge accounting relationships	15.	21,628	47,220
Non-current assets held for sale	46.	130,718	-
Other assets	16.	365,961	329,752
TOTAL ASSETS		**17,552,953**	**16,565,531**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	17.	1,761,579	1,736,128
Repo liabilities	18.	443,694	408,366
Deposits from customers	19.	10,734,325	11,119,158
Leasing liabilities		68,282	41,464
Liabilities from issued securities	20.	1,163,109	498,709
Financial liabilities designated at fair value through profit or loss	21.	19,786	16,576
Derivative financial liabilities designated as held for trading	22.	183,565	373,401
Derivative financial liabilities designated as hedge accounting relationships	23.	27,423	50,623
Deferred tax liabilities	34.	-	-
Current tax liabilities	34.	14,393	3,199
Provisions	24.	22,497	29,656
Other liabilities	24.	295,399	313,188
Subordinated bonds and loans	25.	520,296	294,186
TOTAL LIABILITIES		**15,254,348**	**14,884,654**
Share capital	26.	28,000	28,000
Retained earnings and reserves	27.	2,276,759	1,655,601
Treasury shares	28.	(6,154)	(2,724)
TOTAL SHAREHOLDERS' EQUITY		**2,298,605**	**1,680,877**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**17,552,953**	**16,565,531**

SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

(in HUF million)	**Note**	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Interest Income:			
Interest income calculated using the effective interest method	29.	1,227,173	721,679
Income similar to interest income	29.	795,906	377,231
Interest income and similar to interest income total		**2,023,079**	**1,098,910**
Interest Expense:			
Interest expenses total	29.	**(1,556,361)**	**(802,020)**
NET INTEREST INCOME		**466,718**	**296,890**
(Release of loss allowance) / Loss allowance on loan, placement and repo receivables losses	6., 7., 11., 30.	8,616	(47,687)
(Release of loss allowance) / Loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	9., 10., 30.	11,879	(53,238)
(Release of provision) / Provision for loan commitments and financial guarantees given	24., 30.	7,172	(5,541)
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.	(980)	11,872
Risk cost total		**26,687**	**(94,594)**
NET INTEREST INCOME AFTER RISK COST		**493,405**	**202,296**
LOSSES ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST		**(19,707)**	**(56,195)**
MODIFICATION LOSS	4.	**(9,017)**	**(14,856)**
Income from fees and commissions	31.	402,885	362,444
Expenses from fees and commissions	31.	(78,755)	(66,087)
NET PROFIT FROM FEES AND COMMISSIONS		**324,130**	**296,357**
Foreign exchange (losses) and gains	32.	(12,269)	541
Gains and (losses) on securities, net	32.	7,073	(10,605)
Gains / (losses) on financial instruments at fair value through profit or loss	32.	91,268	(18,790)
Net results on derivative instruments and hedge relationships	32.	13,055	9,917
Dividend income	32.	275,705	194,526
Other operating income	33.	26,184	13,775
Other operating expenses	33.	63,590	(131,942)
NET OPERATING INCOME		**464,606**	**57,422**
Personnel expenses	33.	(195,404)	(154,303)
Depreciation and amortization	33.	(50,814)	(46,738)
Other administrative expenses	33.	(281,918)	(290,989)
OTHER ADMINISTRATIVE EXPENSES		**(528,136)**	**(492,030)**
PROFIT BEFORE INCOME TAX		**725,281**	**(7,006)**
Income tax	34.	(70,293)	13,638
PROFIT AFTER INCOME TAX		**654,988**	**6,632**
Earnings per share (in HUF)			
Basic	43.	2,344	24
Diluted	43.	2,344	24

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

(in HUF million)	Note	Year ended 31 December 2023	Year ended 31 December 2022
PROFIT AFTER INCOME TAX		**654,988**	**6,632**
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	34.	(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	34.	(338)	440
(Losses) / Gains on derivative financial instruments designated as cash flow hedge		5,700	(5,641)
Deferred tax 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		3,308	61
Deferred tax related to equity instruments at fair value through other comprehensive income	34.	(374)	(41)
Total		**46,462**	**(58,011)**
TOTAL COMPREHENSIVE INCOME		**701,450**	**(51,379)**

POST-BALANCE SHEET EVENTS

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

Hungary

- On 23 January 2023 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.

ACQUISITIONS

On 31 May 2021 OTP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of OTP Luxembourg S.a.r.l. and its subsidiaries – Nova KBM d.d. and Aleja Finance d.o.o., 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.

In line with the 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 Ipoteka Bank acquisition was completed on 13 June 2023. Consequently, OTP Bank became the majority shareholder of Ipoteka Bank by acquiring a 73.71% stake and became indirect shareholder of Ipoteka Bank's wholly-owned subsidiaries. In the second step of the transaction, the shares that remained in the ownership of the Ministry will be bought three years after the first step.

MACROECONOMIC OVERVIEW

Following the rapid recovery after the Covid crisis and the outbreak of the Russian-Ukrainian war, inflation has already started to fall in advanced economies in 2023 and, as the year was nearing its end, the debate on the possible timing of an interest rate cut has begun. Meanwhile, the labour market remained tight, with low unemployment and strong wage dynamics. Developed markets' long yields fell sharply by the end of 2023, from the multi-decade highs hit in the autumn.

However, economic growth printed different patterns on the two sides of the Atlantic. In the USA, 2023 brought a much stronger-than-expected economic performance, and growth shifted into higher gear in the second half of the year. The robust figures were driven by supportive fiscal policy, a surge in household savings during the pandemic, and low interest rates on loans. Headline inflation peaked in June 2022 (+8.9%), but the subsequent decline briefly stalled in the middle of 2023. However, core inflation continued to fall, easing to 3.9% (y-o-y) by the end of 2023. The very loose fiscal policy, which raised the budget deficit from around 5% to 8% of GDP, required very tight monetary policy to bring inflation down. The Fed has aggressively raised the base rate to 5.25–5.5% while beginning to shrink its balance sheet.

The energy crisis brought the euro area to its knees, and the economy has been unable to recover from it: amid high inflation and high interest rates, output has been practically stagnant since the 3Q of 2022. Countries with industries that used to rely heavily on Russian energy (e.g. Germany) were hit particularly hard. High interest rates have led to a slowdown in lending, which has also weighed on growth in Europe. Disinflation was very strong in the euro area in 2023: headline and core inflation fell to 2.8% and 3.3%, respectively by the end of the year. The biggest concern in this context is services sector CPI, which has been stagnant at 4.0% (y-o-y) since November 2023. Despite all the weakness in the economy and strong disinflation, the ECB has not yet considered cutting interest rates, and the euro area ended last year with a deposit rate of 4% and a lending rate of 4.5%.

Hungary's economy fell into a longer and deeper recession than the rest of the CEE region in 2023 (GDP y-o-y: 1Q:-0.9%; 2Q:-2.4%; 3Q:-0.4%). However, the recession ended in the third quarter, as growth started to pick up on quarterly basis, helped by the base effect of an unprecedented poor agriculture season in 2022. Inflation peaked at 25.7%, 10%points higher than the region's average, before disinflation started in the spring. From the middle of the year, real wages started to rise again on a monthly basis, but this was only very moderately passed on to consumer spending. Following an over 8% current account deficit in 2022, Hungary's external balance turned into surplus last year, as gas prices collapsed and imports fell, due to a drop in domestic demand. The initial budget deficit target of 3.9% of GDP turned out to be unsustainable and ended up near 6% of GDP in 2023. The MNB cut the effective interest rate in several steps by 725 basis points, to 10.75% by the end of the year, which had been raised to 18% in autumn 2022, and the base rate regained its role in September, when the former overnight deposit facility was phased out. The EUR/HUF fell from around 400 at the beginning of the year to below 370 at one point in the summer, but stabilized around 380 by the end of 2023.

Progress on EU funds was made at the end of last year when the European Commission approved the so-called horizontal enabling conditions for the judicial reform in December. The government was able to unblock about EUR 11 billion of EU funds, thanks to a range of measures implemented last year.

DIGITAL AND IT INNOVATIONS

OTP Bank broadens the range of remotely available services continually. The number of our digitally active retail clients has far exceeded 2 million, and most of our clients now contact our Bank through mobile banking.

Through the mobile application, in addition to the daily banking functions, our clients can purchase investment funds, bonds, car prize deposits, or apply for a new home savings product or travel insurance. In addition, thanks to the piggy bank function, our customers can set up savings goals and put money aside little by little for it, while selecting ‘Split the Bill’, they can easily allocate the costs of a dinner among the participants.

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.

By the end of 2023, nearly 2 million of our retail customers have registered for the new Digital Contract which allows them to apply for digital services via fully online processes. 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.

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, via our internet banking service and in the mobile application as well, therefore we serve client needs also via identified conversations.

We are constantly improving our fraud prevention platform to better identify and prevent fraudulent activity targeting our digital service.

In addition to our internet and mobile banking developments, in 2023 we have created a so-called Merchant Portal for partners holding card acceptance contracts, where they can reach analytics, statements and all related documents of card transactions made with us.

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.

1011 Budapest, Iskola utca 38-42.
1015 Budapest, Széna tér 7.
1021 Budapest, Hüvösvölgyi út 138.
1024 Budapest, Fény utca 11-13.
1025 Budapest, Szépvölgyi út 4/b.
1025 Budapest, Törökvész út 1/a
1026 Budapest, Szilágyi Erzsébet fasor 121.
1033 Budapest, Flórián tér 15.
1033 Budapest, Szentendrei utca 115.
1037 Budapest, Bécsi út 154.
1039 Budapest, Heltai Jenő tér 2.
1041 Budapest, Erzsébet utca 50.
1042 Budapest, Árpád út 63-65.
1048 Budapest, Kordován tér 4.
1051 Budapest, Nádor utca 16.
1052 Budapest, Deák Ferenc utca 7-9.
1054 Budapest, Szabadság tér 7-8.
1055 Budapest, Nyugati tér 9.
1055 Budapest, Szent István krt. 1.
1062 Budapest, Váci út 1-3.
1066 Budapest, Oktogon tér 3.
1075 Budapest, Károly krt. 1.
1075 Budapest, Károly krt. 25.
1076 Budapest, Thököly út 4
1081 Budapest, Népszínház utca 3-5.
1083 Budapest, Futó utca 35-45
1085 Budapest, József krt. 33.
1085 Budapest, József krt. 53.
1085 Budapest, Kálvin tér 12-13.
1087 Budapest, Könyves Kálmán krt. 76-1. sz.
1094 Budapest, Ferenc krt. 13.
1095 Budapest, Soroksári út 32-34.
1097 Budapest, Könyves Kálmán krt. 12-14.
1102 Budapest, Kőrösi Csoma sétány 6.
1103 Budapest, Sibrik Miklós utca 30.
1106 Budapest, Örs vezér tere 25
1115 Budapest, Bartók Béla út 92-94.
1117 Budapest, Hunyadi János út 19.
1117 Budapest, Móricz Zsigmond körtér 18.
1117 Budapest, Október huszonharmadika utca 8-10.
1119 Budapest, Hadak útja 1.
1123 Budapest, Alkotás utca 53
1124 Budapest, Apor Vilmos tér 11.
1126 Budapest, Böszörményi út 9-11.
1133 Budapest, Váci út 80.
1134 Budapest, Váci út 17.
1135 Budapest, Lehel út 70-76.
1137 Budapest, Pozsonyi út 38.
1138 Budapest, Váci út 135-139
1146 Budapest, Thököly út 102/b.
1148 Budapest, Nagy Lajos király útja 19-21.
1149 Budapest, Bosnyák tér 17.
1149 Budapest, Fogarasi út 15/b.
1151 Budapest, Fő utca 64.
1152 Budapest, Szentmihályi út 131.
1157 Budapest, Zsókavár utca 28.
1161 Budapest, Rákosi út 118.
1163 Budapest, Jókai Mór utca 3/b.
1173 Budapest, Ferihegyi út 93.
1173 Budapest, Pesti út 5-7.
1181 Budapest, Üllői út 377.
1183 Budapest, Üllői út 440.
1188 Budapest, Vasút utca 48.
1191 Budapest, Üllői út 201.
1195 Budapest, Üllői út 285.
1195 Budapest, Vak Bottyán út 75 a-c
1203 Budapest, Bíró Mihály utca 7.
1204 Budapest, Kossuth Lajos utca 44-46.
1211 Budapest, Kossuth Lajos utca 86.
1211 Budapest, Kossuth Lajos utca 99.
1221 Budapest, Kossuth Lajos utca 31.
1222 Budapest, Nagytétényi út 37-45.
1238 Budapest, Grassalkovich út 160.
1239 Budapest, Bevásárló utca 2.
2000 Szentendre, Pannónia út 1-3.
2013 Pomáz, József Attila utca 17.
2030 Érd, Budai út 24.
2030 Érd, Iparos út 5.
2040 Budaörs, Sport út 2-4.
2040 Budaörs, Szabadság utca 131/a.
2060 Bicske, Bocskai köz 1.
2083 Solymár, Szent Flórián utca 2.
2085 Pilisvörösvár, Fő utca 60
2092 Budakeszi, Fő utca 174.
2100 Gödöllő, Szabadság tér 12-13.
2112 Veresegyház, Fő út 52
2119 Pécel, Kossuth tér 4.
2120 Dunakeszi, Barátság utca 29.
2120 Dunakeszi, Nádas utca 6.
2141 Csömör, Határ út 6.
2143 Kistarcsa, Hunyadi utca 7.
2151 Fót, Móricz Zsigmond utca 23/A
2170 Aszód, Kossuth Lajos utca 42-46.
2200 Monor, Kossuth Lajos utca 67.
2220 Vecsés, Fő utca 170.
2220 Vecsés, Fő utca 246-248
2225 Üllő, Pesti út 92/b.
2230 Gyömrő, Szent István út 17.
2234 Maglód, Esterházy utca 1.
2300 Ráckeve, Szt István tér 3.
2310 Szigetszentmiklós, Háros utca 120.
2310 Szigetszentmiklós, Ifjúság útja 17.
2330 Dunaharaszti, Dózsa György utca 25.
2340 Kiskunlacháza, Dózsa György út 219.
2360 Gyál, Kőrösi út 160.
2364 Ócsa, Szabadság tér 1.
2370 Dabas, Bartók Béla út 46.
2400 Dunaújváros, Dózsa György út 4/e.
2440 Százhalombatta, Szent István tér 8.
2457 Adony, Petőfi Sándor utca 2.
2483 Gárdony, Szabadság út 18.
2500 Esztergom, Rákóczi tér 2-4.
2510 Dorog, Bécsi út 33.
2536 Nyergesújfalu, Kossuth Lajos utca 126.
2600 Vác, Széchenyi utca 3-7.
2651 Rétság, Rákóczi út 28-30.
2660 Balassagyarmat, Rákóczi fejedelem utca 44.
2700 Cegléd, Szabadság tér 6.
2721 Pilis, Rákóczi utca 9.
2730 Albertirsa, Vasút utca 4/a.
2750 Nagykőrös, Szabadság tér 2.
2760 Nagykáta, Bajcsy-Zsilinszky utca 1.

2800 Tatabánya, Bárdos László utca 2.

2800 Tatabánya, Fő tér 32.

2840 Oroszlány, Rákóczi Ferenc út 84.

2870 Kisbér, Batthyány tér 5.

2890 Tata, Ady Endre utca 1-3.

2900 Komárom, Mártírok útja 23.

2941 Ács, Gyár utca 14.

3000 Hatvan, Kossuth tér 8. fszt. 1.

3021 Lőrinci, Szabadság tér 25/A

3060 Pásztó, Fő utca 73/a.

3070 Bátonyterenye, Bányász utca 1/a.

3100 Salgótarján, Rákóczi út 22.

3170 Szécsény, Feszty Árpád utca 1.

3200 Gyöngyös, Fő tér 1.

3245 Recsk, Kossuth Lajos út 93.

3300 Eger, Törvényház utca 4.

3360 Heves, Hősök tere 4.

3390 Füzesabony, Rákóczi Ferenc út 77.

3400 Mezőkövesd, Mátyás király út 149.

3450 Mezőcsát, Hősök tere 23.

3527 Miskolc, József Attila utca 87.

3530 Miskolc, Rákóczi Ferenc utca 1.

3530 Miskolc, Uitz Béla utca 6.

3535 Miskolc, Árpád út 2.

3580 Tiszaújváros, Szent István út 30.

3600 Ózd, Városház tér 1/a.

3630 Putnok, Kossuth Lajos utca 45.

3700 Kazincbarcika, Egressy Béni út 50.

3770 Sajószentpéter, Bethlen Gábor utca 1/a.

3780 Edelény, Tóth Árpád út 1.

3800 Szikszó, Kassai utca 16.

3860 Encs, Bem József utca 1.

3900 Szerencs, Kossuth tér 3/a.

3910 Tokaj, Rákóczi út 37.

3950 Sárospatak, Eötvös utca 2.

3980 Sátoraljaújhely, Széchenyi tér 13.

4025 Debrecen, Hatvan utca 2-4.

4025 Debrecen, Pásti utca 1-3.

4025 Debrecen, Piac utca 45-47.

4031 Debrecen, Kishatár utca 7.

4032 Debrecen, Egyetem tér 1.

4032 Debrecen, Füredi út 43.

4060 Balmazújváros, Veres Péter utca 3.

4080 Hajdúnánás, Köztársaság tér 17-18/a.

4087 Hajdúdorog, Petőfi tér 9.

4090 Polgár, Barankovics tér 15.

4100 Berettyóújfalu, Oláh Zsigmond utca 1.

4110 Biharkeresztes, Kossuth utca 4.

4130 Derecske, Köztársaság út 111.

4138 Komádi, Fő utca 1-3.

4150 Püspökladány, Kossuth utca 2.

4181 Nádudvar, Fő út 119.

4200 Hajdúszoboszló, Szilfákalja utca 6-8.

4220 Hajdúböszörmény, Kossuth Lajos utca 3.

4242 Hajdúhadház, Kossuth utca 2.

4244 Újfehértó, Fő tér 15.

4254 Nyíradony, Árpád tér 6.

4300 Nyírbátor, Zrínyi utca 1.

4320 Nagykálló, Árpád utca 10.

4400 Nyíregyháza, Rákóczi utca 1.

4440 Tiszavasvári, Kossuth Lajos utca 6.

4450 Tiszalök, Kossuth Lajos utca 52/a.

4492 Dombrád, Szabadság tér 7.

4501 Kemecse, Móricz Zsigmond utca 18.

4561 Baktalórántháza, Köztársaság tér 4.

4600 Kisvárda, Szt László utca 30.

4625 Záhony, Ady Endre út 27-29.

4700 Mátészalka, Szalkay László utca 34.

4765 Csenger, Ady Endre utca 1.

4800 Vásárosnamény, Szabadság tér 33.

4900 Fehérgyarmat, Móricz Zsigmond utca 4.

5000 Szolnok, Nagy Imre krt. 2/a.

5000 Szolnok, Szapáry utca 31.

5000 Szolnok, Széchenyi István krt. 135.

5100 Jászberény, Lehel vezér tér 28.

5123 Jászárokszállás, Rákóczi Ferenc utca 4-6.

5130 Jászapáti, Kossuth Lajos út 2-8.

5200 Törökszentmiklós, Kossuth Lajos utca 141.

5300 Karcag, Kossuth Lajos tér 15.

5310 Kisújszállás, Szabadság tér 6.

5340 Kunhegyes, Szabadság tér 4.

5350 Tiszafüred, Piac tér 3.

5400 Mezőtúr, Szabadság tér 29.

5420 Túrkeve, Széchenyi utca 32-34.

5430 Tiszaföldvár, Kossuth Lajos út 191.

5440 Kunszentmárton, Kossuth Lajos út 2.

5500 Gyomaendrőd, Szabadság tér 7

5510 Dévaványa, Árpád utca 32.

5520 Szeghalom, Tildy Zoltán utca 4-8.

5525 Füzesgyarmat, Szabadság tér 1.

5530 Vésztő, Kossuth Lajos utca 72.

5540 Szarvas, Kossuth Lajos tér 1.

5600 Békéscsaba, Andrássy út 37-43.

5600 Békéscsaba, Szent István tér 3.

5630 Békés, Széchenyi tér 2.

5650 Mezőberény, Kossuth Lajos tér 12.

5661 Újkígyós, Kossuth utca 38.

5700 Gyula, Bodoky utca 9.

5720 Sarkad, Árpád fejedelem tér 5.

5742 Elek, Gyulai út 5.

5800 Mezőkovácsháza, Árpád utca 177.

5820 Mezőhegyes, Zala György ltp. 7.

5830 Battonya, Fő utca 86.

5900 Orosháza, Kossuth Lajos utca 20.

6000 Kecskemét, Dunaföldvári út 2.

6000 Kecskemét, Korona utca 2.

6000 Kecskemét, Szabadság tér 5.

6050 Lajosmizse, Dózsa György út 102/a.

6060 Tiszakécske, Béke tér 6.

6070 Izsák, Szabadság tér 1.

6080 Szabadszállás, Dózsa György út 1.

6087 Dunavecse, Fő út 40.

6090 Kunszentmiklós, Kálvin tér 11.

6100 Kiskunfélegyháza, Petőfi tér 1

6120 Kiskunmajsa, Csendes köz 1.

6200 Kiskőrös, Petőfi Sándor tér 13.

6230 Soltvadkert, Szentháromság utca 2.

6237 Kecel, Császártöltési utca 1.

6300 Kalocsa, Szent István király út 43-45.

6320 Solt, Kossuth Lajos utca 48-50.

6400 Kiskunhalas, Sétáló utca 7

6430 Bácsalmás, Szt János utca 32.

6440 Jánoshalma, Rákóczi Ferec utca 10.

6449 Mélykút, Petőfi tér 18.

6500 Baja, Deák Ferenc utca 1.

6600 Szentes, Kossuth Lajos utca 26.

6640 Csongrád, Szentháromság tér 2-6.

6720 Szeged, Aradi vértanúk tere 3.

6720 Szeged, Takaréktár utca 7.

6724 Szeged, Londoni krt. 3.

6724 Szeged, Rókusi krt. 42-64.

6760 Kistelek, Kossuth Lajos utca 6-8

6782 Mórahalom, Szegedi út 3.

6800 Hódmezővásárhely, Andrássy út 1.

6900 Makó, Széchenyi tér 14-16.

7000 Sárbogárd, Ady Endre út 172.

7020 Dunaföldvár, Béke tér 11.

7030 Paks, Dózsa György utca 33.
7081 Simontornya, Petőfi utca 68.
7090 Tamási, Szabadság utca 33
7100 Szekszárd, Szent István tér 5-7.
7130 Tolna, Kossuth Lajos utca 31.
7140 Bátaszék, Budai utca 13.
7150 Bonyhád, Szabadság tér 10.
7200 Dombóvár, Dombó Pál utca 3.
7300 Komló, Kossuth Lajos utca 95/1.
7370 Sásd, Dózsa György utca 2.
7400 Kaposvár, Honvéd utca 55.
7400 Kaposvár, Széchenyi tér 2.
7500 Nagyatád, Korányi Sándor utca 6.
7561 Nagybajom, Fő utca 107
7570 Barcs, Séta tér 5.
7621 Pécs, Rákóczi út 1.
7621 Pécs, Rákóczi út 44.
7622 Pécs, Bajcsy-Zsilinszky utca 11/1.
7632 Pécs, Diána tér 14.
7633 Pécs, Ybl Miklós utca 7/3.
7700 Mohács, Széchenyi tér 1
7720 Pécsvárad, Bem utca 2/b
7754 Bóly, Hősök tere 8/b.
7773 Villány, Baross Gábor utca 36.
7800 Siklós, Felszabadulás utca 60-62.
7900 Szigetvár, Vár utca 4.
7940 Szentlőrinc, Munkácsy Mihály utca 16/A
7960 Sellye, Köztársaság tér 4.
8000 Székesfehérvár, Holland fasor 2.
8000 Székesfehérvár, Ősz utca 13.
8060 Mór, Deák Ferenc utca 2.
8100 Várpalota, Újlaky út 2.
8130 Enying, Kossuth Lajos utca 43.
8154 Polgárdi, Deák Ferenc utca 16.
8200 Veszprém, Brusznyai Árpád utca 1.
8220 Balatonalmádi, Baross Gábor út 5-7.
8230 Balatonfüred, Petőfi Sándor utca 8.
8300 Tapolca, Fő tér 2.
8330 Sümeg, Kisfaludy Sándor tér 1.
8360 Keszthely, Kossuth Lajos utca 38.
8380 Hévíz, Erzsébet királyné utca 11.
8400 Ajka, Szabadság tér 18.
8420 Zirc, Rákóczi tér 15.
8500 Pápa, Fő tér 22.
8600 Siófok, Fő tér 10/a
8630 Balatonboglár, Dózsa György utca 1.
8638 Balatonlelle, Rákóczi út 202-204
8640 Fonyód, Ady Endre utca 25.
8660 Tab, Kossuth Lajos utca 96.
8693 Lengyeltóti, Csalogány utca 2.
8700 Marcali, Rákóczi utca 6-10.
8790 Zalaszentgrót, Batthyány Lajos utca 11.
8800 Nagykanizsa, Deák tér 15.
8800 Nagykanizsa, Erzsébet tér 23.
8840 Csurgó, Petőfi tér 20/A
8900 Zalaegerszeg, Kisfaludy Sándor utca 15-17.
8960 Lenti, Dózsa György út 1.
9022 Győr, Teleki László utca 51.
9024 Győr, Bartók Béla út 53/b.
9024 Győr, Kormos István utca 6.
9026 Győr, Egyetem tér 1.
9027 Győr, Budai út 1.
9200 Mosonmagyaróvár, Fő utca 24
9300 Csorna, Soproni út 58.
9317 Szany, Ady Endre utca 2.
9330 Kapuvár, Szt. István király utca 4-6.
9400 Sopron, Teleki Pál út 22./A
9400 Sopron, Várkerület út 96.
9431 Fertőd, Fő utca 7.
9500 Celldömölk, Kossuth Lajos utca 18.
9600 Sárvár, Batthyány utca 2.
9700 Szombathely, Fő tér 3-5.
9700 Szombathely, Király utca 10.
9700 Szombathely, Rohonci út 52.
9730 Kőszeg, Kossuth Lajos utca 8.
9737 Bük, Kossuth utca 1-3.
9800 Vasvár, Alkotmány utca 2.
9900 Körmend, Vida József utca 12.
9970 Szentgotthárd, Mártírok út 2.

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 test and development environments with appropriate separation from the production environments that have 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 are 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 cyber threats), entailing prevention, detection, identification, isolation, analysis, recovery and reporting;
- remote work is regulated in a controlled and documented way, remote device and user access is protected with multi-factor authentication;
- ensures IT security compliance by its managed regulative framework;
- revision and update of IT security regulations bi-yearly or in a frequency complying legislative requirements or upon major changes;
- ensures vulnerability assessments and penetration tests are carried out as planned;
- defines pools for categorization of installed software into preferred, allowed and prohibited and ensures compliance to that policy.
- 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.

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 (11) and Section 61 (10),(11a) and(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 above, 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 following matters:

- changes to the rights associated with specific series of shares, or the transformation of certain categories or classes of shares; (qualified majority)
- 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 2023			31 December 2023		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	31.80%	31.84%	89,040,716	31.40%	31.46%	87,914,205
Foreign institution/company	50.05%	50.11%	140,129,576	54.43%	54.54%	152,405,042
Domestic individual	16.91%	16.93%	47,338,305	12.93%	12.96%	36,217,730
Foreign individual	0.52%	0.52%	1,464,494	0.48%	0.48%	1,349,320
Employees, senior officers	0.55%	0.55%	1,526,762	0.48%	0.48%	1,338,715
Treasury shares[2]	0.13%	0.00%	354,144	0.20%	0.00%	572,746
Government held owner	0.05%	0.05%	139,946	0.05%	0.05%	139,036
International Development Institutions	0.00%	0.00%	3,183	0.01%	0.01%	28,603
Other[3]	0.00%	0.00%	2,884	0.01%	0.01%	34,613
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] 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 2023 ESOP owned 12,095,524 OTP shares.
[3] Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2023)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	354,144	1,107,117	585,596	602,180	572,746
Subsidiaries	0	0	0	0	0
TOTAL	354,144	1,107,117	585,596	602,180	572,746

Shareholders with over/around 5% stake as at 31 December 2023

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%**	**8.59%**	
Groupama Group	**F/D**	**C**	**14,256,813**	**5.09%**	**5.10%**	
Groupama Gan Vie SA	F	C	14,140,000	5.05%	5.06%	
Groupama Biztosító Ltd,	D	C	116.813	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 2023

Type[1]	Name	Position	Commencement date of the term	Expiration/termination of the term	Number of shares
IG	dr. Sándor Csányi [2]	Chairman and CEO	15/05/1992	2026	12,000
IG	Tamás Erdei	Deputy Chairman	27/04/2012	2026	53,885
IG	Gabriella Balogh	member	16/04/2021	2026	17,793
IG	Mihály Baumstark	member	29/04/1999	2026	59,200
IG	Péter Csányi	member, Deputy CEO	16/04/2021	2026	25,939
IG	dr. István Gresa	member	27/04/2012	2026	192,458
IG	Antal Kovács[3]	member	15/04/2016	2026	126,584
IG	György Nagy[4]	member	16/04/2021	2026	44,400
IG	dr. Márton Gellért Vági	member	16/04/2021	2026	15,800
IG	dr. József Vörös	member	15/05/1992	2026	196,314
IG	László Wolf	member, Deputy CEO	15/04/2016	2026	544,502
FB	Tibor Tolnay	Chairman	15/05/1992	2026	54
FB	dr. Gábor Horváth	Deputy Chairman	19/05/1995	2026	0
FB	Klára Bella	member	12/04/2019	2026	0
FB	dr. Tamás Gudra	member	16/04/2021	2026	0
FB	András Michnai	member	25/04/2008	2026	1,410
FB	Olivier Péqueux	member	13/04/2018	2026	0
SP	András Becsei	Deputy CEO			7,199
SP	László Bencsik	Deputy CEO			15,462
SP	György Kiss-Haypál	Deputy CEO			15,160
SP	Imre Bertalan	MC member			0
SP	Dr. Bálint Csere	MC member			10,555
TOTAL No. of shares held by management					**1,338,715**

[1] Board Member (IG), Supervisory Board Member (FB), Employee in strategic position (SP)
[2] Number of OTP shares owned by Dr. Sándor Csányi, Chairman and CEO, directly or indirectly: 4,712,949.
[3] Number of OTP shares owned by Antal Kovács, Member of Board of Directors, directly or indirectly: 130,884.
[4] Number of OTP shares owned by György Nagy, Member of Board of Directors, directly or indirectly: 1,068,855.

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

As of 1 January 2023, Mr. Antal György Kovács was replaced by Mr. András Becsei as Deputy CEO of the Retail Division. Mr. Antal György Kovács retained his employment status, thus his position as Deputy CEO until the Annual General Meeting closing the financial year 2022, during which time he was mainly be responsible for group governance.

On 28 April 2023, concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2023, the Annual General Meeting elected Ernst & Young Ltd. (001165, H-1132 Budapest, Váci út 20.) as the Company's auditor from 1 May 2023 until 30 April 2024.

On 28 April 2023 the Annual General Meeting elected Mr. Antal György Kovács as member of the Board of Directors of the Company until the Annual General Meeting of the Company closing the 2025 business year, but not later than 30 April 2026.

On 28 April 2023 the Annual General Meeting elected
Mr. Tibor Tolnay
Dr. József Gábor Horváth
Dr. Tamás Gudra
Mr. Olivier Péqueux
Mrs. Klára Bella
Mr. András Michnai
as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2025 business year, but not later than 30 April 2026.

On 28 April 2023 the Annual General Meeting elected
Mr. Tibor Tolnay
Dr. József Gábor Horváth
Dr. Tamás Gudra
Mr. Olivier Péqueux
as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2025 business year, but not later than 30 April 2026.

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 Executive Steering 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 3 meetings in 2023. In addition, resolutions were passed by the Board of Directors on 155, by the Supervisory Board on 87 and by the Audit Committee on 29 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 6 members and has no female member.

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

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

The operational functioning of OTP Group and OTP Bank requires the use of natural resources and energy, however, the resulting environmental impact is significantly lesser than the indirect impacts associated with the provision of financial services. Of the operational impacts, OTP Group considers greenhouse gas (GHG) emissions to be the most significant, but we are also working on reducing our impacts beyond this. Emissions exacerbate climate change and damage natural resources. Reducing emissions helps fight climate change. However, the practices of the Bank also have an awareness raising impact in the field of environmental protection and the enforcement of environmental awareness in its operations is a key element of the regional leading role undertaken by OTP Group in relation to green transition.

In the context of the provision of financial services, environmental risks are managed and business opportunities related to environmental protection are exploited within the ESG strategy and are not covered in this chapter.

In 2023, OTP Group again participated in the CDP's environmental disclosure scheme, maintaining its "B" rating achieved in the previous year.

OTP Bank mitigates environmental impacts through the following activities:

- Efficient use of resources
- Carbon-neutral operation
- Energy efficiency investment projects
- Purchase of green electricity, use of renewable energy sources
- Reducing paper use through digitalisation; using recycled paper
- Rationalising business travel
- Improving waste management
- Transparent reporting on the environmental impacts of operation
- Awareness-raising activities for employees and customers

OTP Bank members operate in maximum compliance with environmental legislation and no related fines were imposed in 2023 either. Environmental protection at the Bank is governed by an Environmental Policy. OTP Bank prepares annual internal reports on the environmental impact of its 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 emissions

OTP Bank's ESG (*Environmental, Social, Governance*) strategy targets full carbon neutrality by 2030 for Scope 1-2 emissions and net carbon neutrality from 2022. **The net carbon neutrality target has been met in 2023.**

Electricity accounts for approximately half of total energy consumption, and thus the Bank's continued use of predominantly green electricity in 2023 is significantly reducing carbon emissions[2].

OTP Bank's total energy consumption decreased by almost 10 percent compared to 2022, largely due to the use of heating fuels. In addition to the mild winter, the Bank has introduced a number of savings measures that have significantly reduced consumption, such as turning down temperatures and the use of time-programmable control during periods of non-use.

[2] In the case of leased premises, the purchase of green electricity cannot be fully implemented.

Energy consumption within the organisation (GJ) – OTP Bank					
	2019	2020[1]	2021	2022	2023
Total non-renewable fuel sources	*97,579*	*93,423*	*103,545*	*100,691*	*90,030*
Total renewable fuel sources	*0*	*1,360*	*2,247*	*2,615*	*2,821*
Total indirect energy purchased (including renewables)	*151,026*	*151,781*	*152,082*	*161,575*	*151,392*
Self-generated renewable energy	*2,005*	*5,166*	*5,141*	*4,053*	*1,312*
Total energy consumption[2]	**250,610**	**251,730**	**263,014**	**268,934**	**245,555**
Total energy consumption per employee[3]	**28.14**	**26.75**	**26.73**	**26.17**	**23.19**
Share of renewable energy	**N/A**	**N/A**	**N/A**	**N/A**	**54%**

[1] Also includes the consumption of the former Monicomp and eBIZ.
[2] Deviates slightly from the figures in the Annual Report up to 2021 as the finalised consumption data were received at a later date.
[3] In 2019 based on statistical headcount, from 2020 based on average full-time staff numbers.

The energy consumption data are derived from metering; solar energy and part of the heat pump energy is estimated based on manufacturer information in the absence of a meter. Where necessary, we used the calorific values taken from the National Inventory Report (NIR) from 2022 onwards, and previously the EU regulation and DEFRA values, to convert the consumed quantities into energy.

OTP Bank's Scope 1 and Scope 2 CO_2e emissions (t)					
	2019	2020[1]	2021	2022	2023
Direct (Scope 1)	***6,779***	***6,078***	***6,548***	***6,670***	***6,005***
Indirect (Scope 2)					
Indirect location-based	***10,786***	***9,883***	***9,904***	***11,496***	***11,648***
Indirect market-based	***8,640***	***8,350***	**8,369**	**1,005**	**1,110**
Total (Scope 1 + 2) location-based	**17,565**	**15,961**	**16,452**	**18,165**	**17,653**
Total (Scope 1 + 2) market-based	**15,419**	**14,428**	**14,917**	**7,675**	**7,115**
Total (Scope 1 + 2) with carbon offset	**15,419**	**14,428**	**14,917**	**675**	**- 485**
Per employee (market-based)	*N/A*	*1.53*	*1.52*	*0.75*	*0.67*
Per employee (with offset)	*N/A*	*1.53*	*1.52*	*0.07*	*-0.05*

[1] Also includes the consumption of the former Monicomp and eBIZ.

The figures shown are calculated from energy consumption, in all cases based on the applicable statutory regulations and the factors stipulated by authorities and industry organisations (National Inventory Reports (NIR), IPCC, DEFRA, EU Regulation, AIB, IFI, and data from suppliers for electricity and district heating). For Scope 1 emissions, country-specific factors are applied subject to availability from 2022. We calculate electricity-related emissions using country-specific factors. For district heating use, from 2020 onwards we use the Hungarian, Slovenian and Croatian factors, and for all other countries, we uniformly use the data published by DEFRA, while in previous years we used the Hungarian emission factors, except for Ukraine, Russia and Serbia, in the absence of other reliable data.
Scope 1 emissions and, in 2022 and 2023, even district heating cover all GHG emissions. For Scope 2 emissions, the previous years of district heating in Hungary and electricity factors only cover CO_2. For the emission factors used, we do not have information on the GWP values considered in each and every case.

In addition, the fact that OTP Bank continuously carries out renovations and modernisations at both its central buildings and in its branch network reduces consumption, and improving energy efficiency is an important aspect of investment projects. In 2023, the modernisation of heating systems, the widest possible use of LED lighting and the installation of additional motion sensors were again the most common types of energy efficiency investments.

The rate of business travel has increased at the parent bank. The total kilometres travelled increased at the parent bank by 9 percent compared to the previous year, with air travel also rising. While online meetings remain a dominant part of liaising, with the end of the coronavirus pandemic, face-to-face meetings have become more frequent again, and business needs have influenced the amount of travel.

To offset its 2023 Scope 1 and Scope 2 emissions, OTP Bank purchased carbon credits in 2023, thereby preventing the emission of 7,600 tonnes of carbon emissions during the year. The 2023 emission values were determined in advance, with offsets higher than emissions. The credits purchased are retired credits verified as per Verra (VER). The Bank considers it essential that the project supported through offsetting is located in the country of operation of the Banking Group, and has again opted for a project in Bulgaria, which was implemented at the Saint Nikola Wind Farm, the largest wind farm in the country, near the town of Kavarna.

Paper use and waste management

The steadily increasing range of electronically available services also reduces paper consumption. In addition, the digitalisation of the bank's internal processes is ongoing. At the same time, the paper-based administration demanded by legal requirements inhibits in many cases the further reduction of printing in Hungary and in other countries.

The share of electronic account statements also showed an increasing trend in 2023. Their use is continuously encouraged by the Bank. The majority of OTP Bank customers (83 percent of retail clients and almost half of large corporate customers) do not receive paper-based statements, which is a noticeable increase over the previous year.

Data on materials used and purchases made by OTP Bank						
		2019	2020	2021	2022	2023
Number of computers (laptops + PCs)	(thousand units)	18	19	19	19	18
Weight of ink cartridges and toners used	(t)	8	6	4	5	4
Amount of office paper	(t)	699	478	398	397	354
Amount of paper used for document sorting and packaging	(t)	58	75	90	98	26
Amount of indirectly used paper [1]	(t)	7	5,845[2]	491	558	313

[1] E.g. marketing brochures, invoice sheets
[2] Mainly consumption of former Monicomp.

At OTP Bank, we were able to reduce paper consumption by 11 percent. The parent bank used 47 percent recycled paper in office paper use and 31 percent in total paper use. In Hungary, we use FSC-certified paper even in the case of account statements, marketing publications and envelopes, while we use recycled FSC paper for producing DM letters. All personal hygiene products used at OTP Bank are exclusively ECO Label products.

Awareness-raising

The members of the Banking Group have launched numerous programmes, awareness-raising campaigns and involved employees to promote environmental awareness and the protection of natural values. 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.

Green Challenge idea contest

OTP Bank has launched the Green Challenge idea contest among its employees. To introduce the contest, the Bank started a series of six articles on sustainability, concluding with a series of quizzes. Employees who answered the questions the fastest received special prizes from OTP.

For the idea contest, OTP Bank was looking for applications that support the reduction of the Bank's carbon footprint and can be easily implemented in everyday practice. The challenge proved to be very popular with 136 ideas submitted. The implementation of several of these has already started and four other winning ideas are also to be realised down the line:

- Establishment of MOL-Bubi stations around OTP offices,
- Green Plate Programme to promote more sustainable dietary habits,
- the digitalisation of business travel settlements,
- special prize for the idea with the greatest impact: minimising *standby* power consumption.

As a result of the popularity of the competition, we will be launching a permanent sustainability idea box starting from 2024.

OTP Bank was also one of the partners of the Green Friday initiative, launched jointly by MasterCard and several organisations to raise awareness about conscious spending and lifestyle. Throughout the programme, dedicated microsites and social media platforms featured awareness-raising articles and tips to promote a greener Christmas.

The disclosure obligation of the green asset ratio („GAR”) required by the European Council and Parliament Regulation (EU) 2020/852 of June 18, 2020 (Taxonomy Regulation) is fulfilled by the Bank in the Non-Financial Statement section of the consolidated Business Report.

Fight against corruption and against the practice of bribery

The Code of Ethics (https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf) , the Partner Code of Ethics (https://www.otpbank.hu/static/portal/sw/file/OTP_Partneri_EtikaiKodex_EN.pdf) publish in 2023 and the Anti-Corruption Policy of OTP Bank Group 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, 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 OTP Bank Plc. 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 OTP Bank Plc. 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 OTP Bank Plc. conducts inquiries for the purpose of detecting, preventing anomalies in connection with reports made or anomalies it became aware of otherwise.

Through the OTP Bank Plc.'s ethics reporting system a total of 93 reports were received in 2023. In 29 of these reports, we deemed it necessary to conduct an ethical procedure and 8 case's investigation resulted in declaring ethics offense.

The OTP Bank Plc. 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 OTP Bank Plc.'s website and from 2023 the Partner Code of Ethics has been published on the Bank's website as well. 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 OTP Bank Plc. will act prudently in its dealings with contractors, in particular in the tendering and preparation process, to minimise the risk of corruption. The OTP Bank Plc. 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.

Based on the Compliance's proposal, the prohibition of corruption will be reflected in the contractual and regulatory documents used by the OTP Bank Plc. in a clearer and well-defined manner from 2023 onwards, through the inclusion of anti-corruption clauses in the business rules and standard contracts. The clause will state from the very beginning of the business relationship that the contracting partner accepts OTP Bank Plc.'s anti-corruption principles, including the prohibition of corruption and the consequences of breaching this prohibition, which can even be termination of contract.

Any requests from third parties affecting human rights are treated by the OTP Bank Plc. 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 Executive Steering 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 2023, OTP Bank and its Hungarian subsidiaries served more than 4.3 million clients in total.

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

Non-financial performance indicators

- **Internal audit:** 207 closed audits, 1,385 recommendations, 1,383 accepted recommendations.
- **Compliance with Budapest Stock Exchange (BSE) Recommendations (yes/no ratio):** 72 yes, 0 no.
- **Compliance:** 7 closed consumer protection related investigations by the Compliance.
- **Bank security investigations, reports:** we conducted a total of 3,356 bank security investigations and 253 reports were made to the authorities, most of which were related to cases of fraud committed against customers.
  The expected damage value from the detected crimes is about HUF 4.7 billion, which is much higher than the loss realized last year, which was HUF 1 billion. The largest part of the loss occurred in the area of financial offences.

  With regard to financial offences, a downward trend can be observed in consumer loans, primarily in connection with the offences of personal loans, which was about HUF 28 million, almost a fifth of the previous year's value.

  At the same time, the amount of damage caused by corporate credit fraud was HUF 4.6 billion, of which a significant part of the damage value – HUF 3 billion – was accounted for by one case.

  There was a drastic increase in the trend of online fraud targeting customers until July 2023, but due to the introduced measures, there was a continuous decrease in both the number of cases and the amount of damage from September 2023. Compared to the losses in July, December's fell to about a third, but a significant customer loss was still realized, which exceeded HUF 10 billion in 2023, and with fraud prevention operative measures and monitoring activities, HUF 6.5 billion of customer losses were prevented.

  Compared to 2022, an increase can be observed in connection with bank card abuse, both in terms of the number of attempted abuses and the damage. In 2023, the value of successful bank card abuses exceeded HUF 4.5 billion, of which the value of successful transactions with cards issued by OTP amounted to HUF 3.9 billion.

  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 10.2 billion. Of this, the value of abuses prevented in the case of cards issued by OTP is HUF 10.1 billion.

  The ratio of bank card abuse to turnover increased, in the case of OTP the ratio of bank card misuse to turnover remained lower than the European average published by MasterCard (OTP Bank: 0.0203%, European average: 0.0400%).

- **Ethics issues:** 93 ethics reports, establishing ethics offense in 8 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 2023 (CONSOLIDATED)

CONSOLIDATED FINANCIAL HIGHLIGHTS[3] AND SHARE DATA

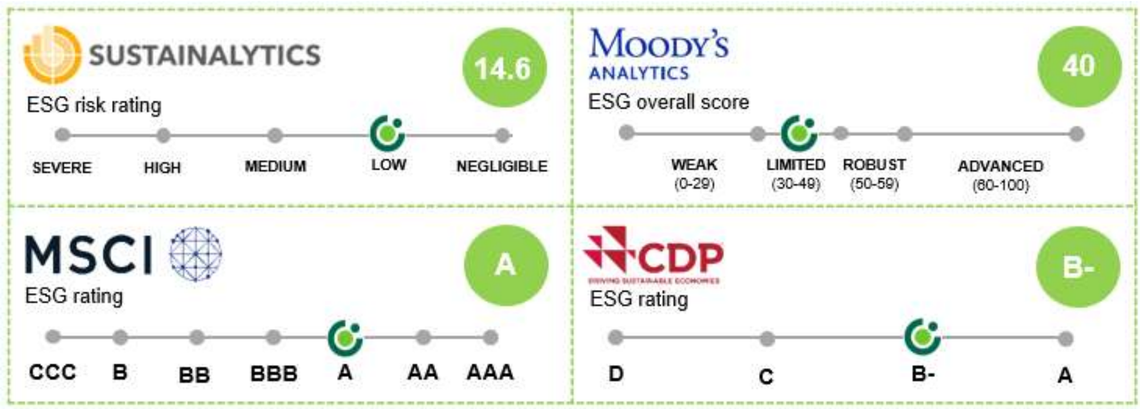
Main components of the adjusted Statement of recognised income	2022 HUF million	2023 HUF million	Change %
Consolidated profit after tax	**347,081**	**990,459**	**185**
Adjustments (total)	(245,466)	(18,123)	(93)
Consolidated adjusted profit after tax	**592,547**	**1,008,583**	**70**
Pre-tax profit	690,022	1,222,328	77
Operating profit	868,487	1,260,850	45
Total income	1,656,571	2,224,584	34
Net interest income	1,093,579	1,459,694	33
Net fees and commissions	397,118	478,146	20
Other net non-interest income	165,874	286,745	73
Operating expenses	(788,084)	(963,734)	22
Total risk costs	(178,465)	(38,521)	(78)
Corporate taxes	(97,475)	(213,746)	119
Main components of the adjusted balance sheet (closing balances)	2022	2023	%
Total assets	32,804,210	39,609,144	21
Total customer loans (net, FX adjusted)	**17,929,314**	**21,447,380**	**20**
Total customer loans (gross, FX adjusted)	**18,858,498**	**22,466,415**	**19**
Performing (Stage 1+2) customer loans (gross, FX-adjusted)	17,946,407	21,496,534	20
Allowances for possible loan losses (FX adjusted)	(929,184)	(1,019,035)	10
Total customer deposits (FX-adjusted)	**24,320,092**	**29,428,284**	**21**
Issued securities	870,682	2,095,548	141
Subordinated loans	301,984	562,396	86
Total shareholders' equity	3,322,312	4,094,793	23
Indicators based on adjusted earnings	2022	2023	pps
ROE (from profit after tax)	11.0%	27.2%	16.2
ROE (from adjusted profit after tax)	18.8%	27.7%	9.0
ROA (from adjusted profit after tax)	1.9%	2.7%	0.8
Operating profit margin	2.78%	3.39%	0.61
Total income margin	5.31%	5.99%	0.67
Net interest margin	3.51%	3.93%	0.42
Cost-to-asset ratio	2.53%	2.59%	0.07
Cost/income ratio	47.6%	43.3%	(4.3)
Provision for impairment on loan losses-to-average gross loans ratio	0.73%	0.16%	(0.56)
Total risk cost-to-asset ratio	0.57%	0.10%	(0.47)
Effective tax rate	14.1%	17.5%	3.4
Net loan/(deposit+retail bond) ratio (FX-adjusted)	74%	72%	(1)
Capital adequacy ratio (consolidated, IFRS) - Basel3[4]	17.8%	18.9%	1.1
Tier1 ratio - Basel3	16.4%	16.6%	0.2
Common Equity Tier 1 ('CET1') ratio - Basel3	16.4%	16.6%	0.2
Share Data	2022	2023	%
EPS diluted (HUF) (from profit after tax)	1,288	3,693	187
EPS diluted (HUF) (from adjusted profit after tax)	2,204	3,767	71
Closing price (HUF)	10,110	15,800	56
Highest closing price (HUF)	18,600	16,030	(14)
Lowest closing price (HUF)	7,854	9,482	21
Market Capitalization (EUR billion)	7.1	11.6	63
Book Value Per Share (HUF)	14,902	15,294	3
Tangible Book Value Per Share (HUF)	14,290	14,589	2
Price/Book Value	0.7	1.0	52
Price/Tangible Book Value	0.7	1.1	53
P/E (trailing, from profit after tax)	8.2	4.5	(45)
P/E (trailing, from adjusted profit after tax)	4.8	4.4	(8)
Average daily turnover (EUR million)	24	15	(37)
Average daily turnover (million share)	0.8	0.5	(45)

[3] 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.
[4] Starting from 2023 the consolidated capital adequacy ratios for the actual period and retrospectively for the base period are based on the prudential scope of consolidation, i.e. in line with Capital Requirements Regulation (CRR). For details, see the *Supplementary data* section.

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+
LIANHE	
OTP Bank – Issuer rating (China national scale)	AAA

ACTUAL ESG RATINGS



AWARDS

OTP Bank received six awards at the **Global Finance** magazine's Sustainable Finance Awards for 2024 competition. OTP Bank was chosen as the winner ***in one national****, and* ***four regional categories*** („The Best bank for Sustainability Transparency, for Sustainable Project Finance, for Sustainable Financing in Emerging Markets and for ESG-Related Loans") and for the first time in the Bank's history ***in a global category***.

The local subsidiary of the OTP Group earned recognition as Bank of the Year in the framework of **The Bankers** 2023 "Bank of the Year Awards" in Albania, Croatia, Montenegro and Slovenia.

RESULTS OF THE 2023 EBA STRESS TEST

OTP Bank enjoyed high rankings in the EU-level stress test survey conducted by the European Banking Authority (EBA) in 2023, which involved 70 European banks.

Fully loaded consolidated CET1 ratio and its decrease over the three-year period from 2022 to 2025 under the adverse scenario:

	CET1 rate end-2025	Ranking	CET1 rate decrease	Ranking
otpbank	14.5%	No 13	-0.77pp	No 4

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 Central and Eastern European region, and in Uzbekistan in Central Asia. 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 principles 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.

We entered Uzbekistan in 2023 with an aim of capitalizing on growth opportunities while becoming the leading retail bank in this underpenetrated market, also supporting the development and transition of the local economy.

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 recognizes our success in creating shareholder value through favourable valuation compared to European and regional peers.

MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2023 RESULTS OF OTP GROUP

In 2023 the operating environment in Hungary was shaped mainly by the combined impact of the y-o-y declining GDP (-0.9%), the high underlying interest rate environment, as well as the government and central bank measures. On the positive side, from the second half of the year the declining CPI trend accelerated and made room for continuing central bank rate cuts. The base rate dropped to 10.75% by year-end, against 18% O/N rate at the beginning of the year. The December CPI moderated to 5.5%, thus the annual inflation rate was 17.6%. The government tried to reinvigorate the benign lending activity through focused measures: voluntary rate caps by banks in new SME and mortgage loans, lower downpayment requirements in case of first homes, Family Subsidy Scheme Plus, subsidized loan schemes. Furthermore, the government extended the interest rate cap on certain SME and housing loan volumes until 1 April 2024 and 30 June, respectively.

On the Group level, all countries enjoyed positivey-o-y GDP growth, and with inflation levels lower than in Hungary, the setback in lending activity was less material, in a couple of markets even significant volume increase occurred. This, and the 3% y-o-y loan growth in Hungary despite economic recession, brought the consolidated FX-adjusted organic performing loan volume growth to 6%, with the overall portfolio quality still demonstrating stable picture.

It was positive that the consolidated NIM kept improving. The key liquidity ratios remained stable and deposit volumes grew at most Group members, thus the deposit book increased by 7% y-o-y (FX-adjusted). The CET1 ratio grew further to 16.6%.

In 2023 two acquisitions were executed: in February the purchase of the Slovenian NKBM manifested the biggest ever M&A transaction by OTP Bank, in June the purchase of Ipoteka Bank in Uzbekistan was completed. The two banks contributed 11 and 6 months earnings to the consolidated annual profit, respectively. The transactions elevated to Group's total asset base by around EUR 14 billion, as a result it exceeded EUR 100 billion by the end of 2023.

Consolidated earnings: the annual net results reached HUF 990.5 billion; y-o-y improving NIM, stable credit quality, 6% and 7% y-o-y increase in organic performing loan volumes and deposit (FX-adjusted), improving capital ratios

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

The balance of adjustment items showed -HUF 18 billion against -HUF 245 billion a year ago. Those items which were a drag on 2022 earnings and were related to the Russian-Ukrainian war practically disappeared or dropped substantially, namely goodwill impairment and the impairment recognized on the Russian government bonds, furthermore the balance of special taxes in Hungary also dropped by around 1/3 y-o-y. At the same time the negative impact of the interest rate caps stayed in place: besides Hungary, Serbia also introduced such measure. The single most important positive item was the badwill impact booked in relation to the Slovenian and Uzbek acquisitions. Accordingly, in 2023 the following main adjustment items were booked:

- +HUF 64.9 billion acquisition effects;
- -HUF 62.6 billion Hungarian special banking taxes;
- -HUF 32.9 billion interest rate cap extension (in Hungary) or introduction (in Serbia);
- +HUF 12.4 billlion other adjustment items.

The cross-currency rate moves distorted the earning lines mainly in case of the Ukrainian and Russian operations: the average HUF rate against UAH and RUB appreciated by 16% and 26% y-o-y, respectively.

With the exception of Ipoteka Bank all Group members were profitable in 2023. Most of the subsidiaries demonstrated material profit improvement y-o-y, the Bulgarian operation's adjusted earnings exceeded HUF 200 billion, while the *pro forma* Slovenian operation posted a profit after tax close to HUF 130 billion; the combined profit incorporated only 11 months net earnings contribution from NKBM. Ipoteka Bank, Uzbekistan posted HUF 22 billion negative results in 2H 2023 mainly due to the significant amount of credit risk costs.

The overall performance of OTP Group was shaped mainly by the y-o-y 45% increase in operating profit, but total risk costs also dropped by 78% y-o-y. Within the dynamic, y-o-y 34% increase of total income the net interest income surged by 33%, whereas net fees & commissions grew by lower pace, +20% y-o-y. Other non-interest income jumped by 73%. Adjusted for the two acquisitions in 2023, the FX-adjusted operating income grew by 37%, total income by 28%, NII by 25% and NF&C by 15%, respectively.

The consolidated annual NIM improved by 42 bps y-o-y reaching 3.93%. Apart from the Hungarian, Ukrainian and Moldovan markets, elsewhere there was trend of interest rate increases that had a positive impact on both NII and NIMs. In 2023 as a whole, the Bulgarian, Slovenian, Serbian, Croatian, Montenegrin, Albanian and Ukrainian NIMs all improved y-o-y, whereas in other markets they dropped, though by different magnitude. In Hungary, the y-o-y 13 bps decline was induced by the changes in the mandatory reserve requirement and the balance sheet structure: as a result of acquisitions, on the assets side the weight of non-interest bearing subsidiary investments increased, while on the liability side the portion of MREL-eligible bonds grew at the expense of household deposits.

The amount of the annual operating expenses increased by 22% y-o-y, the high, though declining inflation had its negative impact on all cost items. The consolidated cost-to-income ratio improved further and reached 43.3% (-4.3 pps y-o-y). Without acquisitions the FX-adjusted operating expenses increased by 17% y-o-y.

The amount of consolidated total risk costs amounted to -HUF 38.5 billion, less than a quarter of the balance booked in 2022; without the impact of acquisitions the total risk cost showed a positive balance of HUF 20 billion. Within that, the provisions for impairment on loan losses amounted to -HUF 35 billion (2022: -HUF 135 billion). The annual risk cost rate moderated to 16 bps (-56 bps y-o-y), bulk of that was related to impairments in Uzbekistan.

The quality of the consolidated credit portfolio remained stable with the major credit quality indicators shaping favourably. The Stage 3 ratio under IFRS 9 comprised 4.3% of the gross loans at the end of 4Q 2023, underpinning a 0.6 pp y-o-y decrease. The own coverage ratio of Stage 3 exposures was close to 61% at the end of 2023.

In case of Ipoteka Bank problem loans concentrated in three segments: in a broader sense agriculture, but also in cotton and textile industries. Within agriculture fishery, green house cultivation and hydro cultures, but also the cotton industry were behind the badwill adjustment. The reasons which caused the badwill adjustment and the increase of the non-performing exposures emerged before the acquisition, but their effects materialized only in a later stage. The Risk Division of Ipoteka Bank, including the unit responsible for corporate clients has been reorganized during the summer of 2023. Also, the realignment of the activity in connection with loan restructurings, delinquent exposures and debt collection is in progress. Parallel to this, centralization of the branch activities is a priority, too. This reorganization process at Ipoteka Bank receives great attention from the management both on local and parent bank levels.

The FX-adjusted consolidated performing (Stage 1+2) loan volumes got close to HUF 21,500 billion by year-end. In 2023 the loan portfolio grew by 6% y-o-y organically (FX-adjusted).

As for individual Group members, the Russian, Bulgarian and Croatian operations demonstrated the largest FX-adjusted volume expansion with 26%, 20% and 8% y-o-y growth. The biggest drop was suffered by the Ukrainian subsidiary (-22%y-o-y).

FX-adjusted deposits on a consolidated level got close to HUF 29,500 billion. The consolidated net loan/(deposit + retail bond) ratio moderated to 72%.

In 2023 OTP Bank issued altogether EUR 2 billion MREL-eligible bonds of which around EUR 1.7 billion through public deals in forms of Tier 2 and Senior Preferred bonds. Besides, the Bank also utilized private placement and bilateral loan facilities with EUR 185 million Senior Non-Preferred and EUR 110 million Senior Preferred bonds. As a result, the actual MREL ratio for the OTP's resolution group comfortably exceeded the mandatory minimum level of 23.96% set from 1 January 2024.

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, bearing in mind that any future solution should be strictly within the framework and in accordance with applicable local and international regulations.

In 2H 2023 the Russian Central Bank approved twice a dividend payment by OTP's Russian subsidiary with a total amount of RUB 13.4 billion.

If the Russian entity was deconsolidated and the outstanding gross intragroup exposures were written off as well, the effect for the consolidated CET1 ratio would be -11 bps, whereas in the Ukraine the negative effect would be 2 bps.

Consolidated capital adequacy ratio (in accordance with BASEL III)

At the end of 2023, the consolidated CET1 ratio under the prudential scope of consolidation according to IFRS was 16.6% . This equals to the Tier 1 ratio. Consolidated CAR increased to 18.9%.

At the end of 2023, the effective regulatory minimum requirement for the consolidated Tier 1 capital adequacy ratio was 11.5% which also incorporated the effective SREP rate, whereas the minimum CET1 requirement was 9.6%.

The components of the capital requirements were shaped by the following recent changes:

- The SREP rate for 2023 was 125%, inducing an additional 2% capital requirement in terms of the consolidated CAR ratio. According to the information of NBH the SREP rate was reduced to 120% effective from 1 January 2024, as a result the additional capital requirement moderated to 1.6%.
- Effective from 1 July 2020 the original level of O-SII capital buffer (2%) was modified to 0% by the NBH until 31 December 2021. The gradual rebuilding started on 1 January 2022, its level was 1% in 2023 and on 1 January 2024 it will reach the original 2%.
- The effective rate of the countercyclical capital buffer in Bulgaria is 2%, in Croatia and Romania 1%, and 0.5% in Slovenia, respectively. Accordingly, on Group level the countercyclical capital buffer was 0.5% as of 31 December 2023. In Hungary the currently effective countercyclical capital buffer is 0%, however from 1 July 2024 NBH will introduce a 50 bps buffer requirement. With such change taking effect locally, on consolidated level the countercyclical capital buffer is expected to increase to 0.7% by the end of 2024.

MREL adequacy

As a result of MREL-eligible issuances completed in 2023 by 4Q 2023 OTP Group reached an MREL adequacy ratio of 25.1% versus the minimum mandatory requirement of 23.96% effective from 1 January 2024.

Credit rating, shareholder structure

In 2023 the effective credit ratings were as follows:

- OTP Bank's long-term issuer credit rating by S&P Global is 'BBB-', the outlook is stable; the credit rating of the dated Tier 2 instrument is 'BB';
- the dated subordinated FX debt rating by Moody's was downgraded from 'Ba1' to 'Ba2' in February, while the Senior Preferred bond rating is 'Baa3'. OTP Mortgage Bank's long term issuer rating is 'Baa3', whereas the mortgage bond rating is 'A1'. The long-term FX deposit rating of OTP Bank Plc. remained unchanged at 'Baa1'. The outlook is stable for all ratings;
- OTP Bank Plc' issuer rating at Scope Ratings is 'BBB+' and the subordinated debt rating 'BB+', respectively; the outlook was changed from negative to stable in November 2023;
- in April the Chinese Lianhe Credit Rating Co. gave 'AAA' Long-Term Issuer Credit Rating (China national scale) for OTP Bank Plc's, the outlook is stable.

Regarding the ownership structure of the Bank, on 31 December 2023 the following investors had more than 5% influence (voting rights) in the Company: MOL (the Hungarian Oil and Gas Company, 8.59%), and Groupama Group (5.10%).

SUMMARY OF ECONOMIC POLICY MEASURES MADE IN THE LAST PERIOD AND OTHER IMPORTANT DEVELOPMENTS, AS WELL 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 selling price is EUR 347.5 million which is smaller than the net asset value of the to be sold subsidiaries recognized in the consolidated accounts, accordingly the transaction resulted in a negative P&L impact of HUF 59.5 billion (after tax) on consolidated level, booked in 4Q 2023. As a result of the transaction, at the time of the closing of the deal the consolidated capital adequacy ratio is expected to improve by 52 bps. 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.

Moldova

- On 4 February 2024 the central bank cut the base rate by 50 bps to 4.25%.

CONSOLIDATED PROFIT AFTER TAX BREAKDOWN BY SUBSIDIARIES (IFRS)[5]

Methodological note: starting from 2023 the segmentation of the Hungarian operation has been changed: in contrast to the previous practice, starting from 2023 Corporate Centre was no longer carved out of the OTP Core segment. In the affected tables of this report, the 2022 base periods were presented both under the old and the new segment definitions. The q-o-q and y-o-y changes presented in the affected tables are calculated from the restated figures. For details, see chapter 'Methodological note: change in the segmentation of OTP Core and Corporate Centre' in the 'Supplementary Data' section.

	2022 as prevoiusly reported HUF million	2022 restated HUF million	2023 HUF million	Change %/pps
Consolidated profit after tax	**347,081**	**347,081**	**990,459**	**185**
Adjustments (total)	**(245,466)**	**(245,466)**	**(18,123)**	**(93)**
Consolidated adjusted profit after tax	**592,547**	**592,547**	**1,008,583**	**70**
Banks total[1]	535,717	538,685	946,279	76
OTP Core (Hungary)[2]	253,232	256,200	302,935	18
DSK Group (Bulgaria)[3]	119,885	119,885	201,992	68
OTP Bank Slovenia[4]	23,860	23,860	128,730	440
OBH (Croatia)[5]	42,801	42,801	53,959	26
OTP Bank Serbia[6]	36,873	36,873	68,026	84
OTP Bank Albania[7]	10,175	10,175	15,032	48
CKB Group (Montenegro)[8]	9,791	9,791	21,814	123
Ipoteka Bank (Uzbekistan)[9]	-	-	(21,857)	
OTP Bank Russia[10]	42,548	42,548	95,665	125
OTP Bank Ukraine[11]	(15,922)	(15,922)	45,184	(384)
OTP Bank Romania[12]	3,071	3,071	20,099	554
OTP Bank Moldova	9,403	9,403	14,700	56
Leasing	10,971	10,971	10,267	(6)
Merkantil Group (Hungary)[13]	10,971	10,971	10,267	(6)
Asset Management	9,621	9,621	19,861	106
OTP Asset Management (Hungary)	9,357	9,357	19,673	110
Foreign Asset Management Companies[14]	263	263	188	(29)
Other Hungarian Subsidiaries	27,645	27,645	30,570	11
Other Foreign Subsidiaries[15]	(141)	(141)	986	(797)
Corporate Centre[16]	2,968	-	-	
Eliminations	5,767	5,767	620	(89)
Profit after tax of the Hungarian operation[17]	167,057	167,057	519,025	211
Adjusted profit after tax of the Hungarian operation[17]	303,873	303,873	365,979	20
Profit after tax of the Foreign operation[18]	180,024	180,024	471,434	162
Adjusted profit after tax of the Foreign operation[18]	288,674	288,674	642,604	123
Share of Hungarian contribution to the adjusted profit after tax	51%	51%	36%	(15)
Share of Foreign contribution to the adjusted profit after tax	49%	49%	64%	15

[5] 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	2022 HUF million	2023 HUF million	Change %
Consolidated profit after tax	**347,081**	**990,459**	**185**
Adjustments (total, after corporate income tax)	**(245,466)**	**(18,123)**	**(93)**
Dividends and net cash transfers (after tax)	1,927	(1,911)	
Goodwill/investment impairment charges (after tax)	(59,254)	(3,919)	(93)
Special tax on financial institutions (after tax)	(91,353)	(62,551)	(32)
Expected one-off negative effect of the debt repayment moratorium in Hungary (after tax)	(2,473)	0	
Expected one-off effect of the interest rate cap for certain loans in Hungary and Serbia (after tax)	(36,585)	(32,898)	(10)
Effect of the winding up of Sberbank Hungary (after tax)	(10,389)	10,389	
Effect of acquisitions (after tax)	(15,594)	64,886	
Result of the treasury share swap agreement (after tax)	3,028	10,680	253
Impairments on Russian government bonds at OTP Core and DSK Bank booked from 2022 (after tax)	(34,775)	(2,799)	(92)
Consolidated adjusted profit after tax	**592,547**	**1,008,583**	**70**
Profit before tax	**690,022**	**1,222,328**	**77**
Operating profit	**868,487**	**1,260,850**	**45**
Total income	**1,656,571**	**2,224,584**	**34**
Net interest income	**1,093,579**	**1,459,694**	**33**
Net fees and commissions	**397,118**	**478,146**	**20**
Other net non-interest income	**165,874**	**286,745**	**73**
Foreign exchange result, net	90,691	123,314	36
Gain/loss on securities, net	1,579	1,994	26
Net other non-interest result	73,604	161,436	119
Operating expenses	**(788,084)**	**(963,734)**	**22**
Personnel expenses	(396,304)	(503,959)	27
Depreciation	(84,663)	(95,561)	13
Other expenses	(307,117)	(364,215)	19
Total risk costs	**(178,465)**	**(38,521)**	**(78)**
Provision for impairment on loan losses	(135,231)	(34,781)	(74)
Other provision	(43,234)	(3,741)	(91)
Corporate taxes	**(97,475)**	**(213,746)**	**119**
INDICATORS	2022	2023	%/pps
ROE (from profit after tax)	11.0%	27.2%	16.2
ROE (from adjusted profit after tax)	18.8%	27.7%	9.0
ROA (from adjusted profit after tax)	1.9%	2.7%	0.8
Operating profit margin	2.78%	3.39%	0.61
Total income margin	5.31%	5.99%	0.67
Net interest margin	3.51%	3.93%	0.42
Net fee and commission margin	1.27%	1.29%	0.01
Net other non-interest income margin	0.53%	0.77%	0.24
Cost-to-asset ratio	2.53%	2.59%	0.07
Cost/income ratio	47.6%	43.3%	(4.3)
Provision for impairment on loan losses-to-average gross loans ratio	0.73%	0.16%	(0.56)
Total risk cost-to-asset ratio	0.57%	0.10%	(0.47)
Effective tax rate	14.1%	17.5%	3.4
Non-interest income/total income	34%	34%	0
EPS base (HUF) (from profit after tax)	1,289	3,695	187
EPS diluted (HUF) (from profit after tax)	1,288	3,693	187
EPS base (HUF) (from adjusted profit after tax)	2,204	3,769	71
EPS diluted (HUF) (from adjusted profit after tax)	2,204	3,767	71
Comprehensive Income Statement	2022	2023	%
Consolidated profit after tax	347,081	990,459	185
Fair value changes of financial instruments measured at fair value through other comprehensive income	(119,377)	78,419	
Foreign currency translation difference	179,622	(200,928)	
Change of actuarial costs (IAS 19)	1,016	(400)	
Net comprehensive income	**408,342**	**864,843**	**112**
o/w Net comprehensive income attributable to equity holders	407,695	863,714	112
Net comprehensive income attributable to non-controlling interest	647	1,129	74
Average exchange rate[1] of the HUF	2022 HUF	2023 HUF	Change %
HUF/EUR	391	382	(2)
HUF/CHF	390	393	1
HUF/USD	373	353	(5)

[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 securities portfolio on Group level exceeded EUR 5.5 billion).

Total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As at 31 December 2023 the gross liquidity buffer was around EUR 9.8 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 at 31 December 2023 OTP Group's consolidated liquidity coverage (LCR) ratio was 246% (4Q 2022: 172%) while NSFR compliance has remained comfortable (4Q 2023: 153%).

The volume of issued securities more than doubled on a consolidated basis y-o-y. The increase was driven both by bond issuances of OTP Bank and by the completed acquisitions during the period. In order to optimize capital structure and meet MREL (Minimum Requirements for Own Funds and Eligible Liabilities) requirements, OTP Bank issued bonds in different currencies on the international capital markets several times in 2023. In February USD 650 million Tier 2 notes were issued, while OTP Bank sold Senior Preferred bonds on three occasions: USD 500 million in May, EUR 650 million and RON 170 million in October. Senior Non-Preferred bonds have also been issued: EUR 110 million in June and EUR 75 million in December. The net outstanding amount of retail bonds issued by OTP Bank in the domestic capital market increased by HUF 165 billion in 2023. On the other hand, bonds issued by Nova KBM and Ipoteka Bank in the notional amount of HUF 485 billion equivalent were consolidated as part of the completed acquisitions. In June, Nova KBM issued Senior Preferred bonds on the international capital markets in the amount of EUR 400 million.

…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.

Besides the interest rate cap measures introduced in 2022, further regulatory/governmental measures distorted the Bank's balance sheet structure in 2023, therefore the stock of HUF denominated variable interest rate assets decreased further resulting in a change in the HUF interest rate risk position that can be considered nearly closed, currently. Due to the upcoming maturities of the long-term HUF liquid asset portfolio and the operating profit accumulation the stock of variable assets is expected to increase as time passes. Because of the surplus of variable interest rate assets compared to variable interest rate liabilities the net interest income of the EUR (and BGN) denominated portfolio correlates with the rise in money market interest rates: the loans get repriced typically in 3-6 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. The increase in the interest environment did not cause significant repricing in case of deposits, consequently, and due to the increased nominal yield levels, the Bank Group decided to change its liquid asset placement practice in the second half of the year through increasing the duration of liquid assets, and furthermore it entered into fixed interest rate receiver swap positions, to defend the Bank Group's net interest income from the negative effects of potential decrease in the EUR yields.

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 47.7 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.

In order to mitigate the FX rate sensitivity of the consolidated equity, OTP Bank Plc. has opened a short euro open FX position; the revaluation result of which is recognised directly against equity.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OTP GROUP

Main components of the adjusted balance sheet	2022 HUF million	2023 HUF million	Change %
TOTAL ASSETS	**32,804,210**	**39,609,144**	**21**
Cash, amounts due from Banks and balances with the National Banks	4,221,392	7,324,636	74
Placements with other banks, net of allowance for placement losses	1,351,081	1,575,145	17
Securities at fair value through profit or loss	436,387	290,975	(33)
Securities at fair value through other comprehensive income	1,739,603	1,640,891	(6)
Net customer loans	18,640,624	21,447,380	15
Net customer loans (FX-adjusted[1])	**17,929,314**	**21,447,380**	**20**
Gross customer loans	19,643,558	22,466,415	14
Gross customer loans (FX-adjusted[1])	**18,858,498**	**22,466,415**	**19**
Gross performing (Stage 1+2) customer loans (FX-adjusted[1])	**17,946,407**	**21,496,534**	**20**
o/w Retail loans	9,296,956	11,650,463	25
Retail mortgage loans (incl. home equity)	4,657,067	5,808,199	25
Retail consumer loans	3,845,614	4,853,359	26
SME loans	794,275	988,906	25
Corporate loans	7,403,482	8,498,051	15
Leasing	1,245,969	1,348,020	8
Allowances for loan losses	(1,002,933)	(1,019,035)	2
Allowances for loan losses (FX-adjusted[1])	(929,184)	(1,019,035)	10
Associates and other investments	73,849	96,346	30
Securities at amortized costs	4,891,938	5,475,701	12
Tangible and intangible assets, net	738,105	878,949	19
o/w Goodwill, net	68,319	66,932	(2)
Tangible and other intangible assets, net	669,786	812,017	21
Other assets	711,230	879,121	24
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32,804,210**	**39,609,144**	**21**
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	1,517,349	2,013,333	33
Deposits from customers	25,188,805	29,428,284	17
Deposits from customers (FX-adjusted[1])	**24,320,092**	**29,428,284**	**21**
o/w Retail deposits	15,760,368	19,322,905	23
Household deposits	13,166,546	16,090,066	22
SME deposits	2,593,823	3,232,839	25
Corporate deposits	8,529,476	10,105,378	18
Accrued interest payable related to customer deposits[2]	30,247	0	(100)
Liabilities from issued securities	870,682	2,095,548	141
o/w Retail bonds	35,766	201,131	462
Liabilities from issued securities without retail bonds	834,916	1,894,418	127
Other liabilities	1,603,078	1,414,790	(12)
Subordinated bonds and loans	301,984	562,396	86
Total shareholders' equity	**3,322,312**	**4,094,793**	**23**

Indicators	2022	2023	%/pps
Loan/deposit ratio (FX-adjusted[1])	78%	76%	(1)
Net loan/(deposit + retail bond) ratio (FX-adjusted[1])	74%	72%	(1)
Stage 1 loan volume under IFRS 9	16,387,792	18,570,222	13
Stage 1 loans under IFRS 9/gross customer loans	83.4%	82.7%	(0.8)
Own coverage of Stage 1 loans under IFRS 9	1.0%	0.9%	(0.1)
Stage 2 loan volume under IFRS 9	2,286,597	2,926,312	28
Stage 2 loans under IFRS 9/gross customer loans	11.6%	13.0%	1.4
Own coverage of Stage 2 loans under IFRS 9	10.7%	9.2%	(1.6)
Stage 3 loan volume under IFRS 9	969,169	969,881	0
Stage 3 loans under IFRS 9/gross customer loans	4.9%	4.3%	(0.6)
Own coverage of Stage 3 loans under IFRS 9	61.0%	60.8%	(0.2)

Consolidated capital adequacy - Basel3, IFRS, according to prudential scope of consolidation	2022	2023	%/pps
Capital adequacy ratio	17.8%	18.9%	1.1
Tier1 ratio	16.4%	16.6%	0.2
Common Equity Tier 1 ('CET1') capital ratio	16.4%	16.6%	0.2
Own funds	3,671,104	4,475,380	22
o/w Tier1 Capital	3,383,161	3,945,570	17
o/w Common Equity Tier 1 capital	3,383,161	3,945,570	17
Tier2 Capital	287,944	529,810	84
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	20,607,706	23,700,282	15
o/w RWA (Credit risk)	18,679,480	21,275,002	14
RWA (Market & Operational risk)	1,928,226	2,425,281	26

Closing exchange rate of the HUF	2022 HUF	2023 HUF	Change %
HUF/EUR	400	383	(4)
HUF/CHF	407	412	1
HUF/USD	376	346	(8)

[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.

[2] Starting from 2023, the *accrued interest payable related to customer deposits* is presented on the *deposits from customers* line.

OTP BANK'S HUNGARIAN CORE BUSINESS

Methodological note: starting from 2023 the segmentation of the Hungarian operation has been changed: in contrast to the previous practice, starting from 2023 Corporate Centre was no longer carved out of the OTP Core segment. In the affected tables of this report, the 2022 base periods were presented both under the old and the new segment definitions. The q-o-q and y-o-y changes presented in the affected tables are calculated from the restated figures. For details, see chapter 'Methodological note: change in the segmentation of OTP Core and Corporate Centre' in the 'Supplementary Data' section.

Starting from 2023 OTP Ecosystem Ltd. was eliminated from OTP Core.

OTP Core Statement of recognized income:

Main components of the Statement of recognised income	2022 as previously reported HUF million	2022 restated HUF million	2023 HUF million	Change %
Profit after tax without received dividend	**27,274**	**30,242**	**313,143**	**935**
Dividend received from subsidiaries	107,907	107,907	187,726	74
Profit after tax	135,181	**138,149**	**500,869**	**263**
Adjustments (total, after tax)	(118,051)	(118,051)	197,934	
Adjusted profit after tax	**253,232**	**256,200**	**302,935**	**18**
Profit before tax	296,672	300,094	366,502	22
Operating profit	294,257	297,679	341,049	15
Total income	637,469	642,520	751,953	17
Net interest income	412,611	417,662	432,651	4
Net fees and commissions	176,830	176,830	197,104	11
Other net non-interest income	48,028	48,028	122,198	154
Operating expenses	(343,212)	(344,841)	(410,904)	19
Total risk costs	2,415	2,415	25,452	954
Provision for impairment on loan losses	32,850	32,850	15,370	(53)
Other provisions	(30,435)	(30,435)	10,083	
Corporate income tax	(43,440)	(43,894)	(63,566)	45
Indicators	**2022 as previously reported**	**2022 restated**	**2023**	**pps**
ROE (adjusted)	12.6%	12.7%	14.2%	1.5
ROA (adjusted)	1.6%	1.5%	1.6%	0.1
Operating profit margin	1.8%	1.7%	1.8%	0.1
Total income margin	3.97%	3.68%	3.94%	0.26
Net interest margin	2.57%	2.39%	2.26%	(0.13)
Net fee and commission margin	1.10%	1.01%	1.03%	0.02
Net other non-interest income margin	0.30%	0.27%	0.64%	0.36
Operating costs to total assets ratio	2.1%	2.0%	2.2%	0.2
Cost/income ratio	53.8%	53.7%	54.6%	1.0
Provision for impairment on loan losses / average gross loans[1]	(0.55%)	(0.55%)	(0.23%)	0.31
Effective tax rate	14.6%	14.6%	17.3%	2.7

[1] Negative Provision for impairment on loan and placement losses/average gross loans ratio implies positive amount on the Provision for impairment on loan and placement losses line.

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

Main components of balance sheet (closing balances)	2022 as previously reported	2022 restated	2023	Change %
Total Assets	15,758,292	17,596,229	18,459,423	5
Financial assets[1] (net)	7,438,066	9,270,006	9,630,766	4
Net customer loans	6,278,620	6,278,620	6,329,293	1
Net customer loans (FX adjusted)	6,213,791	6,213,791	6,329,293	2
Gross customer loans	6,528,001	6,528,001	6,597,968	1
Gross customer loans (FX adjusted)	6,460,305	6,460,305	6,597,968	2
Stage 1+2 customer loans (FX-adjusted)	**6,139,203**	**6,139,203**	**6,335,682**	**3**
Retail loans	3,482,800	3,482,800	3,752,574	8
Retail mortgage loans (incl. home equity)	1,656,950	1,656,950	1,722,826	4
Retail consumer loans	1,306,916	1,306,916	1,515,264	16
SME loans	518,933	518,933	514,485	(1)
Corporate loans	2,656,402	2,656,402	2,583,108	(3)
Provisions	(249,381)	(249,381)	(268,675)	8
Provisions (FX adjusted)	(246,514)	(246,514)	(268,675)	9
Tangible and intangible assets (net)	222,587	222,587	296,425	33
Shares and equity investments (net)	1,447,924	1,447,924	1,890,681	31
Other assets (net)	371,094	377,091	312,258	(17)
Deposits from customers + retail bonds	11,246,795	11,246,795	10,981,387	(2)
Deposits from customers + retail bonds (FX adjusted)	**11,098,246**	**11,098,246**	**10,981,387**	**(1)**
Retail deposits + retail bonds	6,416,859	6,416,859	6,339,542	(1)
Household deposits + retail bonds	5,012,354	5,012,354	4,927,751	(2)
o/w: Retail bonds	35,766	35,766	201,131	462
SME deposits	1,404,504	1,404,504	1,411,791	1
Corporate deposits	4,681,387	4,681,387	4,641,844	(1)
Liabilities to credit institutions	1,251,653	2,313,832	2,326,311	1
Issued securities without retail bonds	471,773	949,421	1,675,963	77
Subordinated bonds and loans	0	294,186	507,277	72
Total shareholders' equity	2,016,019	2,016,019	2,371,964	18
Loan Quality	4Q 2022 as previously reported	4Q 2022 restated	4Q 2023	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	5,457,140	5,457,140	5,312,525	(3)
Stage 1 loans under IFRS 9/gross customer loans	83.6%	83.6%	80.5%	(3.1)
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.8%	0.8%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	747,905	747,905	1,023,157	37
Stage 2 loans under IFRS 9/gross customer loans	11.5%	11.5%	15.5%	4.1
Own coverage of Stage 2 loans under IFRS 9	8.6%	8.6%	7.8%	(0.8)
Stage 3 loan volume under IFRS 9 (in HUF million)	322,956	322,956	262,285	(19)
Stage 3 loans under IFRS 9/gross customer loans	4.9%	4.9%	4.0%	(1.0)
Own coverage of Stage 3 loans under IFRS 9	43.2%	43.2%	55.9%	12.7
Market Share	4Q 2022 as previously reported	4Q 2022 restated	4Q 2023	pps
Loans	26.8%	26.8%	26.2%	(0.5)
Deposits	29.1%	29.1%	28.3%	(0.8)
Total Assets	27.6%	27.6%	28.3%	0.7
Performance Indicators	4Q 2022 as previously reported	4Q 2022 restated	4Q 2023	pps
Net loans to (deposits + retail bonds) (FX adjusted)	56%	56%	58%	2
Leverage (closing Shareholder's Equity/Total Assets)	12.8%	11.5%	12.8%	1.4
Leverage (closing Total Assets/Shareholder's Equity)	7.8x	8.7x	7.8x	(0.9x)
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, IFRS)	19.2%	19.2%	27.6%	8.5
Common Equity Tier1 ratio (OTP Bank, non-consolidated, Basel3, IFRS)	16.3%	16.3%	22.5%	6.2

[1] Cash, amounts due from banks and balances with the National Bank of Hungary; placements with other banks; repo receivables; securities and other financial assets.

In 2023, **OTP Core** generated HUF 313 billion profit after tax without dividends from subsidiaries, as opposed to the HUF 30 billion loss in the base period.

This improvement partly stemmed from the much better balance of adjustment items: against the impairments on subsidiary investments in 2022, in 2023 impairments were reversed, and in contrast to the base period, Russian bond impairments didn't weigh on the 2023 results. Also, special banking taxes also moderated
y-o-y. On the other hand, the adjusted profit after tax also improved last year, by 18%.

The annual operating profit went up by 15%. Within total income, net interest income grew by 4%, or HUF 15 billion. Regarding the key factors behind this change, the altogether negative effect of regulatory changes and technicalities was counterbalanced by higher rate environment and business-driven factors:

- regulatory changes and technical factors, in total: -HUF 85 billion, of which:
  - changes to the mandatory reserve rules[6] entailed HUF 45 billion negative y-o-y NII effect;
  - the issuance of MREL eligible instruments caused HUF 18 billion NII decline y-o-y;
  - due to new acquisitions, the weight of non-interest-bearing subsidiary investments increased on the asset side at the expense of interest-bearing assets, resulting in HUF 52 billion lower NII; on the other hand, the strategic short EUR position opened in February 2023 with an aim of hedging investments into the Eurozone supported NII by HUF 30 billion.
- The impact of higher rate environment, business-driven and other factors, in total: +HUF 101 billion, of which:
  - given the Bank's interest rate position, the increase in the annual average key policy rate of the central bank reduced NII by HUF 8 billion;
  - the erosion of customer deposits resulted in HUF 31 billion lower net interest income y-o-y;
  - loans granted in 2023 generated HUF 50 billion additional interest revenues;
  - in 2023 the reinvestment of lower yielding government securities into higher yielding assets improved the y-o-y NII dynamics by HUF 44 billion;
  - other effects: +HUF 46 billion in total, driven by, among others, increasing total assets, and the retroactive adjustment of subsidized housing loans' interest subsidies related to previous years.

The annual average total assets went up by 9%, while the annual net interest margin narrowed by 13 bps.

Annual net fees and commissions rose by 11% last year, mainly supported by stronger fees on deposits, transactions, cards and higher securities commissions, but lending-related fee income declined.

Twelve-month other income jumped 2.5 times, predominantly because of the positive fair value adjustment of subsidized housing loans and baby loans measured at fair value booked in 2023 (2022: -HUF 8 billion, 2023: +HUF 87 billion). This was caused by the lower discount rates used to determine the present value of future cash flows, as a result of the shrinking yield curve.

Annual operating expenses grew by 19% in the high-inflation environment. Within that, personnel expenses increased by 30%, mostly because of the wage increases in the second half of 2022 and from March 2023, and also due to the 4% growth in the average number of employees. Amortization increased by 10%. Other general expenses grew by 10%, driven by, among others, higher IT, utility, and real estate-related costs, as well as by higher supervisory charges (National Deposit Insurance Fund and Investor Protection Fund contributions were hiked effective from end-2022).

In 2023, positive total risk costs amounted to HUF 25 billion; within that, the credit-related and the other risk cost lines also printed positive amounts. The positive amount of provision for impairment on loan losses was shaped by the releases in the second half-year owing to the improvement in macroeconomic expectations, as well as by the release of provisions in 2Q in relation to customers who performed in accordance with their contracts after leaving the debt repayment moratorium, which expired at the end of 2022. The other risk costs line was largely shaped by the release of provision for Hungarian government securities.

Overall, loan quality trends remained favourable: the Stage 3 ratio sank by 1 pp y-o-y, to 4.0%, in part because of customers who left the moratorium and performed were moved into a lower risk category. The Stage 2 ratio rose by 4.1 pps y-o-y, partly because a more advanced Stage 2 classification and impairment methodology was introduced from 2Q. The own provision coverage ratio of Stage 3 loans improved by 12.7 ps y-o-y, while the cumulative own provision coverage ratio of the Stage 1+2 portfolio rose by 0.2 pp y-o-y, to 1.9%.

Regarding balance sheet developments, OTP Core's total assets grew by 5% y-o-y.

The increase in performing (Stage 1+2) loans markedly slowed: the FX-adjusted dynamics was 3% in 2023, following a 15% growth rate in 2022.

In 2023, the retail segment was the driver of growth: consumer loans surged by an impressive 16%, fuelled by sustained increase in both cash loans and baby loans.

[6] Starting from October 2022, the required reserve ratio rose from 1% to 5%, and then, starting from April 2023, from 5% to 10%, and the central bank diverted the interest rate paid on reserves from the overnight deposit rate (18%), and paid the base rate (13%) on them from October 2022; starting from April 2023, the central bank did not pay interest on 25% of the mandatory minimum reserve requirement. Thus the effective interest paid on required reserves dropped to 9.75% in April 2023. Starting from July 2023, 15% of the reserve requirement may be met by longer-term deposits at the central bank (paying the O/N interest rate), and the central bank does not pay interest on 25% of the remaining 85% of the minimum requirement.

Performing mortgage loans grew by 4% y-o-y. In 2023 applications dropped by a third y-o-y, but the intra-year trend was positive: demand for mortgages rocked bottom in the first quarter, but compared to that, applications more than tripled in 4Q.

Performing corporate volumes shrank by 2% y-o-y; within that, MSE loans declined by 1% and corporate volumes contracted by 3%. However, the Széchenyi Card MAX+ and the Baross Gábor Loan Programme generated significant new loan placements: in 2023, OTP signed loan agreements in the amount of HUF 494 billion under the Széchenyi Card MAX+ scheme, while the Baross Gábor Loan Programme reached HUF 202 billion loan applications by the end of 2023.

Deposits from customers (including retail bonds) eroded by an FX-adjusted 1% y-o-y. Retail deposits (together with retail bonds) dropped by 2% y-o-y. Overall, corporate deposits remained stable y-o-y.

As a result of the Bank's active presence on capital markets, the volume of issued securities (without retail bonds) jumped by 77% y-o-y, while subordinated debt surged by 72%.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account in HUF million	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	9,357	19,673	110
Income tax	(1,234)	(2,491)	102
Profit before income tax	10,592	22,165	109
Operating profit	10,678	22,193	108
Total income	14,585	27,771	90
Net fees and commissions	14,094	25,923	84
Other net non-interest income	491	1,846	276
Operating expenses	(3,907)	(5,578)	43
Other provisions	(86)	11	
Main components of balance sheet closing balances in HUF million	**2022**	**2023**	**%**
Total assets	27,718	39,461	42
Total shareholders' equity	16,993	28,741	69
Asset under management in HUF billion	**2022 HUF billion**	**2023 HUF billion**	**%**
Assets under management, total (w/o duplicates)[1]	**1,782**	**3,086**	**73**
Volume of investment funds (closing, w/o duplicates)	1,388	2,609	88
Volume of managed assets (closing)	393	477	21
Volume of investment funds (closing, with duplicates)[2]	**1,869**	**3,532**	**89**
bond	665	1,924	190
money market	287	484	69
absolute return fund	288	370	29
equity	296	331	12
mixed	285	336	18
commodity market	49	70	45
guaranteed	0	17	

[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 2023, **OTP Fund Management** generated HUF 19.7 billion profit, twice as much as in the previous year.

In 2023 net fee and commission income jumped by 84%, in accordance with the dynamic growth of managed assets. Besides, the average annual rate of fund management fee (1.25% in 2023) was 18 bps higher than in the previous year.

Annual other income nearly quadrupled, thanks to the improving results of the securities in the Company's own books.

In 2023 operating expenses exceeded the previous year's level by 43%. The rise in personnel costs stemmed from the higher bonus payments, but salary hikes and higher headcount also played a role. Within other expenses, the high inflationary environment was predominantly reflected in the elevated costs of running real estates and vehicles, but marketing expenses and expert fees also grew.

In Hungary's fund management market, the assets under management once again hit record high at the end of December 2023: the high interest rate environment led to strong inflows and positive yields. These conditions primarily supported the expansion of bond funds and money market funds.

In the case of OTP Fund Management, the assets of bond funds tripled y-o-y, thus it made up more than half of the managed funds' volumes at the end of the year. As to the remaining categories, money market funds and absolute return funds benefited from the effect of positive yields and capital inflows, but the weaker yield performance moderated equity funds' volume growth.

Overall, the volume of funds managed by OTP Fund Management exceeded HUF 3,500 billion (+89% y-o-y) at the end of December; thus it preserved its leader position (31.6%) in the securities funds market.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Group:

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	10,971	10,267	(6)
Income tax	(1,645)	(1,683)	2
Profit before income tax	12,616	11,950	(5)
Operating profit	13,930	14,954	7
Total income	24,766	28,000	13
Net interest income	22,537	26,257	17
Net fees and commissions	921	759	(18)
Other net non-interest income	1,307	983	(25)
Operating expenses	(10,836)	(13,046)	20
Total provisions	(1,314)	(3,004)	129
Provision for impairment on loan losses	(1,068)	(2,800)	162
Other provision	(246)	(203)	(17)
Main components of balance sheet (closing balances)	**2022**	**2023**	**%**
Total assets	948,735	930,761	(2)
Gross customer loans	532,054	590,510	11
Gross customer loans (FX-adjusted)	530,372	590,510	11
Stage 1+2 customer loans (FX-adjusted)	516,303	576,217	12
Retail loans	3,145	2,259	(28)
Corporate loans	130,664	150,495	15
Leasing	382,494	423,463	11
Allowances for possible loan losses	(12,436)	(13,637)	10
Allowances for possible loan losses (FX-adjusted)	(12,402)	(13,637)	10
Deposits from customers	6,151	5,028	(18)
Deposits from customer (FX-adjusted)	6,151	5,028	(18)
Retail deposits	3,713	2,838	(24)
Corporate deposits	2,438	2,190	(10)
Liabilities to credit institutions	852,738	839,730	(2)
Total shareholders' equity	57,591	61,237	6
Loan Quality	**2022**	**2023**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	453,307	533,569	18
Stage 1 loans under IFRS 9/gross customer loans	85.2%	90.4%	5.2
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.8%	0.4
Stage 2 loan volume under IFRS 9 (in HUF million)	64,627	42,648	(34)
Stage 2 loans under IFRS 9/gross customer loans	12.1%	7.2%	(4.9)
Own coverage of Stage 2 loans under IFRS 9	4.5%	7.0%	2.5
Stage 3 loan volume under IFRS 9 (in HUF million)	14,120	14,293	1
Stage 3 loans under IFRS 9/gross customer loans	2.7%	2.4%	(0.2)
Own coverage of Stage 3 loans under IFRS 9	53.1%	44.1%	(9.0)
Provision for impairment on loan losses/average gross loans	0.21%	0.50%	0.29
Performance Indicators	**2022**	**2023**	**pps**
ROA	1.3%	1.1%	(0.2)
ROE	19.1%	17.4%	(1.8)
Total income margin	2.94%	3.00%	0.06
Net interest margin	2.68%	2.81%	0.13
Operating costs / Average assets	1.3%	1.4%	0.1
Cost/income ratio	43.8%	46.6%	2.8

In full year 2023, **Merkantil Group** posted HUF 10.3 billion adjusted after-tax profit, which brought its ROE to 17.4%.

Operating profit grew by 7%, driven by a 13% surge in total income.

Full-year net interest income increased by 17%, supported by the extra interest income from the placement of liquid assets, and also because the average interest rate of the loan book increased year-on-year, thanks to new loan placements at higher rates and the repricing of existing loans.

Full-year operating expenses grew by 20%, owing to base salary hikes and higher bonus payments, the increase in IT, marketing, and consulting costs, as well as higher amortization.

The total risk costs line printed HUF 3 billion in 2023.

The ratio of Stage 1 loans increased by 5.2 pps, to 90.4% y-o-y, while the ratio of Stage 2 loans declined comparably; the ratio of Stage 3 loans dropped by 0.2 pp, to 2.4% y-o-y. The Stage 1+2 portfolio's cumulative own provision coverage reached 1.3%, up from 1.0% seen at the end of 2022.

FX-adjusted performing (Stage 1+2) loans grew by 12% y-o-y; within that, corporate loans expanded by 15%, while leasing exposures rose by 11%.

In 2023, the volume of newly disbursed loans surged by 13% y-o-y, including a 27% growth in new car loan placements.

Credit demand benefited from the subsidized loan facilities: under the KAVOSZ Széchenyi Card programme, since the beginning of the scheme customers have concluded subsidized loan agreements totalling HUF 127 billion (including HUF 84 billion in 2022, and HUF 43 billion in 2023) with Merkantil Bank. Loan agreements under the Baross Gábor programme amounted to HUF 18 billion at the end of December.

IFRS REPORTS OF THE MAIN FOREIGN SUBSIDIARIES OF OTP BANK

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	119,885	201,992	68
Income tax	(12,680)	(21,740)	71
Profit before income tax	132,565	223,732	69
Operating profit	142,383	217,239	53
Total income	230,834	315,981	37
Net interest income	145,461	226,693	56
Net fees and commissions	68,755	72,366	5
Other net non-interest income	16,618	16,921	2
Operating expenses	(88,451)	(98,742)	12
Total provisions	(9,819)	6,493	
Provision for impairment on loan losses	(10,992)	2,779	
Other provision	1,173	3,714	217
Main components of balance sheet (closing balances)	**2022**	**2023**	**%**
Total assets	5,946,815	6,456,668	9
Gross customer loans	3,584,751	4,066,527	13
Gross customer loans (FX-adjusted)	3,428,089	4,066,527	19
Stage 1+2 customer loans (FX-adjusted)	3,307,240	3,970,390	20
Retail loans	1,916,055	2,248,406	17
Corporate loans	1,124,524	1,415,644	26
Leasing	266,661	306,339	15
Allowances for possible loan losses	(154,361)	(125,806)	(18)
Allowances for possible loan losses (FX-adjusted)	(147,621)	(125,806)	(15)
Deposits from customers	4,893,078	5,165,700	6
Deposits from customers (FX-adjusted)	4,672,951	5,165,700	11
Retail deposits	3,833,282	4,343,036	13
Corporate deposits	839,669	822,664	(2)
Liabilities to credit institutions	152,193	249,178	64
Total shareholders' equity	779,095	890,188	14
Loan Quality	**2022**	**2023**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	3,177,291	3,483,290	10
Stage 1 loans under IFRS 9/gross customer loans	88.6%	85.7%	(3.0)
Own coverage of Stage 1 loans under IFRS 9	1.1%	0.7%	(0.3)
Stage 2 loan volume under IFRS 9 (in HUF million)	281,096	487,099	73
Stage 2 loans under IFRS 9/gross customer loans	7.8%	12.0%	4.1
Own coverage of Stage 2 loans under IFRS 9	16.0%	9.3%	(6.6)
Stage 3 loan volume under IFRS 9 (in HUF million)	126,364	96,137	(24)
Stage 3 loans under IFRS 9/gross customer loans	3.5%	2.4%	(1.2)
Own coverage of Stage 3 loans under IFRS 9	60.2%	57.1%	(3.1)
Provision for impairment on loan losses/average gross loans	0.33%	(0.07%)	(0.40)
Performance Indicators	**2022**	**2023**	**pps**
ROA	2.3%	3.3%	1.1
ROE	16.7%	25.4%	8.8
Total income margin	4.41%	5.24%	0.83
Net interest margin	2.78%	3.76%	0.98
Operating costs / Average assets	1.69%	1.64%	(0.05)
Cost/income ratio	38.3%	31.2%	(7.1)
Net loans to deposits (FX-adjusted)	70%	76%	6
FX rates	**2022 HUF**	**2023 HUF**	**Change %**
HUF/BGN (closing)	204.6	195.7	(4)
HUF/BGN (average)	200.1	195.3	(2)

In 2023, **DSK Group** posted excellent results: its adjusted profit after tax jumped by 68%, exceeding HUF 200 billion, its ROE surpassed 25% with net interest margin and cost efficiency indicators both improving. The FX-adjusted performing loan book grew by 20%, an outstanding rate amongst OTP Group members, thus DSK preserved its market leader position in the Bulgarian credit market.

The main constituents of the full-year profit improvement were net interest income growing by more than one and a half times and risk costs turning into positive.

The increase in net interest income was supported by both dynamic volume growth and widening margin; the latter largely stemmed from the gradual repricing of corporate and leasing exposures priced on the

EURIBOR reference rates, in the wake of the rising interest rate environment. However, the increase in the mandatory reserve requirement rate from 10% to 12% in July 2023 had an adverse effect, as the central bank does not pay interest on that stock.

Annual net fees and commissions rose by 5%, and other income grew by 2% last year.

In 2023 operating expenses grew by 12%, while the average rate of inflation was 9.5% in 2023, and nominal wages may have grown by more than 13% in the economy. DSK's personnel expenses grew 14%, owing to the implemented wage increases and the higher bonus payments, while the annual average number of employees dropped by 7%, predominantly because DSK Bank sold its subsidiary providing security and ATM services. The increase in other expenses can be partly attributable to higher consulting and marketing expenses, as well as to supervisory fees. The annual cost/income ratio improved by 7 pps, to near 31%, which is one of the best among Group members.

In full year 2023 the total risk cost line printed HUF 6.5 billion positive amount, as opposed to -HUF 9.8 billion in the base period. Within that, the positive sign of credit-related risk costs was predominantly because of the release owing to the improving macro expectations. The positive amount of other risk costs was due to the contraction in repo volumes and to the release of provisions for interbank exposures.

The ratio of Stage 3 loans dropped by 1.2 pps y-o-y, to 2.4%. However, the ratio of Stage 2 loans increased by 4.1 pps y-o-y, to 12%, largely because a more advanced Stage 2 classification and impairment methodology was introduced in the fourth quarter. As a result, HUF 170 billion worth of loans were shifted from Stage 1 into Stage 2 category.

DSK Bank's performing (Stage 1+2) loans grew by 20% y-o-y (FX-adjusted), the second strongest pace within OTP Group. All segments posted robust performance: mortgage loans jumped by 23%, consumer loans grew by 13%, corporate and MSE loans surged by 24%, while leasing exposures increased by 15%. It is noteworthy that new mortgage loan placements jumped by almost 30% y-o-y, within that in 4Q almost by two-thirds; in 2023 as a whole the placement of new cash loans grew 10% y-o-y, but surged in excess of 40% y-o-y in the fourth quarter.

The deposit book's growth continued: the full-year volume growth was 11% (FX-adjusted). The net loan to deposit ratio rose by 6 pps y-o-y, to 76%.

OTP BANK SLOVENIA

Performance of OTP Bank Slovenia:

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	23,860	128,730	440
Income tax	(5,710)	(8,672)	52
Profit before income tax	29,570	137,402	365
Operating profit	24,046	140,717	485
Total income	51,403	223,315	334
Net interest income	33,688	171,703	410
Net fees and commissions	15,416	46,028	199
Other net non-interest income	2,299	5,584	143
Operating expenses	(27,357)	(82,598)	202
Total provisions	5,523	(3,316)	
Provision for impairment on loan losses	7,048	(2,485)	
Other provision	(1,525)	(831)	(46)
Main components of balance sheet (closing balances)	**2022**	**2023**	**%**
Total assets	1,790,944	5,892,803	229
Gross customer loans	1,204,641	2,796,313	132
Gross customer loans (FX-adjusted)	1,152,296	2,796,313	143
Stage 1+2 customer loans (FX-adjusted)	1,138,715	2,752,055	142
Retail loans	528,839	1,342,421	154
Corporate loans	431,826	1,220,889	183
Leasing	178,050	188,745	6
Allowances for possible loan losses	(14,637)	(33,587)	129
Allowances for possible loan losses (FX-adjusted)	(14,008)	(33,587)	140
Deposits from customers	1,466,625	4,583,072	212
Deposits from customers (FX-adjusted)	1,402,728	4,583,072	227
Retail deposits	1,008,169	3,580,837	255
Corporate deposits	394,560	1,002,235	154
Liabilities to credit institutions	68,172	131,375	93
Issued securities	0	335,400	
Subordinated debt	32,025	63,167	97
Total shareholders' equity	194,843	669,622	244
Loan Quality	**2022**	**2023**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,062,588	2,514,261	137
Stage 1 loans under IFRS 9/gross customer loans	88.2%	89.9%	1.7
Own coverage of Stage 1 loans under IFRS 9	0.2%	0.3%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	127,866	237,794	86
Stage 2 loans under IFRS 9/gross customer loans	10.6%	8.5%	(2.1)
Own coverage of Stage 2 loans under IFRS 9	2.4%	3.4%	0.9
Stage 3 loan volume under IFRS 9 (in HUF million)	14,188	44,258	212
Stage 3 loans under IFRS 9/gross customer loans	1.2%	1.6%	0.4
Own coverage of Stage 3 loans under IFRS 9	68.4%	41.4%	(27.0)
Provision for impairment on loan losses/average gross loans	(0.61%)	0.09%	0.71
90+ days past due loan volume (in HUF million)	5,831	15,871	172
90+ days past due loans/gross customer loans	0.5%	0.6%	0.1
Performance Indicators	**2022**	**2023**	**pps**
ROA	1.5%	2.5%	1.0
ROE	12.8%	22.6%	9.8
Total income margin	3.25%	4.31%	1.06
Net interest margin	2.13%	3.31%	1.18
Operating costs / Average assets	1.73%	1.59%	(0.14)
Cost/income ratio	53.2%	37.0%	(16.2)
Net loans to deposits (FX-adjusted)	81%	60%	(21)
FX rates	**2022 HUF**	**2023 HUF**	**Change %**
HUF/EUR (closing)	400.3	382.8	(4)
HUF/EUR (average)	391.3	381.9	(2)

The financial closure of the transaction related to the purchase of Nova KBM d.d. was completed on 6 February 2023. The balance sheet and P&L figures of the purchased bank have been included into OTP Group's consolidated figures since February 2023.

The Slovenian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown at consolidated level, among adjustment items. The balance sheet components were not adjusted for these effects.

In 2023, the combined performance of OTP Group's **Slovenian operation** posted the second strongest result among foreign subsidiary banks, following Bulgaria's DSK. The HUF 129 billion profit after tax includes

SKB's 12-month (HUF 32.8 billion), and NKBM's 11-month result. The 22.6% full-year ROE exceeded the sector's profitability.

The 37% cost/income ratio, which does not include synergy effects yet, is markedly below the Group average. In 2023, total income margin (4.31%) improved by more than 1 pp y-o-y, as did net interest margin (3.31%); the latter benefited from the higher interest rate environment, and from the active liquid asset management.

The aggregated performing loan volumes organically declined y-o-y, similarly to deposits, but the Slovenian operation is still market leader in net loans to and deposits from customers. In 2023, NBKM successfully issued EUR 400 million worth of MREL-eligible Senior Preferred bonds (3NC2 tenor).

The legal and organizational integration of SKB and Nova KBM began in February 2023, and the management expects it to be completed in September 2024.

To counterbalance the damages caused by the flood in August, Slovenia's government introduced a lot of measures: first, affected individuals and companies could opt for a 12-month payment moratorium, the application deadline was 31 December 2023; in accordance with the low participation rate, the negative result effect is immaterial. Second, banks are obliged to pay bank tax for five years, the rate is 0.2% of the total assets. In the case of the Slovenian operation, this is likely to amount to about EUR 30 million per year, which is deductible form the corporate tax income base. The tax is due from 2025, but the Bank will make accruals in each quarter of 2024 for the expected amount of the tax to be paid in 2025. Last, the corporate tax income rate increased from 19% to 22% for five years, starting from 2024.

OTP BANK CROATIA

Performance of OTP Bank Croatia:

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	42,801	53,959	26
Income tax	(9,294)	(11,786)	27
Profit before income tax	52,095	65,744	26
Operating profit	49,013	66,742	36
Total income	102,042	122,951	20
Net interest income	70,547	90,996	29
Net fees and commissions	24,692	25,661	4
Other net non-interest income	6,803	6,295	(7)
Operating expenses	(53,029)	(56,210)	6
Total provisions	3,082	(997)	(132)
Provision for impairment on loan losses	7,102	721	(90)
Other provision	(4,020)	(1,718)	(57)
Main components of balance sheet closing balances in HUF million	2022	2023	%
Total assets	3,224,955	3,278,199	2
Gross customer loans	2,263,825	2,311,788	2
Gross customer loans (FX-adjusted)	2,165,191	2,311,788	7
Stage 1+2 customer loans (FX-adjusted)	2,058,545	2,221,514	8
Retail loans	1,028,471	1,164,441	13
Corporate loans	888,397	880,471	(1)
Leasing	141,677	176,602	25
Allowances for possible loan losses	(108,490)	(97,835)	(10)
Allowances for possible loan losses (FX-adjusted)	(103,791)	(97,835)	(6)
Deposits from customers	2,381,977	2,385,223	0
Deposits from customers (FX-adjusted)	2,275,058	2,385,223	5
Retail deposits	1,696,769	1,742,124	3
Corporate deposits	578,288	643,099	11
Liabilities to credit institutions	337,047	373,142	11
Subordinated debt	24,356	23,438	(4)
Total shareholders' equity	390,583	403,487	3
Loan Quality	2022	2023	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	1,886,633	1,932,763	2
Stage 1 loans under IFRS 9/gross customer loans	83.3%	83.6%	0.3
Own coverage of Stage 1 loans under IFRS 9	0.5%	0.6%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	265,568	288,751	9
Stage 2 loans under IFRS 9/gross customer loans	11.7%	12.5%	0.8
Own coverage of Stage 2 loans under IFRS 9	7.3%	7.6%	0.3
Stage 3 loan volume under IFRS 9 (in HUF million)	111,624	90,274	(19)
Stage 3 loans under IFRS 9/gross customer loans	4.9%	3.9%	(1.0)
Own coverage of Stage 3 loans under IFRS 9	70.6%	72.0%	1.4
Provision for impairment on loan losses/average gross loans	(0.34%)	(0.03%)	0.31
Performance Indicators	2022	2023	pps
ROA	1.5%	1.8%	0.3
ROE	11.4%	14.2%	2.8
Total income margin	3.51%	4.04%	0.53
Net interest margin	2.43%	2.99%	0.56
Operating costs / Average assets	1.83%	1.85%	0.02
Cost/income ratio	52.0%	45.7%	(6.3)
Net loans to deposits (FX-adjusted)	91%	93%	2
FX rates	2022 HUF	2023 HUF	Change %
HUF/HRK (closing)	53.1		
HUF/HRK (average)	51.9		
HUF/EUR (closing)	400.3	382.8	(4)
HUF/EUR (average)	391.3	381.9	(2)

The **Croatian bank** generated HUF 54 billion profit after tax in 2023 as its profit jumped by nearly 30% y-o-y, bringing the ROE above 14%. The growth in annual profit was shaped by multiple factors: first, the bank's operating profit strengthened by 36%, thanks to the dynamic improvement in net interest income, while the strict cost control resulted in lower cost/income ratio; however, the balance of risk costs deteriorated.

Net interest income grew by 29% last year, driven by an 8% increase in performing loans, as well as a 56 bps y-o-y improvement in net interest margin, amid the rising interest rate environment. Twelve-month net fees and commissions increased by 4% y-o-y, other revenues declined by 7% y-o-y.

In 2023, operating expenses exceeded the previous year's level by 6%, while average annual inflation was more than 8%. Other expenses rose by 5%, at a lower rate than inflation; the effect of higher marketing expenses and training costs was offset by the base effect of expert fees in 2022 in connection with euro adoption. Personnel expenses grew by 8%, as a result of an increase in the average number of employees, a rise in base salary, and higher bonus payments, particularly in the fourth quarter. Overall, the cost/income ratio improved by 6.3 pps, to 45.7% last year.

Following the HUF 3 billion positive amount in 2022, total risk costs amounted to -HUF 1 billion in 2023.

The ratio of Stage 3 loans declined by 1.0 pp y-o-y, making up 3.9% of the portfolio at the end of December. This was supported by both the loan portfolio's overall improvement and a healed corporate loan previously classified as Stage 3. The own provision coverage of Stage 3 loans improved further: it hit 72.0% (+1.4 pps y-o-y) at the end of December.

Performing (Stage 1+2) loans grew by an FX-adjusted 8% y-o-y. The retail segment's y-o-y expansion continued to benefit from the subsidized housing loan facility for first-home-buyers, in a scheme restarted on 21 March 2022; thus the share of this subsidized product within the full-year retail loan disbursement reached 28.5%. The corporate loan book stagnated y-o-y.

FX-adjusted deposit volumes expanded by 5% in full-year 2023 but stagnated in the fourth quarter. Despite the better returns on alternative savings forms, retail deposits increased by 3% y-o-y in FX-adjusted terms. Corporate deposit volumes grew dynamically in the second half of the year, showing a growth of 11% y-o-y. The Bank's net loan/deposit ratio rose by 2 pps y-o-y, to 93% at the end of December.

On 1 January 2023, Croatia adopted the euro. The necessary conversion of loan and deposit volumes, as well as the smooth transition of the bank's IT systems were all successfully accomplished.

OTP BANK SERBIA

Performance of OTP Bank Serbia:

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	36,873	68,026	84
Income tax	(6,118)	(10,621)	74
Profit before income tax	42,991	78,646	83
Operating profit	58,544	83,732	43
Total income	104,524	133,589	28
Net interest income	76,635	104,050	36
Net fees and commissions	17,954	18,419	3
Other net non-interest income	9,934	11,120	12
Operating expenses	(45,980)	(49,856)	8
Total provisions	(15,553)	(5,086)	(67)
Provision for impairment on loan losses	(14,422)	(2,293)	(84)
Other provision	(1,131)	(2,793)	147
Main components of balance sheet (closing balances)	2022	2023	%
Total assets	2,708,993	2,874,794	6
Gross customer loans	2,038,480	1,978,855	(3)
Gross customer loans (FX-adjusted)	1,951,119	1,978,855	1
Stage 1+2 customer loans (FX-adjusted)	1,901,668	1,921,146	1
Retail loans	868,659	875,664	1
Corporate loans	937,436	951,833	2
Leasing	95,573	93,648	(2)
Allowances for possible loan losses	(62,386)	(66,259)	6
Allowances for possible loan losses (FX-adjusted)	(59,754)	(66,259)	11
Deposits from customers	1,551,143	1,868,078	20
Deposits from customers (FX-adjusted)	1,485,623	1,868,078	26
Retail deposits	831,288	936,937	13
Corporate deposits	654,335	931,140	42
Liabilities to credit institutions	682,615	506,900	(26)
Total shareholders' equity	358,120	368,344	3
Loan Quality	2022	2023	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	1,764,677	1,661,365	(6)
Stage 1 loans under IFRS 9/gross customer loans	86.6%	84.0%	(2.6)
Own coverage of Stage 1 loans under IFRS 9	0.9%	0.7%	(0.2)
Stage 2 loan volume under IFRS 9 (in HUF million)	222,202	259,780	17
Stage 2 loans under IFRS 9/gross customer loans	10.9%	13.1%	2.2
Own coverage of Stage 2 loans under IFRS 9	7.0%	6.7%	(0.3)
Stage 3 loan volume under IFRS 9 (in HUF million)	51,601	57,710	12
Stage 3 loans under IFRS 9/gross customer loans	2.5%	2.9%	0.4
Own coverage of Stage 3 loans under IFRS 9	59.8%	63.8%	4.1
Provision for impairment on loan losses/average gross loans	0.74%	0.12%	(0.62)
Performance Indicators	2022	2023	pps
ROA	1.5%	2.5%	1.1
ROE	10.9%	19.4%	8.5
Total income margin	4.14%	4.98%	0.84
Net interest margin	3.03%	3.88%	0.85
Operating costs / Average assets	1.82%	1.86%	0.04
Cost/income ratio	44.0%	37.3%	(6.7)
Net loans to deposits (FX-adjusted)	127%	102%	(25)
FX rates	2022 HUF	2023 HUF	Change %
HUF/RSD (closing)	3.4	3.3	(4)
HUF/RSD (average)	3.3	3.3	(2)

The **Serbian banking group**’s adjusted profit after tax jumped by more than 80% y-o-y, to more than HUF 68 billion in 2023. The P&L developments were shaped by the dynamic improvement in operating profit (+43% y-o-y) as well as by the decline in risk costs, to a third of the previous year’s level; this brought the return on equity ratio to 19.4% (+8.5 pps y-o-y).

Total income grew impressively (+28% y-o-y) in the full year. Within that, net interest income surged by 36%: FX-adjusted performing loan volumes stagnated, but the rising RSD and EUR interest rate environment made its impact through the gradual repricing of predominantly variable rate loans.

The National Bank of Serbia’s resolution of 11 September 2023 obligated banks to impose a 4.08% temporary cap on existing variable rate housing loans amounting to less than EUR 200,000, and to impose a 5.03% cap on newly disbursed fixed rate loans. Interest rates shall be frozen for 15 months, from October 2023 to the end of year 2024. The measure’s expected impact was recorded as a lump sum in the third quarter of 2023, among adjustment items presented at consolidated level.

Twelve-month net fees and commissions rose by 3% y-o-y.

The annual average rate of inflation was above 10% in 2023; in the high inflationary environment, annual operating expenses grew by 11% y-o-y in local currency. Almost 60% of the expense growth was caused by higher personnel expenses, triggered by wage inflation and higher bonus payments, while the number of employees was stable y-o-y (on FTE basis). Cost efficiency indicators further improved; the annual cost/income ratio (37.3%) was one of the lowest among group members.

In full year 2023, nearly HUF 5.1 billion total risk cost weighed on profit, as opposed to HUF 15.6 billion in the base period. Within that, credit risk costs fell by more than 80% y-o-y, because of the releases made in the third and fourth quarters of 2023. The y-o-y jump in other risk costs was related to provisions for interbank exposures and litigations.

The performing (Stage 1+2) FX-adjusted loan volume y-o-y stagnated. Within that, mortgage loans declined throughout last year in the rising interest rate environment, but the growing demand caused by the interest rate cap reversed the downtrend in the fourth quarter. Despite the stricter lending conditions, the consumer loan book increased y-o-y (+4%), largely driven by cash loans' and car loans' growth. The corporate loan book's expansion continued, too.

The deposit stock surged by 26% y-o-y (FX-adjusted), primarily driven by deposits from large corporations. The bank's net loan/deposit ratio declined by 25 pps y-o-y, to 102%, while interbank funds' volume fell by 26% y-o-y.

OTP BANK ALBANIA

Performance of OTP Bank Albania:

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	10,175	15,032	48
Income tax	(2,013)	(3,140)	56
Profit before income tax	12,188	18,173	49
Operating profit	9,335	18,269	96
Total income	20,232	33,387	65
Net interest income	16,927	27,912	65
Net fees and commissions	3,067	3,729	22
Other net non-interest income	238	1,746	
Operating expenses	(10,896)	(15,118)	39
Total provisions	2,852	(96)	(103)
Provision for impairment on loan losses	2,505	108	(96)
Other provision	347	(204)	
Main components of balance sheet (closing balances)	**2022**	**2023**	**%**
Total assets	635,364	669,765	5
Gross customer loans	370,875	367,947	(1)
Gross customer loans (FX-adjusted)	369,116	367,947	0
Stage 1+2 customer loans (FX-adjusted)	350,663	345,171	(2)
Retail loans	158,940	161,834	2
Corporate loans	187,729	177,640	(5)
Leasing	3,994	5,696	43
Allowances for possible loan losses	(16,208)	(17,690)	9
Allowances for possible loan losses (FX-adjusted)	(16,264)	(17,690)	9
Deposits from customers	516,668	547,854	6
Deposits from customers (FX-adjusted)	515,946	547,854	6
Retail deposits	447,918	470,591	5
Corporate deposits	68,029	77,263	14
Liabilities to credit institutions	30,279	8,138	(73)
Subordinated debt	0	2,861	(100)
Total shareholders' equity	60,827	81,102	33
Loan Quality	**2022**	**2023**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	318,215	312,494	(2)
Stage 1 loans under IFRS 9/gross customer loans	85.8%	84.9%	(0.9)
Own coverage of Stage 1 loans under IFRS 9	1.0%	0.9%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	34,417	32,677	(5)
Stage 2 loans under IFRS 9/gross customer loans	9.3%	8.9%	(0.4)
Own coverage of Stage 2 loans under IFRS 9	9.4%	8.2%	(1.2)
Stage 3 loan volume under IFRS 9 (in HUF million)	18,243	22,776	25
Stage 3 loans under IFRS 9/gross customer loans	4.9%	6.2%	1.3
Own coverage of Stage 3 loans under IFRS 9	54.4%	53.3%	(1.1)
Provision for impairment on loan losses/average gross loans	(0.83%)	(0.03%)	0.80
Performance Indicators	**2022**	**2023**	**pps**
ROA	2.0%	2.3%	0.3
ROE	21.1%	21.1%	0.0
Total income margin	4.07%	5.19%	1.13
Net interest margin	3.40%	4.34%	0.94
Operating costs / Average assets	2.19%	2.35%	0.16
Cost/income ratio	53.9%	45.3%	(8.6)
Net loans to deposits (FX-adjusted)	68%	64%	(4)
FX rates	**2022 HUF**	**2023 HUF**	**Change %**
HUF/ALL (closing)	3.5	3.7	5
HUF/ALL (average)	3.1	3.4	9

The consolidated financial statements include the acquired Alpha Bank Albania SH.A. bank's balance sheet from July 2022, while its profit contribution was consolidated starting from August.

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

The Albanian P&L 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 components were not adjusted for these effects.

In 2023, **OTP Bank Albania** generated HUF 15 billion profit after tax (+50% q-o-q; in local currency +44%), which brought ROE above 21%.

Most of the change in the P&L lines for last year was induced by the acquisition.

Based on the latest data, the bank's market share by total assets exceeded 9%, which makes it the fifth largest bank in the country. At the end of the year, the number of bank branches was 50, eleven units more than before the acquisition 2Q 2022, while the number of employees was more than 700, 57% higher than before the acquisition. Still, the bank's cost efficiency has improved by 8.6 pps, thus the cost/income ratio stood at 45.3% in full year 2023.

In local currency full-year operating profit grew by 84%, chiefly as a result of the acquisition, owing to the 56% surge in total income, and a 33% growth in operating expenses. Net interest income grew by 57% y-o-y partly a result of the acquisition, and in part due to the repricing of the loan portfolio in the higher interest rate environment, helping the interest margin (4.34%) improve in 2023 (+94 bps y-o-y). The full-year net fees and commissions increased by 16%, while other income grew sixfold, largely because the ALL/EUR rate appreciated more than in the previous period, and also driven by the inclusion of Alpha Bank Albania.

In 2023 risk cost was near zero, as opposed to the release made a year earlier.

Overall, the FX-adjusted stock of performing (Stage 1+2) loans declined by 2% in 2023 as a result of a 2% rise in retail loans and a 5% drop in corporate ones.

The FX-adjusted volume of deposits from customers grew by 6% y-o-y, as retail deposits increased by 5%, and corporate deposits expanded by 14%.

Liabilities to credit institutions declined by 73% y-o-y, at the same time, intragroup financing also dropped. The amount on the subordinated debt line is related to the Tier 2 bond issued in the amount of EUR 7.5 million in December 2023.

CKB GROUP (MONTENEGRO)

Performance of CKB Group:

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	9,791	21,814	123
Income tax	(2,184)	(3,923)	80
Profit before income tax	11,975	25,737	115
Operating profit	15,133	23,537	56
Total income	28,816	38,363	33
Net interest income	20,832	29,717	43
Net fees and commissions	7,106	7,797	10
Other net non-interest income	878	848	(3)
Operating expenses	(13,683)	(14,826)	8
Total provisions	(3,158)	2,200	
Provision for impairment on loan losses	639	2,929	
Other provision	(3,797)	(728)	(81)
Main components of balance sheet (closing balances)	2022	2023	%
Total assets	664,395	663,676	0
Gross customer loans	447,921	452,493	1
Gross customer loans (FX-adjusted)	428,371	452,493	6
Stage 1+2 customer loans (FX-adjusted)	407,343	433,473	6
Retail loans	185,443	212,758	15
Corporate loans	221,900	220,715	(1)
Allowances for possible loan losses	(21,893)	(17,625)	(19)
Allowances for possible loan losses (FX-adjusted)	(20,937)	(17,625)	(16)
Deposits from customers	524,479	520,168	(1)
Deposits from customers (FX-adjusted)	501,225	520,168	4
Retail deposits	276,382	325,770	18
Corporate deposits	224,843	194,398	(14)
Liabilities to credit institutions	12,443	2,309	(81)
Total shareholders' equity	99,131	113,004	14
Loan Quality	2022	2023	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	389,640	399,886	3
Stage 1 loans under IFRS 9/gross customer loans	87.0%	88.4%	1.4
Own coverage of Stage 1 loans under IFRS 9	1.2%	0.8%	(0.4)
Stage 2 loan volume under IFRS 9 (in HUF million)	36,294	33,587	(7)
Stage 2 loans under IFRS 9/gross customer loans	8.1%	7.4%	(0.7)
Own coverage of Stage 2 loans under IFRS 9	8.9%	5.1%	(3.7)
Stage 3 loan volume under IFRS 9 (in HUF million)	21,987	19,020	(13)
Stage 3 loans under IFRS 9/gross customer loans	4.9%	4.2%	(0.7)
Own coverage of Stage 3 loans under IFRS 9	64.4%	67.2%	2.9
Provision for impairment on loan losses/average gross loans	(0.15%)	(0.67%)	(0.52)
Performance Indicators	2022	2023	pps
ROA	1.6%	3.5%	1.8
ROE	10.9%	21.0%	10.1
Total income margin	4.84%	6.10%	1.27
Net interest margin	3.50%	4.73%	1.23
Operating costs / Average assets	2.30%	2.36%	0.06
Cost/income ratio	47.5%	38.6%	(8.8)
Net loans to deposits (FX-adjusted)	81%	84%	2
FX rates	2022 Ft	2023 Ft	Change %
HUF/EUR (closing)	400.3	382.8	(4)
HUF/EUR (average)	384.9	381.9	(1)

In 2023, the Montenegrin **CKB Group** generated HUF 21.8 billion profit after-tax, twice as much as in the base period. This brought its ROE to 21%. The improvement in the full-year result stemmed from 47% higher net interest income in local currency terms and positive risk costs.

In full year 2023, total income grew by 37% y-o-y in local currency, supported by the 47% jump in net interest income, as well as a 13% increase in net fee and commission income, while other income was stable. The increase in interest income stemmed from the repricing of previously disbursed loans (mostly in the case of corporate and consumer loans), but the higher interest rate of newly disbursed loans also had a benign effect. As a result, net interest margin maintained the improving trend , thus it rose by 1.23 pps to 4.73% y-o-y.

The bank’s cost efficiency improved in 2023, just like in recent years; the cost to income ratio dropped by 8.8 pps, to 38.6% y-o-y. Operating expenses increased by 11% in EUR terms in 2023, a third of which was caused by elevated wages and wage-like payments, while the rise in other expenses stemmed from higher expert fees and supervisory charges.

In 2023, total risk cost amounted to +HUF 2.2 billion.

The ratio of Stage 3 loans declined to 4.2% (-0.7 pp y-o-y); their own provision coverage stood at 67.2% (+2.9 pps y-o-y) at the end of the year.

Performing (Stage 1+2) loan volumes rose by an FX-adjusted 6% y-o-y, thanks to a 10% surge in mortgage loans and a 17% jump in consumer loans.

The FX-adjusted deposit volumes grew by 4% y-o-y, driven by the 11% increase in household deposits, and a 50% jump in MSE deposits. The net loan/deposit ratio stood at 84% at the end of the year (+2 pps y-o-y).

IPOTEKA BANK (UZBEKISTAN)

Performance of Ipoteka Bank (Uzbekistan):

Main components of P&L account	2023 HUF million
Adjusted profit after tax	(21,857)
Income tax	(3,381)
Profit before income tax	(18,475)
Operating profit	33,708
Total income	59,655
Net interest income	46,123
Net fees and commissions	5,261
Other net non-interest income	8,270
Operating expenses	(25,946)
Total provisions	(52,184)
Provision for impairment on loan losses	(51,354)
Other provision	(830)
Main components of balance sheet (closing balances)	**2023**
Total assets	1,187,368
Gross customer loans	961,533
Gross customer loans (FX-adjusted)	961,533
Stage 1+2 customer loans (FX-adjusted)	847,183
Retail loans	715,113
Corporate loans	132,070
Leasing	0
Allowances for possible loan losses	(96,738)
Allowances for possible loan losses (FX-adjusted)	(96,738)
Deposits from customers	327,161
Deposits from customers (FX-adjusted)	327,161
Retail deposits	237,467
Corporate deposits	89,694
Liabilities to credit institutions	561,466
Issued securities	121,082
Subordinated debt	12,162
Total shareholders' equity	145,941
Loan Quality	**2023**
Stage 1 loan volume under IFRS 9 (in HUF million)	687,252
Stage 1 loans under IFRS 9/gross customer loans	71.5%
Own coverage of Stage 1 loans under IFRS 9	2.7%
Stage 2 loan volume under IFRS 9 (in HUF million)	159,931
Stage 2 loans under IFRS 9/gross customer loans	16.6%
Own coverage of Stage 2 loans under IFRS 9	21.6%
Stage 3 loan volume under IFRS 9 (in HUF million)	114,350
Stage 3 loans under IFRS 9/gross customer loans	11.9%
Own coverage of Stage 3 loans under IFRS 9	38.0%
Provision for impairment on loan losses/average gross loans	10.03%
Performance Indicators	**2023**
ROA	(3.3%)
ROE	(23.1%)
Total income margin	9.09%
Net interest margin	7.03%
Operating costs / Average assets	4.0%
Cost/income ratio	43.5%
Net loans to deposits (FX-adjusted)	264%
FX rates	**2023 HUF**
HUF/1,000 UZS (closing)	28.1
HUF/1,000 UZS (average)	30.9

In line with the 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% stake, and became indirect shareholder of Ipoteka Bank's wholly-owned subsidiaries. In the second step of the transaction, the shares that remained in the ownership of the Ministry of Economy and Finance of the Republic of Uzbekistan will be bought three years after the first step.

The balance sheet of Ipoteka Bank was consolidated in the second quarter but its P&L was presented in OTP Group's adjusted P&L only starting from the third quarter of 2023.

The P&L 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 components were not adjusted for these effects.

By purchasing **Ipoteka Bank**, OTP Group entered the Central Asian region, and became the first foreign player to participate in the privatization of Uzbekistan's banking sector.

Pursuant to its agreement with the Republic of Uzbekistan, OTP Bank increased Ipoteka Bank's capital by UZS 844.6 billion (about USD 68.5 million), which was registered on 25 December 2023. With this, OTP Bank's ownership stake increased to 79.58%.

Based on end-2023 data, Ipoteka Bank was the fifth largest bank in Uzbekistan, with 7.3 % market share by total assets. The Bank had almost 1.8 million retail customers at the end of 2023; since the acquisition, their number grew by 20%, as a result of reshaping the incentive scheme for branches. At the end of 2023, Ipoteka Bank had 39 branches and employed more than 4,400 people.

At the end of 2023, total assets amounted to HUF 1,188 billion, including HUF 962 billion worth of performing loans. In FX-adjusted terms, performing loans have been overall stable since the end of June; but it is favourable within that, the household segment's 41% growth was outstanding. Since the Bank was added to the Group, mortgage loans have increased by 15%, while consumer loans have more than doubled. The improvement in consumer loans owed a lot to the doubling of cash loan volumes, and the quadrupling of car loans.

The deposit book reached HUF 327 billion at the end of 2023. Retail deposits rose by 8% q-o-q, and corporate deposits grew by 42%. These developments were primarily due to a greater focus on deposit collection and, in connection with this, the restructuring of the branch incentive scheme.

At the end of the year, the net loan/deposit ratio stood at 264%. The Bank's liability structure continued to heavily rely on largely state funding sources, which typically finance subsidized loans: liabilities to credit institutions made up HUF 561 billion in the bank's balance sheet.

In the second half of 2023, Ipoteka Bank generated HUF 21.9 billion adjusted loss, which was entirely caused by the loss realized in the fourth quarter. Since the consolidation, operating profit amounted to HUF 33.7 billion, including HUF 12.3 billion in the fourth quarter.

The second half adjusted total risk cost in the Uzbek segment amounted to HUF 52.2 billion.

Problem loans concentrated in three segments: in a broader sense agriculture, but also in cotton and textile industries. Within agriculture fishery, green house cultivation and hydro cultures, but also the cotton industry were behind the badwill adjustment.

This extra provision for impairment on loan losses was recognized partly in Ipoteka Bank's separate P&L, and in part among the adjustment items presented at consolidated level, on the *effect of acquisitions* line[7].

The ratio of Stage 3 loans grew to 11.9% by the end of the year, from 2.7% at the end of the second quarter, and from 8.6% at the end of the third quarter, mostly because corporate exposures were migrated.

The Stage 2 ratio stood at 16.6% at the end of the year. The reason for this growth was the constant review of the loan portfolio, as a result of which mortgage loans were reclassified from Stage 1 to Stage 2 category.

[7] In line with accounting standards, the badwill (which is part of the effect of acquisitions adjustment line) can be updated within 12 months after the consolidation, therefore these impairments were partially recognised on this adjustment line.

OTP BANK RUSSIA

Performance of OTP Bank Russia

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	42,548	95,665	125
Income tax	(3,632)	(34,506)	850
Profit before income tax	46,179	130,171	182
Operating profit	98,137	149,297	52
Total income	178,494	223,644	25
Net interest income	118,004	122,084	3
Net fees and commissions	35,251	40,831	16
Other net non-interest income	25,239	60,730	141
Operating expenses	(80,357)	(74,347)	(7)
Total provisions	(51,958)	(19,126)	(63)
Provision for impairment on loan losses	(51,046)	(16,278)	(68)
Other provision	(911)	(2,848)	213
Main components of balance sheet (closing balances)	2022	2023	%
Total assets	1,029,721	1,470,796	43
Gross customer loans	784,958	721,212	(8)
Gross customer loans (FX-adjusted)	589,608	721,212	22
Stage 1+2 customer loans (FX-adjusted)	496,620	624,130	26
Retail loans	468,477	606,912	30
Corporate loans	28,142	17,218	(39)
Allowances for possible loan losses	(173,105)	(133,255)	(23)
Allowances for possible loan losses (FX-adjusted)	(130,392)	(133,255)	2
Deposits from customers	576,865	1,101,084	91
Deposits from customers (FX-adjusted)	453,127	1,101,084	143
Retail deposits	263,310	404,105	53
Corporate deposits	189,816	696,979	267
Liabilities to credit institutions	49,774	19,063	(62)
Total shareholders' equity	306,304	274,516	(10)
Loan Quality	2022	2023	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	570,949	510,129	(11)
Stage 1 loans under IFRS 9/gross customer loans	72.7%	70.7%	(2.0)
Own coverage of Stage 1 loans under IFRS 9	5.1%	3.0%	(2.2)
Stage 2 loan volume under IFRS 9 (in HUF million)	91,050	114,001	25
Stage 2 loans under IFRS 9/gross customer loans	11.6%	15.8%	4.2
Own coverage of Stage 2 loans under IFRS 9	31.5%	22.7%	(8.8)
Stage 3 loan volume under IFRS 9 (in HUF million)	122,959	97,082	(21)
Stage 3 loans under IFRS 9/gross customer loans	15.7%	13.5%	(2.2)
Own coverage of Stage 3 loans under IFRS 9	93.6%	95.0%	1.4
Provision for impairment on loan losses/average gross loans	5.85%	2.38%	(3.47)
Performance Indicators	2022	2023	pps
ROA	3.9%	8.0%	4.1
ROE	14.1%	33.9%	19.8
Total income margin	16.23%	18.69%	2.46
Net interest margin	10.73%	10.20%	(0.53)
Operating costs / Average assets	7.3%	6.2%	(1.1)
Cost/income ratio	45.0%	33.2%	(11.8)
Net loans to deposits (FX-adjusted)	101%	53%	(48)
FX rates	2022 HUF	2023 HUF	Change %
HUF/RUB (closing)	5.2	3.9	(25)
HUF/RUB (average)	5.7	4.2	(26)

Owing to the changes in the exchange rates in the reporting period, the Russian operation's balance sheet and P&L statement figures in HUF terms differ from the ones calculated in local currency.

OTP Bank Russia realized HUF 95.7 billion profit after tax in 2023, more than twice as much as in the base period. This improvement can be attributed to the operating profit increasing by half, and to smaller risk costs. This brought the return on equity (ROE) ratio to 33.9% in 2023. As a result, the bank's equity grew by 19% y-o-y in RUB, despite the permission to pay RUB 13.4 billion in dividend in the second half-year. Taxes payable on dividends are presented on the corporate tax line.

Full-year net interest income grew by 41% in RUB, induced by higher interest income from expanding deposit volumes placed at the central bank, as deposits from customers almost doubled on average last year, but the rising interest rate environment also played a role starting from mid-2023. Starting from 24 July the central bank of Russia raised its benchmark rate in five steps to 16% by the end of 2023, from 7.5% in the first half-year. Net interest margin shrank by 53 bps y-o-y.

Net fees and commissions grew by 62% y-o-y in RUB, mostly driven by a jump in income from account maintenance and transaction fees owing to the increase in deposits.

The surge in twelve-month other income reflected the effect of stronger income from currency conversion.

Reasons for the 25% y-o-y growth in twelve-month operating expenses in local currency included wage inflation, and the increase in IT expenses linked to the digital transformation of the bank's operation. The bank's cost to income ratio was 33.2% in 2023 (-11.8 pps y-o-y).

In 2023 total risk cost fell by 60% in RUB, to HUF 19 billion, from HUF 52 billion in the previous year.

Underlying loan quality developments painted a positive picture: the ratio of Stage 3 loans declined by 2.2 pps, to 13.5% compared with end-2022. The own provision coverage of Stage 3 loans stood at 95% at end-2023. The Stage 2 ratio was 15.8% (+4.2 pps y-o-y) at the end of the fourth quarter.

The bank's total assets increased by 91% y-o-y in RUB, chiefly boosted by deposit growth. The deposit book grew by 143% y-o-y, primarily through deposits from large corporations (FX-adjusted). The bank's net loan to deposit ratio declined by 48 pps y-o-y, to 53%. On the asset side, most of the additional liquidity was invested in central bank deposits.

The Russian bank has stopped providing new loans to corporates since the end of February 2022, thus by the end of 2023 the corporate loan volumes dropped by an FX-adjusted 85% from end-2021 levels; they contracted by 39% compared to end-2022. The volume of FX-adjusted performing (Stage 1+2) retail loans expanded by 30% in 2023, predominantly in the car loan and cash loan segments.

At the end of the year, the bank's capital adequacy ratio was 18.2%, firmly above the 8% regulatory minimum requirement. At the end of 2023, the Russian bank's intragroup subordinated loans amounted to USD 27 million, unchanged y-o-y. The Russian operation paid back its maturing intragroup financing in 4Q 2022, thus the amount of intragroup financing decreased to nil by the end of 2022 and remained nil throughout 2023.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	(15,922)	45,184	
Income tax	(2,718)	(37,174)	
Profit before income tax	(13,204)	82,358	
Operating profit	79,863	78,294	(2)
Total income	110,805	108,853	(2)
Net interest income	90,007	93,450	4
Net fees and commissions	12,673	10,837	(14)
Other net non-interest income	8,125	4,567	(44)
Operating expenses	(30,943)	(30,560)	(1)
Total provisions	(93,067)	4,064	
Provision for impairment on loan losses	(90,836)	10,654	
Other provision	(2,231)	(6,590)	195
Main components of balance sheet (closing balances)	**2022**	**2023**	**%**
Total assets	1,048,713	1,036,912	(1)
Gross customer loans	529,644	393,741	(26)
Gross customer loans (FX-adjusted)	484,031	393,741	(19)
Stage 1 + 2 customer loans (FX-adjusted)	396,320	308,454	(22)
Retail loans	43,392	28,223	(35)
Corporate loans	240,664	197,262	(18)
Leasing	112,264	82,969	(26)
Allowances for possible loan losses	(115,754)	(84,671)	(27)
Allowances for possible loan losses (FX-adjusted)	(105,587)	(84,671)	(20)
Deposits from customers	783,009	736,621	(6)
Deposits from customers (FX-adjusted)	716,718	736,621	3
Retail deposits	279,032	274,374	(2)
Corporate deposits	437,686	462,247	6
Liabilities to credit institutions	108,678	91,154	(16)
Subordinated debt	7,798	7,530	(3)
Total shareholders' equity	122,493	157,088	28
Loan Quality	**2022**	**2023**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	219,078	208,563	(5)
Stage 1 loans under IFRS 9/gross customer loans	41.4%	53.0%	11.6
Own coverage of Stage 1 loans under IFRS 9	2.1%	1.9%	(0.2)
Stage 2 loan volume under IFRS 9 (in HUF million)	214,442	99,891	(53)
Stage 2 loans under IFRS 9/gross customer loans	40.5%	25.4%	(15.1)
Own coverage of Stage 2 loans under IFRS 9	18.1%	14.4%	(3.7)
Stage 3 loan volume under IFRS 9 (in HUF million)	96,124	85,287	(11)
Stage 3 loans under IFRS 9/gross customer loans	18.1%	21.7%	3.5
Own coverage of Stage 3 loans under IFRS 9	75.3%	77.9%	2.6
Provision for impairment on loan losses/average gross loans	14.01%	(2.38%)	(16.39)
Performance Indicators	**2022**	**2023**	**pps**
ROA	(1.6%)	4.4%	6.0
ROE	(12.4%)	30.5%	42.9
Total income margin	10.92%	10.65%	(0.27)
Net interest margin	8.87%	9.14%	0.27
Operating costs / Average assets	3.0%	3.0%	(0.1)
Cost/income ratio	27.9%	28.1%	0.1
Net loans to deposits (FX-adjusted)	53%	42%	(11)
FX rates	**2022 HUF**	**2023 HUF**	**Change %**
HUF/UAH (closing)	10.2	9.1	(11)
HUF/UAH (average)	11.5	9.6	(16)

Owing to the exchange rate fluctuations in the reporting period, the Ukrainian operation's balance sheet and P&L statement figures in HUF terms differ from the ones calculated in local currency.

In full year 2023, **OTP Bank Ukraine** posted HUF 45.2 billion adjusted profit after tax, which brought its ROE above 30%.

The corporate tax burden increased materially because on 6 December 2023 Ukraine's president signed a bill that increased the corporate income tax rate for banks (it remained unchanged in case of leasing companies) from 18% to 50% retroactively for full year 2023 and set the tax rate at 25% from 2024. As a result, almost HUF 23 billion extra corporate income tax was recorded in the fourth quarter, for the full year 2023.

Full-year operating profit improved by 17% in UAH (but declined by 2% in HUF). Within that, net interest income jumped by 24% in local currency (by 4% in HUF), predominantly supported by the higher interest income on deposits placed at the National Bank of Ukraine. Net interest margin improved by 27 bps in 2023.

Twelve-year net fee and commission income stagnated in UAH.

The reason for the decline in full-year other income was the outstandingly high currency conversion income in the base year

The 17% growth in full-year operating cost level in UAH reflected the high inflationary environment: in 2023, annual average inflation remained above 13%. Within that, personnel expenses increased by 18% in UAH as a result of high wage inflation, via the implemented wage hikes, while the full-year average number of employees dropped by 7%. Overall, cost efficiency indicators were stable last year: the cost to income ratio of 28.1% remained the lowest in OTP Group.

Underlying loan quality developments were overall positive. In full year 2023, total risk cost amounted to +HUF 4.1 billion, as opposed to -HUF 93 billion in the base period.

At the end of 2023, the ratio of Stage 3 loans within the portfolio was 21.7%, the 3.5 pps y-o-y growth was partly caused by the contraction in the loan portfolio. The coverage of Stage 3 loans increased to 77.9% (+2.6 pps y-o-y). The ratio of Stage 2 loans sank by 15.1 pps y-o-y, to 25.4%. The ratio of total provisions to total gross loan volumes was 24.5% at the end of December.

The other risk costs were set aside mainly for the Ukrainian government bond portfolio.

Amid the moderate lending activity, performing (Stage 1+2) loans fell by an FX-adjusted 22% y-o-y. The deposits placed at the central bank grew by 12% last year, to HUF 307 billion by the end of the year.

Last year the deposit book rose by 3% (FX-adjusted). The net loan to deposit ratio fell to 42% (-11 pps y-o-y).

The bank's capital adequacy ratio significantly exceeded the regulatory minimum requirements, reaching 36.6% at the end of December (regulatory minimum: 10.0%).

The outstanding gross intragroup financing to the Ukrainian operation amounted to HUF 83.1 billion at the end of December.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	3,071	20,099	
Income tax	(649)	(3,559)	
Profit before income tax	3,720	23,657	
Operating profit	17,384	20,972	21
Total income	62,596	68,613	10
Net interest income	53,560	53,865	1
Net fees and commissions	4,743	5,019	6
Other net non-interest income	4,293	9,729	127
Operating expenses	(45,212)	(47,641)	5
Total provisions	(13,663)	2,685	
Provision for impairment on loan losses	(11,094)	2,771	
Other provision	(2,569)	(86)	(97)
Main components of balance sheet (closing balances)	**2022**	**2023**	**%**
Total assets	1,687,581	1,600,237	(5)
Gross customer loans	1,228,254	1,136,507	(7)
Gross customer loans (FX-adjusted)	1,171,413	1,136,507	(3)
Stage 1+2 customer loans (FX-adjusted)	1,109,875	1,075,958	(3)
Retail loans	538,979	485,158	(10)
Corporate loans	510,400	524,745	3
Leasing	60,496	66,055	9
Allowances for possible loan losses	(62,442)	(55,856)	(11)
Allowances for possible loan losses (FX-adjusted)	(59,762)	(55,856)	(7)
Deposits from customers	998,452	1,100,016	10
Deposits from customers (FX-adjusted)	951,990	1,100,016	16
Retail deposits	564,695	662,557	17
Corporate deposits	387,295	437,459	13
Liabilities to credit institutions	446,641	261,740	(41)
Total shareholders' equity	181,206	192,650	6
Loan Quality	**2022**	**2023**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	990,307	919,683	(7)
Stage 1 loans under IFRS 9/gross customer loans	80.6%	80.9%	0.3
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.2%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	173,679	156,276	(10)
Stage 2 loans under IFRS 9/gross customer loans	14.1%	13.8%	(0.4)
Own coverage of Stage 2 loans under IFRS 9	9.6%	8.5%	(1.1)
Stage 3 loan volume under IFRS 9 (in HUF million)	64,268	60,549	(6)
Stage 3 loans under IFRS 9/gross customer loans	5.2%	5.3%	0.1
Own coverage of Stage 3 loans under IFRS 9	54.1%	51.9%	(2.2)
Provision for impairment on loan losses/average gross loans	0.93%	(0.24%)	(1.18)
Performance Indicators	**2022**	**2023**	**pps**
ROA	0.2%	1.3%	1.1
ROE	1.8%	10.9%	9.2
Total income margin	3.86%	4.28%	0.42
Net interest margin	3.31%	3.36%	0.06
Operating costs / Average assets	2.79%	2.97%	0.18
Cost/income ratio	72.2%	69.4%	(2.8)
Net loans to deposits (FX-adjusted)	117%	98%	(19)
FX rates	**2022 Ft**	**2023 Ft**	**Change %**
HUF/RON (closing)	74.6	80.9	8
HUF/RON (average)	72.8	79.4	9

On 9 February 2024 OTP Bank Plc. 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 selling price is EUR 347.5 million which is smaller than the net asset value of the to be sold subsidiaries recognized in the consolidated accounts, accordingly the transaction resulted in a negative P&L impact of HUF 59.5 billion (after tax) on consolidated level, which was booked in 4Q 2023 and presented amongst the adjustment items.

As a result of this, according to IFRS 5, as at the end of 2023 the Romanian operation was presented as an asset classified as held for salein the consolidated balance sheet, and as discontinued operation in the income statement. As opposed to this, in the adjusted financial statements presented in the Stock Exchange

Report – in line with the structure of the financial statements monitored by the management – the Romanian operation was presented in a way as if it was still classified as continuing operation.

OTP Bank Romania generated HUF 20.1 billion profit after tax in 2023, more than 6.5 times as much as in 2022.

Full-year operating profit increased by 25% in local currency, as a result of 13% y-o-y surge in total income and 8% higher operating expenses. In 2023, other income doubled in local currency, net fees and commissions grew by 8%, while net interest income rose by 4%. The full-year net interest income and other income dynamics were influenced by the fact that the result on intragroup FX swap deals changed in the third quarter, and their ytd cumulated result (-HUF 10 billion) was moved from other income to the net interest income line, thus this reclassification was neutral on profits. Without this reclassification's effect (a total of -HUF 11.5 billion in net interest income in 2023), full-year net interest income would have grown by 22% y-o-y, mostly because of the stable loan volumes and the repricing of outstanding loan volumes in the higher interest rate environment.

Annual net fees and commissions expanded by 8% y-o-y in local currency, largely thanks to an increase in card commissions.

Full-year operating expenses grew by 8%, the main component of which was the wage hikes by the annual rate of inflation, as well as a rise in other expenses. In the fourth quarter, expenses grew by 10% q-o-q in local currency. The cost to income ratio improved to 69.4% in 2023 (-2.8 pps y-o-y).

Full-year risk costs amounted to HUF +3 billion, mainly driven by the HUF +9.5 billion credit risk cost in the second quarter, which stemmed from the sale of the Romanian factoring company's non-performing loan portfolio.

The ratio of Stage 3 loans rose by 0.1 pp, to 5.3% y-o-y; their own provision coverage stood at 51.9%, -2.2 pps y-o-y) at the end of the year.

Regarding lending activity, performing (Stage 1+2) loan volumes declined by 3% y-o-y (FX-adjusted), largely as a result of a 12% drop in mortgage loans and a 4% decline in consumer loans, which was only partly offset by the 3% rise in corporate loans and a 9% growth in leasing volumes. The decline in mortgage loans was primarily caused by the rising mortgage rates: in full year 2023, new mortgage loan placements shrank by two-thirds.

In FX-adjusted terms, deposits from customers rose by 16% y-o-y; within that, retail deposits grew by 17%, and corporate deposits increased by 13%. A multi-year improvement drove the net loan to deposit ratio below 100% by the end of the year (-19 pps y-o-y); as a result, the volume of liabilities to credit institutions fell by 41% y-o-y.

On 27 October 2023, the additional tax affecting the banking sector was approved. The rate of special the tax will be 2% of the annual gross turnover in 2024 and 2025, while starting from 2026 it will be reduced to 1%.

OTP BANK MOLDOVA

Performance of OTP Bank Moldova:

Main components of P&L account	2022 HUF million	2023 HUF million	Change %
Adjusted profit after tax	9,403	14,700	56
Income tax	(1,385)	(2,059)	49
Profit before income tax	10,788	16,759	55
Operating profit	17,551	13,440	(23)
Total income	27,830	25,268	(9)
Net interest income	19,172	16,349	(15)
Net fees and commissions	2,624	2,389	(9)
Other net non-interest income	6,034	6,530	8
Operating expenses	(10,279)	(11,828)	15
Total provisions	(6,763)	3,319	
Provision for impairment on loan losses	(5,895)	3,106	
Other provision	(868)	213	
Main components of balance sheet (closing balances)	**2022**	**2023**	**%**
Total assets	365,658	428,192	17
Gross customer loans	171,412	150,228	(12)
Gross customer loans (FX-adjusted)	169,571	150,228	(11)
Stage 1+2 customer loans (FX-adjusted)	164,895	144,367	(12)
Retail loans	84,143	67,585	(20)
Corporate loans	75,994	72,279	(5)
Leasing	4,758	4,503	(5)
Allowances for possible loan losses	(11,177)	(7,122)	(36)
Allowances for possible loan losses (FX-adjusted)	(11,095)	(7,122)	(36)
Deposits from customers	264,031	332,062	26
Deposits from customers (FX-adjusted)	259,666	332,062	28
Retail deposits	174,719	204,833	17
Corporate deposits	84,947	127,229	50
Liabilities to credit institutions	42,083	27,489	(35)
Total shareholders' equity	53,430	63,353	19
Loan Quality	**2022**	**2023**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	139,227	127,607	(8)
Stage 1 loans under IFRS 9/gross customer loans	81.2%	84.9%	3.7
Own coverage of Stage 1 loans under IFRS 9	2.3%	1.3%	(1.0)
Stage 2 loan volume under IFRS 9 (in HUF million)	27,452	16,760	(39)
Stage 2 loans under IFRS 9/gross customer loans	16.0%	11.2%	(4.9)
Own coverage of Stage 2 loans under IFRS 9	18.3%	11.7%	(6.6)
Stage 3 loan volume under IFRS 9 (in HUF million)	4,733	5,861	24
Stage 3 loans under IFRS 9/gross customer loans	2.8%	3.9%	1.1
Own coverage of Stage 3 loans under IFRS 9	61.3%	60.1%	(1.2)
Provision for impairment on loan losses/average gross loans	3.23%	(2.01%)	(5.25)
Performance Indicators	**2022**	**2023**	**pps**
ROA	2.7%	3.9%	1.2
ROE	19.3%	25.5%	6.1
Total income margin	8.05%	6.73%	(1.32)
Net interest margin	5.55%	4.35%	(1.19)
Operating costs / Average assets	2.97%	3.15%	0.18
Cost/income ratio	36.9%	46.8%	9.9
Net loans to deposits (FX-adjusted)	61%	43%	(18)
FX rates	**2022 HUF**	**2023 HUF**	**Change %**
HUF/MDL (closing)	19.6	19.9	1
HUF/MDL (average)	19.4	19.4	0

In 2023, **OTP Bank Moldova** contributed to the Group's adjusted profit with HUF 14.7 billion profit after tax (+56% y-o-y). The Bank's ROE amounted to 25.5% in 2023.

Total income amounted to HUF 25 billion in 2023 (-9% y-o-y); the contribution of net interest income was HUF 16 billion (-15% y-o-y), that of net fees and commissions was HUF 2 billion (-9% y-o-y), and other income was HUF 7 billion (+8% y-o-y).

The reason for the y-o-y lower net interest income was the central bank's interest rate cutting cycle, which began at the end of 2022; as a result, the average interest rate on deposits declined at a slower pace due to the high proportion of term deposits previously placed at higher interest rates. In contrast, interest income on placements with the central bank and on government securities decreased faster. As a result, full-year net interest margin eroded by 1.19 pps, to 4.35%. Net fees and commissions declined as card-related expenditures grew.

In 2023, operating expenses increased by 17% in local currency. They grew at the same rate as inflation, largely driven by the wage hikes at the bank, and to a smaller degree because other expenses rose. The cost to income ratio stood at 46.8% (+9.9 pps y-o-y).

In 2023, risk costs totalled +HUF 3.3 billion, as a result of provisions release.

The Stage 3 ratio stood at 3.9% at the end of 2023 (+1.1 pps y-o-y); their own provision coverage exceeded 60%.

The FX-adjusted volume of performing (Stage 1+2) loans declined by 12% y-o-y largely as a result of the contraction in the first three quarters, as demand dropped in the higher interest rate environment. Within that, retail loans fell by 20% and-, corporate loans decreased by 5%.

FX-adjusted deposit volumes the full-year growth rate to 28%; chiefly because corporate deposits went up by 50%, and retail deposits also surged 17%.

STAFF LEVEL AND OTHER INFORMATION

	31/12/2022				31/12/2023			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	**352**	**1,866**	**143,078**	**10,985**	**342**	**1,877**	**156,757**	**11,257**
DSK Group (Bulgaria)	305	998	16,559	5,358	302	979	17,494	5,104
OTP Bank Slovenia	49	81	4,925	875	114	436	15,459	2,355
OBH (Croatia)	111	428	11,344	2,294	107	438	10,889	2,400
OTP Bank Serbia	155	265	18,049	2,632	156	275	20,108	2,676
OTP Bank Albania	58	213	831	730	50	129	988	719
CKB Group (Montenegro)	33	116	7,529	497	28	114	8,323	503
Ipoteka Bank (Uzbekistan)					39	682	232	4,444
OTP Bank Russia (w/o employed agents)	108	191	534	4,471	82	165	278	4,587
OTP Bank Ukraine (w/o employed agents)	71	150	263	2,134	71	165	190	2,074
OTP Bank Romania	97	156	8,325	1,826	95	157	13,848	1,780
OTP Bank Moldova	53	156	0	896	53	154	0	867
Foreign subsidiaries, total	**1,040**	**2,754**	**68,359**	**21,713**	**1,097**	**3,694**	**87,809**	**27,509**
Other Hungarian and foreign subsidiaries				619				640
OTP Group (w/o employed agents)				**33,318**				**39,407**
OTP Bank Russia – employed agents				2,431				2,018
OTP Bank Ukraine – employed agents				227				123
OTP Group (aggregated)	**1,392**	**4,620**	**211,437**	**35,976**	**1,439**	**5,571**	**244,566**	**41,547**

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 test and development environments with appropriate separation from the production environments that have 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 are 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 cyber threats), entailing prevention, detection, identification, isolation, analysis, recovery and reporting;
- remote work is regulated in a controlled and documented way, remote device and user access is protected with multi-factor authentication;
- ensures IT security compliance by its managed regulative framework;
- revision and update of IT security regulations bi-yearly or in a frequency complying legislative requirements or upon major changes;
- ensures vulnerability assessments and penetration tests are carried out as planned;
- defines pools for categorization of installed software into preferred, allowed and prohibited and ensures compliance to that policy.
- 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.

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 (11) and Section 61 (10),(11a) and(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 above, 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 following matters:

- changes to the rights associated with specific series of shares, or the transformation of certain categories or classes of shares; (qualified majority)
- 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

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 2023		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	26.66%	26.97%	74,637,180	31.40%	31.46%	87,914,205
Foreign institution/company	66.69%	67.47%	186,733,858	54.43%	54.54%	152,405,042
Domestic individual	4.79%	4.84%	13,405,389	12.93%	12.96%	36,217,730
Foreign individual	0.11%	0.12%	319,712	0.48%	0.48%	1,349,320
Employees, senior officers[2]	0.48%	0.48%	1,341,018	0.48%	0.48%	1,338,715
Treasury shares[3]	1.16%	0.00%	3,251,484	0.20%	0.00%	572,746
Government held owner	0.07%	0.07%	188,326	0.05%	0.05%	139,036
International Development Institutions	0.04%	0.04%	120,871	0.01%	0.01%	28,603
Other[4]	0.00%	0.00%	2,172	0.01%	0.01%	34,613
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] 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 2023 ESOP owned 12,095,524 OTP shares.
[3] Non-identified shareholders according to the shareholders' registry.

NUMBER OF TREASURY SHARES HELD IN THE YEAR UNDER REVIEW (2023)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	354,144	1,107,117	585,596	602,180	572,746
Subsidiaries	0	0	0	0	0
TOTAL	354,144	1,107,117	585,596	602,180	572,746

SHAREHOLDERS WITH OVER/AROUND 5% STAKE AS AT 31 DECEMBER 2023

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%**	**8.59%**	
Groupama Group	**F/D**	**C**	**14,256,813**	**5.09%**	**5.10%**	
Groupama Gan Vie SA	F	C	14,140,000	5.05%	5.06%	
Groupama Biztosító Ltd.	D	C	116,813	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 2023

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	12,000
IT	Tamás Erdei	Deputy Chairman	27/04/2012	2026	53,885
IT	Gabriella Balogh	member	16/04/2021	2026	17,793
IT	Mihály Baumstark	member	29/04/1999	2026	59,200
IT	Péter Csányi	member, Deputy CEO	16/04/2021	2026	25,939
IT	dr. István Gresa	member	27/04/2012	2026	192,458
IT	Antal Kovács[3]	member, Deputy CEO	15/04/2016	2026	126,584
IT	György Nagy[4]	member	16/04/2021	2026	44,400
IT	dr. Márton Gellért Vági	member	16/04/2021	2026	15,800
IT	dr. József Vörös	member	15/05/1992	2026	196,314
IT	László Wolf	member, Deputy CEO	15/04/2016	2026	544,502
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	0
FB	dr. Tamás Gudra	member	16/04/2021	2023	0
FB	András Michnai	member	25/04/2008	2023	1,410
FB	Olivier Péqueux	member	13/04/2018	2023	0
SP	László Bencsik	Deputy CEO			7,199
SP	György Kiss-Haypál	Deputy CEO			15,462
TOTAL No. of shares held by management:					**1,338,715**

[1] Board Member (IG), Supervisory Board Member (FB), Employee in strategic position (SP)
[2] Number of OTP shares owned by Dr. Sándor Csányi, Chairman and CEO, directly or indirectly: 4,712,949.
[3] Number of OTP shares owned by Antal Kovács, Member of Board of Directors, directly or indirectly: 130,884.
[4] Number of OTP shares owned by György Nagy, Member of Board of Directors, directly or indirectly: 1,068,855.

Committees[8]

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.

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

Personal and organizational changes

As of 1 January 2023, Mr. Antal György Kovács was replaced by Mr. András Becsei as Deputy CEO of the Retail Division. Mr. Antal György Kovács retained his employment status, thus his position as Deputy CEO until the Annual General Meeting closing the financial year 2022, during which time he was mainly be responsible for group governance.

On 28 April 2023, concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2023, the Annual General Meeting elected Ernst & Young Ltd. (001165, H-1132 Budapest, Váci út 20.) as the Company's auditor from 1 May 2023 until 30 April 2024.

On 28 April 2023 the Annual General Meeting elected Mr. Antal György Kovács as member of the Board of Directors of the Company until the Annual General Meeting of the Company closing the 2025 business year, but not later than 30 April 2026.

On 28 April 2023 the Annual General Meeting elected
Mr. Tibor Tolnay
Dr. József Gábor Horváth
Dr. Tamás Gudra
Mr. Olivier Péqueux
Mrs. Klára Bella
Mr. András Michnai
as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2025 business year, but not later than 30 April 2026.

On 28 April 2023 the Annual General Meeting elected
Mr. Tibor Tolnay
Dr. József Gábor Horváth
Dr. Tamás Gudra
Mr. Olivier Péqueux
as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2025 business year, but not later than 30 April 2026.

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 Executive Steering 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 3 meetings in 2023. In addition, resolutions were passed by the Board of Directors on 155, by the Supervisory Board on 87 and by the Audit Committee on 29 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 6 members and has no female member.

Fight against corruption and against the practice of bribery

The Code of Ethics (https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf) , the Partner Code of Ethics (https://www.otpbank.hu/static/portal/sw/file/OTP_Partneri_EtikaiKodex_EN.pdf) publish in 2023 and the Anti-Corruption Policy of OTP Bank Group 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, 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 OTP Bank Plc. 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 OTP Bank Plc. 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 OTP Bank Plc. conducts inquiries for the purpose of detecting, preventing anomalies in connection with reports made or anomalies it became aware of otherwise.

Through the OTP Bank Plc.'s ethics reporting system a total of 93 reports were received in 2023. In 29 of these reports, we deemed it necessary to conduct an ethical procedure and 8 case's investigation resulted in declaring ethics offense.

The OTP Bank Plc. 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 OTP Bank Plc.'s website and from 2023 the Partner Code of Ethics has been published on the Bank's website as well. 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 OTP Bank Plc. will act prudently in its dealings with contractors, in particular in the tendering and preparation process, to minimise the risk of corruption. The OTP Bank Plc. 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.

Based on the Compliance's proposal, the prohibition of corruption will be reflected in the contractual and regulatory documents used by the OTP Bank Plc. in a clearer and well-defined manner from 2023 onwards, through the inclusion of anti-corruption clauses in the business rules and standard contracts. The clause will state from the very beginning of the business relationship that the contracting partner accepts OTP Bank Plc.'s anti-corruption principles, including the prohibition of corruption and the consequences of breaching this prohibition, which can even be termination of contract.

Any requests from third parties affecting human rights are treated by the OTP Bank Plc. 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 Executive Steering Committee and the Board of Directors; the annual report is also submitted to the Supervisory Board.

Non-financial performance indicators

- **Internal audit:** 207 closed audits, 1,385 recommendations, 1,383 accepted recommendations.
- **Compliance with Budapest Stock Exchange (BSE) Recommendations (yes/no ratio):** 72 yes, 0 no.
- **Compliance:** 7 closed consumer protection related investigations by the Compliance.
- **Bank security investigations, reports:** we conducted a total of 3,356 bank security investigations and 253 reports were made to the authorities, most of which were related to cases of fraud committed against customers.

  The expected damage value from the detected crimes is about HUF 4.7 billion, which is much higher than the loss realized last year, which was HUF 1 billion. The largest part of the loss occurred in the area of financial offences.

  With regard to financial offences, a downward trend can be observed in consumer loans, primarily in connection with the offences of personal loans, which was about HUF 28 million, almost a fifth of the previous year's value.

  At the same time, the amount of damage caused by corporate credit fraud was HUF 4.6 billion, of which a significant part of the damage value – HUF 3 billion – was accounted for by one case.

  There was a drastic increase in the trend of online fraud targeting customers until July 2023, but due to the introduced measures, there was a continuous decrease in both the number of cases and the amount of damage from September 2023. Compared to the losses in July, December's fell to about a third, but a significant customer loss was still realized, which exceeded HUF 10 billion in 2023, and with fraud prevention operative measures and monitoring activities, HUF 6.5 billion of customer losses were prevented.

  Compared to 2022, an increase can be observed in connection with bank card abuse, both in terms of the number of attempted abuses and the damage. In 2023, the value of successful bank card abuses exceeded HUF 4.5 billion, of which the value of successful transactions with cards issued by OTP amounted to HUF 3.9 billion.

  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 10.2 billion. Of this, the value of abuses prevented in the case of cards issued by OTP is HUF 10.1 billion.

  The ratio of bank card abuse to turnover increased, in the case of OTP the ratio of bank card misuse to turnover remained lower than the European average published by MasterCard (OTP Bank 0.0203%, European average 0.0400%).

- **Ethics issues:** 93 ethics reports, establishing ethics offense in 8 cases.

OTP GROUP'S SUSTAINABILITY ACTIVITIES FOR 2023[9]

NON-FINANCIAL STATEMENT

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

BUSINESS MODEL

OTP Group's business model is focused on serving the financial needs of retail, private banking, micro and small business, medium and large corporate and municipal customers at a high level, both through its branch networks and its constantly evolving digital and innovative remote service channels, as well as through its agents and other contracted partners. The Group served the financial needs of approximately 17.4 million customers at the end of 2023.

The Group aims to continuously develop its services in a constantly evolving digital and technological environment, so that they are easily accessible and secure for an increasingly broad range of customers. In addition to digitalisation, OTP Group places great emphasis on sustainability, aiming to avoid negative environmental and social impacts while at the same time exploiting potential business benefits. The Bank plays an active role in developing the financial awareness of the population, enriching cultural values, preserving environmental values and ensuring equal opportunities.

OTP Group is present in 11 countries in the Central and Eastern European region and entered the Central Asian region in 2023 with the acquisition of Ipoteka Bank in Uzbekistan. The parent bank of OTP Group, OTP Bank Plc., is the leading credit institution in Hungary. In addition to its operations in Hungary, the Bank has foreign subsidiaries in 11 countries through equity investments, in which it typically holds 100% or close to 100% stakes. Among the Group members, OTP's Montenegrin subsidiary is also the market leader, while its Bulgarian, Slovenian and Serbian operations are the second largest in the local market in terms of total assets. The Albanian subsidiary is ranked third, while the Croatian and Moldovan subsidiaries are ranked fourth in the local ranking of banks.

Both OTP Bank and its foreign subsidiaries offer a wide range of banking and financial services in both the retail and corporate segments: they collect deposits from their customers and raise funds from the money and capital markets; on the asset side, they provide mortgage loans, consumer loans, business investment and working capital loans, and municipal loans. Depending on the balance sheet structure of the given entity, Group members invest their liquidity reserves in the money and capital markets or receive inter-group funding. In addition, the subsidiary banks and other domestic and foreign subsidiaries provide their clients with a wide range of modern financial services, including asset management and investment services, cash management, treasury and other services. However, there are differences between the various countries in terms of, among other things, business focus, the range of services and products offered and the distribution channels. In terms of business focus, while in most countries of the Group the share of retail, corporate and leasing volumes is relatively balanced, in the Ukraine the weight of corporate and leasing portfolios within outstanding loans exceeds 90 percent, while in Russia the share of retail consumer loans reaches 97 percent and in both countries the share of mortgage loans is negligible.

[9] **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.
Information relevant to specific subsidiaries and countries are marked by country codes: AL BG HU HR MO MD RO RS RU SI UA UZ

ESG STRATEGIC DIRECTIONS

OTP Group aims to play a leading long-term financing role in the green and fair transition of the Central and Eastern European region. The Banking Group defines its long-term sustainable, transparent and ethical operation through stable management, responsible and transparent governance, as a responsible employer in the labour market and an active player in society. Our aim is to provide responsible and fair financial services tailored to our customers' needs, to establish open cooperation with our stakeholders based on trust, and to reduce our negative environmental impacts.

OTP Group's ESG strategy, and its related vision and mission have not changed in 2023.

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 and our presence in Central Asia, with our pioneering developments, conscious and ethical business operation and exemplary partnerships we create value and contribute to a sustainable future.

ESG strategy

ST4, 305: 3-3, TCFD II.a,b, IV.c The ESG strategy of OTP Group was unanimously approved by the Management Committee in 2021 and is reviewed annually to adapt it to changes in the market and regulatory environment.

The strategy rests on the following three pillars: responsible service provider, responsible employer and responsible social actor. In addition to business opportunities, the strategy includes the identification and management of material risks, as well as social and governance objectives. Our goal is to achieve ESG integration in all relevant areas and all relevant topics by 2025.

Strategic goals	Long-term KPIs for the OTP Group	End-2023 results
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	Total green credit portfolio of HUF 1,500 bn by 2025	We exceeded the HUF 414 bn green loan portfolio target for 2023 by more than HUF 200 bn
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[1] 75 percentile at Group level (in 2023: 78%)	The level of employee engagement was 72% at Banking 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 the end of 2022 (goal met), total carbon neutrality by 2030 for OTP Bank	We met the short-term target
	OTP Bank will become a member of the S&P Dow Jones Sustainability Index by 2025	The Bank's score in the S&P Global Corporate Sustainability Assessment improved by 9 percent in 2023 compared to the previous year, up 4 points

[1] Based on a benchmark of more than 750 companies.

The majority of subsidiary banks have developed their ESG strategy in 2022, setting their own targets, which are also aligned with the parent bank's objectives. The strategies cover segments such as ESG risk management, the development of green lending, the organisational frameworks, social matters and reducing their operations' environmental impacts. The subsidiary banks have also defined KPIs to measure the effectiveness of the achievement of the targets set. The Board of Directors of OTP Bank is also informed of the achievement of ESG targets and the annual review of the plans, as is the Supervisory Board. The Russian, Ukrainian and Moldovan subsidiaries developed their strategies in 2023 and are expected to adopt these in 2024. The two Slovenian subsidiaries have drawn up a joint ESG strategy at the end of 2023 in preparation for the merger, which is also expected to be adopted in 2024.

UN Principles for Responsible Banking

At the end of 2021, OTP Bank signed the commitment to follow the United Nations Principles for Responsible Banking (UN PRB). The Principles provide a framework to ensure that banks' strategies and operation conform to the future vision outlined in the UN's sustainable development goals and the Paris Agreement. The Serbian subsidiary of the Banking Group was the first Serbian bank to join the Principles at the end of 2023, while the Romanian subsidiary has postponed its planned accession until 2024.

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

Recognising the sustainability performance of subsidiary banks

SI HR After 2022, in 2023 Slovenian NKBM has again been awarded the Green Star Certificate of the Slovenian organisation "CER – Partnership for a Sustainable Economy".

The Croatian subsidiary bank also participated in the 2023 ESG rating of the Croatian Chamber of Economy, where it was ranked third in the financial sector. In addition, the bank is a member of the Croatian Sustainability Index (HRIO), compiled by the Croatian Business Council for Sustainable Development.

GRI 2-6 Summary ESG data of OTP Group					
	GRI indicator number	**OTP Bank (2022)**	**OTP Bank (2023)**	**OTP Group (2022)**	**OTP Group (2023)**
@Percentage of women on the Supervisory Board	405-1	17%	17%	24%[1]	26%[1]
@Percentage of women on the Board of Directors	405-1	9%	9%	20%[1]	16%[1]
@Percentage of women in top management	405-1	0%	0%	23%[2]	21%[2]
@Amount donated		HUF 2.5 billion	HUF 3.0 billion	HUF 4.0 billion	HUF 5.0 billion
Number of customers – total	2-6	4.6 million [3]	4.3 million [3]	15.7 million	17.4 million
Number of retail customers	2-6	4.2 million [3]	4.0 million [3]	14.8 million	16.5 million
Number of corporate customers	2-6	0.4 million [3]	0.3 million [3]	0.9 million	0.9 million
@Young customers[5]	2-6	18%	19%	11%	13%
@Micro and small enterprise assets	2-6, FS6	HUF 570 billion [3.4]	HUF 578 billion	HUF 874 billion	HUF 1,146 billion
@Medium and large corporation assets	2-6, FS6	HUF 2,772 billion [3.4]	HUF 3,326 billion	HUF 7.820 billion	HUF 9,405 billion
@Percentage of accessible branches and customer offices		99%	99%	78%	77%
@Customer satisfaction (TRI*M)[6]		66 points	57 points	varies by country	varies by country
@Number of participants in the financial education trainings of OK Training Centres		29,307	37,117	35,237	47,889
@Headcount of employees (active, persons, 31.12)	2-7	10,516	10,715	38,775	44,468
@Percentage of women	405-1	64%	63%	69%	66%
@Female-to-male salary ratio (in the same job category)	405-2	98.57%	98.16%	90.47%	92.24%
@Turnover	401-1	12.2%	12.1%	26.9%	20.8%
@Turnover (excluding agents employed)	401-1	12.2%	12.1%	20.4%	17.4%
@Average training hours	404-1	80	79	35	34
@Employee satisfaction/engagement		76%	76%	70%	72%
@Energy consumption (GJ)	302-1	268,934	245,555	1,091,006	1,107,043
@Energy consumption per employee (GJ)		26.17	23.19	29.22	25.58
@CO_2 emissions (Scope 1+2, tCO_{2e}) – market-based	305-1, 305-2	7,675	7,115	73,701	70,649
@CO_2 emissions (Scope 1+2, tCO_{2e}) – with offset	305-1, 305-2	675	-485	66,701	60,874
@CO_2 emissions per employee (tCO_{2e}) – market-based		0.75	0.67	1.97	1.63
@CO_2 emissions by turnover (tCO_{2e}/HUF million) – market-based		0.014	0.012	0.044	0.032

[1] Consolidated data for the management bodies 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

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.

The materiality assessment for 2022 is based on the GRI Standards requirements and guidelines. Its basic principle is that material topics are topics 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, the material sustainability factors are those that have, or may, in the future, have significant impacts on the Company's value/value factors, competitive position, including long term shareholder value-creation and business performance (financial materiality).[10]

The 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
- the topics included in ESG ratings, and
- identified on the basis of the topics comprised in the UN PRB impact analysis tools

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 encourage the expression of honest opinions. The stakeholders identified sustainability topics considered as material regarding 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.

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

OTP Group's **list of impact areas** was compiled based on feedback from stakeholders and the sources listed above. The areas were first assessed based 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 inclusion of an external consultant and the Bank's ESG division.

The financial impacts on the Group of the impacts identified from the aspect of sustainability and the relevance of the GRI indicators for the various materiality areas were determined and ranked on a 7-point scale (-3 to 3) with the assistance of ESG Operational Subcommittee members.

An annual review of the materiality analysis was carried out in 2023, in line with the GRI Standards for 2021. The scope of the Banking Group's activities has not changed significantly compared to previous years. Its range of subsidiaries has expanded, with the most significant change being the acquisition of NKBM of Slovenia and Ipoteka Bank of Uzbekistan in 2023. New, potentially material impacts may arise in the case of the Uzbek bank, which will be assessed in detail once integration is completed in 2024. Monitoring external global and regional processes and the methodology of ESG ratings, we have not identified any new material topics. Based on the experience of the previous year's reporting, it was considered expedient to merge certain topics, as they are not treated separately within the Group. This is how the material topics have changed relative to the previous year.

GRI 2-14 Both the 2022 and the revised materiality analysis were approved by the ESG Committee.

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[10] Financial materiality is defined in various ways, which are essentially identical in terms of content. 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 to date, which is why its definition is regarded as adequately authentic.

GRI 3-2 **OTP Group's material sustainability topics** are shown in the white background of the chart.

Changes in material topics compared to the previous year	
Title of topic	Description of change
Social impacts and indirect economic impacts of financial products	Social and indirect economic impacts of lending and the Indirect economic impacts of investment merged
Tax payment	No change
Contribution to economic stability	No change
Environmental impact and GHG emissions of financial products	Environmental impact and GHG emissions of lending and Environmental impact and GHG emissions of investment products merged
Green products	Green loan products and Green investment products topics merged
Operational GHG emissions	No change
Access to finances	No change
Financial well-being	No change
Responsible employment	Responsible employment and Impact on livelihoods and salary levels merged
Diversity and equal opportunities	No change
Financial literacy for vulnerable groups	No change
Customer data and information security	No change
Compliance	Merging of the topics of Prevention of money laundering, Anti-corruption activities, Compliance awareness and Non-discrimination
Financing of high social risk sectors	No change

1. ESG GOVERNANCE, RESPONSIBILITIES

GRI 2-9, 2-12, 2-13, TCFD I.a,b ESG governance at Banking Group level is unchanged in 2023. In 2021, based on Green Recommendation No. 5/2021 (IV.15.) of the MNB, a conceptual proposal for the establishment of the ESG Committee, the ESG Sub-Committee and the ESG Control Function, which constitute the Bank's standing ESG organisation, was discussed and unanimously approved by both the Management Committee and the Board of Directors.

With the decision of the Board of Directors, the Bank's ESG organisation was established in December 2021. The organisation is multi-level: the Board of Directors is the main decision-making body, assisted and reported to by the ESG Committee.

The ESG Committee is a standing committee set up by the Bank's Board of Directors. Its Chair is appointed by the Chairman & CEO from the members of the BoD and its members include OTP Bank's Deputy CEOs and elected directors. The Committee

- is responsible for defining the Bank's and the Banking Group's ESG strategy, plans and policies;
- gives its opinion in advance on all ESG-related proposals to be submitted to the management body;
- the ESG Committee is responsible for identifying ESG risks, formulating strategy, plans and policies, setting target and performance objectives and evaluating them, together with the relevant organisations, in order to define and manage climate change and environmental risks, as well as social and governance risks, assess their consequences.

The ESG Sub-Committee is the standing decision-preparing forum of the ESG Committee, coordinating, consulting on and implementing the work of the ESG Committee in the framework of its technical support work. The head of the Subcommittee – who is also the leader of the ESG business transformation – is the director of the Green Programme Directorate.

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

ESG coordination is also ensured in the subsidiaries, which have established their own ESG organizational units.

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.

In reviewing the target systems of foreign subsidiary bank executives, sustainability targets were also included among objectives. The ESG-CSR indicator is a mandatory KPI with a uniform weighting of 5 percent for the senior executives of each foreign subsidiary. Content of the indicator: Performing tasks arising from ESG risks and business opportunities; implementing ESG integration tasks within own competencies in line with the Group's ESG strategy and green KPI; implementing ESG aspects in own business processes and internal regulatory documents; raising ESG awareness within the organisation; providing quality data for sustainability/integrated reporting, for the appropriate functioning of CSR-related processes.

GRI 2-17 Five (45%) of the members of the Board of Directors and two (33%) of the members of the Supervisory Board had completed the five-module ESG training for senior management developed in 2023 (see also @5.5) by the end of the year.

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.

The organisational structure and governance levels of OTP Bank are shown in the @Organisational Chart.

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 management bodies can access the documents of all of 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 2023; nonetheless, the governing bodies were provided with information on feedback from stakeholders, including employees, customers, shareholders and regulatory bodies:

- A report on the process and results of the group-wide engagement survey was presented to the Supervisory Board.
- Semi-annual reports are prepared for the BoD and the Supervisory Board 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.
- The management bodies are informed on a quarterly basis at the Banking Group level on the closed audits of audit organizations, as well as on the MNB's supervisory procedures and the status of implementation of the recommendations made to the Bank. The Supervisory Board or the Supervisory Board and the Board of Directors reviews and approves the audit reports containing the results of the audits to be carried out by Internal Audit as required by MNB Resolutions and Recommendations before they are sent to the Supervisory Authority.

Other situations affecting the Banking Group of which the management bodies have been informed:

- OTP Bank was included on the list of the Ukrainian National Agency on Corruption Prevention (NACP) in May, as one of the international supporters of the war. Our Bank has indicated in a press release and in several press responses that it considers the NACP's action as unworthy and is seeking to convince the Ukrainian authorities of this, and has also explained that the NACP has made a number of erroneous and untrue arguments in support of its stigmatising decision. The Bank has refuted the most significant of these in detail in its press releases and press responses. OTP Bank stressed that it condemns any aggression against any sovereign country and is committed to supporting Ukrainian citizens and the country's economy.
  In the course of discussions with the European External Action Service and the Agency, our Bank made commitments regarding its future plans for the Russian market, and the Agency removed OTP Bank from the list of international supporters of the war in early October 2023.
- In a New York Times article, it was published – and subsequently proven to be false – that money was transferred to a foundation owned by a sanctioned Russian person from a third country through our Russian subsidiary bank. On account of the significance of the matter, the bodies were informed.

GRI 2-9 OTP Bank's Supervisory Board, Board of Directors and standing committees had a total of 117 members on 31 December 2023. Some of them are members of more than one body. 14 of the members are independent[11] and 16 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 Risk Exposure and Risk Management Committee, the Nomination Committee and the Management Committee are presented separately in the Other Information section of the Annual Report and in the Corporate Governance Report; with information on members, their other important positions and engagements also available in their respective CVs. Other committees are – by virtue of their tasks – made up nearly exclusively of OTP Bank managers; their members do not hold any other external important positions. The primary criterion in the selection of committee members is professional expertise.

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
Taxation:	Head of the Accounting and Finances Directorate (Chief Accountant): responsible and accountable for tax policy. The taxation division is independent of the business divisions.	@ Tax Policy: – approved by: Board of Directors – presents the principles and practices followed by OTP Group with respect to taxation	@ taxation
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

[11] According to the @definition applied to independence, they do not hold senior management positions at OTP Bank.

ESG / sustainability domain	Responsibility, manager	Policy	References
- consumer protection - anti-corruption (ABC), - international sanctions requirements,		- @ Consumer Protection Compliance Program - @ Anti-Corruption Policy - @ 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)	- @ 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 @ Human Rights Statement: – approved by: Executive Director heading the Human and Organisation Development Directorate	@ reporting ethical offences, training
- regular statutory reporting to supervisory and other government bodies	Heads of division and managers of regional profit centres		
- 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	
Security: - overall security, - cyber 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 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 engagement to maintaining and preserving security at all times. Group Information Security Policy: - approved by: CEO - it declares the directions of development and relevant requirements Group Cyber Defence Strategy	@ reporting, risk assessment @ training @ fraud
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. Manager responsible for 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 advantage of the opportunities in green financing	@ESG strategy	@ Green Loan Framework @ sustainable financial framework

ESG / sustainability domain	Responsibility, manager	Policy	References
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 major campaign plans. International Product Development, Sales and Pricing Committee: approves the annual action plans of the foreign subsidiary banks.	@ Compliance Policy: - approved by: Board of Directors - declares that, in designing its products and services, the Bank pays priority attention to the enforcement of consumer protection principles, and to reducing the information asymmetry between customers and the Bank. Annexed to the policy is @ Consumer Protection Compliance Program Accessibility for disabled strategy: - the goal is to ensure equal opportunity in service.	@ objective, clear information @ responsible sales @ green products @ products with social benefits @ accessibility for disabled
Human resource management: - HR overall, - diversity and equal opportunity,	Manager responsible for human resource management: Executive Director heading the Human and Organisation Development Directorate	HR strategy: - approved by: Management Committee - determines the medium-term areas of focus for human resource management. @ Diversity Policy:engagement to diversity among the members of management bodies and management. @ Strategy for Gender Equality	@ turnover @ training @ income @ freedom of association @organisational diversity
- (occupational) health and safety	Manager responsible for health and safety: Head of the Chairman & CEO Cabinet	Health and Safety Regulation: - approved by: CEO - uniform and comprehensive preventative health and safety strategy to implement safe working conditions that do not constitute a health risk.	@ 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, scopes of responsibility, procurement principles; stipulates that the procurements of members of the Banking Group are supervised and coordinated by OTP Bank.	@ rules @ materials used
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: Head of the Facility Services Unit for the Chairman & CEO Cabinet	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; sets out the guidelines on environmentally aware procurement.	@ reporting, training @ CO2 Emissions

2. ENVIRONMENTAL AND SOCIAL IMPLICATIONS OF FINANCIAL SERVICES

This chapter presents the activities related to the following material topics, with each material topic presented in several places within the chapter:

ST1: GRI 3-3, 203-2 **Social impacts and indirect economic impacts of financial products**

Impacts: The Banking Group enables consumption and investment through the responsible allocation of resources. 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. By providing funds, we also contribute to the development of businesses and the economy, and indirectly help create jobs. The effects can also be potentially negative, such as over-indebtedness and over-consumption.

This material topic supports the achievement of the following SDGs:

Engagement: Our aim is to make financial resources available to the region's businesses and households, through prudent lending, to protect depositors' funds and prevent over-indebtedness. It is of paramount importance to us that schemes involving public and international institutions are accessible, and our results often go beyond market share. We help enable access to basic needs.

Acts: Active lending in the region
Strict, conservative risk management by integrating ESG risks
Debtor protection programmes
Active role in national and international programmes
Products for vulnerable social groups (e.g. the youth and pensioners)
Serving the financial needs of micro, small and medium-sized businesses at a high standard of quality

Stakeholder cooperation: Our Banking Group continuously analyses and measures customer needs and feedback concerning the design and operation of its products and services. We liaise with government and international institutions and regulatory bodies to ensure compliance and in relation to subsidised product schemes.

ST3: GRI 3-3 **Environmental impact and GHG emissions of financial products**

Impacts: The investment projects and operations implemented with our financing and investments have a significant impact on the use of natural resources and generate greenhouse gas emissions. The extent and effectiveness of these depend largely on the characteristics of the organisation or individual carrying out the activity and their efforts to reduce environmental loads.

This material topic supports the achievement of the following SDGs:

Engagement: Our aim is to assess and understand the environmental loads and GHG emissions associated with our services and mitigate the negative impacts, helping the transition to environmentally-sustainable development. The Banking Group is making less use of exclusions, and is instead supporting its customers to implement green solutions in order to ensure that fewer customers are affected by the more difficult and costly financing that will be imposed on brown projects in the future.

Acts: Integrating ESG risks into risk management
Increasingly accurate measurement of GHG emissions of the financed portfolio
Preparing a group-wide decarbonisation plan
Continued compliance with regulatory requirements, including in respect of the green transition

Stakeholder cooperation: The Banking Group also maintains active contact with customers and investors to understand their expectations and to cooperate constructively, and its relations with regulators are aimed at understanding and meeting expectations.

ST4: GRI 3-3 **Green financial products**

Impacts: The impacts of this topic are almost inseparable from the environmental impacts of financial products. Green financial products support the solution of global environmental challenges and the achievement of objectives. The positive impact can occur if activities generating actual environmental benefits are financed. The extent of the impact is largely determined by the scale of these products.

This material topic supports the achievement of the following SDGs in the same way as the previous one:

Engagement: OTP Group strives to create an environment that supports sustainable financing and intends to play a leading role in green financing. The Banking Group also plays a dominant role in the implementation of initiatives of state and international institutions.

Acts: Setting strategic, medium-term targets for green lending
Developing a green loan framework
Gradual availability of green products and product variants in all segments
Active role in national and international programmes

Stakeholder cooperation: The Banking Group also maintains active contact with customers, investors, and state and international financing institutions to understand their expectations and to cooperate constructively. Its relations with regulators are aimed at understanding and meeting expectations.

ST9: GRI 3-3 **Financing of high social risk sectors**

Impacts: The risk of negative social impacts is higher for these funded activities. The negative impacts can be avoided or mitigated by prudent lending.

This material topic supports the achievement of the following SDGs:

Engagement: OTP Group does not finance activities that violate the laws of the given country or international law. We conduct prudent lending, as well as rigorous and conservative risk management. The Banking Group's @Compliance policy and relevant internal regulations contain the applicable sanctions procedures and engagements. The relevant members of OTP Group publish extracts of the group-level @Sanctions Policy on their website.

Acts: Social risk assessment as part of ESG risk management
Application of exclusions list, compliance with sanctions obligations
Demanding that customers comply with laws and regulations
Priority checks of sensitive transactions

Stakeholder cooperation: Its relations with regulators are aimed at understanding and meeting expectations. The Group actively engages with investors to understand their expectations. The Group communicates its expectations to its customers and monitors compliance with these.

Details of activities relating to material topics are presented in the following pages, along with their outcomes and how their effectiveness is assessed.

For further information, visit our @website.

2.1. Sustainable finances

The group-level @green loan framework was completed in 2023, setting out the general principles of green lending, not only in Hungary, but also in Bulgaria, Slovenia, Croatia, Serbia, Albania, Montenegro and Romania.

GRI 201-2 In addition to the extension of the framework to subsidiary banks, several new green lending targets have been added, focusing on sectors that are relevant to OTP Group's portfolio and to climate change mitigation and adaptation. The relevant sectors and activities are defined at country level. The framework covers the following sectors as identified in the EU Taxonomy and the CBI (Climate Bond Initiative) Taxonomy:

- EU Taxonomy: energy, manufacturing, transport, construction and real estate, forestry, waste management;
- CBI Taxonomy: energy, industry, transport, buildings, land use and marine resources, waste and pollution control.

The framework covers non-retail customers, from large multinational corporations to micro-enterprises, including municipalities and condominiums.

The compliance of green activities is verified through the country-specific Green Alignment Assessment Tool (GAAT), for which country-specific supporting documents have been drawn up. When assessing compliance with the EU Taxonomy, minimum safeguards (MS) are also checked, in line with the expectations.

The Green Loan Framework, which is also supported by an SPO, was approved by the MNB in July 2023. It also ensures that loans that meet the conditions of the framework are eligible in respect of the MNB's green corporate and municipal preferential capital requirement programme.

A number of controlling developments have also been implemented during the year, but significant improvements in green data infrastructure are still needed to ensure efficient recording of green loans at group level.

The further detailing of targets continued, and the targets set for 2024 and 2025 have now been approved by OTP Bank's ESG Committee in both retail and corporate breakdown. To reach our target of HUF 1,500 billion in green loans by 2025, we have committed to dynamic growth in the next two years.

The Banking Group's fundraising activities were again supported by the Group-wide Sustainable Financial Framework in 2023, covering both social and environmental sustainability.

The @framework supported by an SPO[12] is available on the OTP Group website, and has not changed in 2023. Under the framework, the Bank or any of its subsidiaries may issue green and social financial instruments, including bonds, commercial paper (sustainable financial instruments). The framework was worked out on the basis of the ICMA[13] Green Bond Principles, 2021; the ICMA Social Bond Principles, 2021, the LMA[14] Green Loan Principles, 2021 and the LMA Social Loan Principles, 2021.

The framework imposes the following restrictions: sustainable financial instruments cannot be used to finance loans related to fossil energy production, nuclear energy production, arms and defence, mining, gambling or tobacco.

Financed green categories[15]:

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

Financed social categories:

- job creation and programmes to prevent and/or alleviate unemployment resulting from socio-economic crises, including through the potential impact of SME financing and microfinancing.

OTP Group reports to investors annually within one year of the transaction (bond issue) of the sustainable financial instrument and thereafter until the full allocation of the proceeds. For @allocation report and @impact assessment report for 2022 are available on the website, and the documents for 2023 will be available in summer 2024. OTP Jelzálogbank publishes 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,
No green bonds and green mortgage bonds were issued in the Banking Group in 2023.

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

2.2. Green lending

GRI 201-2, ST4: 3-3, TCFD II.a,b, IV.a,c **OTP Group was able to increase the green loan and bond portfolio on its books significantly in 2023, significantly exceeding its HUF 414 billion commitment set for the end of 2023. Compared to the end of the previous year, the portfolio increased from HUF 270 billion to HUF 656 billion. This is an important step towards the Banking Group becoming a regional leader in financing a fair and gradual transition to a low carbon economy and to build a sustainable future.**

Corporate lending

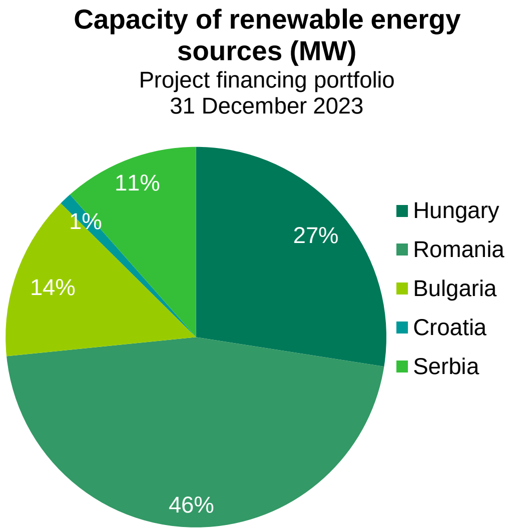
The bulk of the green portfolio is comprised of corporate loans and bonds, mainly large corporate and project loans, whose share continued to increase in 2023.

At the end of 2023, the corporate green loan portfolio at group level amounted to HUF 470 billion, with investment projects for the use of renewable energy making up the largest share.

For years, renewable energy projects have been a preferred lending purpose in project financing. In 2023, in response to market needs, we have added new terms and conditions for lending based on market sales of electricity rather than a sales contract covering all or most of the financing term. Already during 2023, the Bank has financed a number of projects where at least part of the cash flow from free market sales of electricity is the source of the loan repayment. In addition to financing renewable energy production, project loans for the implementation/refinancing of properties with international sustainability building certification (e.g. LEED, BREEAM) were also more prominent in 2023.

In 2023, two new renewable energy projects were contracted or refinanced in the project finance area, which is part of the green portfolio. At the Group level, this amounted to HUF 19.2 billion, of which OTP Bank's share was HUF 9.6 billion. In Romania, a 48.4 MW solar farm project is under construction and a Bulgarian wind farm with a capacity of 156 MW is being refinanced.

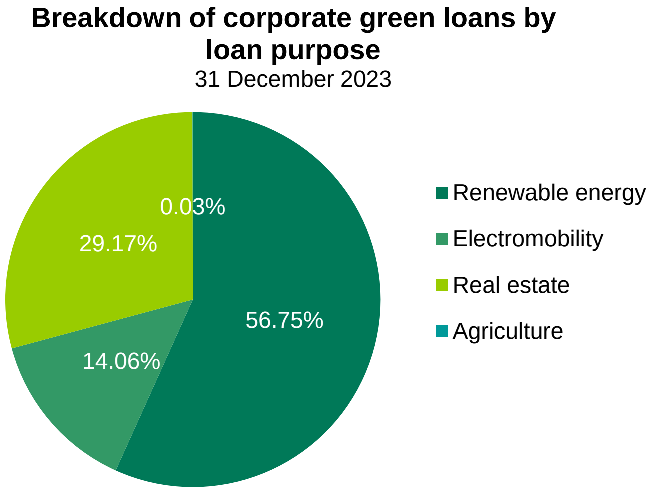
At the end of 2023, the total capacity of renewable energy projects in the portfolio through project financing was 1,414 MW. In terms of capacity, wind energy accounts for two-thirds, solar energy for 31%, and projects for water, biomass and biogas utilisation are also in the portfolio. Most of the projects are financed by the OTP Group, with only a few cases involving third parties as financiers.



In 2023, we signed a green real estate financing contract for a property in Hungary. The loan amount is HUF 30.6 billion and will be disbursed in 2024.

In Hungary, the active participation of banks in state-subsidised lending schemes has been the main contributor to the growth of corporate green lending, given the macroeconomic environment. Both the Széchenyi Investment MAX and MAX+ and the EXIM Baross Gábor Reindustrialisation Green Investment Loan schemes included loan targets that met the conditions of the MNB's green corporate and municipal preferential capital requirement programme. Most of the investments implemented financed energy efficiency improvements and/or developments related to renewable electricity production. It is typical that micro and small enterprises have made less use of these credit facilities. Developing our own product would not have been a competitive alternative in this environment, and thus we did not offer such product.

The Green Loan Framework also provides borrowing opportunities for agricultural customers, but the portfolio in this sector is not yet significant.



Most of the corporate loans (45%) are part of the portfolio of the Hungarian member companies, while 32% are on the books of Bulgarian DSK. The other subsidiary banks with a green loan portfolio each account for less than ten percent of the portfolio.

Typical green loans of subsidiary banks[16]:

BG The Bulgarian subsidiary's portfolio includes loans for renewable energy production and electric vehicle financing. Approximately 50 new transactions were concluded in 2023.

SI The two Slovenian subsidiary banks are seeing a strong engagement to ESG among their large corporate customers, with demand for green loans focusing on energy efficiency, project financing and the financing of the transition, In 2024, green products will be launched as a joint product of SKB and NKBM[17].

HR In 2023, the Croatian subsidiary bank introduced two products for micro and small business customers. Sunny loans are available for solar panel installation and other energy efficiency equipment. The condominium loan can be used for building renovation, energy efficiency improvements and is subsidised by the EU. In 2023, disbursements were made to 36 customers. The Bank also offers financial instruments linked to the use of funds from the EU's national Recovery and Resilience Facility (RFF) as part of several schemes, supporting green transition and/or digital transformation in specific areas of Croatia, as well as supporting R&D&I and other investments that support competitiveness and resilience. In 2023, four loans were accepted by the subsidiary bank.

RS The Serbian subsidiary is involved in several collaborations to help make green loans more accessible. It cooperates with the EFSE (European Fund for Southeast Europe), IFIs (International Financing Institutions) and helps to implement environmental investment projects through the Green for Growth Fund.

UZ The Uzbek subsidiary bank provides businesses with low-interest, preferential loans for solar panel and battery installation. In 2023, approximately 50 businesses used the product. The bank has started negotiations with the EBRD to participate in several schemes.

UA Under the EBRD-supported scheme, small and medium-sized enterprises can purchase electric and hybrid cars with a 20 percent subsidy and receive investment loans for energy efficiency. 90 people used the scheme for vehicle purchases in 2023. The investment loan is a new facility, and has not been disbursed yet in 2023. It was designed to be accessible to local agricultural producers.

RO OTP Bank Romania is seeing a growing demand for green financing among its corporate customers, with loans also provided for solar farm and wind turbine projects. The bank held ESG workshops for

[16] The green loan portfolio only includes loans from the Bulgarian, Croatian, Serbian, Albanian and Romanian subsidiary banks and Slovenian SKB Bank.
[17] NKBM portfolios will be included in the green loan portfolio from 2024 onwards, and are not included in 2023 data. In 2023, the definitions of green lending were agreed and the OTP Green Loan Framework was rolled out in the bank, but consistent data reporting has not yet been implemented in the subsidiary acquired in 2023.

corporate customers on responsible finance and investment strategies. In addition, it also helped with the purchase of electric and plug-in hybrid vehicles.

MD In 19 cases, the Moldovan subsidiary bank provided loans under the EU4BUSINESS EBRD preferential lending facility, partly for environmental purposes. In 2023, the EIB decided to extend the availability of funds under the Fruit Garden scheme by two years and expanded the eligibility for grain production, livestock breeding and fish farming. In 2023, OTP Bank Moldova disbursed 17 loans. The Moldovan subsidiary has seen a significant increase in lending for energy efficiency and renewable energy investment projects, with numerous companies building solar parks and electric charging stations in the country.

Retail loans

The year-end green loan portfolio amounted to HUF 148 billion.[18]

In July 2023, OTP Bank introduced two new own products, the **OTP Green Housing Loan** and the Green Évnyerő Housing Loan for the purchase, construction and modernisation of new homes. The only difference between the two products is in the repayment schedule.

The retail green loan portfolio consists mainly of loans under the Hungarian **Green Home Program** (ZOP), which was available in 2021 and 2022 for the purchase or construction of energy-efficient new homes.

In 2023, a total of HUF 34.5 billion was disbursed for new green housing loan transactions.

The uniform registration of retail green loans in foreign subsidiary banks has not yet been implemented in 2023, therefore, they are not included in the portfolio, but the available schemes are presented below.

BG At DSK Bank, the preferential mortgage loan product has been available from the end of 2022 for residential properties with an energy rating B or better. By the end of 2023, the bank has disbursed approximately 150 loans.

SI At Slovenian NKBM, green housing, electromobility and energy efficiency loans were available in 2023, with preferential interest rates to encourage take-up. The housing loan can be used to buy, build and insulate energy-efficient homes, as well as to install solar panels and heat pumps. By the end of 2023, 55 disbursements had been made, 90 percent of which were used by customers for solar panel installation. For loans for the purchase and installation of energy-efficient equipment and for the purchase of hybrid and electric vehicles, 9 disbursements have been made by the end of 2023, 96% of these for the purchase of electric cars. In the second half of 2023, SKB Bank introduced the green housing loan product, also for the purchase and renovation of energy-efficient residential property.

2.3. Disclosure according to the Taxonomy Regulation

Information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities according to Regulation (EU) 2020/852 regulation

I. Mandatory disclosure

Own indicator The Taxonomy Regulation applies to financial market participants that make available financial products and undertakings which are subject to the obligation to publish a non-financial statement or a consolidated non-financial statement pursuant to Article 19a or Article 29a of Directive No. 2013/34/EU of the European Parliament and of the Council, respectively (Article 1 (b) and (c) of Chapter I of (EU) 2020/852). Pursuant to Article 8 of the Taxonomy Regulation, any undertaking which is subject to an obligation to disclose non-financial information pursuant to Article 19a or Article 29a of Directive No. 2013/34/EU shall include in its non-financial statement or consolidated non-financial statement information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of (EU) 2020/852 Regulation. The OTP group report is based on the exposures and balance sheet according to the scope of prudential consolidation in accordance with Regulation (EU) No. 575/2013, Title II, Chapter 2, Section 2 for the types of assets and accounting portfolios specified in point 1.1.2 of Annex V of Commission Delegated Regulation (EU) No. 2021/2178, including information on stock and flows, on transitional and enabling activities, and on specialised and general purpose lending.

[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.

The tables below present the consolidated information on OTP Group's mandatory KPIs under Regulation (EU) No. 2020/852 (Taxonomy Regulation), which have been prepared using the template published in Annex VI of Regulation No. 2021/2178. The gross carrying amount of exposures are based on the reference date of 31. December 2023.

OTP Group discloses the relevant KPIs on a consolidated basis, taking into account the scope of prudential consolidation, in accordance with Annex V, point 1.1.1 of EU 2021/2178. Accordingly, the exposures of the various subsidiaries, including those of fund managers and credit institutions, are part of the consolidated credit institution KPIs.

There are several explanations regarding the low taxonomy-aligned stock and KPI percentage disclosed in the mandatory part. First of all, as part of the mandatory reporting, in line with legal compliance, only the exposures of companies fall under the "non-financial reporting obligation" were included. Significant share of OTP Group's corporate funding (> 90%) is directed to non-financial companies that are not subject of NFRD obligation. This means that the taxonomy related share of such exposures is not included as part of the mandatory reporting. Moreover, the green financing of taking place in non-EU subsidiaries is also not covered by the mandatory reporting and as such excluded from the KPIs.

The interpretation of the alignment requirement for retail exposures has been significantly amended by the draft EU Commission Notice published in December 2023. According to the draft notice, funding towards households that only meet the substantial contribution criterion cannot be considered as aligned. The necessary information and data to fulfil the additional conditions is not available due to the short notice involved. Therefore, following prudent approach, these exposures have not been taken into account in the KPI calculation at this stage.

For taxonomy-eligible stocks, the percentage decreased slightly compared to the same data last year, despite of the increase in green stocks. This is the result of at least two things: an increase in the balance sheet total and a change in methodology.

We would like to highlight, that as disclosed in Table 1 line #20 below, the share of taxonomy-eligible exposures compared to the total asset of non-financial undertakings subject to "non-financial reporting" obligation is more than 16%. Moreover, the their ratio of taxonomy-aligned exposures is close to 6.5%. In addition, the share of the taxonomy-eligible household portfolio compared to total household exposure exceeds 27%, a significant share of which is related to the purchase, construction or renovation of real estate. The same ratio for retail car loans is 38%.

Overall, the main KPI indicators in the mandatory report do not fully reflect the efforts of the OTP Group in the area of sustainable finance. Therefore, information on the broader green portfolio of the OTP Group is presented as part of the voluntary report.

Templates 1 to 5 for OTP Group as published in Annex VI of Regulation No. 2021/2178 and the templates of KPIs for the EU subsidiary banks using the same methodology are part of the mandatory report.

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets (Turnover) HUF mn	Total environmentally sustainable assets (CapEx) HUF mn	KPI – turnover[2]	KPI – CapEx[3]	% coverage (over total assets)[1]	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Main KPI	**Green asset ratio (GAR) stock**	**12,451.02**	**23,481.10**	**0.05%**	**0.09%**	64.83%	29.19%	35.17%

[1] % of assets covered by the KPI (GAR total asset) over banks' total assets
[2] based on the turnover KPI of the counterparty
[3] based on the CapEx KPI of the counterparty, except for lending activities where for general lending turnover KPI is used

		Total environmentally sustainable activities (Turnover) HUF mn	Total environmentally sustainable activities (CapEx) HUF mn	KPI - turnover (compared to flow of total covered assets)	KPI - CapEx (compared to flow of total covered assets)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Additional KPIs	*GAR (flow)*	3.31	346.09	0.000%	0.005%	54.35%	24.61%	45.65%
	Financial guarantees	0.00	0.00	0.00%	0.00%			
	Assets under management	2,033.70	6,130.15	0.01%	0.02%			

Comment 1: For reporting templates: cells with a black background do not need to be completed.
Comment 2: Fees and commissions (worksheet 6) and the Trading book (worksheet 7) are only applicable from 2026,

1. Assets for the calculation of GAR (Turnover)

in HUF million	Total [gross] carrying amount	Disclosure reference date 31.12.2023													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)								
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
- GAR - Covered assets in both numerator and denominator															
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	14,106,303	3,339,778	0	0		0	0	0	0	0	3,375,433	12,451	0	0	0
2 **Financial undertakings**	2,191,060	0	0	0		0	0	0	0	0	4,288	0	0	0	0
3 Credit institutions	1,435,223	0	0	0		0	0	0	0	0	0	0	0	0	0
4 Loans and advances	854,447										0	0	0	0	0
5 Debt securities, including UoP	580,776										0	0	0	0	0
6 Equity instruments	0										0	0		0	0
7 Other financial corporations	755,837										4,288	0	0	0	0
8 of which investment firms	59,625	0	0	0		0	0	0	0	0	0	0	0	0	0
9 Loans and advances	59,624										0	0	0	0	0
10 Debt securities, including UoP	0										0	0	0	0	0
11 Equity instruments	1										0	0		0	0
12 of which management companies	26,032	0	0	0		0	0	0	0	0	0	0	0	0	0
13 Loans and advances	0										0	0	0	0	0
14 Debt securities, including UoP	0										0	0	0	0	0
15 Equity instruments	26,032										0	0		0	0
16 of which insurance undertakings	1,797	0	0	0		0	0	0	0	0	0	0	0	0	0
17 Loans and advances	1,795										0	0	0	0	0
18 Debt securities, including UoP	0										0	0	0	0	0
19 Equity instruments	1										0	0		0	0
20 **Non-financial undertakings**	192,736	0	0	0		0	0	0	0	0	31,367	12,451	0	0	0
21 Loans and advances	76,929										20,111	6,135	0	0	0
22 Debt securities, including UoP	115,807										11,255	6,316	0	0	0
23 Equity instruments	0										0	0		0	0
24 **Households**	11,722,507	3,339,778									3,339,778	0	0	0	0
25 of which loans collateralised by residential immovable property	4,915,444	3,040,924									3,040,924	0	0	0	0
26 of which building renovation loans	127,689	127,416									127,416	0	0	0	0
27 of which motor vehicle loans	446,413	171,438									171,438	0	0	0	0
28 **Local governments financing**	0	0	0	0		0	0	0	0	0	0	0	0	0	0

in HUF million	Total [gross] carrying amount	Disclosure reference date 31.12.2023													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)								
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
29 Housing financing											0	0	0	0	0
30 Other local government financing											0	0	0	0	0
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	10,315										0	0	0	0	0
32 **Assets excluded from the numerator for GAR calculation (covered in the denominator)**	11,562,435														
33 **Financial and Non-financial undertakings**	9,385,343														
34 SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	6,860,587														
35 Loans and advances	6,712,884														
36 of which loans collateralised by commercial immovable property															
37 of which building renovation loans															
38 Debt securities	146,932														
39 Equity instruments	771														
49 Non-EU country counterparties not subject to NFRD disclosure obligations	2,524,756														
41 Loans and advances	2,492,214														
42 Debt securities	30,472														
43 Equity instruments	2,070														
44 **Derivatives**	41,967														
45 **On demand interbank loans**	574,648														
46 **Cash and cash-related assets**	605,799														
47 **Other categories of assets (e.g. Goodwill, commodities etc.)**	954,677														
48 **Total GAR assets**	25,679,052	3,339,778	0	0		0	0	0	0	0	3,375,433	12,451	0	0	0
49 **Assets not covered for GAR calculation**	13,930,092														
50 **Central governments and Supranational issuers**	6,307,758														
51 **Central banks exposure**	7,401,137														
52 **Trading book**	221,197														
53 **Total assets**	39,609,144	3,339,778	0	0		0	0	0	0	0	3,375,433	12,451	0	0	0

in HUF million	Total [gross] carrying amount	Disclosure reference date 31.12.2023													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)								
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations															
54 Financial guarantees	173,787														
55 Assets under management	1,651,364	0	0	0		0	0	0	0	0	22,282	2,034	0	346	1,688
56 Of which debt securities	794,009										933	76	0	0	76
57 Of which equity instruments	274,403										21,349	1,958	0	346	1,612

2. Assets for the calculation of GAR (CapEx)

in HUF million		Disclosure reference date 31.12.2023														
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
-	**GAR - Covered assets in both numerator and denominator**															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	14,106,303	3,339,778	0	0	0	0	0	0	0	0	3,390,535	23,481	0	0	0
2	**Financial undertakings**	2,191,060	0	0	0	0	0	0	0	0	0	3,358	0	0	0	0
3	Credit institutions	1,435,223	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Loans and advances	854,447										0	0	0	0	0
5	Debt securities, including UoP	580,776										0	0	0	0	0
6	Equity instruments	0										0	0		0	0
7	Other financial corporations	755,837										3,358	0	0	0	0
8	of which investment firms	59,625	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Loans and advances	59,624										0	0	0	0	0
10	Debt securities, including UoP	0										0	0	0	0	0
11	Equity instruments	1										0	0		0	0
12	of which management companies	26,032	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Loans and advances	0										0	0	0	0	0
14	Debt securities, including UoP	0										0	0	0	0	0
15	Equity instruments	26,032										0	0		0	0
16	of which insurance undertakings	1,797	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	Loans and advances	1,795										0	0	0	0	0
18	Debt securities, including UoP	0										0	0	0	0	0
19	Equity instruments	1										0	0		0	0
20	**Non-financial undertakings**	192,736	0	0	0	0	0	0	0	0	0	47,400	23,481	0	0	0
21	Loans and advances	76,929										26,788	14,188	0	0	0
22	Debt securities, including UoP	115,807										20,612	9,293	0	0	0
23	Equity instruments	0										0	0		0	0
24	**Households**	11,722,507	3,339,778									3,339,778	0	0	0	0
25	of which loans collateralised by residential immovable property	4,915,444	3,040,924									3,040,924	0	0	0	0
26	of which building renovation loans	127,689	127,416									127,416	0	0	0	0
27	of which motor vehicle loans	446,413	171,438									171,438	0	0	0	0
28	**Local governments financing**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

	in HUF million	Total [gross] carrying amount	Disclosure reference date 31.12.2023													
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
29	Housing financing											0	0	0	0	0
30	Other local government financing											0	0	0	0	0
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	10,315										0	0	0	0	0
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	11,562,435														
33	**Financial and Non-financial undertakings**	9,385,343														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	6,860,587														
35	Loans and advances	6,712,884														
36	of which loans collateralised by commercial immovable property															
37	of which building renovation loans															
38	Debt securities	146,932														
39	Equity instruments	771														
49	Non-EU country counterparties not subject to NFRD disclosure obligations	2,524,756														
41	Loans and advances	2,492,214														
42	Debt securities	30,472														
43	Equity instruments	2,070														
44	**Derivatives**	41,967														
45	**On demand interbank loans**	574,648														
46	**Cash and cash-related assets**	605,799														
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	954,677														
48	**Total GAR assets**	25,679,052	3,339,778	0	0	0	0	0	0	0	0	3,390,535	23,481	0	0	0
49	**Assets not covered for GAR calculation**	13,930,092														
50	**Central governments and Supranational issuers**	6,307,758														
51	**Central banks exposure**	7,401,137														

in HUF million	Disclosure reference date 31.12.2023															
	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)					
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
52 **Trading book**	221,197															
53 **Total assets**	39,609,144	3,339,778	0	0	0	0	0	0	0	0	3,390,535	23,481	0	0	0	
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																
54 Financial guarantees	173,787															
55 Assets under management	1,651,364	0	0	0	0	0	0	0	0	0	31,796	6,130	0	2,092	4,039	
56 Of which debt securities	794,009										1,389	113	0	1	112	
57 Of which equity instruments	274,403										30,407	6,018	0	2,090	3,927	

2. GAR sector information (Turnover)

	Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WMR + CE + P + BE)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		HUF mn	Of which environmentally sustainable (CCM)	HUF mn	Of which environmentally sustainable (CCM)	HUF mn	Of which environmentally sustainable (CCA)	HUF mn	Of which environmentally sustainable (CCA)	HUF mn	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	HUF mn	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	6420									53,016	7,952		
2	2442									11,420	9,365		
3	1920									27,517	1,928		
4	2120									26	0		
5	4211									739	311		
6	6201									26,372	451		
7	4690									25	0		
8	3250									1,825	0		
9	1107									355	0		
10	1105									4,893	0		
11	6110									2,522	53		
12	6831									5,208	4,984		
13	3511									5,689	2,265		
14	2732									1,744	628		
15	2550									10,979	0		
16	2012									1	0		
17	3513									2,926	2,911		
18	4634									1,453	0		
19	2059									698	93		
20	5221									2,930	0		
21	7010									14,894	21		
22	2110									3,898	0		
23	6190									1,057	19		
24	2219									2,257	160		
25	4730									365	65		
26	2041									1,625	0		
27	3523									1,717	129		
28	N/A									6,585	31		

2. GAR sector information (CapEx)

	Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WMR + CE + P + BE)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		HUF mn	Of which environmentally sustainable (CCM)	HUF mn	Of which environmentally sustainable (CCM)	HUF mn	Of which environmentally sustainable (CCA)	HUF mn	Of which environmentally sustainable (CCA)	HUF mn	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	HUF mn	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	6420									53,016	20,676		
2	2442									11,420	4,454		
3	1920									27,517	3,817		
4	2120									26	0		
5	4211									739	163		
6	6201									26,372	259		
7	4690									25	4		
8	3250									1,825	778		
9	1107									355	0		
10	1105									4,893	19		
11	6110									2,522	71		
12	6831									5,208	5,010		
13	3511									5,689	3,953		
14	2732									1,744	663		
15	2550									10,979	321		
16	2012									1	0		
17	3513									2,926	2,920		
18	4634									1,453	0		
19	2059									698	130		
20	5221									2,930	0		
21	7010									14,894	2,820		
22	2110									3,898	417		
23	6190									1,057	8		
24	2219									2,257	169		
25	4730									365	159		
26	2041									1,625	0		
27	3523									1,717	300		
28	N/A									6,585	289		

3. GAR KPI stock (Turnover)

	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
-	**GAR - Covered assets in both numerator and denominator**															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	13.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.1%	0.0%	0.0%	0.0%	0.0%	8.5%
2	**Financial undertakings**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	Credit institutions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
7	Other financial corporations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8	of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
9	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
11	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
12	of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
13	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
14	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
16	of which insurance undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
17	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
18	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
19	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
20	**Non-financial undertakings**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
21	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
22	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
23	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
24	**Households**	13.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.0%	0.0%	0.0%	0.0%	0.0%	8.4%
25	of which loans collateralised by residential immovable property	11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.8%	0.0%	0.0%	0.0%	0.0%	7.7%

% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2023														
	Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA + WTR + CE + PPC + BIO)**					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
26 of which building renovation loans	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.3%
27 of which motor vehicle loans	0.7%	0.0%	0.0%	0.0%	0.0%					0.7%	0.0%	0.0%	0.0%	0.0%	0.4%
28 **Local governments financing**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
29 Housing financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
30 Other local government financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
32 **Total GAR assets**	13.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	13.14%	0.05%	0.00%	0.00%	0.00%	8.52%

3. GAR KPI stock (CapEx)

% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2023														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
- **GAR - Covered assets in both numerator and denominator**															
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	13.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.2%	0.1%	0.0%	0.0%	0.0%	13.2%
2 **Financial undertakings**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3 Credit institutions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4 Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5 Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6 Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
7 Other financial corporations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8 of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
9 Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10 Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
11 Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
12 of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
13 Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
14 Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15 Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
16 of which insurance undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
17 Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
18 Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
19 Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
20 **Non-financial undertakings**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%	0.0%	0.0%	0.0%	0.1%
21 Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%
22 Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
23 Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
24 **Households**	13.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.0%	0.0%	0.0%	0.0%	0.0%	8.4%
25 of which loans collateralised by residential immovable property	11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.8%	0.0%	0.0%	0.0%	0.0%	7.7%
26 of which building renovation loans	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.3%

% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2023														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
27 of which motor vehicle loans	0.7%	0.0%	0.0%	0.0%	0.0%										
28 **Local governments financing**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
29 Housing financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
30 Other local government financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
32 **Total GAR assets**	13.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	13.20%	0.09%	0.00%	0.00%	0.00%	8.56%

4. GAR KPI flow (Turnover)

	% (compared to flow of total covered assets)	Disclosure reference date 31.12.2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
-	**GAR - Covered assets in both numerator and denominator**															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	24.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	24.2%	0.0%	0.0%	0.0%	0.0%	13.1%
2	**Financial undertakings**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	Credit institutions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
7	Other financial corporations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8	of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
9	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
11	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
12	of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
13	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
14	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
16	of which insurance undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
17	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
18	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
19	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
20	**Non-financial undertakings**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
21	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
22	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
23	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
24	**Households**	24.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	24.1%	0.0%	0.0%	0.0%	0.0%	13.1%
25	of which loans collateralised by residential immovable property	22.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.1%	0.0%	0.0%	0.0%	0.0%	12.0%

	% (compared to flow of total covered assets)	Disclosure reference date 31.12.2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
26	of which building renovation loans	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.5%
27	of which motor vehicle loans	1.1%	0.0%	0.0%	0.0%	0.0%	[redacted]				1.1%	0.0%	0.0%	0.0%	0.0%	0.6%
28	**Local governments financing**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
29	Housing financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
30	Other local government financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
32	**Total GAR assets**	24.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	24.17%	0.00%	0.00%	0.00%	0.00%	13.14%

4. GAR KPI flow (CapEx)

		Disclosure reference date 31.12.2023														
% (compared to flow of total covered assets)		**Climate Change Mitigation (CCM)**					**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA + WTR + CE + PPC + BIO)**					Proportion of total new assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
-	**GAR - Covered assets in both numerator and denominator**															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	24.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	24.1%	0.0%	0.0%	0.0%	0.0%	13.1%
2	**Financial undertakings**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	Credit institutions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
7	Other financial corporations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8	of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
9	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
11	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
12	of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
13	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
14	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
16	of which insurance undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
17	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
18	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
19	Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
20	**Non-financial undertakings**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
21	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
22	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
23	Equity instruments	24.1%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	24.1%	0.0%		0.0%	0.0%	0.0%
24	**Households**	22.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.1%	0.0%	0.0%	0.0%	0.0%	0.0%
25	of which loans collateralised by residential immovable property	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%

	% (compared to flow of total covered assets)	Disclosure reference date 31.12.2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
26	of which building renovation loans	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%
27	of which motor vehicle loans	0.0%	0.0%	0.0%	0.0%	0.0%	[redacted]				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
28	**Local governments financing**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
29	Housing financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
30	Other local government financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
32	**Total GAR assets**	24.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	24.13%	0.00%	0.00%	0.00%	0.00%	13.12%

5. KPI off-balance sheet exposures (Turnover)

	% (compared to total assets covered)	Disclosure reference date 31.12.2023													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2	Assets under management (AuM KPI)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.35%	0.12%	0.00%	0.02%	0.10%

5. KPI off-balance sheet exposures (CapEx)

	% (compared to total assets covered)	Disclosure reference date 31.12.2023													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2	Assets under management (AuM KPI)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.93%	0.37%	0.00%	0.13%	0.24%

Summary of credit institution KPIs for the OTP Group's subsidiary banks

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation – **DSK Bank EAD (Bulgaria)**

		Total environmentally sustainable assets (Turnover) HUF mn	Total environmentally sustainable assets (CapEx) HUF mn	KPI – turnover[2]	KPI – CapEx[3]	% coverage (over total assets)[1]	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Main KPI	**Green asset ratio (GAR) stock**	**0**	**0**	**0.00%**	**0.00%**	75.50%	28.16%	24.50%

[1] % of assets covered by the KPI (GAR total asset) over banks' total assets
[2] based on the turnover KPI of the counterparty
[3] based on the CapEx KPI of the counterparty, except for lending activities where for general lending turnover KPI is used

		Total environmentally sustainable activities (Turnover) HUF mn	Total environmentally sustainable activities (CapEx) HUF mn	KPI - turnover (compared to flow of total covered assets)	KPI - CapEx (compared to flow of total covered assets)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Additional KPIs	*GAR (flow)*	0	0	0.00%	0.00%	68.17%	14.79%	10.25%
	Financial guarantees	0	0	0.00%	0.00%			
	Assets under management	0	0	0.00%	0.00%			

Comment 1: For reporting templates: cells with a black background do not need to be completed.
Comment 2: Fees and commissions (worksheet 6) and the Trading book (worksheet 7) are only applicable from 2026,

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation – **OTP banka Hrvatska d.d. (Croatia)**

		Total environmentally sustainable assets (Turnover) HUF mn	Total environmentally sustainable assets (CapEx) HUF mn	KPI – turnover[2]	KPI – CapEx[3]	% coverage (over total assets)[1]	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Main KPI	**Green asset ratio (GAR) stock**	**0.00**	**213.87**	**0.00%**	**0.01%**	**67.88%**	**29.27%**	**32.12%**

[1] % of assets covered by the KPI (GAR total asset) over banks' total assets
[2] based on the turnover KPI of the counterparty
[3] based on the CapEx KPI of the counterparty, except for lending activities where for general lending turnover KPI is used

		Total environmentally sustainable activities (Turnover) HUF mn	Total environmentally sustainable activities (CapEx) HUF mn	KPI - turnover (compared to flow of total covered assets)	KPI - CapEx (compared to flow of total covered assets)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Additional KPIs	*GAR (flow)*	0.00	0.00	0.00%	0.00%	49.13%	24.53%	50.87%
	Financial guarantees	0.00	0.00	0.00%	0.00%			
	Assets under management	0.00	0.00	0.00%	0.00%			

Comment 1: For reporting templates: cells with a black background do not need to be completed.
Comment 2: Fees and commissions (worksheet 6) and the Trading book (worksheet 7) are only applicable from 2026,

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation – **OTP Bank Romania S.A. (Romania)**

		Total environmentally sustainable assets (Turnover) HUF mn	Total environmentally sustainable assets (CapEx) HUF mn	KPI – turnover[2]	KPI – CapEx[3]	% coverage (over total assets)[1]	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Main KPI	**Green asset ratio (GAR) stock**	**0.00**	**213.87**	**0.00%**	**0.01%**	**67.88%**	**29.27%**	**32.12%**

[1] % of assets covered by the KPI (GAR total asset) over banks' total assets
[2] based on the turnover KPI of the counterparty
[3] based on the CapEx KPI of the counterparty, except for lending activities where for general lending turnover KPI is used

		Total environmentally sustainable activities (Turnover) HUF mn	Total environmentally sustainable activities (CapEx) HUF mn	KPI - turnover (compared to flow of total covered assets)	KPI - CapEx (compared to flow of total covered assets)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Additional KPIs	*GAR (flow)*	0.00	0.00	0.00%	0.00%	49.13%	24.53%	50.87%
	Financial guarantees	0.00	0.00	0.00%	0.00%			
	Assets under management	0.00	0.00	0.00%	0.00%			

Comment 1: For reporting templates: cells with a black background do not need to be completed.
Comment 2: Fees and commissions (worksheet 6) and the Trading book (worksheet 7) are only applicable from 2026,

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation – **Nova KBM d.d. (Slovenia)**

		Total environmentally sustainable assets (Turnover) HUF mn	Total environmentally sustainable assets (CapEx) HUF mn	KPI – turnover[2]	KPI – CapEx[3]	% coverage (over total assets)[1]	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Main KPI	**Green asset ratio (GAR) stock**	5,521	5,653	0.00	0.00	60.0%	23.0%	40.0%

[1] % of assets covered by the KPI (GAR total asset) over banks' total assets
[2] based on the turnover KPI of the counterparty
[3] based on the CapEx KPI of the counterparty, except for lending activities where for general lending turnover KPI is used

		Total environmentally sustainable activities (Turnover) HUF mn	Total environmentally sustainable activities (CapEx) HUF mn	KPI - turnover (compared to flow of total covered assets)	KPI - CapEx (compared to flow of total covered assets)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Additional KPIs	*GAR (flow)*	0.00	0.00	0.08%	0.10%	13.33%	4.36%	26.46%
	Financial guarantees	1,990	2,641	0.01%	0.10%			
	Assets under management	0.00	0.00	0.00%	0.00%			

Comment 1: For reporting templates: cells with a black background do not need to be completed.
Comment 2: Fees and commissions (worksheet 6) and the Trading book (worksheet 7) are only applicable from 2026,

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation – **SKB Banka d.d. Ljubljana (Slovenia)**

		Total environmentally sustainable assets (Turnover) HUF mn	Total environmentally sustainable assets (CapEx) HUF mn	KPI – turnover[2]	KPI – CapEx[3]	% coverage (over total assets)[1]	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Main KPI	**Green asset ratio (GAR) stock**	**0.00**	**0.00**	**0.00%**	**0.00%**	**69.2%**	**26.5%**	**30.8%**

[1] % of assets covered by the KPI (GAR total asset) over banks' total assets
[2] based on the turnover KPI of the counterparty
[3] based on the CapEx KPI of the counterparty, except for lending activities where for general lending turnover KPI is used

		Total environmentally sustainable activities (Turnover) HUF mn	Total environmentally sustainable activities (CapEx) HUF mn	KPI - turnover (compared to flow of total covered assets)	KPI - CapEx (compared to flow of total covered assets)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Additional KPIs	*GAR (flow)*	0.00	0.00	0.00%	0.00%	55.0%	23.0%	45.0%
	Financial guarantees	0.00	0.00	0.00%	0.00%			
	Assets under management	0.00	0.00	0.00%	0.00%			

Comment 1: For reporting templates: cells with a black background do not need to be completed.
Comment 2: Fees and commissions (worksheet 6) and the Trading book (worksheet 7) are only applicable from 2026,

The separate report published by OTP Fund Management and the templates specified in Annex XII of Regulation No. 2021/2178 are presented under a separate sub-heading.

General qualitative information on the content and methodology of KPIs published in Annex XI of Regulation No. 2021/2178:

The scope of assets and activities covered by the KPIs:

Asset portfolio covered

The calculation of the green asset ratio (GAR) for on-balance sheet exposures shall cover the following accounting categories of financial assets, including loans and advances, debt securities, equity holdings and repossessed collaterals:

a) financial assets at amortised cost;
b) financial assets at fair value through other comprehensive income;
c) investments in subsidiaries;
d) joint ventures and associates;
e) financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss;
f) real estate collaterals obtained by credit institutions by taking possession in exchange for the cancellation of debts.

In accordance with Article 7(1) of Regulation No. 2021/2178, exposures to central governments, central banks and supranational issuers shall be excluded from the calculation of the numerator and denominator of key performance indicators of financial undertakings.

Pursuant to Article 7 of Regulation No. 2021/2178, the following assets are excluded from the numerator of the GAR:

a) financial assets held for trading;
b) on-demand interbank loans;
c) (c) exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive No. 2013/34/EU;
d) derivatives;
e) cash and cash-related assets;
f) other categories of assets (e.g. goodwill, goods, etc.).

The calculation of KPIs for off-balance sheet exposures considered financial guarantees granted by OTP Group, and assets under management for guarantee and investee non-financial undertakings. Other off-balance sheet exposures such as commitments have been excluded from that calculation.

The exposures of all entities included in the prudential consolidation scope of OTP Bank (credit institution subsidiaries, other financial institutions and non-financial undertakings) are included in – relevant rows in column ‘a’ (Total gross carrying amount) of total assets – Template 1 of Annex VI of Regulation No. 2021/2178, thus ensuring that the balance of row 55 (“Total assets”) is equal to the total assets row of the consolidated FINREP balance sheet. Exceptions to this are entities whose exposures relative to the exposures of credit institutions do not meet the thresholds set by the financial materiality criteria, taking into account materiality criteria.

Based on the guidance in Annex III of EU Regulation No. 2021/2178, gross exposures have been aggregated in the relevant row of Template 1 of the GAR for credit institutions based on the separate report of OTP Fund Management. Exposures on assets under management are shown on a consolidated basis in the asset GAR indicator in summary template 0.

Financial data are identified solely based on the Bank’s analytical credit and risk database and FINREP balance sheet data. In respect of alignment with the taxonomy, data were generated through individual data requests or from publicly available data.

Findings concerning Annex VI of Regulation No. 2021/2178, worksheet '0'

The use of CAPEX and turnover-based reporting has necessitated the duplication of KPI cells.

The definition of the KPIs shall be based on the following components:

a) the numerator, which shall cover the loans and advances, debt securities, equities and repossessed collaterals, financing Taxonomy-aligned economic activities based on turnover KPI and CapEx KPI of underlying assets.
b) (b) the denominator, which shall cover the total loans and advances, total debt securities, total equities and total repossessed collaterals and all other covered on-balance sheet assets.

Pursuant to point 1.2.3. (Fees and commissions) of Annex V, KPIs for trading book items and fees and commissions are applicable from 1 January 2026.

Findings concerning Annex VI of Regulation No. 2021/2178, Template 1

The template has been duplicated on the basis of counterparty turnover and CapEx data.

The numerators of the two GAR KPIs differ for (general) loans for unknown purpose, bond exposure and equity holdings to non-financial undertakings.

Exposures were analysed along the following customer segmentation:

- financial undertakings
- non-financial undertakings
- retail customers (with the following sub-categories: residential property, home renovation and car loans)
- local governments (only with the following sub-category: housing financing) – rental housing financing or known green loan purpose
- collateral obtained by taking possession, residential and commercial real estate

For the completion of the T-1 gross carrying amount fields, the exposures are filled in based on the bank databases, filtered for the T-1 period in the same way as for the T period. Data on taxonomy alignment is completed based on data from the 2022 report, where available.

Information on financial undertakings

According to the Bank's interpretation in 2024 (for the 2023 financial year) it will not be required to report the share of their Taxonomy-aligned economic activity in respect of exposures to financial undertakings. This is because financial institutions will only publish their GAR indicators in 2024 (concerning the end of 2023) and, therefore, the data are not available for financial institutions to include in their 2024 reports. Financial institutions will, therefore, only have to report them from 2025 (taking into account the latest available data). The published data on taxonomy eligibility is not comprehensive (no environmental breakdown), so the Bank was forced to rely on the information in the Bank's IT systems and the Bank's markers (for transactions that have undergone a green alignment assessment) to identify green exposures for the 2023 financial year. The Bank's short-term plans include the integration of financial counterparty reporting into bank group level controlling systems.

Information on non-financial undertakings

Customers covered by the NFRD were identified as follows:

	Public interest entities subject to NFRD under Hungarian accounting	Public interest entities subject to NFRD for the following EU subsidiary banks: Bulgaria, Croatia, Romania, Slovenia
Number of employees	> 500 persons	> 500 persons
	At least two of the following are met	listed on a stock exchange and
Total assets	> HUF 6 billion	> EUR 20 million
Annual net sales revenue	> HUF 12 billion	> EUR 40 million
Number of employees	> 250 persons	

For the application of the above filtering criteria, data compiled by an external data provider and existing in the banking systems were used.

Loans and debt securities exposures to non-financial undertakings were taken into account on the basis of known and unknown loan purposes. In the case of known loan purposes, transactions that have been designated on the basis of the Bank's eligibility and alignment checks have been taken into account. In the case of unknown loan purposes and for equity exposures, the counterparty's disclosed turnover and CAPEX eligibility and alignment information has been taken into account.

If no published information was available for the counterparty concerned, the Bank did not take into account the counterparty's exposures for the purposes of eligibility and alignment in the course of reporting.

The breakdown by environmental objective is not available for publicly available data for Taxonomy-eligible exposures, so the Bank presents data in the total (CCM + CCA) fields for the given exposure category for transparency and ease of interpretation.

A further limitation is that we currently have limited ability to identify and examine the group-level exposure of companies subject to the NFRD. The Bank's short term plans include the comprehensive and up-to-date identification of the non-financial counterparties concerned by the GAR report and the integration of the necessary data records into the appropriate banking IT systems.

Information on households

In preparing the report, the entities operating in the following countries were considered:

Bulgaria, Croatia, Hungary, Romania and Slovenia.

GAR for retail exposures to residential real estate or house renovation loans was calculated as a proportion of loans to households collateralised by residential immovable property or granted for house renovation purposes that is Taxonomy-aligned in accordance with the relevant technical screening criteria for buildings, in particular renovation and acquisition and ownership in accordance with Annex I and Sections 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, and 7.7 respectively of Annex II to Delegated Regulation (EU) No. 2021/2139 or Sections 3.1 and 3.2 of Annex II to Delegated Regulation (EU) No. 2023/2486, compared to total loans to households collateralised by residential immovable property or granted for house renovation purposes.

By households, the Bank means retail customers and sole proprietors.

Under EU Regulation No. 2021/2178, the Bank includes general purpose loans collateralised by residential immovable property in the gross exposure, but these exposures are excluded during the Taxonomy check.

In line with the spirit of the legal interpretation, in order to avoid duplication of exposures, the Bank has decided to show exposures related to building modernisation as defined in Section 7.2 of Annex I of the Delegated Act only in row 28 of Template and to exclude these exposures from loans collateralised by residential immovable property.

GAR for retail exposures to credit consumption loans for car loans shall be calculated as the proportion of loans financing cars complying with the technical screening criteria as laid down in Section 6.5 of Annex I to Climate Delegated Act. This GAR shall include disclosures of transitional activities, and disclosures of stock of loans only for loans granted after [the date of application of this Regulation (EU) No. 2021/2178] and flow of loans.

The special lending field cannot be interpreted for this exposure category and is not completed by the Bank in the report.

According to the European Commission's interpretation published in December 2023, the assessment of exposures to households must also be carried out according to the DNSH (do no significant harm) criteria. The Bank is unable to carry out such an assessment for this year's report due to lack of data. As part of the mandatory report, therefore, only the Taxonomy-eligible category will be presented. By doing so, the Bank will present, as part of the voluntary report, the compliance of its exposures to households with the criteria set out in the technical screening criteria test (as material contributory exposures that do not meet the DNSH condition).

Information on the financing of local governments

The Bank was unable to identify any exposure to rental housing financing beyond any doubt, so the fields in this category do not contain any data.

Based on the interpretation of the legislation, exposures related to other non-rental housing or known green loan purposes must be excluded from both the numerator and denominator of the GAR. Accordingly, all other exposures to local governments are reported under the category "Other assets not included in the GAR calculation" in the Sovereign Entities row.

Information relating to collateral obtained by taking possession, residential and commercial real estate

For the given exposure class, the methodology used shall contain the gross carrying amount of commercial and residential repossessed real estate collaterals compliant with the technical screening criteria for buildings in Section 7.7 of Annex I to Delegated Act.

The denominator shall include the total gross carrying amount of held-for-sale commercial and residential real estate collaterals repossessed by the credit institution.

Due to the inconsistencies between Annex V and Annex VI of Regulation No. 2021/2178, the Bank has taken the opportunity to insert rows in Annex VI to ensure consistency with Annex V and by reference to Regulation No. 2022/2453, whereby the relevant rows in the first template of Annex VI of Regulation No. 2021/2178 will be presented as follows:

30 Financing of local governments
31 Housing financing
32 Other local government funding
33 Collateral obtained by taking possession, residential and commercial real estate

Findings concerning Annex VI of Regulation No. 2021/2178, worksheet '2'

The Bank's interpretation is that column (a) of the template should contain – in a breakdown by 4-digit NACE code – the core activities of all the Bank's counterparties that fall within the scope of the NFRD.

Findings concerning Annex VI of Regulation No. 2021/2178, worksheet '3'

In this template, the Bank has disclosed the GAR KPI for the loan portfolio, which have been calculated for the covered assets on the basis of the data reported in template 1, using the formulae provided in the template published by the Commission.

The Bank has duplicated this template for turnover-based and CapEx-based disclosures.

Findings concerning Annex VI of Regulation No. 2021/2178, worksheet '4'

The Bank has duplicated this template for turnover-based and CapEx-based disclosures. In disclosing information on changes in portfolio, the Bank has reported exposures incurred in the current year.

Findings concerning Annex VI of Regulation No. 2021/2178, worksheet '5'

In the calculation of the KPIs for off-balance sheet exposures (financial guarantees and assets under management), the Bank has used the data on covered assets provided in Table 1 and the formulas suggested in this table. Exposures for which information was not available in the Bank's systems are not considered and disclosed in this report. ***Findings concerning Annex XII of Regulation No. 2021/2178***

The Bank makes the following disclosures pursuant to Article 8(6) to (7) of Regulation No. 2021/2178: The Bank makes the following disclosures pursuant to Article 8(6) to (7) of Regulation 2021/2178, on the basis of information published by the data owners:

Table 1: Nuclear and fossil gas related activities

	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	**No**
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	**Yes**
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	**Yes**
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	**Yes**
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	**Yes**
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	**Yes**

Table 2: Taxonomy-aligned economic activities (denominator)

in HUF million

	Economic activities	Amount and proportion - Turnover						Amount and proportion - Capex					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%					0	0%				
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%					0	0%				
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	4,241.3	0.02%	4,241.3	0.02%			5,831.8	0.02%	5,831.8	0.02%		
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%					0	0%				
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%					0	0%				
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%					0	0%				
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	25,851,399	99.98%					25,849,808	99.98%				
8.	**Total applicable KPI**	25,855,640	100%					25,855,640	100%				

Table 3: Taxonomy-aligned economic activities (numerator)

in HUF million

	Economic activities	Amount and proportion - Turnover						Amount and proportion - Capex					
		(CCM+CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%					0	0%				
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%					0	0%				
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	3,997.4	32%	3,997.4				5,916.6	25%	5,916.6			
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%					0	0%				
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%					0	0%				
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%					0	0%				
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	8,454	68%					17,564	75%				
8.	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	12,451	100%					23,481	100%				

Table 4: Taxonomy-eligible but not taxonomy-aligned economic activities

in HUF million

	Economic activities	Amount and proportion - Turnover						Amount and proportion - Capex					
		(CCM+CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%					0	0%				
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	10.6	0%	10.6				0	0%				
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%					0	0%				
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%					171.4	0.01%	171.4			
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	507.2	0.02%	507.2				402.3	0.01%	402.3			
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0%					16.4	0%	16.4			
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	3,374,915	99.98%					3,389,945	99.98%				
8.	**Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	3,375,433	100%					3,390,535	100%				

Table 5: Taxonomy non-eligible economic activities

in HUF million

	Economic activities	Turnover		Capex	
		Amount	Percentage	Amount	Percentage
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		0%		0%
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		0%		0%
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		0%		0%
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1,708.3	0.01%	1,371.6	0.01%
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		0%		0%
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		0%		0%
7.	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	22,478,499	99.99%	22,478,835	99.99%
8.	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	22,480,207	100%	22,480,207	100%

II. Voluntary report

One of the key objectives of OTP Group's ESG strategy is to increase its green portfolio. The stock of green exposures are presented here according the OTP Group's internal green KPI, which reached HUF 656 billion (including the part identified by green assessment but not yet reported in the controlling system, HUF 679 billion) by the end of 2023. Significant part of this portfolio is towards non-financial corporates not subject to NFRD and as well as the financing activities of subsidiaries outside the EU. As part of the voluntary report, the Bank presents the composition of its broader green portfolio, in both the corporate and retail segments. The internal green KPI is based on exposures comply at least one of the following: OTP Group's Green Loan Framework, the OTP Group Sustainable Finance Framework and the MNB's preferential capital requirements program for green municipal, corporate and retail exposures, the also the EU taxonomy. By end of 2023 OTP Green Loan Framework exposures aligned with EU Taxonomy was approximately 3.4 billion Ft.

The template below shows the extent to which the exposures in the Bank's green portfolio are aligned with EU taxonomy requirements. Exposures in the Taxonomy-eligible category also follow use-of-proceeds approach, while the taxonomy-aligned category is reported based on compliance with the technical screening criterion (TSC). For corporate exposures, the assessment is fully in line with the TSC and MS alignment requirements, while for retail exposures, the compliance with DNSH and MS (Minimum Safeguards) has not been assessed.

		OTP Green Portfolio (CCM + CCA)			
in HUF million	Total gross carrying amount	of which aimed at loan purposes relevant to the Taxonomy (Taxonomy-eligible)	of which environmentally sustainable (Taxonomy-aligned)	Share of Taxonomy-eligible exposures*	Share of Taxonomy-aligned exposures*
Non-financial undertakings	9,578,080	508,012	3,396	5.30%	0.04%
Loans and advances	9,282,028	470,508	3,396	5.07%	0.04%
Debt securities	293,211	37,503		12.79%	0.00%
Households**	11,722,507	171,234	62,980	1.46%	0.54%
of which: loans secured by residential real estate	4,915,444	167,142	58,988	3.40%	1.20%
of which: building modernisation loans	127,689	100	-	0.08%	0.00%
of which: car loans	446,413	3,992	3,992	0.89%	0.89%
Total GAR assets	25,679,052	679,246	66,376	**2.65%**	**0.26%**

* calculated at the gross carrying amount of the relevant exposure
** DNSH, without MS test

The Taxonomy-eligible share of non-financial undertakings relative to gross carrying amount exceeds 5%.

A significant proportion of the household exposures in the green portfolio are related to the Hungarian entity, and we expect the green share of the portfolio to increase as data quality improves.

The aggregate Taxonomy-eligible share as a proportion of assets included in the GAR calculation exceeds 2.5% while the share of Taxonomy-aligned exposures exceeds 0.25%.

III. Independent report by OTP Fund Management

Template for the KPI of asset managers

Standard template for the disclosure required under Article 8 of Regulation (EU) No. 2020/852 (asset managers)

The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-aligned economic activities relative to the value of total assets covered by the KPI, with following weights for investments in undertakings per below: Turnover-based: 1.35% CapEx-based: 1.93%	The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-aligned economic activities, with following weights for investments in undertakings per below: Turnover-based: HUF 31,796,128,854 CapEx-based: HUF 22,282,164,194
The percentage of assets covered by the KPI relative to total investments (total AuM). Excluding investments in sovereign entities, coverage ratio: 5.42%	The monetary value of assets covered by the KPI. Excluding investments in sovereign entities. Coverage: HUF 89,511,419,370
Additional, complementary disclosures: breakdown of denominator of the KPI	
The percentage of derivatives relative to total assets covered by the KPI. -	The value in monetary amounts of derivatives: -
The proportion of exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive No. 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: 2.19% For financial undertakings: 14.77%	Value of exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive No. 2013/34/EU: For non-financial undertakings: HUF 36,108,426,625 For financial undertakings: HUF 243,948,380,249
The proportion of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive No. 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: 6.08% For financial undertakings: 5.39%	Value of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive No. 2013/34/EU: For non-financial undertakings: HUF 100,473,439,807 For financial undertakings: HUF 89,000,990,894
The proportion of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive No. 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: 8.02% For financial undertakings: 49.91%	Value of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive No. 2013/34/EU: For non-financial undertakings: HUF 132,484,817,417 For financial undertakings: HUF 824,203,191,271
The proportion of exposures to other counterparties and assets over total assets covered by the KPI: 13.63 %	Value of exposures to other counterparties and assets: HUF 225,144,631,767
The value of all the investments that are funding economic activities that are not taxonomy-eligible relative to the value of total assets covered by the KPI: -	Value of all the investments that are funding economic activities that are not taxonomy-eligible: -
The value of all the investments that are funding taxonomy-eligible economic activities, but not taxonomy-aligned relative to the value of total assets covered by the KPI: -	Value of all the investments that are funding Taxonomy-eligible economic activities, but not taxonomy-aligned: -
Additional, complementary disclosures: breakdown of numerator of the KPI	
The proportion of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive No. 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: Turnover-based: 1.35% Capital expenditures-based: 1.93% For financial undertakings: Turnover-based: - Capital expenditures-based: -	Value of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive No. 2013/34/EU: For non-financial undertakings: Turnover-based: HUF 31,796,128,854 Capital expenditures-based: HUF 22,282,164,194 For financial undertakings: Turnover-based: - Capital expenditures-based: -
The proportion of Taxonomy-aligned exposures to other counterparties and assets over total assets covered by the KPI: Turnover-based: -	Value of Taxonomy-aligned exposures to other counterparties: Turnover-based: - Capital expenditures-based: -

Capital expenditures-based: -		
Breakdown of the numerator of the KPI per environmental objective		
Taxonomy-aligned activities:		
1. Climate change mitigation		
Transitional activities	Turnover: 0.02% CapEx: 0.13%	HUF 346,004,571 HUF 2,091,506,111
Enabling activities:	Turnover: 0.08% CapEx: 0.18%	HUF 1,360,074,552 HUF 3,008,731,644
2. Climate change adaptation		
Transitional activities	-	-
Enabling activities:	Turnover: 0.02% CapEx: 0.06%	HUF 327,518,516 HUF 1,029,909,809

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;

The KPI considered covers the equity and bond assets in the funds and portfolios managed by the Fund Manager, but does not include collective investment schemes and investments in government securities, which may represent a significant proportion of certain portfolios, where data are not available.

For the various activities in this reporting period, only activities related to climate change mitigation and adaptation to climate change are covered.

Further limiting the coverage, the data reporting obligation under Articles 19a and 29a of Directive No. 2013/34/EU only covers a limited number of target companies receiving the Fund Manager’s investments, thus in respect of a significant part of the investments, the Fund Manager and its ESG service provider (MSCI ESG Research) do not have usable data.

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;

OTP Fund Management does not have a general objective in respect of Taxonomy-aligned economic activities that is typical of fund management as a whole, but it does take into account the impact of a particular investment on environmental objectives, in particular GHG emissions, waste and pollutant emissions and water load, when assessing the sustainability of a particular investment.

The fund manager has specific environmental objectives for the SFDR funds it manages as follows:

<u>OTP Climate Change Fund (OTP Klímaváltozás Alap)</u>

The primary objective of the Fund is to mitigate climate change and promote adaptation to climate change. The Fund aims to achieve its objective, in accordance with Article 16 of the Taxonomy Regulation, by investing in companies whose activities, mainly through the products they produce, contribute directly to the activities of other companies making a significant contribution to the fight against climate change. The Fund does not have a sustainability objective, but commits to invest at least 51% of its investments in sustainable investments, within which 10% are Taxonomy-aligned environmentally-sustainable investments.

<u>OTP Omega Alapok Alapja (OTP Omega Fund of Funds)</u>

The Fund invests in other actively and passively-managed funds in accordance with the fund of funds structure. The research advisor (MSCI) publishes an ESG rating for some funds, but not for others. This depends partly on the business considerations of the ESG consultant, but also partly on the business considerations of the individual fund managers themselves. The Fund does not have a sustainability objective, but commits to invest at least 51% of its investments in sustainable investments, within which it will not invest in Taxonomy-aligned environmentally sustainable investments.

<u>OTP Ökotrend Alap (OTP Ecotrend Fund)</u>

The Fund seeks to make a commitment to promote environmental features, primarily through its bond portfolio. The Fund plans to invest partly in green government bonds to finance or refinance expenditures that promote the transition to a low-carbon, climate resilient and environmentally sustainable economy. Thus, it falls into one of the six green sectors: renewable energy, energy efficiency, waste and water management, land use and use of living natural resources, clean transport, and adaptation. The Fund does not have a sustainability objective, nor does it have a commitment to a minimum ratio of sustainable investments.

Description of the compliance with Regulation (EU) No. 2020/852 in the financial undertaking’s business strategy, product design processes and engagement with clients and counterparties;

OTP Fund Management is committed to taking sustainability risks into account in its investment decisions and to continuously increasing the number of SFDR-rated products that invest in a significant share of sustainable investments.

For funds and portfolios that have a commitment to sustainable investment under the Taxonomy Regulation, the EU taxonomy DNSH indicators are taken into account in addition to the sustainability indicator calculated by the ESG data provider selected by the Fund Manager (MSCI ESG Research) to determine Taxonomy compliance, in accordance with the commitment of the fund/portfolio concerned.

2.4. Other green services

Cogo – transaction-based CO2 calculator in the Hungarian mobile bank

New Zealand's Cogo has been selected as a partner of our Bank in 2022 as part of the OTP Startup Booster Programme. As a result of the cooperation, the transaction-based carbon calculator was launched in the domestic mobile bank at the end of summer 2023, which also encourages the reduction of the carbon footprint. Cogo has more than 10 years of experience in sustainability, with several banks using its calculator with proven results. The calculator:
– calculates the monthly carbon footprint,
– compares it with the Hungarian population average, and
– also shows emissions by spending category.

To ensure the most accurate operation possible, Hungarian factors are used in the calculation and are reviewed and corrected on a quarterly basis.

Cogo also improves the knowledge of users: the interface allows users to become familiar with how the calculator works. In the future, we plan to introduce an ecological footprint calculator for MSE customers.

Also in the framework of the 2022 OTP Startup Booster Program, we selected the solution by software company Agremo, with which we started a long-term cooperation. The software uses drone and satellite imagery data to perform yield analysis and forecasts for agricultural areas. The Serbian subsidiary plans to introduce this in 2024.

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. In 2023, we operated 167 MFB Points (at 49% of branches), offering both retail and business banking products. In 2023, two loan schemes were available to private individuals, condominiums and housing co-operatives that served an environmental purpose by using renewable energy sources and/or making energy efficiency investments. Three loan schemes were available to companies for the same purposes. In 2023 (due to the deadline for the full closure of the 2014-2020 EU budget cycle), the sale of all loan schemes closed, but disbursements were still made and the portfolio was significant at the end of the year: HUF 31.4 billion in the retail segment and HUF 5.2 billion in the SME segment. The amount of loans disbursed in 2023 was HUF 409 million. Among the products sold at MFB Points, the above loan purposes accounted for 11.4 percent of the portfolio.

BG The DSK Mastercard Wildlife Impact Debit Card was available at DSK Bank in 2023 for the second year running. 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. 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.

RS The Serbian subsidiary bank also continued its cooperation with the Mastercard Priceless Planet Coalition. The subsidiary bank 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. Over the past three years, more than 80,000 trees have been planted with the bank's help.

Gamechanger

RS Generator (Gamechanger) is the Serbian subsidiary bank's programme that has been helping local startups for a number of years now. In 2023, the Generator Zero competition launched in the context of the programme again sought for and rewarded specifically innovative climate change mitigating and carbon footprint reducing solutions.

In addition to the HUF 6.5 million cash prize, the winner received mentoring and additional prizes from two supporting partner organisations. In 2023, a record 116 entries were received for the competition, which was won by the Fragment board project with its building material made from 73% recycled glass. The Serbian subsidiary bank rewarded the MOSQ-SWITCH team with an opportunity to be featured. Their product is a booth installed in a public space that sprays customers with a mosquito repellent made of natural materials that lasts for three hours.

RO The Romanian subsidiary bank continued its programme to support the purchase of tickets for public transport by bank card. In 2023, contactless ticket purchases became available at terminals installed in Timisoara and Satu Mare.

The **OTP Hungaro-Project** helped its customers in drafting applications and in winning grants in 2023 as well. During the year, 90 percent of customers were agricultural businesses. The company submitted 69 grant applications for its customers under the EU Rural Development Programme for irrigation development, at a total cost of HUF 50.4 billion. Under the Factory Saver Scheme, 11 applications were submitted to support energy efficiency and energy production investment projects. Of these, 9 applications (HUF 6 billion in grant amount, total cost of HUF 14 billion) were awarded a grant, and deliberation for two applications were still pending at the end of the year.

2.5. Investments

ST1, ST3, ST4: 3-3, TCFD II.a,b, III.a,b,c, IV.a **Meeting the growing regulatory requirements for investment funds and investment services is an ongoing challenge. The mandatory publication in 2023 of the Statement on the principal adverse impact of investment decisions on sustainability factors and the expansion of the scope of ESG data for issuers provides an increasingly accurate picture of the sustainability characteristics of funds. The range of responsible funds available to customers has expanded.**

FN-IB-410a.3. In 2023, the Statement on the principal adverse impact of investment decisions on sustainability factors (also including principal adverse impact indicators) was published for the first time, for both fund managers and portfolio management activity in 2022. These documents are available on the group members' websites in accordance with the requirements of the SFDR Regulation[19].

In the case of the discretionary portfolio management service, in 2023 we expanded the exclusion rules set as a percentage limit to include the MSCI Overall Flag indicator, in addition to the controversial armament that was already in place. The Overall Flag is a general indicator to assess the overall sustainability performance of a company or investment fund (environmental, social or governance controversial issues). For this service, we also apply 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 has not changed in 2023, and 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 scope of issuer ESG data is constantly expanding, so the sustainability perception of financial instruments may change without a modification in methodology.

OTP Fund Management applies a screening system based on an exclusion list to take account of the principal adverse impacts, with limits set for tobacco, gambling, coal mining, weapons, alcohol and authoritarian regimes. Data sources for sectoral limits are Bloomberg, MSCI ESG Manager and MSCI BarraOne. The principal adverse impacts are assessed on a monthly basis, while the ESG limits for the SFDR Article 8 funds are assessed on a weekly basis and are set out in the Sustainability Risk Management Policy.

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 1.97 percent of the assets managed at the end of 2023.

Responsible investments

ST4: 3-3, GRI 201-2 The Banking Group's fund managers offer a number of ESG funds to their customers. The OTP Group's four own funds promote environmental and/or social characteristics and are, therefore, Article 8 compliant products according to the SFDR classification.

In 2023, OTP Fund Management established the @OTP Ökotrend Hozamvédett Zártvégű Alap (OTP Ecotrend Yield-Guaranteed Closed-End Fund), whose subscription period closed on 27 October. The fund also offered a suitable opportunity for low-risk investors, aiming to benefit from the economic transformation and green transition resulting from the objectives of the transition to renewable resources, with a particular focus on new energy storage solutions, the automotive industry and new transport technologies. The fund gains exposure to companies active in the sector through options, and provides capital protection and fixed returns through interest-bearing instruments.

[19] Regulation (EU) No. 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

The previously registered SFDR Article 8 funds of the Banking Group were also available.

The aim of OTP Fund Management'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. As of December 2023, at least 70 percent of the final portfolio must be made up of equities of companies that have a good – "sustainable" – ESG rating besides contributing, in our opinion, to the conservation of planet Earth.

In the case of @Omega Alapok Alapja (Omega Fund of Funds), the objective is to have SFDR Article 8 or Article 9 funds have at least a 70 percent weight. Again, at least 50 percent of the final portfolio must be made up of equities of companies that have a good – "sustainable" – ESG rating.[20]

The number of fund units in circulation of the two open-ended funds decreased in 2023. At the end of 2023, the assets of the OTP Ecotrend Fund amounted to HUF 1.8 billion, the assets of the OTP Climate Change Equity Fund to HUF 29.8 billion and the assets of the OTP Omega Fund of Funds to HUF 36.4 billion. **The three ESG funds accounted for 1.71% of OTP Fund Management's total assets under management.**

RO The Article 8 investment fund of OTP Asset Management Romania SFDR is the @OTP Innovation Fund. The fund invests in 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 measures in terms of the MSCI ratings. The fund applies an exclusion policy as well. The fund's total asset amounted to HUF 553 million and had nearly 500 investors at the end of 2023.

As well as the Banking Group's own ESG funds, other fund managers' ESG funds are also available for customers. At the end of 2023, the portfolio of investment funds under Articles 8 and 9 of the SFDR accounted for 2.17 percent of the retail securities account portfolio.

In the context of investment advisory activities, the five "green" model portfolios, which meet the most stringent sustainability preferences and are based on the framework set out in the MIFID2[21] framework fitness test, are renewed on a quarterly basis. At renewal, financial products are selected in accordance with the *Statement on the principal adverse impact of investment advice on sustainability factors*, which is effective as from the beginning of 2023. The proportion of customers opting for "green" model portfolios is still low, and we have not seen an increase in demand in this area.

SI Slovenian NKBM offers 29 SFDR Article 8 funds to its customers (managed by Raiffeisen Capital Management, Sava Infond and Triglav Skladi), while SKB offers Amundi funds that promote environmental and/or social objectives.

2.6. Products with social benefits

ST1: 3-3 **Most of the OTP Group banks offer products aimed at young people and some banks also offer products aimed at the financial needs of the elderly. Several members of OTP Group offer preferential schemes to facilitate housing.**

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.

OTP Group offered special preferential products for **young people** in 9 countries[22] in 2023. At group level, 13% of retail customers (2.2 million customers) are under 26 years old. 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 offer preferential terms for accounts held for the receipt of scholarships.

In 2023, OTP Bank introduced the Student Loan Account, which provides students with preferential account management and banking services. The account can also be opened online. We have extended the discounts for Junior accounts: for those over 14 years of age, there is no charge for mobile or internet bank

[20] Based on Bloomberg Industry Classification data

[21] DIRECTIVE No. 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive No. 2002/92/EC and Directive No. 2011/61/EU, and the relevant regulations. The test is designed to assess 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.

[22] Hungary, Bulgaria, Slovenia, Croatia, Albania, Montenegro, Uzbekistan, Ukraine, Romania, Moldova. The age limit is not 26 for all schemes.

transfers, or for group direct debits up to a certain amount, and we have also extended the discounts for university students. We have created the Career Start account package, which offers a preferential account management option for customers aged 18–28.

RS The Serbian subsidiary bank has introduced a debit card for 11–18 year olds linked to their parents' accounts.

UZ The Uzbek subsidiary bank offers a preferential loan for BSc and MSc tuition fees, with state subsidisation. For women, the interest on the loan is covered by the state. The loan was taken out by 35,541 people in 2023.

RO During the year, the Romanian subsidiary bank expanded the availability of the debit card for the youngest, making it available from the age of 8, with parental supervision. The bank has introduced internet banking and mobile banking for 14–18 year olds, and to encourage students to open an account online, administrative fees are waived up to the age of 25. OTP Bank Romania, with the support of the *Szülőföldön magyarul (In Hungarian in the motherland) programme*, is offering a dedicated debit card to students studying in Romania in Hungarian language to access scholarships. The programme affects 185,000 young people.

The number of **pensioner customers** typically surpasses that of younger customers at the banks of OTP Group. Special products are available in 6 countries, Bulgaria, Croatia, Serbia, Albania, Montenegro and Ukraine, to meet their needs. No new product/service was introduced in this segment in 2023.

Piggy Bank

OTP Bank has introduced a new feature on the internet and mobile banking platform to encourage conscious money management and savings. Savings can be put aside in different piggy banks (for different purposes) on an ad hoc basis or on a regular basis. Customers can also assign a target amount and a target date to the piggy banks, making it easy to track where they stand in reaching their target. The scheme is completely flexible, they can withdraw a part of the amount from the piggy bank before reaching the target, or empty the piggy banks completely and the amount is returned to the payment account with just one click. The popularity of the feature is demonstrated by the fact that in the 5th month after its launch, more than 100,000 customers had a Piggy Bank account.

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.

BG DSK Bank provides customers with reduced mobility accounts with debit cards under preferential terms and conditions, which were used by close to 42 thousand customers at the end of the year.

Disabled customers can apply for the housing accessibility grant at OTP Bank, which was used by 316 customers in 2023.

A state-subsidised loan has been available for couples planning or expecting a child in Hungary for several years. An important feature of the interest-free **Childbirth Incentive Loan** of up to HUF 10 million is that the debt is assumed by the state in case a minimum of three children are born. The loan was originally planned to be available until the end of 2022 but remained accessible in 2023, and due to the uncertainty of eligibility, we experienced a surge in applications in December 2022 and expected a significantly lower take-up in 2023. This expectation came true: In 2023, we disbursed 41 percent less in loan amounts than in 2022. OTP Bank's share of disbursements in 2023 was nearly 40%, while its share of the outstanding portfolio was 42%. The share of loans in the volume of retail consumer credit disbursements fell significantly to 28%.

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.[23] We provide our customers with predictable loans, taking into account their capacity to bear the costs and helping them to adopt energy-efficient solutions. The number of active housing loans of OTP Group exceeded 500 thousand at the end of 2023, of which the number of new loans was 48 thousand. In addition to Hungary, we provide increased assistance for house purchasing and renovation in Uzbekistan, Bulgaria, Slovenia, Serbia and Croatia.

[23] 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.

Demand for housing loans in Hungary remained subdued in 2023. Approximately 16 thousand contracts were concluded during the year. The number of active housing loans was 217 thousand[24] at the end of the year, while our market share increased by 0.5 percentage points to 31.3 percent by the end of the year. Throughout the year, there was an interest rate freeze in place, which led us to suspend the sale of mortgage loans with fixed interest rates not until the end of the term, including the market-based Qualified Consumer-friendly Housing Loan (MFL). We introduced a one-off interest rate reduction service for our non-MFL market-based housing loans and general purpose mortgage loans, available from the 121st month.

The OTP 1x1 Housing Loan scheme, launched for second-hand home purchase loans, was available with an interest rate reduction of 50 basis points.

In 2023, the Home Qualified Consumer-friendly Subsidised Housing Loan was still available, with nearly 6,000 new transactions during the year, worth HUF 57.7 billion in total. The product accounted for 30 percent of all mortgage loans signed in 2023. As in previous years, non-refundable grants were available under the Family Housing Allowance (CSOK) programme, with a total disbursement of HUF 46.8 billion in 2023.

During the year, 79% of housing loans taken out with the Hungarian Banking Group were used to purchase second-hand homes, a significantly higher proportion than before; only 8% each were used for construction, extension and new home purchases, and 5% for renovation and modernisation.

In 2023, OTP Ingatlanlízing continued to offer a preferential home leasing scheme for customers belonging to the Hungarian Defence Forces. The product was used for 41 new transactions during the year.

Several preferential options were also available at the subsidiary banks.

SI Both Slovenian subsidiary banks participated in the loan scheme facilitating first home purchases with a state guarantee for young people, which only a few customers had taken advantage of by the end of the year.

HR The Croatian subsidiary bank also offered preferential loan terms for the purchase of a first home, with state subsidisation. The rate of interest subsidies were higher in less developed regions. In 2023, approximately 900 loans were disbursed, worth HUF 38.3 billion in total.

UZ A state-subsidised housing loan was also available at Ipoteka Bank, with more than 3,500 people taking advantage.

UA The Ukrainian subsidiary bank joined the state assistance programme for owners of war-damaged houses. The support can be applied for via the bank's mobile app and is paid into an OTP Bank account. The service is free of charge.

RO The Romanian subsidiary provided mortgage loans with state guarantee to help young people purchase their first homes. Under the scheme, OTP Bank was able to offer loans with a 15 percent higher loan amount, and also linked to this scheme was the possibility of granting preferential loans for A, B or C energy-efficiency category housing. In 2023, 39 loan transactions amounting to HUF 718 million were concluded. More than 80 percent of the new housing loan applications submitted to the Bank in 2023 were for homes with A and B energy-efficiency category.

MD The Moldovan bank continued its participation in the First Home programme, where the maturity was extended from 84 months to 300 months. In 2023, the bank disbursed 14 new loans amounting to HUF 164 million. The number of active loans under the preferential scheme was 862 at the end of the year.

In Hungary, OTP Bank plays an important role in serving the financial needs of **condominiums**. At the end of 2023, the number of condominium customers was almost the same as the previous year, at over 39,000. At Group level, the number of condominium customers reached 50,000, with OTP Bank Croatia and CKB having a larger customer base in terms of population.

OTP Condominium grant scheme

For the 15th time, the parent bank announced its Condominium Grant Campaign, doubling the amount of support compared to the previous year to HUF 30 million. This time, the professional jury selected 15 winners from nearly a thousand entries. The aim of the campaign was to improve the quality of the close environment of condominiums and housing co-operatives and to promote energy-efficient investments in their operation. Of the 15 winning condominiums, 8 were outside of Budapest and 7 in Budapest. The winning rural apartment buildings are equally divided between the Transdanubian and Eastern Hungarian regions.

As a new element in 2023, the Bank supported Habitat for Humanity Hungary's Second Chance Program with HUF 1 million for every 100 valid applications submitted. As a result, we gave the organisation a grant

[24] OTP Core and OTP Ingatlanlízing

of HUF 10 million, and with this money we have created – through voluntary work – a decent and affordable home for a family with young children who have lost their housing. OTP Bank volunteers also participated in the renovation of the home.

Micro, small and medium-sized business customers

ST1: 3-3 Micro and small business loan portfolios varied across the group's banks. There was an outstanding increase of around 20 percent in Croatia, and the portfolio also increased in Montenegro. In several countries – Hungary, Bulgaria, Albania, Romania – the portfolio stagnated.

In Slovenia, the overall portfolio increased as a result of the acquisition of NKBM, while SKB's portfolio decreased year-on-year due to a decline in investment loans that started in the third quarter.

The Serbian subsidiary bank saw a slight decrease in portfolio volume. The expected growth did not materialise because the EIF Guarantee Fund (Cosme), which accounts for 60% of the segment's lending, was exhausted at the beginning of 2023. In addition, as a result of the portfolio re-segmentation, part of the loans have been moved to the medium-sized business category. There were also decreases in the Ukraine, Russia and Moldova.

In Hungary, the segment was dominated by products interest-subsidised by the state. In particular, the **MAX+** products of the **Széchenyi Card Programme** were available to micro, small and medium-sized enterprises, providing them with preferential access to the resources necessary for the maintenance and development of their business. We were the first to launch the Széchenyi Card MAX+ product on the market, with a market share of 41%. Energy efficiency investment projects were prioritised in the scheme (see also @2.2). The Baross Gábor Reindustrialisation Loan Scheme also provided preferential funding to companies to offset the negative impacts of the energy crisis and the disruption in international value chains.[25]

GRI 203-2 The loan products available through **MFB Points** (see also @2.4) were also popular among SMEs as a result of the waiver of bank fees. In 2023, due to the funding cycles of EU grants, no new loan products were available, but there was still HUF 168.8 billion in disbursed loans to support the development of businesses.

OTP Bank has renewed its pre-financing product for agricultural grants, which was launched in December 2023 and will show results in 2024.

OTP Bank's OTP Business Café online series of events supports the knowledge and skills of small and medium-sized entrepreneurs with useful and inspiring discussions. The event feature a given success story, an inspiring interview about the economic success of the business concerned. The series has been running for 3 years and has around 10,000 subscribers on YouTube.

Our subsidiary banks have also worked with a number of public and international institutions to support the SME sector.

RS The Serbian subsidiary bank participated in a programme implemented in cooperation between the Ministry of Finance and the Serbian Development Agency (with EU funding), which provides non-refundable grants and loans to small businesses, sole proprietors and cooperatives for the purchase of production equipment or machinery, as well as for energy efficiency and environmental protection developments. In 2023, 12 new loans were disbursed under the facility for a total of HUF 262 million, with a year-end portfolio of 56 loans totalling HUF 993 million.

UZ A facility is available with the Uzbek subsidiary bank to provide access to loans on preferential terms with state support to local service sector manufacturers and producers for the overall development of enterprises and the economy and society of the Autonomous Republic of Karakalpakstan.

In the framework of the Women Entrepreneurs Programme, the Uzbek subsidiary bank cooperates with the Association for Businesswomen in Uzbekistan, providing training for women entrepreneurs. The training is available in all regions of Uzbekistan and is open to both potential and existing customers.

ME CKB participated in the EBRD's (European Bank for Reconstruction and Development) Regional SME Competitiveness Support Programme, which encourages businesses to meet EU and international standards by offering a preferential scheme to achieve a target in the areas of environmental protection, occupational health and safety, product quality and safety, and energy efficiency. The subsidiary bank has signed a framework agreement for HUF 1.1 billion for the scheme.

RO The Romanian subsidiary bank continued to be a partner bank in several schemes to help SMEs and sole proprietors to cope with the aftermath of COVID-19, the energy crisis and the effects of the war between

[25] The scheme was also available to large companies.

Russia and Ukraine. The bank has participated in the Start-up Nation and Women in Tech government-supported programmes. For beneficiaries of the programmes, the bank both transfers and pre-finances the grant. In total, 663 SME customers gained access to preferential funding in 2023.

UA OTP Bank Ukraine is participating in a joint programme with USAID to reimburse interest on loans to businesses that have been relocated or affected by war, or to micro and small enterprises in critical areas for economic recovery or that are owned by women.

MD The Moldovan subsidiary bank had access to the preferential scheme of the IFAD (International Fund for Agricultural Development) Young Entrepreneurs Loan, but it was not used by the bank's customers in 2023. From 2023, the subsidised loan was made subject to a maximum area size, which the bank's customers exceeded.

OTP Hungaro-Project and OTP Consulting Romania

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

In 2023, the OTP Hungaro-Project provided 90% of its services to agricultural enterprises, submitting applications, mainly for environmental projects, as described in Section @2.4. In the social and innovation area, it prepared an application with a total eligible cost of HUF 2.8 billion and a requested grant of HUF 1.4 billion. The application was not evaluated in 2023.

The OTP Hungaro-Project also supports the uptake of sustainable activities and related reporting through its ESG consultancy activities. In 2023, the company held ESG training for SMEs at three locations, supported by the Budapest Stock Exchange and funded by the European Union, with the participation of nearly 50 companies, and supported the preparation of the first ESG report of several companies.

RO In 2023, the Romanian subsidiary was involved in the implementation of three EU-funded projects started earlier, which aim to promote environmental awareness and the development of vulnerable and disadvantaged local communities through the development of human capital.

The two-year AID4NEETs project aimed to help young unemployed people in the north-east and central regions of the country, with a special focus on equal opportunities – minimum criteria were set for Roma people from rural areas and people from difficult backgrounds. The HUF 1.3 billion project, which concluded in 2023, helped more than 1,000 unemployed young people (NEETs) and supported the creation of 29 businesses.

The SIA – Innovative Students, Entrepreneurs of the Future project, and the Innovative Entrepreneurship for Students project also ended in 2023. The projects had a total budget of HUF 764 million (EUR 2 million) each, developed the entrepreneurial skills of at least 700 students and provided non-reimbursable support to 28 start-ups, creating 130 jobs. The projects were implemented in the seven least developed regions of Romania.

PortfoLion

OTP Group's venture capital fund manager invests in early, growth and mature stage companies. The company automatically excludes companies with a high ESG risk category from potential investments. The company's policy for managing sustainability risks is available on the @website.

In 2023, the company's portfolio also included companies whose activities contribute to social or environmental objectives.

Coding Giants is a Warsaw-based programming school that teaches the most popular programming languages to 7–19 year-olds using proprietary curriculum. 75 percent of the courses are delivered online. The company is the market leader in Poland, teaching around 15,000 students a year with 550 teachers. From September 2023, training has also started in Spain and Italy.

Renewabl enables its corporate customers to monitor their renewable energy consumption 24 hours a day and is working on an end-to-end platform where customers can choose the most appropriate renewable sources for their consumption profile.

OTP Social Lab

The Bank has been working to establish a radically new business model in 2023. The Social Lab aims to create a business programme that is sustainable and has a positive social impact in the longer term by addressing real social and environmental problems through innovative collaboration. The Bank seeks business solutions by using its relevant local knowledge, ecosystem and network of contacts to work with the community concerned. In 2023, it prepared, in the scope of broader cooperation, a concept that fits OTP Group, is sustainable in the long term, and is meaningful and pervasive for both society and business. It identified its material areas and set up its operational framework. The sustainable business model and related programmes will bring stakeholders together. The support of initiatives and the operation of the OTP Social Lab will commence in 2024.

2.7. Management of ESG risks

GRI 201-2, TCFD II.a,b, III.a,b,c, IV.a **A separate ESG Programme has been defined within the OTP Group Risk Strategy, prioritising the further development of ESG risk management procedures. Significant progress has been made towards this goal.**

In the framework of the ESG Risk Management Programme, tasks for the integration of ESG factors have been formulated for the various risk management areas and progress is monitored on a quarterly basis. The Supervisory Board was informed at the end of 2023 about ESG risk management issues, including developments for the identification and assessment of climate change risks.

The assessment of the adequacy of ESG risk management is mainly based on compliance with the MNB's Green Recommendations[26], on which regularly reporting is made to the Management Committee and the ESG Committee. The Recommendations set out specific expectations for the management of environmental risks. The Bank also monitors the content of the recommendations and guidelines of the European Banking Authority (EBA) and the European Central Bank (ECB). In the case of DSK Bank in Bulgaria and NKBM in Slovenia, the ECB has direct supervisory powers, thus compliance with the EBA/ECB's framework of expectations is a key focus for these banks in the assessment and management of environmental and climate risks. Supervisory expectations are increasingly ambitious in this area.

FN-CB-410a.2, FN-MF-450a.3. The **ESG risk management framework** for lending and monitoring for the corporate business, already applied at Group level from 2022, was revised in 2023, with the most significant change being the tightening of the methodology for the risk classification of leasing transactions for motorised assets, with specific, stricter categorisation rules for trucks. The policy was incorporated into the Credit Risk Policy of OTP Group concurrently with the revision.

The elements of the ESG risk management framework (ESG risk heat map, ESG exclusion list and ESG risk rating system) introduced in the corporate business are applied uniformly across the Banking Group. ESG considerations are reflected in individual corporate lending decisions, and methodologies are continuously developed in line with the evolution of available data and methodologies.

In terms of environmental risks, the Bank has started to establish a baseline database based on geospatial data to map physical risks for the assessment of climate risks. This helps to determine the link between the financial data of the borrowing firms and climate risk data. The methodology for assessing physical risks will also be incorporated into the individual corporate lending process.

HR Together with the Croatian Banking Association and other banks, the Croatian subsidiary has developed a questionnaire to assess the ESG performance of its customers, which will be applied from 2024.
ST9: 3-3*, own indicator* The ESG **exclusion list** has not changed in 2023. The list contains 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 exclusion list is set out in the Group's internal policies.

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

[26] 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

During the corporate credit approval process, the customers' and the transactions' ESG risk rating is seen, and taken into account, by the decision maker, in decision making.

GRI 2-13, TCFD I.a From 2023 onwards, reports on the Group's **ESG credit risk exposure** is provided to the Credit and Limit Committee on a monthly basis and to the Board of Directors on a quarterly basis. Improving data quality and eliminating deficiencies between data systems is ongoing.

UZ In 2023, the Uzbek subsidiary bank applied its previously introduced environmental and social risk management system to all corporate loans. The system was developed with experts from the International Finance Corporation (IFC) and follows the IFC's Environmental and Social Management System (ESMS) methodology. The bank has an ESG risk management policy and regulations in place, as well as an exclusion list, also based on the IFC list. The system has been operational since 2021. As a first step, transactions are screened against an exclusion list and then categorised according to ESG risks in order to determine which ESG assessment needs to be carried out. Following the ESG assessment, the environmental and social conditions of the financing are established and included in the loan contract. Once the contract is signed, the fulfilment of ESG requirements is monitored.

The Group has also further developed **its ESG lending appetite framework**. In addition to the exclusion list, the indicator applied from the beginning of 2023 is to limit the share of new transactions with a high ESG risk rating within new risk exposure by setting a limit. The limit is part of the Risk Appetite Statement for OTP Bank and part of the Corporate Lending Policy for the subsidiary banks in three EU Member States (Bulgaria, Croatia and Slovenia). The utilisation of the limits is back-tested quarterly, as part of internal monitoring. Additional ESG-specific guidelines were incorporated into the 2024 Corporate Lending Policies.

In the case of the collateralised commercial real estate, the application of the **ESG valuation** methodology developed by OTP Jelzálogbank Zrt. was launched in the Hungarian operation in February 2023. Qualification is based on ESG factors. ESG data fields have been created in the bank's record-keeping system, and their completion is partially automated from information in the state's Lechner Knowledge Centre database. The methodology is shared with the subsidiary banks on a scheduled basis by incorporating the valuation procedures into the group-wide property valuation guidelines.
In the retail sector, ESG risks are most significant for retail loans secured by real estate. In the case of residential property collateral, ESG risk categories (4 categories) have been set up for 2023, taking into account the value of the energy feature. In Hungary, ESG risks are identified on a quarterly basis. This methodology has been added to the Collateral Valuation Regulation, and the extension to subsidiary banks is gradual. Energy certificates are not used in all countries of operation of OTP Group, and the lack of availability is estimated according to a methodology developed within the organisation.

GRI 201-2 The second **climate change stress** test was carried out in 2023 as part of the internal capital adequacy assessment process, with an improved methodology. The stress test (CChSTs) focused on the determination of financial losses due to climate change, and assessed the exposure of OTP Group's portfolio to physical and transition risks in the long term (until 2050) and the short term (in the next 3 years).

The long-term results show that even under the worst-case so-called Hot House scenario, annual losses would increase only modestly (by about 0.15 percentage points of credit exposure) until 2050, compared to the climate-neutral path. 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.[27]

The short-term analysis shows that transition risks can lead to a credit loss in the corporate portfolio that is about 10 percent higher in the scenario where transition risks become material, compared to the base stress scenario. In terms of market risks, transition risks are not significant (market risks are interpreted in relation to the risks to the Group's trading portfolio). The third element of the short-term analysis is the operational risk of non-compliance with climate change regulations and other stakeholder expectations. Based on our analysis, this may represent a non-negligible but tolerable reputational loss (~0.15% of total capital).

GRI 305-3, 305-5, TCFD II.c, IV.b As a step to mitigate climate risks in preparation for the decarbonisation plan, a second **estimate of indirect greenhouse gas emissions for the credit portfolio (Scope 3, Category 15 financed emissions) was produced** in 2023. The calculation based on the PCAF (Partnership for Carbon Accounting Financials) Greenhouse Gas Protocol methodology has been refined, and IT development for the integration of customer data and estimation has started.

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

Based on the results, the Banking Group has started to develop a Group-wide decarbonisation strategy, which will be completed by 2025. This is also when we will publish the rate of Scope 3 financed emissions for 2024.

The definition of financed emissions completed in 2023 refers to the year-end 2022 group-level 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 74.6% of the total loan portfolio. It is important to note that there are serious challenges in the area of data quality, mainly due to the lack of data and inaccuracy; and overcoming these challenges is a priority in the short term. The calculation is the current best available approximate estimate.

In 2023, ESG risk management in **operational risk** has not changed materially, and we have continued to apply the processes we had previously put in place. The Group-wide ESG operational risk tolerance score is monitored on a quarterly basis.

The integration of ESG risks has already been implemented in 2021. In the annual process-based risk and control self-assessment, respondents also assess expected losses in the coming year from an ESG relevance perspective, while at the same time assessing less frequent losses in the medium/long term through the estimation of changes. For risks with an expected loss of more than HUF 200 million, the responsible departments must develop measures to mitigate the risks. Loss data are also monitored from the aspect of ESG relevance. To ensure tighter control, we intend to place greater emphasis on the quality of loss data and the monitoring of risk mitigation measures.

In 2012, the MNB authorised the partial use of the AMA (Advanced Measurement Approach) methodology for the calculation of the operational risk capital requirement, one of the conditions of which is that an annual scenario analysis is carried out in the assessment of operational risks. For the assessment of low probability but significant impact events, the Group uses scenario analysis – with standardised estimation – to assess the realistic long-term impact of events. The same methodology is applied in the scenario analyses for the parent bank, foreign subsidiaries and Merkantil Bank. In 2023, OTP Bank Ukraine has identified the largest expected loss (financial impact of the occurrence of the risk) among the group members, at HUF 1.8 billion. OTP Bank gave a similar figure. Compared to the previous year, the expected loss value of the climate change scenario increased for the majority of subsidiaries, but was among the 15 to 20 scenarios analysed with small to medium expected losses for the member companies.

Business impact analysis and business continuity plans also include consideration of the potential impact of climate change risk.

2.8. Portfolio breakdown 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, 31.12.2023[28]**	Hungary	Bulgaria	Croatia	Slovenia	Serbia	Albania	Montenegro	Uzbekistan	Russia	Ukraine	Romania	Moldova
Agriculture, forestry, fishing	7%	24%	16%	5%	2%	3%	3%	0%	1%	0%	8%	44%
Mining, quarrying	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%
Manufacturing	9%	12%	7%	19%	23%	15%	13%	0%	8%	0%	10%	11%
Electricity, gas, steam and air conditioning supply	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
Water supply; sewerage, waste management and remediation activities	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	1%	0%
Construction	19%	8%	6%	16%	8%	4%	9%	0%	42%	0%	14%	4%
Wholesale and retail trade; repair of motor vehicles and motorcycles	29%	29%	9%	18%	37%	33%	35%	0%	23%	2%	34%	26%
Transportation and storage	6%	11%	4%	9%	9%	2%	13%	0%	4%	0%	10%	4%
Accommodation and food service activities	5%	3%	6%	8%	2%	30%	10%	0%	4%	0%	3%	1%
Information, communication	3%	1%	1%	3%	3%	1%	2%	0%	0%	0%	2%	0%
Financial and insurance activities	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%	1%
Real estate activities	9%	2%	1%	1%	0%	2%	2%	0%	1%	0%	1%	2%
Professional, scientific and technical activities	5%	3%	3%	9%	5%	1%	6%	0%	5%	0%	6%	2%
Administrative and support service activities	5%	2%	44%	3%	2%	2%	3%	0%	11%	0%	3%	1%
Public administration and defence; compulsory social security	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Training	0%	0%	1%	1%	1%	1%	0%	0%	0%	0%	1%	0%
Human health and social work activities	1%	3%	2%	2%	1%	3%	0%	0%	0%	0%	3%	2%
Arts, entertainment and recreation	1%	0%	1%	2%	0%	0%	0%	0%	1%	0%	0%	0%
Other services	1%	1%	1%	2%	1%	4%	2%	0%	1%	0%	1%	0%
Activities of households as employers; undifferentiated goods for own use	0%	0%	0%	0%	0%	0%	0%	0%	0%	57%	0%	0%
Not classified	0%	0%	0%	0%	6%	0%	1%	100%	0%	40%	0%	1%
Total (HUF billions)	578.2	92.2	70.2	54.7	52.7	29.5	6.9	224.8	0.6	0.9	24.8	10.5

[28] The table includes data for sectors with a share of more than 0.5 percent. As a result and due to rounding, not all columns sum to 100%. Industrial classification is according to UN (ISIC) classification. The size of the company is according to the current legal classification.

Medium and large enterprises Assets by sector, on-balance sheet exposure to own customers without leasing and consolidation, 31.12.2023[29]	Hungary	Bulgaria	Croatia	Slovenia	Serbia	Albania	Montenegro	Uzbekistan	Russia	Ukraine	Romania	Moldova
Agriculture, forestry, fishing	6%	3%	4%	1%	6%	2%	1%	0%	0%	21%	18%	8%
Mining, quarrying	0%	0%	0%	0%	6%	2%	0%	0%	0%	0%	0%	0%
Manufacturing	8%	22%	16%	27%	21%	11%	4%	0%	22%	28%	12%	17%
Electricity, gas, steam and air conditioning supply	4%	19%	14%	5%	15%	16%	0%	0%	0%	0%	3%	0%
Water supply; sewerage, waste management and remediation activities	0%	1%	2%	1%	0%	0%	0%	0%	4%	0%	1%	0%
Construction	4%	4%	13%	6%	7%	15%	10%	0%	20%	0%	12%	1%
Wholesale and retail trade; repair of motor vehicles and motorcycles	9%	15%	14%	13%	18%	29%	29%	0%	30%	42%	15%	44%
Transportation and storage	2%	4%	5%	5%	5%	1%	3%	0%	0%	4%	5%	3%
Accommodation and food service activities	3%	4%	8%	2%	1%	7%	21%	0%	0%	0%	4%	0%
Information, communication	0%	4%	3%	3%	7%	4%	0%	0%	0%	0%	1%	5%
Financial and insurance activities	34%	9%	2%	15%	0%	1%	1%	0%	2%	0%	8%	7%
Real estate activities	15%	11%	3%	6%	7%	1%	2%	0%	23%	4%	17%	4%
Professional, scientific and technical activities	3%	2%	4%	7%	1%	0%	1%	0%	0%	0%	1%	0%
Administrative and support service activities	1%	0%	1%	1%	1%	1%	2%	0%	0%	0%	1%	0%
Public administration and defence; compulsory social security	3%	2%	9%	3%	5%	0%	26%	0%	0%	0%	2%	2%
Training	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
Human health and social work activities	0%	0%	1%	2%	0%	4%	0%	0%	0%	0%	1%	8%
Arts, entertainment and recreation	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	1%	0%
Other services	4%	0%	0%	0%	0%	5%	0%	0%	0%	0%	0%	0%
Not classified	1%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%
Total (HUF billions)	3,376.8	1,427.8	900.5	1,244.8	956.0	186.9	230.9	188.7	30.2	236.7	550.6	75.3

The environmental and social risks of economic activities are defined for Level 4 NACE codes. All activities within the Mining sector group are high risk. 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.

[29] The table includes data for sectors with a share of more than 0.5 percent. As a result and due to rounding, not all columns sum to 100%. Industrial classification is according to UN (ISIC) classification. The size of the company is according to the current legal classification.

3. FINANCIAL WELFARE, RESPONSIBLE CUSTOMER SERVICE

This chapter presents the activities related to the following material topics, which are discussed at multiple places within the chapter:

ST6: GRI 3-3 **Financial welfare:**

Impacts: With its products and service provision methods, the Banking Group can contribute to the financial welfare of its clients and enable them to make the responsible financial decisions best suited to their particular life situations. The group's practices influence the extent to which responsible cash handling options are available or unavailable to customers in different financial and social circumstances. Financial products and services are often complex, and the information provided by the Banking Group is essential to understanding them.

This material topic supports the achievement of the following SDGs:

Engagement: We are committed to promoting our customers' financial welfare and we offer them products that are aligned with their real needs and possibilities. We always aim to make sure that our communication and customer service is fair, clear and straightforward. Our objectives are also presented in our @Responsible Marketing Policy and @Consumer Protection Compliance Program.

Acts: Designing ethical and fair products
Transparent and understandable product structure
Providing tools and knowledge to enable good financial decisions, offering educational videos and calculators
Continually enhancing our responsible marketing communication practices
Highly visible information in plain language
Thorough exploration of customer situations and requirements
Responsible sales, product offers

Stakeholder cooperation: We carry out preliminary research on the practices we intend to introduce, often running pilots to test them. We regularly carry out customer satisfaction surveys. We conduct mystery shopping to check compliance with the requirements. Our clients can report inappropriate practices in our complaints handling system (see @4.3); all complaints are investigated and the customer is always informed of the outcome of the investigation. We are on the lookout for opportunities to work with NGOs to promote responsible practices (e.g. Advertising Self-Regulatory Board, banking associations).

ST5: GRI 3-3 **Equal opportunities in accessing financial services:**

Impacts: Access to financial services is a prerequisite for financial wellbeing. Positive social/economic impacts can be achieved only if disadvantaged groups are also able to manage their finances, with reasonable effort, through the digital channels, bank branches or ATMs available.

This material topic supports the achievement of the following SDGs:

Engagement: To ensure equal opportunities and promote the principles of social solidarity, 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 the extent possible, are able to borrow as well. We impose strict conditions on the use of our services, both for the stability of the Banking Group and in the interests of our clients.

Acts: Expanding online services
Maintaining the option of personal customer service, strengthening the advisory function
Developing accessibility for disabled
Products available to vulnerable groups as well (see Chapter 2.6)

Stakeholder engagement/compliance: We carry out preliminary research on the practices we intend to introduce, often running pilots to test them. We conduct mystery shopping to check compliance with accessible customer service requirements. We look for opportunities to work with NGOs to promote responsible practices.

Details of activities relating to material topics are presented in the following pages, along with their outcomes and how their effectiveness is assessed.

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

3.1 Responsible communication and sales

ST6: 3-3 **Responsible communication takes many forms on many levels within the Banking Group.**

Information and communication about banking products and services is a highly regulated area in most countries where OTP Group operates. Regulations tend to require providers to make a wide range of information available. Responsible communication means complying with such rules while also using clear language and raising awareness.

Clear communication is a priority for us at all times. To this end, all new employees of OTP Bank's Marketing and Communication Directorate attend in-house training on the subject; after their initial training, they receive regular further and refresher training and share best practices, which is intended to ensure that such best practices are applied at all times.

The Tone of Voice manual, in which the use of plain language is prescribed as a basic goal and requirement, is available across the Group. The manual contains templates and guidance on advertising, websites and social media communication.

We have started to measure what our clients think about clear communication and how their view is changing.

The parent bank and several subsidiaries improved their information and communication practices during the year.

- In order to make our customer communications more transparent and help service users in their planning, OTP Bank introduced in 2023 a practice of announcing 30 days in advance all IT system shutdowns that meet the definition of bank holiday; the information is provided to clients on our website and on the signature pads in branches.
- We updated our internal regulations and our branch data systems by standardizing the range of services available in the branches, and we also modified their wording to make external communications clearer.
- At the end of 2023 we relaunched the website where we explain the services available at ATMs; all ATM services are presented in detail, and short video summaries are provided about the more complex services.
- The website also offers answers to our clients' frequently asked questions (FAQs) related to complaint handling.
- The branch locator on the Bank's website is to be revamped in early 2024 so that it can return more precise results and present a clear, filterable view of services and other information, including on accessibility.
- Videos and screenshots available on the Bank's regularly updated IBMB Guide page help clients use the new internet and mobile banking features.
- The savings pages of the Bank's website are constantly being updated, also enhancing client focus; the investment fund search function has also been updated.

SI NKBM of Slovenia has a dedicated website to inform its clients about what to consider before taking out a loan; it also provides useful information on what to do after borrowing.

HR The Croatian subsidiary has continued to review its communication practices and solutions to achieve simpler language, clearer structures and easier navigation. The Bank tries to use colloquial language at all times and communicate in a more personal, customer-centric way. In 2023 the subsidiary continued to prioritise the promotion of the packages and products intended for students. In compliance with the requirements formulated by the Croatian National Bank, the subsidiary discloses the potential risks of the products in their descriptions.

RS The Serbian subsidiary modified its text message communication practices in order to provide clearer information; it rewrote all language that could have been misleading for clients due to the use of banking jargon.

ME CKB also worked on improving the content of its text messages to ensure clearer and more straightforward communication. The bank intensified its product communications via Viber, also drawing clients' attention to the important changes.

UA In 2023 the Ukrainian subsidiary again faced a number of crises due to the war. It adopted a crisis response policy and, in order to provide timely and transparent information to clients, within two hours of any incident the bank publishes information on its website and on social media regarding shutdowns or errors in the bank's core system, products or services.

RO OTP Bank Romania modified its mortgage loan application guide to educate its clients, presenting the benefits of a more energy-efficient home and encouraging greener choices.

OTP Group works to ensure that the products it offers and sells to its customers are aligned with their life situations and needs, and help them achieve their financial goals. Remuneration criteria and incentives are adapted to the local markets, they are not uniform across the Banking Group. None of the members of the Banking Group introduced material changes to their **sales processes**. DSK Bank launched a new incentive scheme. All front office staff in branches that perform above the NPS target[30] receive a fixed bonus.

Improving financial awareness regarding banking services

In addition to informing clients responsibly, we promote responsible cash handling in a number of other ways, providing a more comprehensive knowledge and understanding of banking services and offering features that help clients achieve stability in their finances.

Animated videos on **data security** have been added to the **OTP Knowledge Bank YouTube channel**; these videos explain in plain terms how financial products and services work. The third video had more than 1 million views, while the first two videos had nearly 700,000 views each. We believe that these outstanding viewing figures demonstrate the importance of this topic and the wide reach of the videos. During the year, a total of 14 general financial education videos were available, supplemented with videos specifically presenting OTP Bank's services. In 2023 the general-content videos were viewed a total of 1.99 million times; films on subjects other than phishing were viewed 260,000 times.

The next step: Our research shows that young people's cash handling habits are shaped by the role models in their families; however, parents are often unaware of this fact and try to avoid speaking about money in front of their children. Because of the importance of this topic, we have put family role models at the heart of a campaign we launched in November 2023. Three short clips were produced by the end of the year, showing how the families of three online media personalities manage their money and how they involve the children as well. At the end of each video useful tips are offered by experts (a psychologist, a banking specialist, the head of education at the OTP Fáy András Foundation). The videos direct visitors to the page @akovetkezolepes.hu, which is a new financial awareness website of OTP Bank. The website offers parents and anyone else interested in financial education a wide range of clear and structured practical information on good money management practices.

We launched a series entitled **Finance Made Easy** in cooperation with RTL Online and the Bank360 online platform. In the videos, experts from OTP Bank and Bank360 discuss and suggest solutions to financial issues that arise in typical life situations. Short films were produced about a variety of topics such as when and what financial products can be of use for children, and how to track income and expenditures in a convenient and more purposeful way. The video series was launched at the end of 2023 and will continue in 2024 as well, covering the subjects of equal opportunities and charitable donations. While the financial situations presented in the videos are generic, we do recommend specific OTP products in our communications promoting them.

In an important outcome resulting from our cooperation with Cogo, a carbon calculator is now available in the Personal Finance Manager module of OTP Bank's mobile banking app (see also @2.4). We have added this feature in order to encourage customers to make financially as well as environmentally sound decisions.

[30] Net Promoter Score - a measure of customer satisfaction

BG DSK Bank implemented a joint initiative with the largest media group in Bulgaria (Net Info). In the “Your Money” programme, 10 videos and a series of online articles were created, delving into the most important aspects of banks, the banking system and money. Videos were produced with titles such as “Why do banks exist?”, “How to get a loan” and “What is a POS?”.

The bank also shares informative content on its social media platforms about banking products in general, and has started a “Financial Tuesday” series on LinkedIn, where it also shares useful information about the banking system and its products and services.

SI In Slovenia, NKBM and SKB joined forces to improve financial literacy. The focus of their activities in 2023 was to promote the 50:30:20 rule, which makes it easier to reach financial goals. The principle behind this rule is to spend 50% of your income on basic needs and household expenses, 30% on leisure activities and 20% on savings. This and other useful ways to save money are demonstrated in six animated films based on the life of a fictional Slovenian family. The videos showed, for example, how to plan monthly expenses, how to save for future goals or retirement, and how to become financially independent. These stories from the life of the Bogataj family can be viewed on both banks’ websites, social media channels and other digital channels, and a dedicated website has also been created.

SKB has set up a webpage for posting educational videos that help clients improve their awareness in how they manage their personal finances. The bank continued its #Nevergiveup motivational campaign in 2023; in this campaign, it communicates messages and challenges to the customers. Throughout the year, the focus has been on healthy exercise and sporting careers; the bank also put out a message at the time of the natural disaster in August, encouraging people to help and volunteer.

RS The Serbian subsidiary enhanced the My Finance feature available in its mobile banking service and allowing retail clients to split their savings and set target dates for their goals.

AL Each month the Albanian subsidiary publishes financial planning and education news and posts financial challenges and games on its social media platforms. In 2023 the bank ran several campaigns to promote environmental awareness and the use of recyclable materials.

MD Our Moldovan subsidiary also promoted environmental awareness across society, raising awareness on several occasions of how to consume in rational ways and why reuse and recycling are important.

3.2 Debtor protection

ST1, ST6: 3-3 **A number of conditions need to be met – from a correct assessment of possibilities through the Bank’s prudent risk management to an adequate regulatory environment – for borrowing to actually be the way forward for our clients. In addition to implementing these, OTP Group also considers it a key objective to offer solutions to distressed debtors.**

The interest rate freeze introduced in Hungary in order to reduce the credit risk of customers continued in 2023. That aim is also served by the Qualified Consumer-Friendly Housing Loans (MFL) scheme. By the end of 2023 the share of MFL loans had increased to 60 percent of all personal loans granted by OTP Bank. In real estate loans, the interest rate moratorium led us to stop selling loans that do not have a fixed interest rate until the end of the term; we offered only Family Housing Allowance loans, which have consumer-friendly classification.

Debtor protection programmes are available across the Group; compared to the total loan portfolio, only a small number of debtors make use of these schemes. In 2023 we introduced several changes to prevent the non-performance of loans. We produced training videos and simplified and extended our communications in order to help distressed clients find out about the options available to them. A video about solutions for payment difficulties was posted on our Knowledge Bank channel described in the previous chapter.

Together with our foreign subsidiary banks, we reviewed our processes related to debt protection programmes, the options available to clients, and the effectiveness and operation of the programmes. While the overall proposal describing the opportunities for improvement will be finalised only in 2024, our Russian, Ukrainian and Slovenian subsidiaries were already expanding their debtor protection options in 2023.

SI Following the floods in Slovenia, our Slovenian subsidiary banks offered their clients a moratorium on loan payments.

Whenever clients are in arrears, OTP Bank immediately contacts them; after all, the chances for settlement decrease as the amounts in arrears increase. Debtors in arrears have several options, such as extending their repayment period, reducing their repayments or capitalizing the amount in arrears. We recommend repayment insurance to our customers.

In 2023 Merkantil Bank shared an information video on its website, in which it explains the debt settlement options available to clients in arrears.

At OTP Bank the number of people resorting to debt protection schemes increased significantly during 2023, reaching almost 15,000 by the end of the year (up from around 10,000 at its beginning). The total amount of these loans almost doubled, to HUF 24 billion. Clients in arrears with their overdraft payments represent the largest proportion of debtors in debt protection programmes, while the steepest rate of increase was measured in housing loans. We believe that the increase in the number of participants in the programme is attributable mainly to the economic environment, the rising cost of living.

Total restructured loans at our foreign subsidiaries amounted to HUF 411 billion, of which non-performing exposures represented HUF 218 billion.

Own indicator Share of overdue loans in the retail and MSE segments[1] (31.12.2023)				
	OTP Core		OTP Group	
Mortgage loan	HUF 72 billion	4.0%	HUF 122 billion	2.0%
Consumer loan	HUF 79 billion	5.0%	HUF 274 billion	5.5%
MSE loans	HUF 38 billion	6.8%	HUF 87 billion	6.1%

[1]more than 90 days overdue

3.3 Customer satisfaction

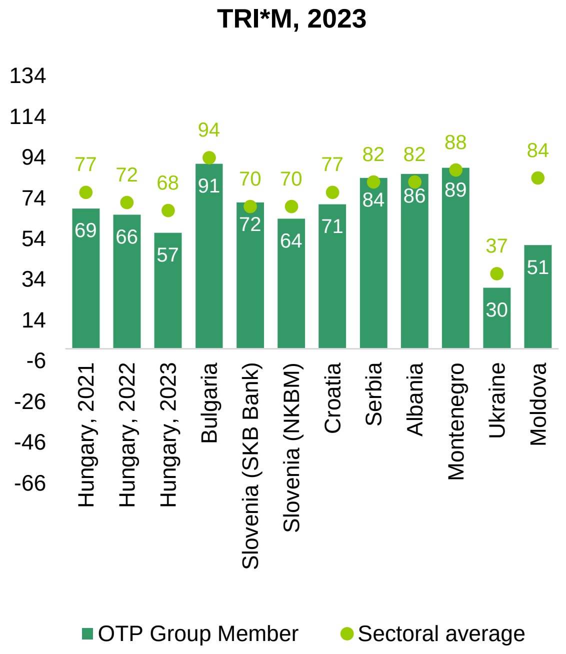
GRI 2-29 **Feedback from customers is a priority for OTP Group both in terms of overall satisfaction and our customers' views on our new services.**

The satisfaction of our retail clients 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[31] sample of 1,000 persons. In some countries the survey covers retail as well as corporate clients; however, the results presented apply to the retail segment in each case.

OTP Bank's customer retention score was 57[32] in 2023, down nine points year-on-year. Satisfaction varied among competitors, with two showing improvement and two a worsening trend. The average TRI*M value of competitors was 68 points. OTP Bank is perceived more favourably by Junior customers and higher earners. Customers consider the Bank better than its competitors in terms of access to branches and ATMs. In addition to the general aspects of banking (e.g. price, respect, product and service offering, clear information), the second most important factor for customer satisfaction and loyalty is security and reliability.

[31] Based on distribution by age, sex, education, municipality type, region. Data was collected online in Hungary, Croatia, Serbia and Slovenia. Personal interviews were conducted in the rest of the countries.
[32] The TRI*M score can range between -66 and 134 points.



Satisfaction with OTP Group member banks increased in Croatia and Serbia[33], even as the sector average tended to decrease in the countries surveyed. The customer retention rate of OTP Group banks remains above the peer average in Slovenia (SKB Bank), Serbia, Albania and Montenegro. The Bulgarian subsidiary achieved the highest level of satisfaction. Overall satisfaction with banks is still well above the regional average in Bulgaria. In Moldova we performed below our competitors due to the change in the bank's name and the fact that the OTP Bank brand is not yet sufficiently established there. The performance of the Ukrainian subsidiary is significantly affected by the fact that OTP is a second bank for most clients there. Similarly to other smaller banks in that country, our customer retention is lower than that of the main banks. The war does not affect the bank's image.

SI NKBM of Slovenia also uses the Net Promoter Score method to measure the satisfaction of customers in general terms and also with specific service channels, and to assess the opinions of the different customer segments. The overall result in the retail business line was 19 points[34] (a good result, two points higher than in the previous year), while the NPS for branches was 91 and for digital channels it stood at 78. The bank also uses other methods to measure satisfaction, for example by looking at opinions on different products and segments.

RU The Russian subsidiary also uses the NPS methodology. In 2023 NPS stood at 23, 4 points up year-on-year. In 2023 the subsidiary bank also used CSI[35] methodology to measure customer satisfaction; the result was good, a score of 8.1 on a scale of 1 to 10. The performance of the subsidiary is significantly influenced by the fact that its product portfolio is focused on consumer loans and it therefore tends to be the second bank of its customers.

OTP Bank measures Service Quality Management (SQM) for retail and SME clients by conducting online surveys[36]. In 2023 service quality increased and was again outstanding. Achieving 90% in the retail segment and 95% for business customers, it exceeded its targets in both segments.

SI SKB of Slovenia uses the same methodology to assess customer service. In 2023 satisfaction with in-branch services was 96 percent, contact centre satisfaction was 90 percent, and satisfaction with electronic channels (e-mail, website) was 82 percent.

BG In addition to TRI*M, DSK Bank also uses the NPS indicator to measure the experience of customers visiting its branches. In 2023 its NPS continued the positive trend of the previous year, rising to a level above 80 points.

[33] There were no surveys conducted in Moldova and Ukraine in 2022 and in Romania in 2023.
[34] On a scale of -100 to +100
[35] Customer Satisfaction Index
[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.

3.4 Accessibility of financial services

ST5: 3-3 **Providing a wide range of services tailored to customer needs is a priority for our Banking Group. We are constantly expanding our customer service methods and functions, and work on explaining to our clients the wide range of options available to them for managing their finances. Our customers typically welcome the introduction of new possibilities and regard them as positive developments.**

Remote access through digital channels

The expansion of digital channels is a persistent, long-term trend. The Group's objective is to broaden the range of products that are partly or fully digitally accessible, making sure that the processes are accessible as conveniently, and for as many customers, as possible. The Banking Group also prioritises the sharing of knowledge on how to use on-line channels, thereby also encouraging their use.

Over 2 million retail banking customers of OTP Bank were digitally active at the end of 2023, and the proportion of digital-only customers has also been increasing steadily.

In 2023 we again developed and launched several new digital features. The Piggy Bank feature helps our customers improve their financial awareness and achieve their savings goals, while the Bill Splitter functionality allows our clients to easily share a bill, for instance when dining out with friends.

SI In Slovenia, NKBM made several of its services available to clients electronically in 2023. These include managing an investment portfolio, changing card limits and managing text message notifications. The bank improved the process of applying for consumer loans combined with insurance, introduced Google Wallet and developed an electronic signature process for the micro- and premium segments, as a result of which certain documents can now be signed without visiting a branch. The subsidiary also offers a video banking service, which was used by 300 to 400 clients per month in 2023.

RS At the end of the year the Serbian subsidiary introduced the option of opening bank accounts via video chat. The bank also introduced a chatbot to automate the responses to customer queries on the website. Feedback from customers has been positive.

RO The Romanian subsidiary now supports Apple Pay for customers with a Visa debit card.

MD A new mobile banking application was launched by the Moldovan subsidiary. Logins are easier and faster in the app, which is more customer-friendly to use.

In-branch and ATM service

OTP Group also serves its customers through its extensive network of branches and ATMs. It had more than 1,500 branches as of the end of 2023 (@ Staff level and other information [37]). Many financial transactions are more convenient and faster to transact on electronic channels, therefore the role of branches and ATMs is changing. While a slight reduction in their numbers is a typical trend everywhere, branches remain an important channel for serving customers. There functions are also constantly being expanded and their services are being adapted to the needs of customers.

GRI FS13 The Banking Group has the largest branch and ATM network in Bulgaria and Montenegro and very extensive networks in Hungary, Slovenia and Serbia. In 2023 there was a significant number of branch closures only in Russia; the overall number of branches in the Banking Group increased due to acquisitions. NKBM of Slovenia had 65 branches and Ipoteka of Uzbekistan had 162 at the end of 2023.

OTP Bank also operates a dedicated **innovation branch**, where we continuously seek and test innovations to simplify and digitize processes so that, on the basis of the feedback received from our customers, we can provide services that are even better aligned with client requirements. In 2023 the employees of our innovation branch played an active role in judging an in-house competition of ideas for greening the operations of OTP Bank; some of the ideas will be put into practice during the revamping of the branch network.

Our focus points in our **branch services** include the continuous improvement of quality standards, providing advisory services based on the customer's need, and solving complex banking issues. The aim is to build long-term relationships based on trust through serving our clients. One of the main aims of the ongoing branch renovations is to create a more comfortable, ergonomic and discreet environment. The Client Oriented Programme aims to achieve this. At selected branches, digital education for clients was treated as a priority in order to encourage them to carry out routine transactions using electronic channels. In the same

[37] In addition, OTP Pénzügyi Pont and OTP Ingatlanpont have 6 and 30 customer service points, respectively, and Merkantil Bank has one bank branch.

programme, we also increased the frequency of customers being served by dedicated advisors; this is facilitated by a redesign of the queue management system, which has made appointment scheduling easier. The results of the changes are very positive, with the average service time for cash payments of up to HUF 1 million reduced by around 30 percent, to 4.1 minutes, and branch waiting time reduced to 6.5 minutes.

Several members of the Group prioritised the development of more efficient branch operating practices, including a reduction in **waiting times**. We aim to serve our customers within 10 minutes in 80% of cases. Around half of all group members met this target during the year. Our Croatian subsidiary saw a significant increase in branch traffic in the first months of the year due to the introduction of the euro in 2023; while this resulted in longer waiting times, by the second quarter more than 70% of customers had to wait for no more than 10 minutes. The Montenegrin and Serbian subsidiaries started to measure waiting times, which in itself improved the results. Our Montenegrin bank also reorganised its branch processes and centralized the servicing of large corporate clients.

In order to provide **greater confidentiality** (an important consideration for customers), the parent bank started to roll out to its nationwide branch network the use of ambient music. This is to make sure that customers do not overhear what is being said and also feel more relaxed while waiting.

Customers interested in taking out real estate loans had access to OTP Bank's remote expert system at 117 smaller branches in 2023. With the help of this system, the residents of micro-regions can receive high-quality services at our branches as they can consult with our well-trained and highly experienced specialists via videophone. Through the branch video banking service, customers can contact branch employees remotely, from their homes.

SI SKB worked with property agencies to set up a network of outsourced mortgage lending experts, who can assist borrowers effectively in the process of buying real estate as they are closer and more accessible to customers.

UZ RU In Russia, self-service terminals are available in all branches for banking transactions, while the Uzbek subsidiary bank now offers digital internet banking to its corporate clients.

BG SI RS RO Advisory functions are the priority for cashless branches, the number of which is constantly rising. In 2023 the number of cashless branches reached 28 at group level, with 16 cashless branches in Hungary, 5 in Bulgaria, 3 in Serbia, and 2 each in Slovenia and Romania. Cash transactions can be executed in such branches at the smart ATMs provided.

In addition to electronic channels, **ATMs** now play an increasingly important role in routine financial transactions. The number of ATMs has increased as a result of acquisitions.

SI Since March 2023 clients have been able to withdraw cash and check their balances free of charge using their Visa or corporate debit cards at the ATMs of NKBM and SKB in Slovenia. Since July clients have also been able to withdraw cash with their Visa debit cards free of charge from OTP Bank ATMs.

The Banking Group is continuously and dynamically increasing the number and proportion of cash-in ATMs, which provide a wide variety of other financial services besides accepting cash deposits. In 2023 Hungary achieved the target of having at least one ATM in every bank branch where clients can both withdraw and deposit cash; the total number of such machines reached 425 by the end of the year. The amount deposited at ATMs is growing dynamically, up 19% in 2023 compared to a year earlier. The increase in the number of cash-in ATMs continued at several subsidiaries; more than 1,100 (~20%) such machines were available to clients across the Group.

GRI 3-3, FS13 Owing to its extensive branch network, OTP Group provides substantial access to in-person financial transacting for the populations of **disadvantaged regions** in several countries. Nevertheless, these regions have a lower concentration of bank branches and ATMs. Only some of the members of the Banking Group have information on how our competitors perform in these regions.[38] The Croatian subsidiary has fewer access points in both disadvantaged and non-disadvantaged areas than its competitors. The networks of our Serbian and Russian banks offer very similar coverage to the competitors. Our Ukrainian bank has two branches located in regions with low population density; these branches also have the special function of serving clients from the Hungarian minority. Formerly a state-owned bank, the subsidiary in Uzbekistan is present in all regions of the country and, in a comparison with its competitors, its ATM network is denser than its branch network.

[38] No disadvantaged regions can be identified in Bulgaria and Slovenia.

Access points in disadvantaged regions[1]	Branch		ATM	
OTP Bank – Hungary[2]				
Number of access points (as a % of the total number of access points)	63	(18%)	194	(10%)
Number of new access points (as a % of all new ones)	0	(0%)	12	(15%)
Number of terminated access points (as a % of total terminated)	4	(29%)	5	(7%)
Change from the previous year	-6%		4%	
DSK Bank – Bulgaria				
N/A – there are no disadvantaged regions defined				
OTP Bank Slovenia (SKB + NKBM)				
N/A – there are no disadvantaged regions defined				
OTP Bank Croatia				
Number of access points (as a % of the total number of access points)	19	(18%)	28	(6%)
Number of new access points (as a % of all new ones)	0	N/A	1	(4%)
Number of terminated access points (as a % of total terminated)	1	(25%)	1	(7%)
Change from the previous year %	-5%		0%	
OTP Bank Serbia				
Number of access points (as a % of the total number of access points)	8	(5%)	39	(14%)
Number of new access points (as a % of all new ones)	0	N/A	0	(0%)
Number of terminated access points (as a % of total terminated)	0	N/A	10	(200%)
Change from the previous year %	0%		-7%	
OTP Bank Albania				
N/A – there are no disadvantaged regions defined				
CKB – Montenegro[4]				
Number of access points (as a % of the total number of access points)	0	(0%)	15	(13%)
Number of new access points (as a % of all new ones)	0	N/A	0	(0%)
Number of terminated access points (as a % of total terminated)	0	(0%)	0	(0%)
Change from the previous year %	N/A		650%	
Ipoteka Bank - Uzbekistan				
Number of access points (as a % of the total number of access points)	0	(0%)	0	(0%)
Number of new access points (as a % of all new ones)	0	(0%)	0	(0%)
Number of terminated access points (as a % of total terminated)	0	(0%)	0	N/A
Change from the previous year	N/A		N/A	
OTP Bank Russia				
Number of access points (as a % of the total number of access points)	42	(6%)	5	(3%)
Number of new access points (as a % of all new ones)	0	N/A	0	(0%)
Number of terminated access points (as a % of total terminated)	0	(12%)	3	(18%)
Change from the previous year %	0%		-38%	
OTP Bank Ukraine				
Number of access points (as a % of the total number of access points)	2	(3%)	25	(15%)
Number of new access points (as a % of all new ones)	0	N/A	7	(32%)
Number of terminated access points (as a % of total terminated)	0	(0%)	1	(17%)
Change from the previous year %	0%		N/A	
OTP Bank Romania				
Number of access points (as a % of the total number of access points)	42	(44%)	49	(31%)
Number of new access points (as a % of all new ones)	0	N/A	1	(33%)
Number of terminated access points (as a % of total terminated)	0	(0%)	0	(0%)
Change from the previous year	0%		2%	
OTP Bank Moldova				
Number of access points (as a % of the total number of access points)	5	(9%)	18	(12%)
Number of new access points (as a % of all new ones)	0	N/A	7	(18%)
Number of terminated access points (as a % of total terminated)	0	N/A	3	(9%)
Change from the previous year %	0%		29%	

[1] 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.
[2] At this time, the branches/offices of OTP Ingatlanpont, OTP Pénzügyi Pont, OTP Merkantil and OTP Faktoring are not present in disadvantaged regions.

3.5 Accessible customer service

ST5: 3-3 ***We seek to provide equal access for persons living with disability through services adapted to their special needs. In Hungary we have launched a dedicated project in preparation for the new Accessibility Act, which is to enter into force in 2025.***

OTP Bank reviewed its complex accessibility for disabled strategy in 2023.

In a project launched to comply with the Accessibility Act, we assessed the prevailing conditions and identified the needs for improvement in 2023. There is greater need for improvement on our electronic channels, but investments are also needed in the branch network. Starting in 2023, we formulated and published our recommendations to the entire Banking Group on how to improve accessibility across all digital and physical channels and all disability groups.

Our accessibility survey conducted in 2022 provided a solid basis for this accessibility for disabled project, in terms of both the physical network and digital accessibility for disabled. We organised a digital accessibility for disabled convention in 2023 in order to raise awareness among our colleagues and lay the groundwork for accessible services. At our service planning day for employees, our staff had the opportunity to experience an accessible adventure park.

We also plan to cover the topic of accessibility for disabled and equal opportunities in a video within our Finance Made Easy series (see @3.1).

RU The Russian subsidiary bank revised its training on how to serve disabled persons.

In 2023 we offered the following accessibility for disabled tools to the clients we served.

To assist customers with reduced mobility:

- Physical accessibility for disabled is provided in all branches in Hungary, with one exception[39]. In Slovenia, all but three branches are accessible. With the exception of the Serbian and Albanian subsidiaries, more than 50% of the branches at our subsidiaries are wheelchair accessible. 77% of the branches of the Banking Group are accessible.
- We also strive to make ATMs wheelchair accessible. As of the end of 2023, 46% of the ATMs of the Banking Group were accessible[40].
- 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 OTP Bank Hungary and the Croatian and Russian subsidiaries. The push button allows visually impaired customers to signal their arrival. At group level, 62% of queue management systems have a push button. A tactile strip helps locate the push button and navigation is assisted with Braille signs.
- Tactile guide strips are available in 179 OTP Bank branches, while all of our Russian branches have a tactile sign at the entrance.
- At group level, nearly half of all ATMs are Braille-enabled. Text-to-speech software is installed at 1121 ATMs of OTP Bank (60% of the total), and 39% of the Moldovan subsidiary's ATMs provide audio support.

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. Utilisation of the service was still low in 2023. These interpreting services are available in 24 branches of the Serbian subsidiary bank.
- An induction loop (signal amplifier) is available for clients using a hearing aid at 118 branches of the parent bank, 11 branches in Croatia and at the Merkantil Bank branch.
- 11 major branches of OTP Bank and 29 branches of the Serbian subsidiary have colleagues trained in sign language.

As a result of the accessibility for disabled improvement project, all OTP Bank branches will have laptops for video interpreting services as well as tactile guide strips for the blind.

Digital accessibility for disabled is widely available at OTP Bank, Merkantil Bank, OTP Pénzügyi Pont, OTP Jelzálogbank and OTP Lakástakarékpénztár. The Web Content Accessibility Guidelines – WCAG 2.1 "A" level recommendations – were taken into account in the design, development and content editing of the websites in order to enable navigation with alternative devices and the use of text-to-speech software. Due to the technology used to develop them, the websites of the subsidiaries OTP Ingatlanpont, OTP Alapkezelő, OTP Egészségpénztár and OTP Faktoring already provide some accessibility features; when these websites are due for an update, accessibility criteria will be fully taken into account already in the design stage.

The website of OTP Ingatlan Befektetési Alapkezelő Zrt. was under development as of the end of 2023; its new website will satisfy accessibility for disabled criteria.

OTP Bank continues developing and adding accessible parts and components to its mobile application (on both Android and iOS) and to its internet banking site. The OTP Pension Fund website is accessible for blind and partially sighted people, while the OTP Travel and PortfoLion websites and mobile apps have certain accessibility features for blind and partially sighted people.

[39] Accessibility for disabled 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, which are connected by stairs).
[40] The collection of this information started in 2023, and data were not available for all subsidiary banks.

Digital accessibility for disabled at foreign subsidiary banks was partially implemented during 2023, as follows.

HR The Omoguru widget (mini app) operates 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 include functions facilitating access for visually impaired users.

BG, SI, RS, UZ DSK Bank's website is accessible for visually impaired users. The website and InternetBank of the Slovenian subsidiary does not support automatic display changes, making it easier to understandin g the content. At the Serbian subsidiary accessibility is focused on the mobile banking application; the basic features have been adapted to support text-to-speech and speech synthesis. For the time being, speech synthesis is limited to English. On the Uzbek bank's website visually impaired people can opt for a black and white version and increase font size; there is also the possibility to have text read out automatically in certain scenarios.

RU The Russian subsidiary helps mentally handicapped people via the chat function and has simplified the language of its information leaflets, to which it has also added easy-to-read diagrams. There are notes in Russian made available to persons who have difficulty absorbing visual information. These options are provided on the website, in internet banking and mobile banking.

4. ETHICAL BUSINESS PRACTICE

Details of activities relating to material topics are presented in the following pages, along with their outcomes and how their effectiveness is assessed.

ST7: GRI 3-3 **Compliance:**

Impacts: Through our practices we influence the reliability of the financial sector, the ethical and moral standards of our employees, and the prevalence of (financial) crime in general. The greater our weight on the market of a country, the greater the impact we may have; nevertheless, even where we are smaller players, we may have a pull effect through the good practices we implement.

This material topic supports the achievement of the following SDGs:

Engagement: We are committed to utmost compliance with the laws and to operating ethically. Preventing corruption and money laundering is important to us and we act with circumspection and take all the necessary steps when investigating potential breaches. We deal with customer complaints fully, quickly and fairly. An extract from our @Compliance Policy, our @Competition law policy, @Anti-Corruption Policy, our @Code of Ethics and related documents, and the @Human Rights Declaration are available on our website.

Acts: Operating a network of compliance officers, continuous training of staff
Further enhancements to our internal communications about changes in relevant legislation
Minimum compliance standards and policies for all members of the Group
Operation and development of the sanctions pre-screening function
Complex, multi-channel compliance knowledge and awareness development for employees
Revising the Code of Ethics and operating a whistleblowing system; delivering the related training and information
Comprehensive anti-corruption programme and anti-corruption clause
Revision of the Gift Policy
Regular and individual conflict-of-interest checks
More centralized pre-qualification of suppliers
Fair complaints handling

Stakeholder cooperation: 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.

GRI 418: 3-3 **Customer data and information security:**

Impacts: The secure processing of data also affects our customers' financial welfare and may also have repercussions for the general levels of financial crime. By protecting the personal data of our clients, we respect their privacy.

This material topic supports the achievement of the following SDGs:

Engagement: 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. Our goal is to protect the data of our clients and our IT systems as best as possible and prevent incidents. Our @Data Protection Policy available on our website.

Acts: Internal cyber security audits
Security awareness raising among customers/residents and employees
Continuous development of security systems and work processes, training of our employees

Inclusion of stakeholders We cooperate with, among others, the National Police Headquarters (ORFK), ELTE University, and the banking associations of some countries. We use a range of tools and platforms to promote security awareness among our customers and staff.

Details of activities relating to material topics are presented in the following pages, along with their outcomes and how their effectiveness is assessed.

For our core principles and comprehensive objectives relating to compliance[41] and security, see @our website).

4.1 Compliance and adherence to laws and regulations

We consider it a fundamental principle that the law, international standards and norms and ethical requirements must be adhered to.

The purpose of the compliance function is to identify and manage compliance risks[42]. The compliance role is performed by the Compliance Directorate. It works with a focus on the control and management of compliance risks associated with data protection, consumer protection, ethics, conflicts of interest, sanctions, money laundering and the capital markets.

In 2023 OTP Bank merged its Data Protection and Consumer Protection departments. Their closer cooperation allows us to give more concerted attention to queries from clients and the authorities alike. A further aim is to ensure that data protection and consumer protection considerations are given ever greater priority when introducing products and developing processes.

GRI 2-13 Our group-wide compliance policy demands that we place emphasis at all times on preventing compliance risks from becoming a reality. 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.

In 2023 the relevant Hungarian subsidiaries implemented both the Legislation Monitoring Policy and the Competition Law Compliance Procedure. As regards the latter, competition law training will be provided to the management and staff of subsidiaries in 2024, and the centralized competition law training for foreign group members will also be developed.

In order to respond quickly to changes in legislation, the Bank notifies all its regulation officers whenever a summary of changes in legislation is published. We are constantly on the lookout for information on opportunities and technical innovations that can make our operations more automated and fully compliant. This remains a goal for us in 2024 as well.

We are constantly monitoring EU regulations and the changes taking place in the regulatory environment (including the recommendations of the European Banking Authority (EBA), the European Securities Market Authority (ESMA), the European Central Bank (ECB)) and examining and analysing all legislation applicable to the operations of the Bank and/or the Banking Group. We also monitor EU employment legislation and produce monthly/quarterly reports on the most important news regarding EU lawmaking that may have implications for the Banking Group in terms of capital markets, capital requirements and resolution matters. We produce weekly English-language briefings on changes to EU law in order to improve our compliance with legislation.

Our foreign subsidiaries are expected to meet the **same group-wide minimum compliance standards**. These minimum standards are regularly communicated to the subsidiaries in a priority order. There is now consistency across the Group in terms of consumer protection, capital market compliance, data protection, conflicts of interest, ethics, sanctions provisions and compliance governance. In 2023 we reviewed how the minimum standards issued so far are applied in practice across the Banking Group.

In the area of governance, we contributed to the drafting of a Corporate Governance Manual for banks, based on certain supervisory requirements (the MNB's Green Recommendation, the EBA Guidelines on

[41] Compliance with legislative requirements and international norms and standards on ethical business conduct
[42] Compliance risk is the risk of potential legal consequences, supervisory or other official sanctions, significant financial losses or reputational damage due to a failure to adhere to legislation or other non-legislative standards and internal rules applicable to financial organisations.

internal governance); the Manual is intended to ensure (among other things) better compliance with ESG regulatory requirements.

In **capital market compliance** a number of small improvements were made to combat insider trading and enhance market monitoring and the oversight of personal transactions. In 2023 the personal transaction reporting practices of employees involved in investment service activities were audited. As a result of this audit, there was a demonstrable further improvement in compliance awareness. In 2024 we will review our internal regulation on capital markets compliance and update and automate capital markets compliance processes.

We have further strengthened our **sanctions pre-screening**. Having switched from World-Check Online to World-Check One, the entire Banking Group now has access to a wider database and screening criteria when carrying out the simplified identification of sanctioned and high-risk corporate clients; this has strengthened our first line of defence further. An in-house collection of questions and answers (FAQs) about sanctions was developed for guidance purposes, intended primarily for the corporate business line. In 2023 we revised our sanctions policy, which now allows for a more sophisticated risk assessment (four-tier risk rating). The new rules will enter into force in early 2024. The practical application of the compliance checklist for the detection of sanction risks is now being monitored at the subsidiaries in order to ascertain whether they comply with the relevant expectations of the Group.

During the **compliance risk assessment** performed annually in two separate cycles, we did not identify any high risks that would require Group-level action in 2023. 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.

Enhancing compliance awareness

GRI 2-15 Training the employees – based on identical principles across the Banking 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 for all staff
- Consumer protection training – Content: main rules and their application, damage to reputation, customer loss, avoidance of consumer protection fines – Timing: annual refresher for all staff
- Data protection training – Content: the importance of data protection, data protection organisation at the Bank, processing of personal data, data impairment – Timing: annual refresher for all staff
- High-risk transactions – Content: transactions under sanctions and sensitive transactions – Timing: annual refresher for staff concerned

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 was organised by the parent bank and delivered in the following channels:

- A series of articles on the internal communication platform: in 2023, these articles focused on the Code of Ethics, conflicts of interest, gift policies and whistleblowing.
- Newsletters for the Compliance Officer Network.
- Compliance Officers' Forum: IT platform with important information, training materials and newsletters.
- Compliance Officers' Professional Conference: annual professional training.
- Two international compliance conferences for the top compliance officers of foreign subsidiary banks.
- Training on the use of the sanctions screening system, money laundering, sanctions-related and sensitive transactions, and data protection.
- Study visits for employees of subsidiary banks for the purposes of mutual knowledge sharing.
- Consumer protection workshop for compliance officers of the Budapest region to assess the problems and risks identified by them.

In addition to the above, the subsidiary banks implemented several measures of their own:

BG The Bulgarian subsidiary bank expanded its network of compliance officers in 2023. It delivered general and targeted compliance training courses on subjects including sanctions, conflicts of interest and data protection.

SI In Slovenia, SKB Bank organised a comprehensive campaign about whistleblowing. At NKBM, compliance staff visited the branches.

HR The Croatian subsidiary organised a whistleblowing campaign to promote ethical behaviour and compliance with the Code of Ethics.

AL Following the merger with Alpha Bank, the Albanian subsidiary restructured its compliance department in 2023. All employees declared whether they had any conflicts of interest arising from the merger. The 43 conflicts of interest declared were analysed and recommendations for solutions were made to the employees concerned and their superiors. Compliance staff received more training on sanctions and embargoes; this was followed by further development efforts and awareness-raising campaigns in several relevant departments of the organisation. Campaigns and training courses were held on the subjects of whistleblowing, ethics and gifts.

ME In Montenegro, training was provided on topics such as data protection, sanctions, ethics, conflict of interest, etc. Regular one-to-one training sessions were introduced for new hires.

RO The Romanian subsidiary introduced internal consumer protection training and tightened control over consumer protection content in the complaint handling process.

MD In Moldova a new whistleblowing channel was introduced and business ethics training was delivered.

Code of Ethics and reporting of ethical offences

GRI 2-23, 2-24 The basics and principles of ethical business conduct is summarized in the @Code of Ethics. Our Code of Ethics was significantly revised in 2023 through a restructuring of its content. A new chapter summarizes what is expected of employees in terms of ethical conduct, and a separate chapter sets out the business ethics commitments of OTP Group. A separate document was created to summarize the external guidelines, legislation and internal documents applicable to the Code.

We also created our group-wide @Partner Code of Ethics, the purpose of which is to provide clear and unambiguous guidelines and expectations on ethical business conduct for those who enter into a business relationship with OTP Group. OTP Group aims to ensure that all its suppliers, business partners, agents and other contractual partners undertake to comply with the provisions of the Partner Code of Ethics (or equivalent own regulations) by accepting the General Terms and Conditions, which form an integral part of the contract with the OTP Group member; alternatively, they may make this commitment under a separate clause within their contract or in a declaration of acceptance. The foreign subsidiary banks and the relevant subsidiaries in Hungary started the implementation of the Codes in 2023. The mandatory compliance training course was updated with additional questions on the new sections of the Code of Ethics and the Partner Code of Ethics, and all employees were informed of the changes in newsletters.

GRI 205-2, 2-15 All new employees, executive officers and sales agents are required to sign the Code of Ethics to familiarize themselves with it and to accept it. Some members of OTP Group 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 of starting to work for us. The Code of Ethics, the reporting of ethical breaches and legal infringements, and the issue of conflicts of interest are all included in the compulsory annual compliance training.

GRI 2-26 Every bank of the OTP Group operates a whistleblowing system. The conditions for filing whistleblowing reports and the relevant contact information are provided in the Codes of Ethics, which are published on the banks' websites, or in the accompanying documents detailing the reporting procedures. On the parent bank's website, detailed information is provided in a dedicated document entitled @OTP Bank Plc's whistleblowing system. Whistleblowing reports may be made anonymously as well. A new group-wide online whistleblowing platform was also developed and tested in 2023; it will be launched in 2024 and may be used to report to OTP Bank Plc., its subsidiary banks and the relevant subsidiaries in Hungary.

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.

The Banking Group received a total of 180 notifications in 2023 via its whistleblowing hotlines. Together with cases carried over from previous years, a total of 176 reports were closed, of which only 60 cases were categorised as ethical issues. We found 24 cases of ethical offense, of which eight occurred at OTP Bank, seven at DSK Bank, one at the Albanian, three at the Uzbek and two at the Russian subsidiary bank; three took place at Merkantil Group.

The Code of Ethics prohibits all forms of **discrimination**. 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 to OTP Bank and one each to DSK Bank and the Moldovan subsidiary. All six cases were investigated and one of them (at OTP Bank) was substantiated. It involved an employee who had committed an ethical offense by using discriminatory language in an internal letter.

GRI 410-1 Training on the Code of Ethics, including requirements pertaining to human rights. 84% of security guards, who are either employed or subcontracted by the Banking Group, have received training on the Code of Ethics. 73 percent of the security personnel engaged through subcontractors received such training across the Group. Training coverage has been complete at OTP Bank and its Bulgarian, Serbian, Albanian, Ukrainian and Moldovan subsidiaries. There is no training for outsourced employees at SKB Bank in Slovenia and at the subsidiaries in Uzbekistan, Russia and Romania. At NKBM of Slovenia and the Croatian and Montenegrin subsidiary banks, some but not all security guards employed through subcontractors attended such training in 2023.

Anti-corruption activities

OTP Group is committed to combating corruption and has declared zero tolerance towards all forms of bribery and the gaining of unfair advantages. Our Compliance Policy includes our @Anti-Corruption Policy. The policy is also available on the group member companies' websites. 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.

We launched a **comprehensive anti-corruption programme** in 2023 We drew up an action plan to identify what activities and areas should be inspected on a risk basis. Implementation of the programme has started and will continue in 2024.

We produced an **anti-corruption clause**, which stipulates that our partners must always report if they become subject to corruption proceedings and that OTP Bank will have the right to terminate the contract in such a case. In addition, partners must explicitly state that they will not use the money received from the Bank for corruption. The clause was added first to the Corporate Business Rules, which the Bank's partners must sign off on when they conclude a contract with us. In 2024 this clause will also be added to the General Contracting Terms and Conditions for suppliers. Derogations from the clause may be allowed only in exceptional and justified cases (and subject to informing Compliance), at the sole discretion and under the risk and responsibility of the contracting organisation.

When the Code of Ethics was revised, a **Gifts Policy** was added as a new annex; this Policy sets out the detailed rules on business gifts and invitations. We imposed a lower cap on gifts, linking it to the definition in the Income Tax Act on what constitutes a small gift in terms of value (HUF 23,200 in 2023). Our foreign subsidiary banks also linked their caps on gift value to the applicable legislative provisions, if any. All countries have values similar to the one applicable in Hungary. A change was introduced to the way gifts handed over in the customer area should be reported, with the aim of increasing the willingness to report such instances. Invitations to events must always be reported to Compliance, and the department will decide on its acceptability. Since 2023 OTP Bank has been sending out transparency information to partners invited by it to a certain subset of events (selected based on value and/or type of event).

GRI 205-2 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**, which is mandatory for all employees, also covers corruption via the Code of Ethics.

Each year the members of the managing bodies sign off on the Code of Ethics, i.e. they are fully informed. They do not receive training. All of our tied agents and suppliers were given information on our Code of Ethics at the time of contracting, which may have taken place in 2023 or in prior years. About 98 percent of contractual partners (~15,240 agents, ~21,560 suppliers) 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 Corruption risk assessment was carried out as part of the compliance risk assessment process in the Banking Group, with one exception: at NKBM[44], risk assessment was carried out using an earlier system. There was no risk assessment at Ipoteka Bank. We assessed corruption risks in 459 (69%) of the Banking Group's 666 organisational units. No significant corruption risks were identified in the risk assessment process.

GRI 205-3 The Banking Group was not subject to any public lawsuits relating to corruption in 2023. There were two confirmed corruption incidents, one at OTP Bank and one in Merkantil Group. A branch employee of OTP Bank reported that she had received chocolates and small cash gifts on 5 occasions from a lawyer she regularly recommended to clients. An ethics procedure was launched and it established that ethical misconduct had taken place. At Merkantil Bank, a trader received indirectly from one of the bank's partners some of the commission paid to that partner by the Bank. In both cases we took the necessary action and dismissed or sanctioned the employees involved.

Lobbying

It is through industry bodies, predominantly 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 2023 the Bank registered in the EU Transparency Register, which shows what and whose interests the various organisations lobby for at EU level, and also provides information on the financial and human resources dedicated to these purposes.

In 2023 we participated in, among other things, the drafting of the Hungarian ESG Bill, which is to implement the Corporate Sustainability Reporting Directive.

Foreign subsidiaries are also members of local banking associations, while our Croatian subsidiary participated in public consultations organised by advocacy organisations. Since June 2023 the CEO of the Ukrainian subsidiary bank has served as Chairman of the Board of Directors of the Ukrainian Independent Banking Association.

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. This 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. In 2023 the pre-qualification process was centralized with IT support at 15 Hungarian subsidiaries.

Extensive pre-qualification systems are also in place at DSK Bank, NKBM and SKB Bank, and OTP Bank Albania. Since 2022 NKBM has expected its suppliers to complete a separate ESG questionnaire. The minimum pre-qualification standard for other subsidiary banks was revised in 2023 and a group-wide policy was established. From 2024 onwards, our foreign subsidiary banks will be required to pre-qualify suppliers whose contract exceeds the sum of EUR 10,000. Ipoteka will apply the minimum standard from 2024.

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 worked with 4,394 suppliers in 2023, whereas OTP Group had around 22,000 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.

43 A few small subsidiaries do not have websites.

44 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.

Proceedings by authorities, and other legal procedures

GRI 2-27 There were 3 major[45] cases dealt with by the authorities/legal cases involving the Banking Group in 2023:

- The MNB imposed a HUF 49 million fine on OTP Bank for shortcomings identified in its anti-money laundering and terrorist financing activities. Weaknesses were identified in relation to the reporting of suspected money laundering transactions, the internal control and information system and monitoring activities, risk assessment, customer due diligence practices, risk mitigation measures and money laundering prevention training.
- The MNB carried out a comprehensive audit of the OTP National Voluntary Health and Mutual Fund. The audit found several deficiencies and a fine of HUF 9.5 million was imposed.
- The Russian subsidiary bank paid fines totaling HUF 62.5 million for 148 cases of inadequate communication with debtors (interactions without consent, exceeding the permitted frequency of interactions, misleading communication).

GRI 2-27, 206-1, 417-2, 417-3 **Closed proceedings by authorities, and other legal procedures, fines paid, 2023**

	OTP Bank					OTP Group				
	All closed cases	All cases closed with fines	Fine paid	Fine charged for practice applied in 2023	Fine charged for practice applied in earlier periods	All closed cases	All cases closed with fines	Fine paid	Fine charged for practice applied in 2023	Fine charged for practice applied in earlier periods
	No. of items		HUF million			No. of items		HUF million		
violation of competition rules[1]	0	0	0	0	0	2	2	1.5	0.7	0.7
violation of consumer protection rules	30	25	13.8	13.8	0	232	42	28.7	22.3	6.4
violation of rules on equal opportunity (not under the labour law)	0	0	0	0	0	1	0	0	0	0
supervisory procedures	6	4	64.4	58.4	6.0	214	155	144.4	128.1	16.4
violation of IT security / Cyber security rules	0	0	0	0	0	0	0	0	0	0
violation of taxation rules	2	0	0	0	0	5	0	0	0	0
violation of environmental rules	0	0	0	0	0	3	0	0	0	0
violation of marketing communication rules	0	0	0	0	0	1	1	0.3	0.3	0
violation of information provision rules	1	1	0.4	0.4	0	1	1	0.4	0.4	0
violation of data protection rules	4	1	10.0	10.0	0	20	5	11.1	10.1	1.1
violation of labour law rules	0	0	0	0	0	7	0	0	0	0
violation of health and safety rules	1	0	0	0	0	3	0	0	0	0
other proceedings	0	0	0	0	0	8	8	7.8	4.9	2.9
Total 2023	**44**	**31**	**88.5**	**82.5**	**6.0**	**489**	**214**	**194.2**	**166.8**	**27.4**
Total 2022	41	17	93	93	0	358	117	186	152	34
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			2521	71	265.4		

[1] Also includes breaches of antitrust and anti-monopoly rules.
The Interchange competition case reported in 2022 was still ongoing in 2023. The Romanian subsidiary bank had 9 competition cases pending at the end of the year.
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.

4.2 Prevention of money laundering

As a responsible financial service provider we spare no effort to make sure that the Banking Group is not used for money laundering.

Money laundering is when attempts are made to conceal or cover up the origins of money originating from crime. Perpetrators or other persons 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, based on a group-wide anti-money laundering policy.

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.

[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.

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.

In 2023, the anti-money laundering prevention organisation was transferred from the Security Directorate to the Compliance Directorate. We have upgraded the former departmental function to a general departmental level, with a separate department to handle customer acceptance and transaction monitoring. We have significantly increased the headcount of the department.

GRI 2-13 The anti-money laundering division provides monthly statistical data and explanations to the Anti-Money Laundering Committee, and prepares proposals on current issues at the Committee's quarterly meetings.

In 2023, we launched a new, more advanced version of our anti-money laundering **monitoring system** at OTP Bank. We have already begun providing this system to our foreign subsidiary banks as well. We have made targeted improvements to our international transaction screening system, in order to make it more efficient in handling transactions with Russian stakeholders.

At OTP Bank, annual training on money laundering is mandatory for all branch employees and employees working at the head office who are involved in the activities defined in the Act on the Prevention and Combating of Money Laundering and Terrorist Financing (the "AML Act") and are therefore legally required to undergo training. Special training materials have been prepared for branch staff, head office staff and senior staff. In addition to the compulsory annual training, a total of 38 online training sessions were held for a total of 731 new branch and corporate employees. In addition, the anti-money laundering division regularly delivers training for the new hires of the branches and provides in-person training for branches frequented by high-risk customers. Employees 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 all of their employees at least once a year. In three of the subsidiary banks, "only" customer-facing staff are required to complete the training.

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. We are a member of the Europol Financial Intelligence Public Private Partnership; we have been involved in the organisation's project to fight against human trafficking and sexual exploitation, working closely with the Financial Intelligence Unit. In 2023, we started working on the anti-terrorist financing workstream.

4.3 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.**

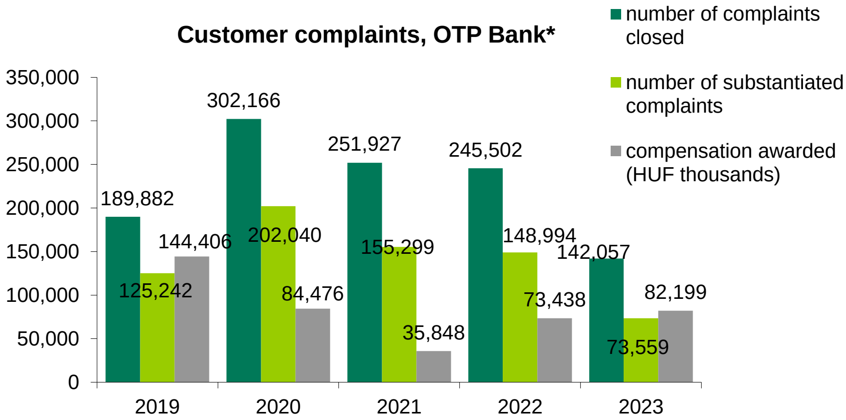
The regular (typically semi-annual) reports on complaints and their handling are also received by the top managers of our member companies. In order to prevent complaints, we assign great significance to the continuous training of our employees. We strive to investigate complaints faster than prescribed by legislation, and we aim to reduce response times. We constantly monitor and analyse the number, type, reason and response time of all complaints received. 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, an action plan is prepared, and the progress of rectification is monitored.

At OTP Bank, there are several types of complaints that can be promptly resolved, for which we provide immediate solutions that are acceptable to our customers. For customers who can be identified by e-mail address, we further accelerate the procedure by replying via e-mail. E-mail messages on the status of their complaints are sent to customers. The complaints function uses a continuous feedback process after the closure of complaint tickets, asking for feedback from customers via email regarding the solutions provided.

In 2023, we have also introduced a performance management system for complaint handling. As part of this, we have reviewed our processes from a lean perspective, and created flowcharts to standardise them. The effectiveness of the changes is demonstrated by the significant reduction in the number of overdue cases, and there is further potential for a significant reduction in the amount of overtime previously required.

In 2023, we began overhauling the IT system used for complaint handling. In addition, during the year, we held face-to-face meetings with the business areas concerned to find possible solutions to 5 of the most common complaints.

For credit card complaints, we will move from transaction-based to complaint-based reporting in 2023. A single complaint may be associated with multiple transactions, which is the reason for the significant decrease in the number of customer complaints compared to previous years.



* OTP Bank, OTP Jelzálogbank, OTP Lakástakarékpénztár
There were two complaints about accessibility, and no complaints about the transparency of the product structure.

In 2024, we plan to improve our complaint feedback system, and aim to reduce both the number of complaints received and the per-complaint response time by 10 percent.

BG SI RS AL ME RU RO Complaints management satisfaction measurement is in place in OTP Bank, the Bulgarian subsidiary bank, the Slovenian subsidiary bank NKBM, as well as the Serbian, Albanian, Montenegrin, Russian and Romanian subsidiary banks. According to our customers' feedback, the methods and effectiveness of our complaint management is within the adequate range.

BG The Bulgarian subsidiary bank has standardised its responses to the most frequent complaints.

SI SKB Bank in Slovenia has created an e-learning curriculum on effective complaint handling, and has made it mandatory for all new entrants and existing employees. NKBM has introduced daily reminders to staff working on outstanding complaints. The process of delegating and following up on complaints has been improved.

RS The Serbian subsidiary bank has introduced a new method of receiving and handling oral complaints.

RO The Romanian subsidiary bank has introduced new complaint handling software, which has significantly reduced the number of errors. The skills of the staff dealing with complaints have been improved.

MD The Moldovan subsidiary bank has improved the complaint handling skills of its branch managers.

OTP Otthonmegoldások Kft. has restructured its customer service tasks to ensure fast complaint resolution. As a result, around 80% of legitimate complaints were resolved within 2 working days.

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.

Own indicator Customer complaints		2019	2020	2021	2022[2]	2023[5]
Number of complaints closed	thousand units	N/A	589	513	537	452
Number of substantiated complaints	thousand units	N/A	358	274	294	244
Compensation paid[1]	HUF millions	367	188	131	8,241	224
Amount of compensation per warranted complaint[1]	HUF	2,300	500	480	28,030	916
Total number of complaints relating to accessibility for disabled	No. of items	N/A	N/A	N/A	2[4]	16
Number of complaints related to product structure transparency[3]	No. of items	N/A	N/A	N/A	12,751[4]	12,756

[1] OTP Bank Croatia and OTP Bank Russia were unable to provide compensation figures.
[2] HUF 7,947 million of the damages was paid by the Montenegrin subsidiary bank.
[3] 99% of complaints were registered by the Russian subsidiary; this included all complaints received in relation to the operation of the product.
[4] The Russian, the Romanian and the Montenegrin subsidiary, as well as the Financial Point, do not keep records of complaints relating to accessibility for disabled, and therefore 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 OTP Financial Point.
[5] The Montenegrin subsidiary bank was unable to supply data.

Typical complaints

At OTP Bank, the largest number of complaints received in 2023 was in relation to card fraud. Complaints related to current accounts, card charges, cash withdrawals and deposits were also common.

BG At the Bulgarian subsidiary, most complaints were in regard to increased credit limits for credit cards, disputed online card transactions, disputed e-banking transfers, problems with e-banking services, misuse of personal data and fraudulent loans.

SI At SKB Bank in Slovenia, the most frequent customer complaints were in regard to a change in the legal interpretation about the partial reimbursement of the cost of loans that were repaid early. Complaints about credit cards and online transfers (including fraud) were also common. Most of the complaints received by NKBM were regarding bank cards, ATMs and bank accounts.

HR Most of the complaints received by our Croatian subsidiary bank were regarding the introduction of the euro; the vast majority of these complaints were received in January.

RS Our Serbian subsidiary bank received complaints primarily regarding bank cards, bank accounts and loans. A significant number of these were related to fraud or incorrect credit card transactions. The most frequent subject of complaints regarding loans was changing interest rates.

AL In our Albanian subsidiary bank, the majority of complaints were regarding the merger, as well as ATM and card-related complaints about how frequently these services were used.

ME Most of the complaints received by our Montenegrin subsidiary bank were regarding card transactions, account management fees and the calculation of interest on loans.

UZ The complaints received by our Uzbek subsidiary bank were primarily about loan contract amendments, the repayment of incorrectly deducted loan amounts, as well as specific issues with mortgage, consumer and education loans.

RU For our Russian subsidiary bank, the most common complaints received were related to the loyalty programme, disputed debts, transactions, as well as the functionality of the mobile app.

UA Most of the complaints received by our Ukrainian subsidiary bank were regarding bank cards (not enough ATMs, not receiving text messages) and fraud.

RO At our Romanian subsidiary bank, the most common complaints and problems were regarding product loans, current accounts and the quality of services provided.

MD Our Moldovan subsidiary bank received complaints primarily about bank cards, ATMs, and the mobile application.

4.4 Safe 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 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 engagement to the continuous enhancement of the information security management system. IT security also includes cybersecurity. The Security Directorate reports annually on the security situation to the Board of Directors and Supervisory Board.

The Group Information Security Policy, completed in 2022, has been successfully implemented by 9 out of our 10 subsidiary banks existing at that time, and is currently in the process of being implemented by our remaining subsidiary banks as well.

The Bank also has a separate Anti-Fraud Strategy and Policy; anti-fraud processes are governed by a CEO Order. We operate an Anti-Fraud Competence Centre at OTP Bank, and we regularly hold on-line fraud prevention consultations with our subsidiary banks. We operate a working group at OTP Bank with the involvement of the Security Operations Centre (SOC), in order to seek solutions against data phishing methods committed via IT devices, and to make proposals for business divisions for mitigating risks.

In 2023 we executed the Banking Group's second annual **Cyber Defence Programme** (CDP), aimed at mitigating risks from the cyber space, primarily via the provision of group-wide services. The effectiveness of our cyber defences is measured using the NIST Cyber Defence Framework.

The details of information security **risk management** are laid down in the regulation on the regime of IT logical risk analysis. We carry out a risk analysis every two years. 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. In 2023, our automated vulnerability scanning tool, task and staff were moved to the first line of defence[46] and we began scanning mobile banking applications at the bank-wide level.

The changes to the ICT (Information and Communication Technology) risk framework in 2023 were also reflected in organisational changes, facilitating a clearer separation of responsibilities between the first and second lines of defence. A new ICT Risk Control Unit was established within the Credit Approval and Risk Management Division, under the Integrated Risk Management Directorate. This department is only responsible for second line of defence tasks.

Within the ICT risk function, the ICT Risk Control Unit is responsible for defining the overall risk framework, as well as the related management and measurement policies, methodologies and standards. It is also responsible for determining ICT risk appetite and integrating ICT risks – including cyber risks – into the operational and overall risk framework, including risk strategy, risk assessment (methodologies) and the reporting framework.

By the end of 2023, work was in progress on setting up the ICT Risk Committee, which have the necessary authorisations to cover the full range of ICT risks (including cyber risks). Our aim is to provide a more frequently used operational forum suitable for knowledge transfer, monitoring ICT risks, and developing ICT risk management, along with the development of standardised reporting for both the headquarters and our subsidiaries.

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

[46] The Bank applies the "three lines of defence" model for managing risks and implementing internal controls. The first line of defence holds the primary responsibility for risks associated with the organisation's operations, thus its adequacy is mostly ensured by employees and operational managers. The second line of defence monitors and assists the controls of the first line of defence. The functions of the second line of defence include independent risk management, risk control, compliance assurance and certain internal security controls. The third line of defence is the independent internal audit. For more information, refer to @Responsible Corporate Governance Report

requirements. IT security maturity assessment is carried out at our foreign subsidiaries once a year, their results are summed up in executive summaries.

To evaluate the effectiveness of security activities in 2022, we started on-site audits of the foreign subsidiary banks. In 2023, on-site audits were conducted at six subsidiary banks. The results were summed up in executive summaries and in reports for the foreign top managers. Thematic audits were conducted four times at our foreign subsidiary banks in an online questionnaire format on topics such as security awareness, protection against malicious code, authorised and prohibited software, and application management.

Cyber threat information is continuously gathered through Cyber Threat Intelligence. Cyber Threat Hunting can proactively identify in the cyber space and the internal network.

- In 2023, we introduced the NIST Cybersecurity Framework at OTP Bank to help understand, manage and mitigate cyber risks and strengthens the protection of the networks and data. The system will be introduced in our subsidiary banks in 2024.
- We introduced a central incident management and cyber threat intelligence sharing platform (MISP) at OTP Bank with the participation of MNB and the National Cybersecurity Office to gather, analyse and share information regarding cyber security incidents and malware. We plan to roll out the system to our subsidiary banks in 2024.
- In connection with the Group-wide brand and supply chain protection service (e.g. for identifying fake OTP websites or Facebook pages), in 2023 we have also activated the brand protection service on Meta platforms (e.g. Facebook). If a profile misuses OTP Bank's visual and layout elements, we will report it via our official OTP Bank Facebook page. In the past, these have been blocked very quickly, often within hours. 15–20 profiles were removed every day.
- To effectively maintain information security we cooperate with the National Cyber Security Centre of the Special Service for National Security. We created the @ELTE-OTP Cyber Defence Industrial Research Laboratory (KIBERLAB), which had 7 researchers in 2023.

Security incidents and their management

In total, 856 information security or other cyber security incidents (involving unauthorised access) occurred in the Banking Group. In the vast majority of cases, no customer or employee data was compromised. In one case linked to OTP Mobil, 10,279 customers were affected, and additionally a total of 113 customers or employees were affected at the group level. There were no such incidents at OTP Bank.

The scale of the cyber security incidents is indicated by the fact that we handled around 34,000 alerts, and investigated 6,000 data leaks and 742 phishing reports (of which 88 were organised phishing campaigns).

A considerable number of criminal acts or attempts are committed **against customers** by way of deception year after year. In these cases, the customers themselves provide the perpetrators with (or allow them access to) their confidential banking data. There were three common methods of perpetrating these offences in Hungary in 2023.

- The perpetrators, impersonating OTP Bank employees, usually claim that a fraud (unauthorised transfers/debit card transactions) or sometimes a mistaken transfer is in progress, typically attempting to deceive the bank's customers by phone.
- They generally use phishing sites to exploit classified advertisements posted by the customers and obtain their Internet banking login details, then use this information to login to the customer's Internet banking account and initiate unauthorised transfers. We prevent this by effectively detecting phishing sites.
- Internet advertisements offering get-rich-quick schemes are a way for fraudsters to obtain the customer's money, and later their data as well. In response, we have made it more difficult to attach the device to an existing account, making it more difficult to commit fraud.

Fraud against customers, OTP Bank		
	2022	**2023**
damage, HUF millions	2,901	10,086
customer losses prevented, HUF millions	883	3,195

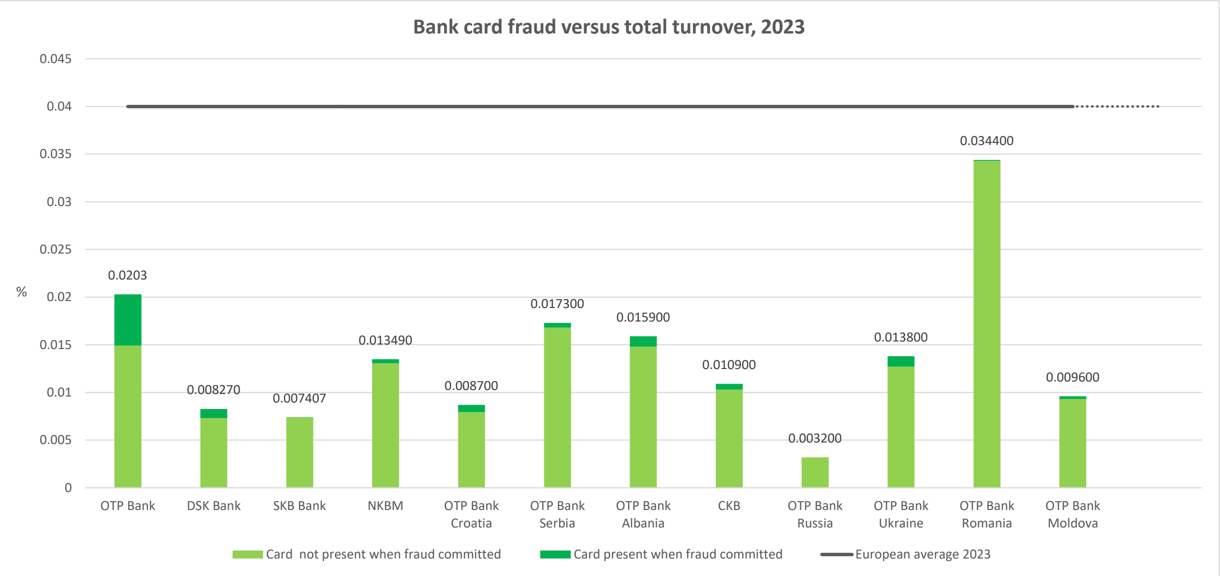
The global phishing campaigns and the resulting increase in customer losses are also reflected in the indicators of our subsidiary banks.

- Preventing fraud involving unauthorised transfers initiated by the customer themselves is the most difficult, as the transaction is initiated from the customer's own device, significantly reducing the number of potential fraud indicators. These events resulted in HUF 2.4 billion in customer losses, as well as HUF 344 million in prevented customer losses. Over 80 percent of customer losses occurred at our Slovenian subsidiary banks.

- The unauthorised transfers initiated by the perpetrators resulted in HUF 1,691 million in customer losses, as well as HUF 1,222 million in prevented customer losses. Over 50 percent of customer losses occurred at SKB Bank.

The bank seeks to mitigate customer harm primarily through improving customer awareness, education and security checks and rules – in most such cases, customers receive no compensation. The MNB and the Financial Arbitration Board are also setting increasingly stringent standards regarding online financial abuse, in order to protect both consumer interests and the reputation of the financial sector.

Own indicator Both OTP Bank and its subsidiary banks have a significantly lower ratio of **card fraud** to turnover than the European average published by Mastercard (OTP Bank: 0.0203%, subsidiary banks' average: 0.013%, European average 0.04%[47]). The total amount of fraud at OTP Bank was HUF 4.1 billion, with an additional HUF 9.5 billion at the group level. OTP Bank prevented HUF 10.1 billion worth of credit card fraud, while the amount of unsuccessful attempted fraud at its subsidiary banks amounted to HUF 7.9 billion.



The highest risk cases **targeting the Banking Group** included primarily credit frauds against OTP Bank, while our foreign subsidiaries were most commonly targeted by lending fraud, employee abuse and violent crime (ATM attacks, bank robberies).

Of all the acts aimed at causing bank losses, expected bank losses related to **credit fraud** were the highest in 2023. Although the number of cases of lending fraud decreased significantly between 2022 and 2023, the expected bank loss due to lending fraud at our Ukrainian subsidiary bank increased nearly threefold.

The number of **employee misconduct** cases halved in one year, and the related expected bank loss drastically decreased to one-tenth of its previous value: HUF 263 million. (This can be primarily attributed to the very high expected bank losses related to employee misconduct at our Montenegrin subsidiary bank in 2022).

There was an increase in the incidence of all main types of **violent acts** (bank robberies, burglaries, cash theft from ATMs, ATM vandalism). In comparison with the previous two categories, the expected bank losses associated with these forms of misconduct are negligible.

We have taken a number of steps **to reduce misconduct** in 2023:

- In order to effectively deal with the increased incidence of fraud targeting customers, the Security Directorate has implemented organisational and structural changes:
  - The responsibilities for handling fraud reports and taking immediate actions were transferred from the Contact Center to the Security Directorate.
  - In 2023, the department handling alerts from the real-time account and card monitoring system saw a headcount increase of 29 staff members, partly due to taking over responsibilities from the contact centre, and partly to handle the increased number of alerts.
  - To expedite the reception and handling of customer reports regarding fraud, as well as to increase customer satisfaction and thus prevent and reduce further potential losses, we have

[47] Issuers page.

created a separate department of 33 people called the Anti-Fraud Support Unit. Here, specially trained employees answer incoming calls and take preliminary actions.

- OTP Bank has signed a cooperation agreement with the National Police Headquarters (ORFK), establishing a 24-hour contact process to help the authorities take quick and effective action to bring offenders to justice. The main areas of cooperation include: crime prevention; education, training; the creation of an Anti-Fraud Academy; joint press coverage; joint evaluation and analysis; regular evaluation of offence patterns and trends, and the results of analyses; data provision, the establishment of a permanent on-call service to speed up the transfer of information.
- We have extended and tightened the rules on financial transactions and transfers:
  - We have introduced third factor authentication (customers attempting to transfer a sum exceeding ten times their previous average transaction value – but no less than HUF 1 million – will need to provide am authorisation code sent via email).
  - Only a financial transaction can activate mobile banking services within 24 hours.
  - We have capped the daily card limit for micro and small business customers.
  - We have reviewed our existing rules for the bank card and transaction monitoring system (PRM), amending them where necessary and introducing 26 new rules. We aimed to create real-time rules aimed at preventing the very first suspicious transaction. Where this was not possible, we created near real-time rules with more advanced habit checking and autobl functionality, providing a higher accuracy for alerts. The improvements to our rules have helped reduce the number of daily alerts by an average of 2,000 in 2023. In late 2023, we introduced a real-time link between the PRM and the card system, which is expected to make rule-making and operations more efficient.
  - With regard to the rules, we have developed new habit analyses to reduce the number of false alerts.
- We have initiated developments in the use of customer asset-based data (SEON, Threatmark).
- We have launched the Central Fraud Filtering System Project – as required by MNB.
- We have created a new feature for our mobile banking services, allowing customers to suspend their account and card at the touch of a button, in order to prevent further losses.

Improvements aimed at preventing online credit fraud:

- Fraud victims: a new feature has been added to the system to clearly identify whether a customer has been a victim of online credit fraud in the past. If so, we will contact the customer over the phone if they try to take out another online loan.
- Online attempts: Customers who have initiated a large number of online requests within a specified time period will trigger and automatic alert or block.

Raising awareness among our staff and customers

Since the awareness of our employees may result in the prevention of a lot fraud attempts, we laid particular emphasis on raising security awareness in 2023 as well. A lot of the relevant activities were executed in October, in connection with the European Month of Cyber Security.

According to the Bank Security Regulations, annual IT security awareness training is mandatory for all employees at the group level, requiring the successful completion of an exam administered by OTP Bank. New employees are also required to complete the training. We typically review the training materials annually.

In 2023, we conceptually and methodologically overhauled OTP Bank training materials, and produced a bank-specific video package with the engagement of a professional creative-film agency. The overhaul was followed by publication and backtesting. The original initial group of the course included nearly 11,000 active employees on launch day, of whom 92.5% successfully completed the course, while 808 individuals (7.5%) failed to complete it despite repeated requests. The overhauled training course has been well received by our employees. About 10% of those having completed the training also filled out the evaluation questionnaire, with 82% of respondents being very satisfied with the training, and 96% of them stating that the course content helps them in their daily work.

From 2023 onwards, branch employees will receive on-site training in addition to the annual bank security e-learning training.

In addition to general training, we also organised role-specific training courses, which likewise concluded with an exam. These were completed by 831 individuals.

We have developed a curriculum for training security personnel. From 2024, branch security guards will receive in-person training, while other stakeholders (cash transporters; responders) will be sent the curriculum.

We have kept our employees informed of the latest fraud methods through our internal bank communication channels. During Cyber Security Month, we reached out to our employees with professional and awareness-raising articles, as well as roundtable discussions.

For the fifth year in a row, we have organised a **phishing simulation** for the Bank's entire employee community, assessing employee response to receiving phishing emails. In 2023, the simulation was performed group-wide. We also carried out a successful "abandoned thumb drive" test at our head office.

In 2023, we organised two International Rotation Programmes for the security managers and employees of our foreign subsidiaries. The spring programme focused on information security, with four subsidiary banks participating. In the autumn, in line with the change in the responsibilities of the group management area, we implemented a programme covering several security areas, involving colleagues from seven subsidiary banks from different areas.

Our subsidiary banks also make efforts to raise security awareness among their employees, in addition to mandatory training and phishing simulations.

SI SKB Bank in Slovenia ran campaigns in the autumn and spring to raise awareness of security issues among colleagues. They also performed a phishing test.

RS Our Serbian subsidiary bank organised a social engineering test for its employees, in order to further improve their cybersecurity awareness.

RU Our Russian subsidiary bank has published articles on key IT security topics on its internal channels.

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.** We continue to improve our methods for customer education. Specifically:

- During the waiting time when customers are on hold, the Contact Center issues warnings for "Foxpost" fraud and fraudulent phone calls made in the Bank's name.
- Branch leaflets were produced to warn customers (100,000 leaflets). Branches have access to the internal Electronic Banking Security Portal, where staff will always be able to read information on the latest fraud trends and how to prevent them.
- We have set up a dedicated phone number to help us serve customers affected by fraud more quickly and efficiently; this phone number is prominently listed on the bank's website and on the login and logout pages of the internet banking interface.
- The OTP website https://www.otpbank.hu/portal/hu/Adathalaszat contains detailed information on the various forms of fraud and misconduct.
- We also have chatbots provide information to our customers on phishing and fraud, secure banking and credit card security. These provide our customers with easy access to thematically organised content and downloadable documents.
- We have also added fraud warnings to the envelopes containing account statements.
- During our branch training sessions, we reminded our administrators to inform customers about fraud.
- On a few occasions, our employees have given public presentations on financial fraud.
- In addition, we post alerts on Facebook, the Bank's website, the internal Electronic Banking Security Portal, as well as other social media whenever new methods or stories of fraud are available.
- Our three KnowledgeBank videos on data security received a high number of views (see @chapter 3.1).

SI HR In cooperation with the Slovenian Banking Association and the Croatian Banking Association, our subsidiary banks also participated in the awareness-raising activities of the European Month of Cyber Security. In Slovenia, SKB Bank and NKBM organised a spring and autumn campaign, informing customers of existing dangers by email, as well as via mobile and online banking.

RS Our Serbian subsidiary bank also used its communication channels to warn customers about fraud. They also published four videos on phishing, phone phishing, cyber-attacks and account fraud.

AL Our Albanian subsidiary bank has implemented a social media campaign on secure online payments, focusing on credit cards in 2023.

UA Our Ukrainian subsidiary bank participated in the communication campaign of the National Bank of Ukraine "Goodbye to fraud". The bank financed the development of the campaign's education programme, and also organised its own education programmes aimed at the general public.

RO The IT security manager of our Romanian subsidiary bank gave a presentation at the Bucharest Cybersecurity Conference.

Protection of customers' personal data

The Banking Group applies the most modern solutions for data processing and data security and in order to prevent data leaks.

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 discussed. Data protection is closely linked to fraud prevention and cyber security.

We last renewed the Directive on the protection of personal data introduced in OTP Bank and our domestic group members in 2022. 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 managers receive annual professional training.

We naturally provide our customers with complaint handling channels for the event of fraud suffered as a result of the data management practices of OTP Group, while suspected ethical offenses (including human rights offenses) can also be reported via our whistleblowing system.

48 of the data leakage cases in the OTP Group occurred in OTP Faktoring Zrt., and resulted from the fact that the address provided by the debtor was used by a third party who obtained unauthorised access to personal data by opening the letter. A further 18 data leakage incidents occurred at SKB Bank, primarily due to the negligence of the bank's administrators and a mobile bank configuration error.

GRI 418-1 **Abuse of personal data**

		OTP Bank					OTP Group				
		2019	**2020**	**2021**	**2022**	**2023**	**2019**[1]	**2020**	**2021**	**2022**	**2023**[2]
number of substantiated complaints by external parties	(cases)	0	3	0	0	0	33	20	277	128	43
number of complaints by regulatory authorities	(cases)	0	6	0	0	0	23	35	22	23	21
number of breaches of customer privacy	(cases)	0	0	0	0	0	1,045	29	61	31	73
number of data theft incidents	(cases)	0	0	0	0	0	1	2	17	0	2
number of times data were lost by the organisation	(cases)	0	0	0	0	0	1	2	0	1	2

[1] Our Ukrainian subsidiary bank was unable to supply data.
[2] Our Montenegrin subsidiary bank was unable to supply data.

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 above).

4.5 Tax payment

This chapter describes the activities related to the following relevant topic:

GRI 207: 3-3, 207-1, 207-2, 207-3: **Tax payment**

Impacts: In the areas where we operate, we have an impact on state revenues and the tax practices of the sector. 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.

This material topic supports the achievement of the following SDGs:

Engagement: 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.

We always aim to file tax returns in time, to fulfil our data supply obligations and avoid being fined.

Acts: Implementation and continuous application of the OTP Group Tax Policy
In Hungary, we have also contributed to the stability of public finances by bearing extra burdens (moratorium, bank tax, extra-profit tax)
Meeting the requirements on taxation is included in the objectives of the organisation managers

Stakeholder cooperation: 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.

GRI 207-2, 207-3 The OTP Group's tax policy defines uniform principles: it seeks to establish and maintain an open, transparent and trust-based relationship with the tax authorities. Our goal is to expedite the closure of audits, and provide high-quality information services.

The @Tax policy which was established by OTP Group in 2022 and came into effect in 2023, applies to the entire OTP Group, every member of the group members' management bodies and every employee of the Group, along with all natural and legal persons performing expert or consultancy assignments or agency activities for the Group. The Tax Policy presents the principles and practices followed by the OTP Group with respect to taxation (it is essentially a code of conduct within the framework of the law).

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 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.

OTP Group ensures the implementation of the Tax Policy through processes defined in group-level and local internal regulations, with the highest level accountable person being the Managing Director (Chief Accountant) of the Accounting and Finances Directorate leading the taxation division. The taxation division is independent of the business divisions.

GRI 207-1, 207-2 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.

4.6 Contribution to economic stability

This chapter describes the activities related to the following relevant topic:

GRI ST2: 3-3: **Contribution to economic stability**

Impacts: The members of OTP Group are important participants in several markets within the CEE region and in Uzbekistan, 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.

This material topic supports the achievement of the following SDGs:

Engagement: Stability is one of the most important values for the Banking Group, therefore it spares no effort to secure this. Our clear aim is to meet both regulatory requirements and competitive practices.

We always aim to file tax returns in time, to fulfil our data supply obligations and avoid being fined.

Acts: Traditionally high CET1 ratio
High liquidity ratio
Prudent risk management
Low ratio of non-performing loans (see @chapter 3.2)

Stakeholder cooperation: We follow regulatory requirements with the goal of maximum compliance, providing all necessary information in a transparent manner. We assign a high priority to answering investor and analyst questions.

Own indicator OTP Bank's capital strength and stability are also confirmed by the results of the stress test conducted by the European Banking Authority in 2023, with the assistance of the National Bank of Hungary. OTP Group was the only Hungarian-owned credit institution to have participated in the survey. OTP Group's capitalisation results have improved slightly compared to two years ago, and the Group's capital reserves would remain well above the current regulatory capital requirements over the horizon of the stress test. In terms of CET1 ratio decrease over the three-year stress scenario period,[48] OTP Bank achieved the 4th best result in the test from among the 70 banks examined, and ranked 13th in terms of its absolute CET1 ratio.

Own indicator The **CET1** ratio remained stable overall in 2023, despite the completion of the largest acquisition in the Banking Group's history – the Slovenian NKBM transaction – and the equally significant acquisition of the Uzbek Ipoteka.

The **MREL**, or the minimum requirement for own funds and eligible liabilities, is determined in collaboration with the resolution authorities of the Bank and its subsidiaries, representing a new level of regulatory expectations for banking resources. The level of the requirement varies from bank to bank, taking size and business model into consideration. The resources available for meeting the MREL requirement ensure that in the event of resolution, any losses are borne by the Bank's owners and subordinated lenders, minimising the need for state aid. Our Bank has met the level of the MREL requirement required to be achieved by January 2024 through capital accumulated during normal operations and bond issuances on international and domestic capital markets.

In 2023, we developed an internal regulation titled "Order of Management and Procedures Related to Resolution" *(A szanálási szempontú irányítás és a szanáláshoz kapcsolódó eljárások rendje)* to meet the corporate governance expectations required by the National Bank of Hungary in the event of resolution, in order to implement recapitalisation to the extent necessary.

Throughout the year, numerous questions were received from investors and analysts, induced by the bank failures in the US and Switzerland. In all cases, OTP Bank was able to provide reassuring answers based on the low deposit concentration, the ratio of insured deposits, the healthy balance sheet structure, and its conservative (73%) loan-to-deposit ratio.

The Banking Group's presence in Russia is a matter of public interest, and we also provide regular and transparent information on this. Even under the most unfavourable scenarios, the situation of our subsidiary bank will not jeopardize the stability of OTP Group.

GRI 201-4 In 2023, the Banking Group received subsidies in four countries. In Hungary, nine subsidiaries of OTP Bank received subsidies. NAGISZ Zrt., HAGE Zrt., Nemesszalóki Mezőgazdasági Zrt. and Nádudvari Élelmiszer Kft. received a total of HUF 3.3 billion in investment, agricultural and animal welfare subsidies.

MONICOMP has signed a three-year contract with the National Agency for Research and Innovation for the lease of a supercomputing infrastructure. The total cost of the project is HUF 7.3 billion, with a total subsidy grant of HUF 2.6 billion. The second instalment of the aid (HUF 846 million) was received in 2023. The environment requires 40% less energy compared to other HPCs[49], which is exceptional at the regional level, and provides the opportunity to create GPT-level large language models, significantly supporting the Bank's customer service, campaign management, knowledge sharing, and educational activities. By the end of the second year, a Hungarian-English, GPT-3 level large language model will be made available to the public sector, as well as to higher education institutions. In the course of additional training steps, the model will also be trained with the languages of the countries where OTP Group is present.

Our Bulgarian subsidiary received state aid for financing their electricity costs. The Merkantil Group and OTP Factoring Zrt. received GINOP Plus subsidies for employee development through a European Union tender. OTP Travel received de minimis levels of subsidy, Foglaljorvost Online Kft. received SME Start Innovation *(KKV Start Innováció)* subsidies, and OTP Holding and Financing Malta used state subsidies for hybrid car procurement.

GRI 201-4 **Financial assistance (HUF millions)**[1]					
	2019	**2020**	**2021**	**2022**	**2023**
Hungary	167	50	1,248	2,363	4,237
Bulgaria	0	0	74	721	156
Slovenia	0	0	0	74	0
Croatia	3	5	7	5	0
Romania	3	14	8	0	0
Malta	0	0	0	0	5
Total	**173**	**69**	**1,337**	**3,164**	**4,397**

[1] The tax allowance granted on the basis of the Hungarian Banking Group's sponsorship of spectator team sports and performing arts, as well as the tax relief in Slovenia used for donations, are not included here as they cannot be interpreted as financial assistance received by the Bank

[48] common equity tier 1 capital
[49] High Performance Computing

5. RESPONSIBLE EMPLOYER

This chapter describes the activities related to the following relevant topic:

GRI 401, 404, 405, 3-3: **Responsible employment**

Impacts: The Banking Group makes major contributions to improving labour market adaptability and competitiveness, sustainable development efforts, and socially responsible employer behaviour through responsible employment. The quality of life of employees (and those working in the sector) is fundamentally influenced by income, thus the remuneration practices of the Banking Group are a key factor. Ensuring gender equality also has an important impact on economic growth and a sustainable future.

Working conditions and the workplace atmosphere also significantly impact stress levels, motivation and sense of security, which can have either positive or negative effects. Given the size of the Banking Group, the impacts are also felt in the broader community.

This material topic supports the achievement of the following SDGs:

Engagement: The Banking Group is committed to fair employment, stability, and performance-proportional, equitable remuneration sufficient for a decent living.

The Banking Group considers its employees to be its most important asset, and seeks to promote their well-being and development. Ensuring the latter includes continuous training and development, while the former is guaranteed by a caring and family-friendly corporate culture promoting equal opportunities and a healthy work environment. OTP Bank's HR strategy focuses on the employee experience.

Acts Decent remuneration and a performance-based benefits system
Flexible employment opportunities
Strengthening non-discriminatory, inclusive attitudes
Promoting gender equality (in training and development)
Preparing action plans based on satisfaction surveys, and following up completed programmes
Leadership and skills development
Health insurance services, screening programmes, sports and recreational possibilities

Stakeholder cooperation: The Group continuously monitors employee satisfaction. We take action based on employee feedback and inclusion. Our employees regularly undergo performance evaluations. We see ourselves as cooperative partners with advocacy groups. We cooperate with higher education institutions, professional organisations and service partners. Our interaction with supervisory authorities and agencies aims to ensure compliance with expectations.

Details of activities relating to material topics are presented in the following pages, along with their outcomes and how their effectiveness is assessed.

Further basic principles and comprehensive goals relating to employees are to be found on our @website.

5.1 Employment

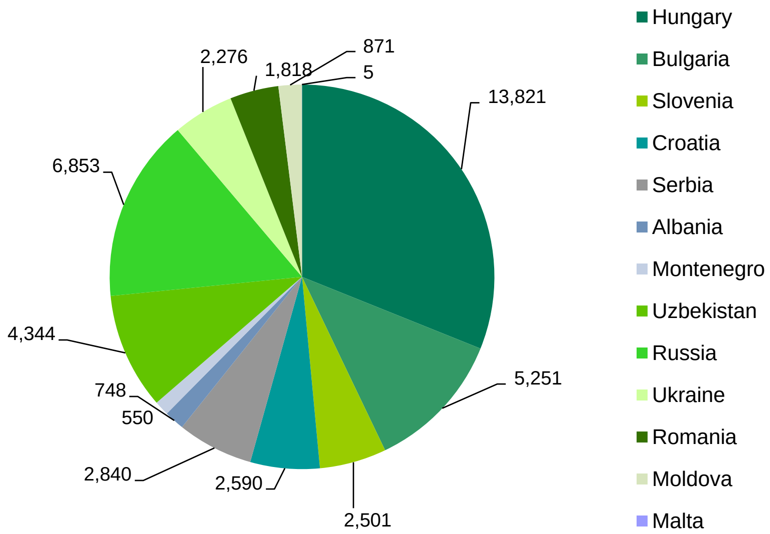
In 2023, the Banking Group faced numerous new challenges due to both internal changes and external factors. Our focus has been on comprehensive programmes supporting engagement and effective change management. Our goal is to prepare the organisation for the future.

SI, UZ For OTP Bank, one of the biggest challenges in the field of human resources was presented by the growth of OTP Group. The integration of the Uzbek Ipoteka Bank and the Slovenian NKBM was the most significant change at the group level, affecting both international cooperation and the employees. During corporate integration, the Bank strives to treat its employees responsibly. Integrity and transparency play a key role in change management. We strive for open communication (about the causes, processes and consequences of change), create forums and platforms to facilitate dialogue, and support employees with a wide range of tools in adapting to the new environment. More information on this can be found in @chapter 5.2.

GRI 2-7 at the end of 2023, a total of 44,468 employees worked for the OTP Group[50], the majority in foreign subsidiaries. The 15% increase in the Banking Group's headcount was primarily due to international acquisitions, which resulted in Uzbekistan's Ipoteka Bank contributing 4,344 employees to the total headcount, and NKBM contributing 1,575. Proportionally, the 49% increase (247 employees) in the headcount of the Albanian subsidiary bank was also a result of a previous international expansion: the acquisition of Alpha Bank. Other group members experiences no change or only slight increases in headcount. There was a 10% increase in the headcount of the Montenegrin CKB, while our Russian (-15%) and Ukrainian (-7%) subsidiary banks, as well as the DSK Group (-5%), experienced significant decreases in headcount. OTP Bank Russia's headcount reduction continues to be driven by the significant decline in business activity, as well as decreases in the role of the physical POS, and the branch's role as channel. The number of OTP Bank Ukraine employees has decreased as a consequence of the war that broke out in February 2022.

GRI 2-7, 207-4

Number of employees by country
31.12.2023, total number of employees



GRI 2-7 *Employee headcount* (as of 31 December)	OTP Bank										
	2019	2020	2021			2022			2023		
	Total	Total	Total	Men	Women	Total	Men	Women	Total	Men	Women
Full time employees	8,396	8,872	9,228	3,487	5,741	9,654	3,678	5,976	9,841	3,904	5,937
Part-time employees	922	954	850	60	790	862	70	792	874	74	800
Employees, total	**9,318**	**9,826**	**10,078**	**3,547**	**6,531**	**10,516**	**3,748**	**6,768**	**10,715**	**3,978**	**6,737**
Women/men ratio				35%	65%		36%	64%		37%	63%
Employees with fixed-term contracts	6%	4%	5%	3%	6%	4%	2%	6%	3%	2%	3%
Employees with fixed-term contracts	562	419	491	115	376	460	88	372	282	61	221
Employees with indefinite-term contracts	8,756	9,407	9,587	3,432	6,155	10,056	3,660	6,396	10,433	3,917	6,516

The data are accurate and derive from our internal records.

[50] Number of active employees. A part of the workforce – a total of 2,275 by the end of 2023 – will work as agents, mainly in Russia (2,119) and Ukraine (150).
No employees are working in the Banking Group in regimes without guaranteed working hours.

GRI 2-7 *Employee headcount* (as of 31 December)	OTP Group 2019 [1]	2020	2021 [2]			2022 [3]			2023		
	Total	Total	Total	Men	Women	Total	Men	Women	Total	Men	Women
Full time employees	36,027	36,364	38,504	11,524	26,980	36,458	11,547	24,911	42,236	14,565	27,671
Part-time employees	1,481	1,451	1,811	339	1,472	2,317	433	1,884	2,232	421	1,811
Employees, total	**37,508**	**37,815**	**40,315**	**11,863**	**28,452**	**38,775**	**11,980**	**26,795**	**44,468**	**14,986**	**29,482**
Ratio of women/men	100%	100%	100%	29%	71%		31%	69%		34%	66%
Employees with fixed-term contracts	7%	6%	6%	4%	7%	4%	2%	5%	3%	2%	4%
Employees with fixed-term contracts	2,633	2,283	2,338	426	1,912	1,646	272	1,374	1,372	246	1,126
Employees with indefinite-term contracts	34,875	35,532	37,977	11,437	26,540	37,129	11,708	25,421	43,096	14,740	28,356

[1] Not including the figures of Expressbank and OTP banka Srbija a.d. Beograd.
[2] Full consolidated group.
[3] Including the entire consolidated group, without the figures of Alpha Bank
The data are accurate and derive from our internal records

GRI 2-8 Non-employed staff headcount, 31.12.2023.	OTP Bank 2022	2023	OTP Group 2022	2023
Temporary agency workers	88	69	157	229
Other external workforce[1]	1,090	1,067	3,589	2,740

[1] The figure is based partly on estimates. The reasons for the changes are not tracked at Group level.
Independent workforce in legal terms include for the most part IT experts (developers, operators), trainers and other specialists performing other services, as well as students.

GRI 205-2 A considerable number of sales agents (15,550 persons) are cooperating with the OTP Group in Hungary and in the region alike. Their numbers have decreased overall in 2023. The sales agent network remains more significant in Russia, as well as within a small group of the parent bank and domestic subsidiaries (OTP Financial Point, OTP Real Estate Point), and OTP Bank Romania. In Ukraine, the decline is due to the war situation, while in other countries it is typically due to the recovery from earlier inactivity and the expiration of contracts.

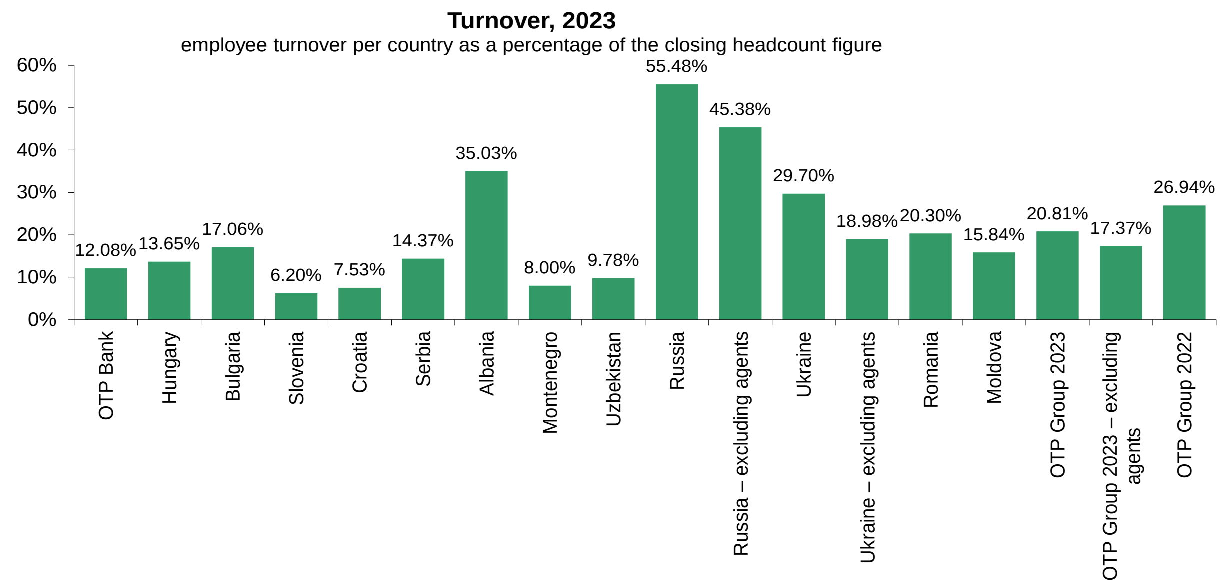
New recruits and employee turnover

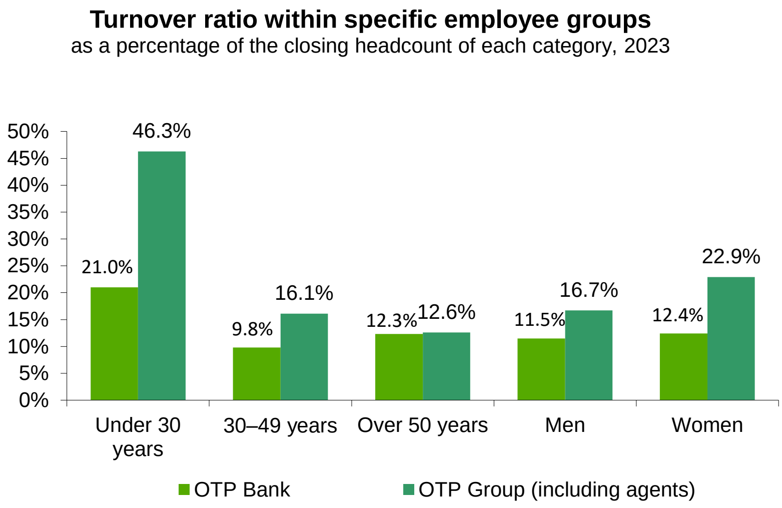
GRI 2-7, 401-1 In spite of the unfavourable macroeconomic processes, the challenging international environment and the companies' internal transformations, turnover[51] continued to decrease both at Group level and for Group members. Turnover at the banking group level decreased to 20.8% in 2023, with the voluntary departure rate being 16.0%.

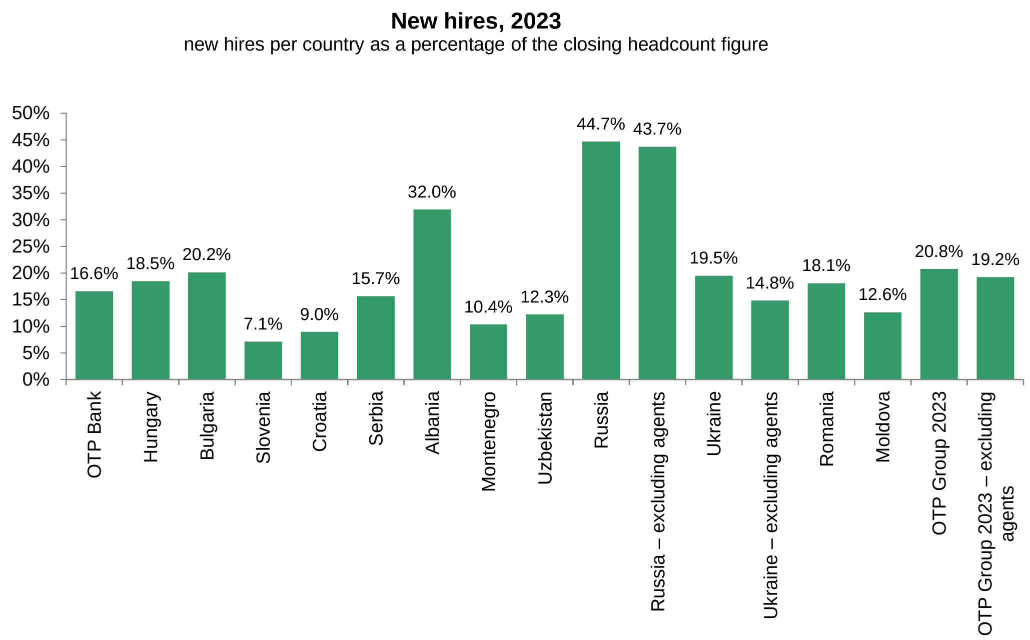
Employee statistics

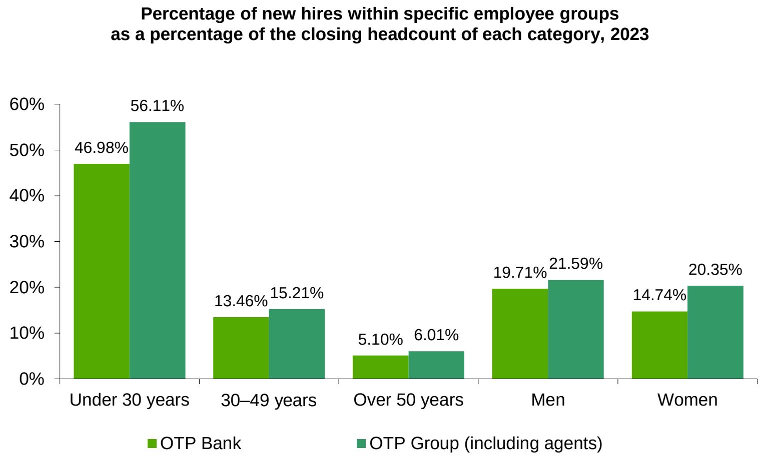
GRI 401: 3-3, 401-1, Annex[52]

[51] 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.
[52] 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.

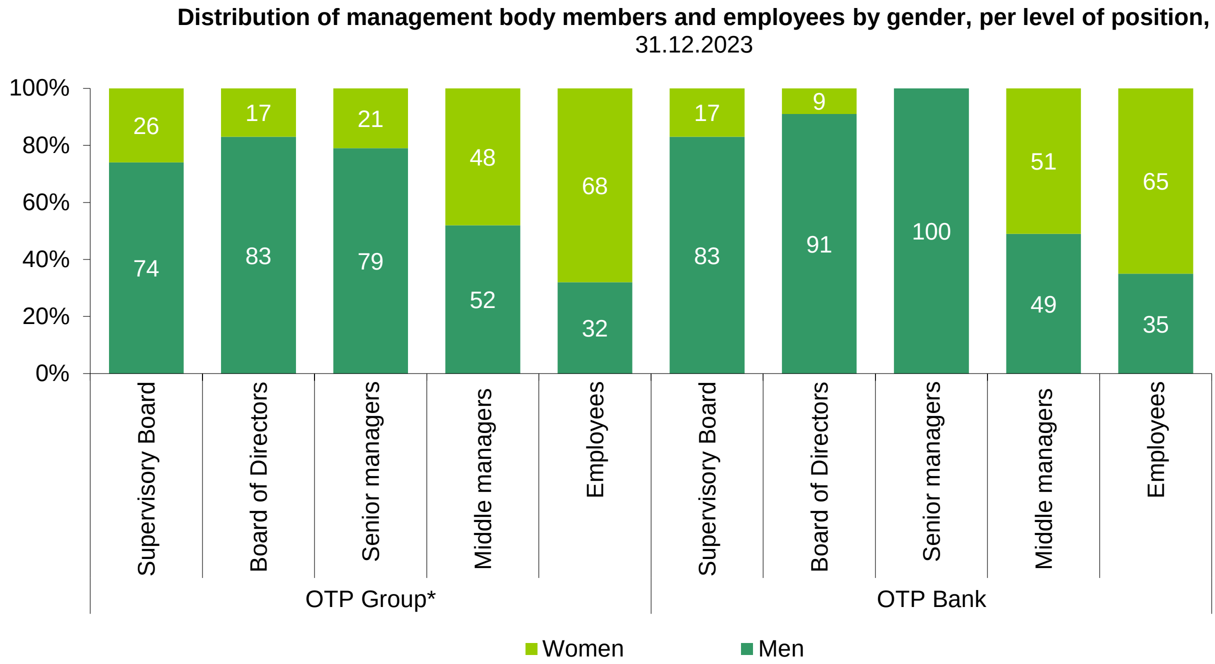

Turnover, 2023
employee turnover per country as a percentage of the closing headcount figure
60%
50%
40%
30%
20%
10%
0%
12.08%
13.65%
17.06%
6.20%
7.53%
14.37%
35.03%
8.00%
9.78%
55.48%
45.38%
29.70%
18.98%
20.30%
15.84%
20.81%
17.37%
26.94%
OTP Bank
Hungary
Bulgaria
Slovenia
Croatia
Serbia
Albania
Montenegro
Uzbekistan
Russia
Russia – excluding agents
Ukraine
Ukraine – excluding agents
Romania
Moldova
OTP Group 2023
OTP Group 2023 – excluding agents
OTP Group 2022


Turnover ratio within specific employee groups
as a percentage of the closing headcount of each category, 2023
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
21.0%
46.3%
9.8%
16.1%
12.3%
12.6%
11.5%
16.7%
12.4%
22.9%
Under 30 years
30–49 years
Over 50 years
Men
Women
OTP Bank
OTP Group (including agents)


New hires, 2023
new hires per country as a percentage of the closing headcount figure
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
16.6%
18.5%
20.2%
7.1%
9.0%
15.7%
32.0%
10.4%
12.3%
44.7%
43.7%
19.5%
14.8%
18.1%
12.6%
20.8%
19.2%
OTP Bank
Hungary
Bulgaria
Slovenia
Croatia
Serbia
Albania
Montenegro
Uzbekistan
Russia
Russia – excluding agents
Ukraine
Ukraine – excluding agents
Romania
Moldova
OTP Group 2023
OTP Group 2023 – excluding agents

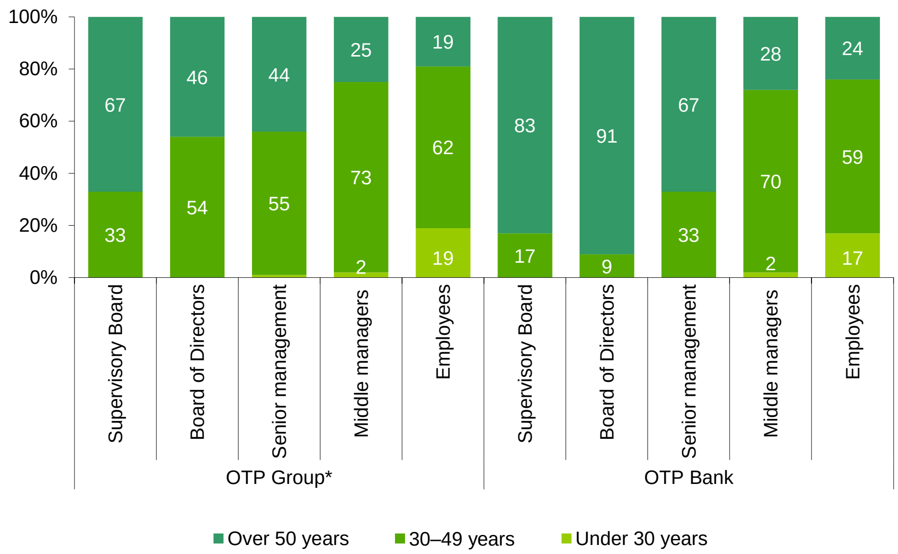


GRI 405: 3-3, 405-1, 205-2



* 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.

Distribution of management body members and employees by age, per level of position,
31.12.2023



* 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 workplace diversity

GRI 2-10, 405: 3-3, 406: 3-3 OTP Bank's strategy for gender equality was completed in 2021. In it, the Bank has set the following strategic objectives:

- ensuring equal opportunities for all employee groups,
- creating an open and inclusive workplace, free from discrimination,
- supporting a diverse, professionally outstanding, and cooperative work culture.

As part of the strategy, OTP Bank committed to **increasing the ratio of women** in its management bodies, appointing at least one female member to the Board of Directors and the Supervisory Board. The nomination process is carried out by the Nomination Committee based on suitability, leadership, and expertise, in accordance with the requirements laid down in the Credit Institutions Act. The Bank has committed to having at least 25% female candidates for group-level leadership succession. The strategic objectives will also be accomplished through a gender-neutral remuneration policy and the strengthening of a non-discriminatory and inclusive attitude through management training and internal awareness raising campaigns. According to the employee engagement survey, 82% of employees at the group level and 88% of employees at OTP Bank feel that professional success at the company is independent of gender, age, cultural background, ethnicity, and religion.

Further actions and practices:

- During the year, the ratio of female candidates in the succession planning for international and Hungarian priority manager positions was 30%. In the 2023 OTP Academy international talent programmes, the Advanced Leadership Program (33%) and the Strategic Risk Leadership Program (58%), the ratio of female employees exceeded 30%.
- To enhance non-discrimination, those involved in recruitment took part in labour law and sensitivity training. As in previous years, the principle of an objective and discrimination-free process for attracting talent was reinforced by standardising our internal application process, allowing internal employees to participate in a selection process fully identical to that of external applicants.

In 2024, OTP Bank plans to launch new diversity programs. Diversity awareness training materials will be prepared to help managers and employees eliminate unconscious biases. Women's leadership development programs and the launch of the international Women Network will prepare and encourage women for higher leadership roles. Dedicated succession programs are also planned to strengthen the employment of women in digital and IT fields.

GRI 202-2 Proportion of women and members from the local community in senior management, 31.12.2023				
Company	Directorate		Management ¹	
	Proportion of locals² (%)	Proportion of women (%)	Proportion of locals² (%)	Proportion of women (%)
OTP Bank	100	9	100	0
DSK Bank	88	13	88	13
OTP Bank Slovenia (SKB Bank + NKBM)	38	50	92	31
OTP Bank Croatia	83	0	83	0
OTP Bank Serbia	33	0	86	14
OTP Bank Albania	-	-	83	17
CKB	86	29	71	29
Ipoteka Bank	63	0	63	0
OTP Bank Russia	100	0	0	0
OTP Bank Ukraine	100	40	100	40
OTP Bank Romania	80	40	55	27
OTP Bank Moldova	100	17	83	17

¹ 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 Heads of Division.
² Citizen of the relevant country.

Many of the OTP Group's subsidiaries have guidelines and/or policies prohibiting discrimination at the workplace and promoting diversity and equal opportunity. The policies on employee performance evaluation and financial incentives are also gender-neutral, consistently applying the principle of equal pay for male and female employees for equal or equivalent work across subsidiaries.

BG The Bulgarian DSK Group launched the LaDySK initiative in 2023, in order to strengthen the economic and social role of women and support their careers. The community, consisting of 27 female leaders, has its own logo, mission, and vision. Its members have received special training, including on emotional intelligence, time management, and neuro-linguistic programming (NLP). The community also actively participates in charity initiatives within the bank.

HR Our Croatian subsidiary bank published its Diversity, Inclusion, and Equality Policy on its @website. In 2023, it developed the social pillar of its ESG strategy, in parallel with an assessment of its social impacts. Consequently, it reviewed its main internal regulations, supplementing them with provisions related to human rights and diversity. The bank's employees participated in the Workplace Inclusion Champion educational programme organised by the Croatian Business Council for Sustainable Development, to implement a detailed Diversity and Inclusion (D&I) action plan in 2024, as part of achieving the goals set in the ESG strategy.

AL OTP Bank Albania is committed to non-discrimination and the protection of vulnerable groups. In 2023, it signed a memorandum with UN Women[53], promoting gender equality.

UZ In 2023, Ipoteka Bank had a Gender Equality Committee and a Women's Committee, providing financial contributions and benefits to women. Women received free medical check-ups and vaccinations, as well as health care and sanatorium services for those in need. Retired employees and those with over 45 years of work experience receive special recognition and gifts, and once annually, financial support is provided to employees with disabilities.

RO OTP Bank Romania's brand philosophy as an employer, the #otpmindset concept, is based on diversity and equal opportunity.

A total of 483 **persons with disabilities** were **employed** at the end of 2023. Within OTP Group, the DSK Group employs the largest number of people with disabilities (156 people) and OTP Bank Ukraine the largest ratio (5.5%). 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.

OTP Group is committed to **supporting career starters** and, in connection with this, to cooperation with higher education institutions and students. Most Banking Group members regularly host trainees and students completing their practical training, and employ students temporarily. Within the framework of its cooperation with higher education institutions, OTP Bank actively participates in university mentoring programmes, job fairs and student organisation events, as well as supporting lectures, research and study competitions.

[53] UN Women is a United Nations organisation dedicated to empowering women and girls in the social, economic and political arenas.

Following the practice of previous years, the OTP Group employed 979 interns in 2023. Among the Group members, the Ukrainian, Romanian, and Albanian subsidiary banks welcomed the highest number of trainees in proportion to their headcount. OTP Bank operates a dedicated Trainee Program. In 2023, a total of 229 trainees and 300 students were offered employment, and 300 university students were provided opportunities to work as professional trainees in the branch network and central areas. Around 60 percent of young people who have completed an (apprenticeship) traineeship or student placement have been recruited by the Bank as staff. 23 percent of the employees who joined in 2023 were under the age of 25, thus the Bank offered employment opportunities to approximately 300 young professionals.

RS The Serbian subsidiary bank cooperates with several NGOs for the employment of disabled and disadvantaged young people. Trainees were hosted through the Roma Entrepreneurship Development Initiative (REDI) programme, and at the end of 2023, they began collaborating with the UNDP (United Nations Development Programme) and the Forum for Young Disabled People. They helped to inform stakeholders about open positions and traineeship opportunities within the bank, and the bank's employees participated in forums and conferences organised by the two organisations. A dedicated traineeship competition for young people with disabilities was launched at the end of the year.

RO As a unique initiative, the Romanian subsidiary bank has launched the Hungarian Native Speaker Trainee Programme 2023. The programme gives Hungarian-speaking young people the opportunity to learn about the bank and the financial sector, and to gain experience in their profession. Students typically remain in the bank as employees after the mentoring and learning phase.

GRI 2-30, 402-1 All members of OTP Group respect the rights of freedom of association and collective bargaining, and provide opportunities for **advocacy** in accordance with applicable local laws. Relations with advocacy groups are collaborative. 65 percent of OTP Bank's employees are members of a union, with a group-level ratio of 40%[54]. The Bulgarian, Croatian, Montenegrin, and Uzbek subsidiary banks have a high rate of union membership. The majority of the Banking Group's employees (70%) are covered by a collective bargaining agreement. For OTP Bank employees, this ratio is 97%[55]. There are collective bargaining agreements in force at OTP Bank, DSK Bank, OTP Bank Serbia, OTP Bank Croatia, OTP Bank Romania, the Uzbek Ipoteka Bank, OTP Bank Ukraine, CKB, the Slovenian SKB[56] and NKBM Banks, and the Hungarian subsidiaries 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). Employees' rights, policies, employment rules and practices are available to employees and are displayed in internal communication channels, on the relevant intranet pages.

Labour complaints

GRI 401: 3-3 During the year a total of 48 labour procedures were commenced against companies of the OTP Group, of which 36 procedures were closed by the end of the year. 35 of the cases closed were labour lawsuits. The compensation paid in 2023 amounted to 233 million HUF, including a fine for practices from a previous period amounting to 218 million HUF. In the case of CKB Group, a verdict was reached in favour of the plaintiff regarding an unlawful termination of employment in 2019 for compensation of lost earnings. The Russian, Ukrainian, Serbian, and Bulgarian subsidiary banks were also involved in the labour proceedings.

5.2 Employee inclusion, measuring engagement

GRI 2-29, 401: 3-3 **Continuous dialogue with the employees is a key element of OTP Bank's HR strategy – we communicate 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 Group places a high importance on employee satisfaction and strengthening employee engagement. Annual engagement surveys and targeted pulse surveys allow the effects of developments to be measured.**

[54] Slovenian banks are not allowed by national law to keep records of trade union members, so this is not included in the data.
[55] At OTP Bank, the working conditions and terms and employment conditions of employees not covered by a collective bargaining agreement are also determined on the basis of the existing collective bargaining agreement. The working conditions and the terms and conditions of employment of employees not covered by collective bargaining agreements at the members of the Banking Group are typically not determined on the basis of the collective bargaining agreement of the member company or other organisation.
[56] Not the organisation's own collective agreement, but a sectoral collective agreement.

Own indicator OTP Bank conducted an employee engagement assessment in 10 countries applying the same methodology across the group, for the third time.[57] In 2023, a total of 28,990 employees took the opportunity to provide feedback, representing an extremely high (91%) response rate. While maintaining the participation rate, the Banking Group also managed to improve employee engagement and remain an attractive workplace in the labour market.

Survey results:

- Employee engagement level increased by two percentage points to 72%, compared to 76% for OTP Bank in 2023.
- With this 2 percent increase, the engagement rate is approaching the global financial sector average (75%)[58]. OTP Group's goal aims to reach the global 75th percentile of engagement, which was 78% in 2023.
- In addition to Hungary, the highest levels of engagement were found in Albania, Ukraine and Romania. Seven of the ten countries surveyed saw an increase in engagement compared to the previous year.
- As a result of the actions taken at group level, a larger proportion of employees (68% instead of 60%) reported positive changes in their environment as a result of the (previous) survey. Most respondents found it important that communication had become more open and more regular, leading to improved cooperation with colleagues. They also noted positive changes in terms of remuneration. 91 percent of respondents noted career opportunities, employee well-being and recognition as key factors in their engagement, and 72 percent of respondents (2022: 71%) believe that the survey will result in improvement initiatives.

All employees received comprehensive information about the survey results, and were given the opportunity to provide feedback on it. This process serves as a basis for the 2024 action plan, focusing on the following three areas:

- providing career opportunities (by extending the job system internationally, creating transparent career paths, initiating international mobility),
- employee well-being (reviewing and streamlining processes for welfare services, increasing efficiency),
- and strengthening the involvement of senior management (reinforcing the dialogue between managers and employees).

Additionally, each organisational unit must identify at least two to three specific goals that will provide an effective response to employee feedback.

The importance of a feedback culture is increasingly significant in the Group's operations, collecting feedback from members of OTP Group in a number of different ways beyond just the engagement survey.

SI The Slovenian group conducted a pulse survey on the inter-bank integration process and a cultural survey to explore their employees' views on the current and desired organisational culture.

RS Our Serbian subsidiary bank has rolled out the Heartcount app – already tested in 2022 – to its 1,600 employees. Heartcount is a tool for efficiently collecting and analysing employee feedback.

RU Our Russian subsidiary bank conducted employee surveys on various programmes, including gamification, health insurance, transparency of the bonus process, and the potential for internal collaboration.

Open internal communication, change management

For the Slovenian and Uzbek banks, internal communication played a crucial role in change management due to company mergers and integration into the banking group. Priorities included harmonising operations, strengthening cooperation and defining the necessary management steps towards the desired organisational culture. In both cases, the aim was to make integration a predictable and understandable process for employees.

SI The two Slovenian banks have embarked on a number of new activities to strengthen employee engagement. This included the introduction of "crossbank" team-building events, a new change management training programme for managers, regular meetings to strengthen communication and information sharing (monthly and quarterly business review meetings), and organising community-building

[57] In Russia, the survey was conducted on a different platform and with some different questions. The response rate was 90%, and the detailed results are still being processed. The first survey in Uzbekistan will take place in 2024.
[58] The Financials Avg benchmark contains six million responses from 116 companies of the world classified on the basis of the GICS method.

events and activities (Bankathlon, Christmas events, health improvement programmes, mobility week) that can appeal to all of the employees of both banks. Organisational culture workshops were also held with managers to jointly define the core values and desired behaviours of the bank created as a result of the merger – which is planned for 2024 – and to incorporate them into performance management and moral recognition systems.

RO In 2023, OTP Bank Romania held an internal event, the HR Open Days, to give colleagues the opportunity to ask questions about the bank's market position and sales. A dedicated internal communication platform was also established for this purpose, named the "Dialogue of Colleagues".

5.3 Career opportunities

OTP Bank operates a uniform, consistent, transparent and equal remuneration and incentive structure. This is governed by the Job Framework. The job framework was implemented in the Bank and its Hungarian subsidiaries[59] in 2022, with the Group-level international rollout slated for the end of 2024. The job framework defines the career paths offered by the Banking Group to 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. A new IT system supporting the system will also provide job maps, allowing employees to see the skills and competencies required for a particular position. In 2023, OTP Bank introduced a uniform internal application framework across the company, supporting internal job rotation and transparent, horizontal career paths.

GRI 404: 3-3, 404-3 The Bank provides a review of development goals twice annually to all employees as part of the performance review, defining the directions for personal growth and discussing development solutions. Among the subsidiary banks, this is fully implemented at the Serbian subsidiary bank, but only to a lesser extent at other member banks, resulting in 41 percent of employees receiving a career development review at the group level. Men and women are almost equally represented in the review, while by job category, 56% of middle managers and 39% of employees are included.[60]

Talent programme

We have developed a standardised talent development framework and manager succession planning scheme. In 2023, we introduced international talent programmes as part of the OTP Academy framework.

OTP Academy Framework

OTP Academy provides an opportunity for uniform, comprehensive, and high-level knowledge acquisition at the Group level. The aim of the programme is to build a high-quality international professional community, in addition to promoting professional and personal development. Each academy is designed to develop key skills at different levels of proficiency. However, a common feature is that, in addition to knowledge development, they also develop skills based on practical application, experience exchange, feedback, and development.

The main objective of the **professional academies** is to develop key skills for business success along key job families such as risk management, digitalisation or business development.

Leadership academies aim to create an international, cross-organisational community of leaders.

As part of the OTP Academy programme, we have introduced several leadership development programmes at the Group level. For more information on international leadership talent programmes, see @chapter 5.5 "Training and education" (Advanced Leadership Program and Executive Leadership Program).

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 individual and corporate objectives and based on objective criteria, is fully implemented at OTP Bank and at several foreign subsidiary banks. Defining development objectives and assessing competences is a subject of discussion between the manager and the employee. The HR information system is used to set objectives and evaluate their achievement. The frequency and metrics of the performance evaluation process can vary by area (e.g., head office, sales,

[59] For Hungarian subsidiaries where this was justified by the headcount of employees and the group-wide impact, including Faktoring Zrt., Merkantil Zrt., Jelzálogbank Zrt. and Lakástakarék Zrt.
[60] 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.

customer service, agile organisations), with each case governed by specific internal regulations. In the engagement survey, 71% (2022: 66%) of OTP Bank employees indicated receiving meaningful recognition for their achievements.

OTP Bank is gradually introducing OKRs (Objectives and Key Results), aiming to develop and support a management feedback culture, in addition to achieving the company's strategic goals. In 2023, the objectives and leader evaluations of approximately 3,600 employees were based on this methodology. The novelty of the system is that, in addition to organisation-specific goals, we can also set horizontal indicators and goals. Thus in 2023, the individual organisations have also defined indicators related to the development of financial literacy, as well as the enhancement of digital knowledge and skills.

More than 95 percent of staff in the Bulgarian, Slovenian, Serbian, Albanian, Ukrainian and Moldovan subsidiary banks abroad received regular performance evaluations.[61] At the group level, 85 percent of women and 75 percent of men received performance evaluations in 2023. Broken down by job categories, 82% of senior managers, 87% of middle managers and 81% of employees received a performance rating.

HR RS In 2023, the Croatian and Serbian subsidiary banks prepared separate training materials on giving and receiving feedback, aimed at developing both managerial and employee skills.

5.4 Remuneration, rewarding of the employees

Benefits

GRI 405: 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 (see @chapter 1).

In line with legislative requirements and its engagement to equal opportunity, the OTP Group consistently employs the principle of 'equal pay for equal work', including ensuring gender equality. 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. OTP Group member companies typically provide the same benefits to full-time, part-time and fixed-term contract employees[62].

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 2023, by more than 5% in most cases. Nearly all members of the Banking Group also offer fringe benefits to their employees. OTP Bank's remuneration practice differs from those generally applied by other market participants in Hungary: in addition to the annual pay rising process enabling basic wages to be regularly adjusted, the average bonuses are also significantly higher than the usual market rate. The renumeration structure of the Uzbek Ipoteka Bank differs from the Group's practice, and harmonising it will be one of the tasks for the coming period.

OTP Bank's remuneration and incentive practices are closely linked to the newly introduced job framework. We operate a clear, consistent, transparent and equitable remuneration and incentive structure at all levels. 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. At the end of 2023, 918 people were participating in the programme.

RS In 2023, our Serbian subsidiary bank paid special attention to recognising and rewarding employees: it implemented wage increases among branch network employees, introduced a quarterly bonus as a regular form of remuneration, and applied annual performance-related salary adjustments. Additionally, it provided a flexible benefit (birthday leave) to employees on a trial basis.

[61] In Ipoteka Bank in Uzbekistan, the performance management system will be implemented in 2024.

[62] An exception is the practice of OTP Bank Russia, which provides part-time and fixed-term employees with life insurance, health protection, extra days off and other benefits only up to the level required by law, while full-time employees are entitled to these benefits. OTP Bank Albania provides the other benefits to full-time employees but not to part-time employees, and OTP Bank Serbia provides the health care benefit only to full-time employees.

GRI 405-2 **Ratio of the basic salary of women to men, 31.12.2023**					
	Men	Women			
		Senior managers	Middle managers	Employees	Average
OTP Bank	100%	not interpretable	95.8%	98.5%	98.2%
DSK Bank	100%	92.1%	98.0%	94.4%	94.5%
OTP Bank Slovenia (SKB Bank + NKBM)	100%	99.8%	94.2%	98.1%	98.2%
OTP Bank Croatia	100%	not interpretable	91.3%	96.6%	96.3%
OTP Bank Serbia	100%	92.0%	87.0%	84.0%	84.0%
OTP Bank Albania	100%	81.8%	101.9%	92.4%	94.1%
CKB	100%	78.2%	85.7%	87.2%	86.9%
Ipoteka Bank	100%	not interpretable	91.0%	95.0%	94.0%
OTP Bank Russia	100%	not interpretable	85.0%	84.0%	84.0%
OTP Bank Ukraine	100%	103.1%	82.1%	92.9%	92.4%
OTP Bank Romania	100%	88.8%	90.8%	93.3%	93.3%
OTP Bank Moldova	100%	94.8%	80.0%	72.6%	74.2%
OTP Group[1]	**100%**	**92.6%**	**90.8%**	**92.4%**	**92.2%**

[1] Average of the parent bank and the subsidiary banks.

GRI 405-2 **Total benefits for women compared to men, 31.12.2023**					
	Men	Women			
		Senior managers	Middle managers	Employees	Average
OTP Bank	100%	not interpretable	93.4%	97.8%	97.3%
DSK Bank	100%	97.7%	98.8%	89.8%	89.9%
OTP Bank Slovenia (SKB Bank only)	100%	105.8%	98.0%	99.7%	99.9%
OTP Bank Croatia	100%	not interpretable	84.6%	88.2%	87.8%
OTP Bank Serbia	100%	86.0%	85.0%	83.0%	83.0%
OTP Bank Albania	100%	81.0%	96.5%	85.5%	87.5%
CKB	100%	70.8%	87.3%	92.7%	91.7%
Ipoteka Bank	100%	not interpretable	91.0%	95.0%	94.0%
OTP Bank Russia	100%	not interpretable	87.0%	92.0%	92.0%
OTP Bank Ukraine	100%	102.2%	76.0%	96.3%	95.3%
OTP Bank Romania	100%	N/A	N/A	N/A	N/A
OTP Bank Moldova	100%	92.6%	81.1%	72.7%	74.4%
OTP Group[1]	**100%**	**91.0%**	**89.6%**	**92.7%**	**92.4%**

[1] Average of the parent bank and the subsidiary banks.

ME At the beginning of 2023, CKB introduced compensation for lower-paid categories of employees to keep wages stable in the face of inflationary pressures. A uniform 17% wage increase was introduced in the second half of the year, and the budget for bonuses was also increased.

UA In Ukraine, due to the crisis situation caused by the war, the subsidiary bank provided accommodation compensation for employees during the forced relocation in 2023, as well as financial support and salaries for mobilised employees, a significant wage increase and a company discount on health insurance.

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 ***In 2023, the Banking Group has placed a strong emphasis on leadership development and continues to offer a broad training portfolio to its staff.***

In 2023, the OTP Group spent more than HUF 4 billion on employee training. The average per capita training cost nearly doubled, as a result of the price increases and the intensive trainings for middle and top managers. The average training time was 34 hours/employee. Every single employee of the OTP Group was provided with training. The parent bank provided the most training in 2023, with nearly 80 percent of employees attending training beyond the mandatory courses.

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.

In 2023, we heavily focused on international leadership training. In the Executive Leadership Program, the Advanced Leadership Program and the Risk Leadership Program, in addition to leadership development, we placed a strong emphasis on collaborative project work and community building.

- OTP Bank, in cooperation with INSEAD, has implemented **its first group-wide Executive Leadership Program**, with the participation of 30 middle managers from 12 countries. The aim of the programme is for high potential middle managers to develop the skills and knowledge they need to reach senior management positions. The training gave them the opportunity to work on real projects, build their network of contacts and learn from experienced leaders (mentors).
- A total of 31 international strategic leaders from 9 countries participated in the **Advanced Leadership Program**. As part of the 9-month programme, participants learned from world-class experts from London Business School and worked in teams on comprehensive, group-wide strategic development projects. Excellent solutions in the areas of customer experience, digital innovation, talent management, international collaboration and leadership development were developed and presented at the International CEO Forum. The feasibility of projects is decided by the Executive Steering Committee of the parent bank.
- Also in 2023, the **Strategic Risk Leadership Program** as part of the OTP Risk Academy international leadership development programme was completed. The 9-month training was attended by 24 risk managers from 10 countries, with the SEED Executive School involved in preparing them for the role of strategic leader. Participants also worked in teams on strategic programmes for banking group risk management. The results and proposals will be incorporated into the strategic planning of the area.

The OTP Risk Academy, the first of its kind to be launched in 2023 among professional academies, is open to all employees working in risk management. More than 1,400 Banking Group employees have access to the basic module focusing on professional knowledge. Digital learning (11 e-learning) materials and webinars, which are uniform on group-level, cover the main areas of risk management. By the end of the year, more than 60% of the colleagues concerned had completed the training. OTP Bank will continue to expand its professional academies in 2024, including the Risk Academy, Collection Academy, Digital Academy and Retail Academy.

ESG training

In 2023, we created an ESG training course comprising five modules and targeting nearly 900 managers, with the inclusion of an external advisor. Available in English and Hungarian, the training covers ESG fundamentals and legal background, business opportunities, risk management, employer responsibility and ESG governance.

50 DSK Bank managers took part in a three-hour educational game on climate change, based on the IPCC reports.

Comprehensive leadership development continues at the parent company headquarters, with regular forums, experiential learning and using the latest tools 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.

SI In 2023, the Slovenian Group's leadership development programme also covered the area of change management to develop the competences of leaders to successfully manage significant organisational change.

Professional training programmes and competence development

Development of the employees' professional expertise is one of the most important tasks at all group members. 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 inclusion of staff, taking into account the results of performance reviews.

Strengthening communication skills, cooperation skills and personal productivity and supporting stress and change management, play a special role in trainings aimed at skills development. OTP Bank also provides self-development opportunities for its 500 employees by giving them access to different platforms (Udemy O'Reilly, Cloud Guru).

In 2023, OTP Bank renewed its portfolio of leadership and employee skills development programmes. 45 curricula development and updates (e.g. basic training in banking curricula are reviewed quarterly, job preparation materials annually, mandatory training courses, etc.). Satisfaction with training and education is above 9 according to the satisfaction measurement questionnaire.

GRI 404: 3-3, 404-1 **Annual training per employee, number of hours (2023)**		
	OTP Bank	**OTP Group**
Senior manager	61	82
Middle manager	97	62
Employee	77	31
Men	76	34
Women	81	33
2023 average	**79**	**34**
2022 average	80	35
2021 average	76	47
2020 average	74	50
2019 average	80	50

5.6 Safe and healthy working environment

Work-life balance, employee well-being

Psychosocial risks can have a negative impact not only on the individual but also on the whole organisation and the efficiency of the national economy, so managing them effectively is an important task. The objective of the HR strategy focusing on employee experience is to ensure 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 and maintain mental health.

GRI 405: 3-3 Atypical forms of employment, including part-time work, teleworking and working from home office, are possible for members of the Banking Group. Following previous practice, hybrid working (partly office work, partly home office work) was typically available to those in central jobs, to varying degrees from area to area. For OTP Bank employees, the proportion of working days spent in the home office was 17%, with an average of 28% in the central area and just over 1% in the network. In line with international trends, the number of home office days available at OTP Bank in 2023 was two days per week. Changes in Hungarian legislation have allowed parents with young children to have more flexible working conditions. Several subsidiary banks have made teleworking easier.

BG The Bulgarian subsidiary provides an extra two days of paid leave or employee recreation and regeneration, and teleworking was greatly simplified in 2023 based on employee feedback.

HR OTP Bank Croatia rewards exceptional performance with extra day off and has introduced teleworking for more than 1,800 employees. They also allowed for so-called “temporary teleworking” for vulnerable groups and for exceptional and justified cases.

The rate of extraordinary work in OTP Bank decreased compared to the previous year. The annual number of **overtime hours** per capita was 39.4 hours in 2023 (based on the number of overtime workers), 17.9% less than in 2022. The average number of hours of overtime worked per person was 19.1 hours.

In the satisfaction survey, 70% (2022: 69%) of OTP Bank employees, 69% on Group level, found that the Bank treats employee **well-being** as a priority. We aim to continuously improve this value.

OTP Bank also conducted a separate survey on satisfaction with welfare services. The most important welfare services for employees are contributions to personal health/pension accounts, private health services, bonus holidays and employee discounts from OTP and its partner companies. The survey has shown that what is needed is not the introduction of new physical, mental, social or financial welfare services, but the simplification and efficiency of processes. So in 2023, we focused primarily on expanding existing services and making them easier to access and use.

Under a health insurance contract, OTP Bank financed a total of 32,161 screening tests or healthcare treatments resulting from health complaints in 2023. An extended screening bus service has become available to employees in the Hungarian branch network in the regions.

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. Because of the high proportion of women in the workforce, the examinations that are important for them are in focus. In addition, in 2023, several new projects and measures related to work-life balance and employee well-being were implemented by the group members:

BG In 2023, the DSK Group launched its well-being initiative entitled “Balance Your Life”, providing a platform for colleagues to discuss the topic and organised webinars. Its Wellness Academy continued to focus on healthy living, exercise and medical consultations.

SI The well-being and health promotion programmes of Slovenian banks continued to be extensive in 2023. They offered office exercise, massage, sports club programmes and health awareness webinars. Psychological support is available in both banks, provided by an outsourced specialist who guarantees anonymity to employees.

AL OTP Bank Albania has introduced several engagement programmes to promote work-life balance. Work-life balance is also a theme of the new entrants' orientation programme. The In4Change Workshop aims to develop the perceptions and feedback of employees on major events and situations in their work environment or in their personal lives.

ME The main elements of the group's well-being programme include: free yoga classes, expert presentations on mental health, parenting, healthy eating, exercise and topics that employees think are important.

Family-friendly programmes

Many of OTP Bank's employee have small children or are preparing to have children. For years, the Bank has been providing discounted **camping opportunities** for employees' children through the OTP Social Foundation, and they can also apply for financial education camps organised by the OTP Fáy Foundation and for programming summer camps organised in association with the Association of Computer Managers. Our employees were also eligible to apply for a contribution to cover the costs of summer camps outside the Bank, with 777 children benefiting in 2023. In 2023, the Bank provided children's daycare for 10 weeks during the school holidays at its headquarters. Each time, 17 children were supervised and a total of 620 children used the service. The Bank has increased the number of vouchers issued for domestic reward holidays and the number of summer camp tours. A total of 363 children attended the summer day camps, which lasted several days.

Several members of the OTP Group offer their employees the opportunity to apply for **start-of-school allowance**, family support options (e.g. for the birth of a child or the funeral of a close relative) and company events (e.g. Family Day, Santa Claus, Children's Day programmes) in which family members can also participate.

In 2023, Elf Factories welcomed children were welcomed in 5 locations across the country. In addition to OTP Bank employees, employees of domestic subsidiaries and mothers with young children at home were also invited to the programme. 1,700 children spent happy hours with Santa Claus, made small gifts or took part in the concerts.

Across the group, thousands of employees are on long term parental leave.[63] Parental leave is also available for fathers, but still few of them take advantage of it.

GRI 401-3 **Employees taking parental leave and employees returning, 31.12.2023**		**OTP Bank**		**OTP Group**	
		Men	Women	Men	Women
Persons entitled to childcare leave	(persons)	45	1,098	1,675	7,664
Persons taking childcare leave	(persons)	3	930	85	4,104
Number of people returning to the company after childcare leave	(persons)	2	292	62	1,184
Percentage returning to the company after childcare leave	(%)	100	92	93	63
Still employed 12 months after return (retention rate)	(%)	0	96	60	68

Stress management and individual support

Own indicator - 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). Reducing psychosocial risks and preventing their consequences for mental and physical health is an important task of health and safety at work. In order to identify and reduce psychosocial risks, stress management, burnout prevention training and online webinars are available for employees in the majority of member companies. In 2024 Q1, OTP Bank will launch a comprehensive survey to map these risks. Participation in the survey is voluntary.

To overcome mental health difficulties, OTP Bank continued to provide support services for individuals and families in 2023. The Smart Hour webinar series continued. 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.

[63] Long-term childcare leave, which can be taken by both women and men, depending on local regulations. The definition does not cover the short term parental leave introduced in Hungary in 2023.

For the first time, the Bank organised a Health Day with external professional partners. In addition to learning about healthy lifestyles and psychological factors, the hybrid event also provided participants with practical help in @bhc.hu and @meghallgatunnk.online experts on how to manage stress, get restful sleep and have a healthy diet. Each time, the presentations were attended by 30–50 people on the spot, but there was also a lot of interest online, so in the future the Health Day will be held every six months.

Since 2020, Bank employees have had the opportunity to consult specialists of the @meghallgatunk.online portal (coaches, psychologists, mental health professionals) free of charge. Feedback suggests that the service is useful and that more and more people are using this kind of help. From its launch until September 2023, more than 2,000 counselling sessions were held to deal with work and family problems or health issues. In 2023, employees participated in 960 consultation sessions. In special cases (in 2023, there were several non-work-related deaths in the Bank), we held a series of group consultation to process grief. During the year, office massage, specifically tailored for office sedentary workers, was made available with the help of medical masseurs.

HU RO MD OTP Bank and OTP Bank Romania have several hotels where 96 employees and their families (284 people) could stay at a discounted rate, while the top performers could stay for free. In addition to OTP Bank and OTP Bank Romania, some of the Hungarian subsidiaries and employees of the Moldovan subsidiary bank have the possibility to benefit from discounted rates at these hotels.

Sports

The OTP Group encourage its employees to do physical exercise. In 2023, OTP Bank organised its traditional central sports day, which was also attended by the employees of the Group's Hungarian members. 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. In 2023, the Bank increased the budget for the call for proposals, which resulted in more than 173 events, mobilising 6,135 employees. In order to promote sport, sports-related articles were regularly published on the internal communication platform and the Bank took over the registration fee for AllYouCanMove and, to a limited extent, the entry fee for people doing individual sports. The bank's sports clubs regularly organise home championships, which are open to employees of subsidiaries as well.

A wide range of sporting opportunities were also available in 2023 among member companies. These typically involved the organisation of sports days, the participation of company teams in sports competitions and the funding of sports clubs.

RS The Serbian subsidiary organised an OTP All Star sports day with the participation of 500 people and supported the active participation of employees in local sports competitions (Business Run).

AL The Albanian subsidiary held a volleyball and football tournament for the purposes of teambuilding.

UA In Ukraine, a traditional sports day was organised and a running club is run.

MD The mission of the CKB Mission Possible Team is to build a community of people working in different areas. In 2023, 300 people participated in activities such as hiking and boat trips.

To promote physical activity, several member companies run or make available exercise and fitness programmes for their employees.

SI SKB Bank was awarded the WAC (Workplace Active Certification) certificate in 2023 for its achievements in 2022. The bank offers a variety of sports and clubs for recreational sports and competitions. In 2023, a Bankathlon sporting event was organised for the employees of the NKBM and SKB. The NKBM sports club also has a hiking section, which organised 8 mountain hikes in Slovenia in 2023.

UZ The Uzbek subsidiary bank its employees the opportunity to exercise regularly in the fitness centre. A special fitness programme was offered for women. The trade union is actively involved in organising sporting events in the company, and twice a year it organises tourist trips to cities in Uzbekistan.

RO The Body Awareness Program 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.

Occupational health and safety and accidents

GRI 3-3 The OTP Group makes every effort to maintain safe working conditions. The low number and severity of accidents is proof of the effectiveness of these efforts. From an occupational health and safety perspective, the Banking Group's employees are mainly employed in low-risk jobs, the framework for occupational health and safety is regulated in accordance with local legislation and occupational health and safety activities are carried out in accordance with it. In 2023, OTP Bank's Occupational Health and Safety

Code was revised. A more significant change is that the scope of the responsibilities and professional training of the person responsible for occupational health and safety has been specified due to the changes in the law on occupational health and safety, and the regulation has been amended to include printing and logistics activities; occupational health has been modified for certain jobs. The most important work and fire safety task in 2023 was the inauguration of the data centre, which is a priority area from a safety point of view.

The employees of the Banking Group also receive regular training in occupational health and safety in accordance with local legislation. OTP Bank employees participate in annual training, which goes beyond the expectations. Group-wide cooperation with the Hungarian subsidiaries has been strengthened, and the renewed e-learning material on occupational safety and fire prevention has also been shared.

GRI 403-9 At OTP Bank, the rate of work-related accidents[64] increased to 1.5 in 2023, which is good compared to the national statistical average (4.4 to 5 accidents at work per 1,000 employees). For the OTP Group, the indicator remained unchanged from the previous year at 2.0 in 2023. Accidents were investigated in accordance with the relevant legislation. At Group level, accidents at work continue to be predominantly work-related, occurring in the Banking Group's facilities, while walking (falls, slips) or during manual materials handling.

GRI 403-9 **Work-related injuries**		OTP Bank				OTP Group			
		2020	**2021**	**2022**	**2023**	**2020¹**	**2021**	**2022**	**2023**
Number of accidents²	(pcs)	22	18	9	16	42	77	85	85
Accident rate²	(per 1 million hours worked)	1.35	1.05	0.5	0.88	0.63	1.11	1.27	1.13
Number of high-consequence injuries	(pcs)	0	0	0	0	1	1	6	5
Serious accident rate	(per 1 million hours worked)	-	-	-	-	0.02	0.01	0.09	0.07

¹ OTP Bank Ukraine was unable to provide data and is therefore not included in the projection base.
² Accidents subject to reporting.
The number of hours worked was 18,084,383 for OTP Bank and 75,368,421 for OTP Group in 2023. The data reporting covers all employees.

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 2023.[65] 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.

First aid

In the summer of 2023, our employees successfully provided first aid on several occasions after several cases of customers becoming unwell due to heatwaves. These cases highlight the crucial importance of first aid training. The training will continue in 2024 to ensure that all the Bank's organisation units are fully equipped with first aid personnel, further enhancing the safety of employees and customers.

[64] Number of work-related injuries per 1,000 employees
[65] Of the foreign subsidiaries, DSK Bank, OTP Bank Albania, and OTP Bank Moldova were unable to provide data.

6. COMMUNITY ENGAGEMENT

6.1 Activities aimed at improving financial literacy

This chapter describes the activities related to the following relevant topic:

ST8: GRI 3-3 **Strengthening of financial awareness in vulnerable groups**

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. This knowledge is harder to acquire for vulnerable groups (including young people), even though it is of above-average importance for them in creating a stable financial background. The OTP Group has the knowledge to expand the knowledge of these groups.

This material topic supports the achievement of the following SDGs:

Engagement: The OTP Group is committed to the development of financial literacy, which is the focus of its community engagement. To reach target groups as widely and as effectively as possible, we are also working to promote financial awareness through our own foundation and through partnerships with other organisations. We are constantly looking for ways to make our work more effective. The OTP Group strives to communicate clearly and understandably about its products and services and uses a number of tools to support understanding, which are described in @chapter 3.1.

Objectives: Raising awareness of the future among people
Deepening financial literacy and raising awareness

Acts: Running a wide range of financial education programmes through its own foundations
Training programme for the socially disadvantaged
Cooperation with NGOs, professional organisations and universities
Encouraging volunteering in the development of financial literacy

Stakeholder engagement/compliance: Extensive cooperation with NGOs and professional organisations, local communities, conducting research, involving employees and clients, requesting feedback on results and experiences, transparent communication on donation activities, publishing ESG strategic objectives.

Details of the relevant thematic activities, their results and the evaluation of their effectiveness are presented on the following pages.

For further information visit our @website.

The OTP Group is a dedicated supporter of financial literacy across the region. Member companies are helping in many ways to ensure that today's young people make informed financial decisions as tomorrow's adults.

In 2023, the OTP Group spent 23 percent more on the development of financial literacy within the scope of its donation activities compared to the previous year. The largest proportion of participants in training and programmes were from the OC training programmes.

FN-CB-240a.4, *Own indicator* - Information on the development of financial literacy, OTP Group, 2023	
Number of participants in the company's own and the OK training programmes	49,054 persons
Number of participants in trainings implemented in cooperation with other organisations	10,409 persons
Donation for the development of financial literacy	HUF 1,176 million
Sponsorship for the development of financial literacy	HUF 167 million

OTP Fáy András Foundation

OTP Bank is primarily active in the development of financial literacy in Hungary through the OTP Fáy András Foundation. The foundation's mission is to raise awareness of the future among people. It provides free of charge training mainly for primary and secondary school students and young adults in economic and financial education, career and vocational orientation and sustainability topics, supplemented by social skills development. In addition to the practice-oriented, experience-based in-person and digital training, the Foundation's activities increasingly focus on awareness-raising and attitude-shaping educational activities for the general public.

In 2023, the Foundation has further increased the number of students regarding in-person and digital education:

- More than 37,000 persons took part in training sessions, an increase of 27 percent in a year. The result is due to the expansion of the range of partners in public education and at universities, the extension of cooperation, the development of e-learning courses and the popularity of in-person training.
- The number of participants in adult education almost tripled, while the number of those involved in training programmes for young people increased by 14 percent. The number of people completing e-learning modules for young people has increased by almost a quarter. The youth courses continue to be mostly attended by secondary school students.

FN-CB-240a.4 Number of participants in training programmes in 2023 (No. of persons) Training programmes for young people (No. of persons)		
In-person training	Participants of 24 different courses	13,139
	of which disadvantaged participants	606
Digital training	those taking 43 different streamed learning materials	6,377
	of which disadvantaged participants	641
	those taking 37 different 45-minute e-learning materials	12,568
	of which disadvantaged participants	659
Total		**32,084**
Adult education programmes (persons)		
In-person training	2 types of training	1,253
	of which disadvantaged participants	166
Digital training	3 types of e-learning training	3,780
	of which disadvantaged participants	78
Total trainings		**5,033**

Disadvantaged participants: students: participants in the organization of civil organizations dealing with young people, those coming from regions disadvantaged by law, as well as the teacher's statement on the number of officially registered disadvantaged students in his class in youth training. Adults: people from disadvantaged regions defined by law.

At the end of 2023, the Foundation's training portfolio consisted of more than 100 training materials, two thirds of which were in digital format. The number of live streamed interactive training courses and e-learning materials for youth and adults has increased significantly. In 2023, the focus was on reviewing and qualitatively transforming the training portfolio, preceded by extensive testing. The methodological, thematic and visual renewal of the entire secondary school portfolio was launched, incorporating Finnish teaching methodology and good practices. At the same time, adult education programmes have been fine-tuned.

In 2023, all three of the Foundation's adult learning materials will be available to university partners.

- The **Modern Entrepreneurship** online course on starting and running a business in blended learning[66] format was launched as a stand-alone subject in the first semester of the ELTE 2023/24 academic year.
- The **Financial Awareness, Career Planning** – Decisions and Consequences competency development training was offered as a separate module at the University of Nyíregyháza and the Hungarian University of Agricultural and Life Sciences in 2023.
- The **Financial Basics Programme** for young adults, in e-learning format, has been integrated into the curricula of several universities (Hungarian University of Agricultural and Life Sciences, University of Nyíregyháza, Pannon University and Budapest Business School).

In total, 148 public education institutions became partners of the Foundation during the year. Based on a new concept, the **network of model and partner schools** of the OTP Fáy András Foundation was established, which opened up the possibility of wider cooperation (curriculum testing, market research, joint events, charity initiatives, etc.). The number of model schools has been increased to four, including the

[66] Blended learning is a form of education that combines elements of online learning and traditional classroom teaching.

ELTE Radnóti Miklós Teacher Training School, the leader in the ranking of national schools. In addition, the Foundation has signed partnership agreements with 19 primary and secondary schools.

In the area of adult education, the **network of university and vocational training partners** has been expanded and cooperation deepened. The Foundation established strategic partnerships with 8 universities and students from 11 vocational training centres participated in adult education courses in 2023. Through relations with universities, joint research, curriculum development, hosting interns and methodological presentations have also been carried out.

In order to further reach young adults, the Financial Basics Programme was also taught at the Jesuit Roma College, and workshops and interactive presentations were given by representatives of the Foundation at the GEN Z Festival. The event was organised for the first time in 2023 with the aim of providing Generation Z with information and opportunities in the areas of financial awareness, career development and home purchases.

In addition to students and young adults, **teachers** remain an important training target group for the Foundation. The teacher training programme organised jointly with Eötvös Loránd University continued in 2023.

In addition to educational programmes, the Foundation also held awareness-raising and educational events and communication programmes:

- The **OTP Fáy Educational Innovation Award** aims to recognise and promote outstanding and innovative practices in the field of educational tools and methodologies. Almost 300 applications were received in the three categories announced. The Grand Prize winner was Redmenta Edutech Kft. with their AI-based content creation application. In addition to the net prize of HUF 5 million, they also received patent, legal, financial-investment and communications support.
- The Foundation organised a **professional conference entitled “Education in the Future – Competences for the Future”** for leaders in public education, higher education and the labour market.
- The **“Fáy Fröccs” podcast series** has been launched. The discussions aim to raise public awareness of financial awareness and future awareness. In 2023, the guests were Judit Polgár (chess player and school curriculum developer) and Katica Nagy (actress and sustainability influencer).
- The Foundation’s staff organised awareness-raising activities at events and festivals. For five weeks, education camps were held for primary and secondary school students in Budapest and in the countryside. In 2023, for the first time, financial training sessions were held at the programming camp of the Hungarian Association of Lead IT-Managers and at the “FunWeek” camp of the Hungarian Association of the Deaf and Hard of Hearing. They organised a financial quiz in the framework of the Jászberény Book Thursday programme, presented interactive workshops and playful exercises on vocational guidance at the Nyíregyháza SzakMAfest, and on sustainability at the Climate Heroes conference organised by UNICEF.

In their professional work, the OK Training Centres in Romania and Moldova draw on methodologies proven in Hungary and they shall similarly develop strategic partnerships with prominent actors in the field of education: NGOs, educational institutions and teacher communities. Their training and programmes reached 1,822 persons in Romania and 9,400 persons in Moldova.

RO The popular free training programmes of the OTP Bank Romania Foundation continued in 2023:

- young adults (687) were provided training through the Financial Fitness training programme,
- startAware, a vocational orientation programme for secondary school students, was held with 45 participants,
- the Education Programme in Miercurea Ciuc provided experiential financial education to 640 local secondary school students.

They also launched a podcast series called the Light Financial Podcast with Itsy Bitsy Radio to promote financial literacy to a wider audience.

MD In three and a half years of operation, the OK Foundation in Moldova has become a local reference centre for financial education. During European Money Week and Savings Week, the Foundation’s financial experts gave presentations and workshops. A dedicated financial management training programme for SMEs was held. During the six-week free training, entrepreneurs learned how to plan their finances effectively, analyse their financial performance, manage financial risks and make responsible financial decisions. Since the programme started, more than 500 Moldovan SMEs have participated in the training.

Collaboration in financial education

Several banks of the OTP Group joined the local implementation of Global Money Week and European Money Week. In Hungary, the Hungarian Banking Association and the Foundation for Financial Awareness (Pénziránytű Alapítvány) organised the event for the ninth time under the name of **PÉNZ7 [European Money Week]**. 114 OTP Bank employees mainly gave presentations in the programme aimed to raise financial awareness. OTP Bank experts accounted for more than a fifth of the volunteers joining the national programme, twice as many as a year earlier. There was a huge interest in the European Money Week, with 145,000 students from more than 1,100 schools taking part in around 12,000 lessons.

BG HR RS AL UZ UA MD

BG Lectures were also given to students in Bulgaria, where financial fraud was the main topic of the initiative.

HR Employees of the Croatian subsidiary organised several financial workshops for primary and secondary school students in Pula and Zadar. In addition, on the occasion of World Money Day, financial fraud prevention was highlighted to the graduating students of the Zadar School of Economics and Business, who also worked on the project “Protect your money”.

RS On the occasion of the European Money Week, the Serbian subsidiary held workshops for students of two faculties of the University of Belgrade and launched a post-series of financial education content on its social media pages.

AL The Albanian subsidiary held training sessions in cooperation with the Albanian Banking Association. OTP Bank Albania also sponsored the “Take care of your money and build your future” programme element and the related video making competition.

UZ Ipoteka Bank staff from Uzbekistan also held financial lectures and training sessions in 17 primary schools, with a total of 425 students attending.

UA The Ukrainian subsidiary implemented three programmes during 2023 in cooperation with the National Bank of Ukraine. It has joined the “Savings Week” initiative to improve financial literacy among Ukrainian children. He was also a major sponsor of the “Digital Finance for All” marathon initiative. In addition to the financial support, its staff gave lectures and workshops on “Financial protection. Bankers’ Profession” on the basics of digital finance and secure digital banking.

The results of the **OTP Self-Provision Index**[67] show that the financial literacy of the Hungarian population is still generally weak, going back many years. Survey 2023 shows Hungarian people are talking more and more about self-provision, but not taking the necessary steps to create a stable financial situation. The main average of the index remained at 37 points after the rise in 2022. Several factors are behind this, including the uncertain economic environment and fears regarding the future. Four out of 10 respondents have no savings at all, and a significant proportion of the population think that although their financial situation is stable, it is a challenge for them to save. 11 percent of the survey participants have pension savings and only 32 percent plan to save for their future retirement – despite the growing lack of confidence in the state pension scheme.

OTP Bank joined the roundtable discussion “Every little item counts – Managing finances smarter in the 21st century” held in the framework of the **Brain Bar event**. Participants in the discussion explored the relationship with the future, conscious finance, the psychological mechanisms that inhibit it and possible solutions with participation of the audience.

Financial education of socially disadvantaged groups

One of the most important objectives of the OTP Fáy András Foundation was to promote the inclusion of socially disadvantaged people regarding financial awareness. In 2023, three times as many students (2,150[68] persons) from difficult circumstances participated in the Foundation’s training as in the previous year – 61 percent of them opted for digital training.

The exploratory research, launched in 2022 to develop a specific, tailor-made training programme, was completed in 2023, leading to the identification of the themes, effective training formats and relevant platforms.

[67] OTP Bank has been conducting surveys for over a decade 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.
[68] The scope of disadvantaged students is defined as: those coming from youth NGOs, those from disadvantaged regions as defined by law and, in training programmes for young people, a declaration by the teacher of the number of officially registered disadvantaged students in his/her class.

The Foundation continued to work with partner organisations to deliver specific, tailor-made training sessions:

- With the Szent Ágota Child Protection Service, training sessions were held for young people over 17 years of age who are about to become independent and young adults in aftercare, to help them make informed decisions about the use of financial resources that will become available once they become of age.
- In addition to the financial education camp organised for the mentors of the Csányi Foundation, the Parents' Academy programme continued, with playful financial awareness training sessions for students and their parents in Kaposvár, Jászberény and Szeged.
- The Fáy Forum continued, focusing on creating opportunities for children in difficult circumstances, their development and motivation. The results of a survey among students aged 12–16 and their teachers were also presented on socially disadvantaged students' attitudes to learning, their vision of the future, their attitude to money management and their media consumption habits. The presentation was followed by a panel discussion where practitioners exchanged views on the topic.

BG DSK is committed to supporting SOS Children's Villages, as part of which they have launched online financial training courses. Bank staff regularly share their knowledge and experience with SOS young adults and provide them with financial advice.

UZ In the framework of the "Women in Business" project, Ipoteka Bank, in partnership with the Business Women Association, organised training sessions for women to help them find their way in the financial world and become successful entrepreneurs.

6.2 Community engagement

The OTP Group is an active member 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 challenges. The entire OTP Group pays particular attention to alleviating social hardship, ensuring sustainability and volunteering.

The support provided by OTP Bank has for years been steadily focused – besides the development of financial literacy – on

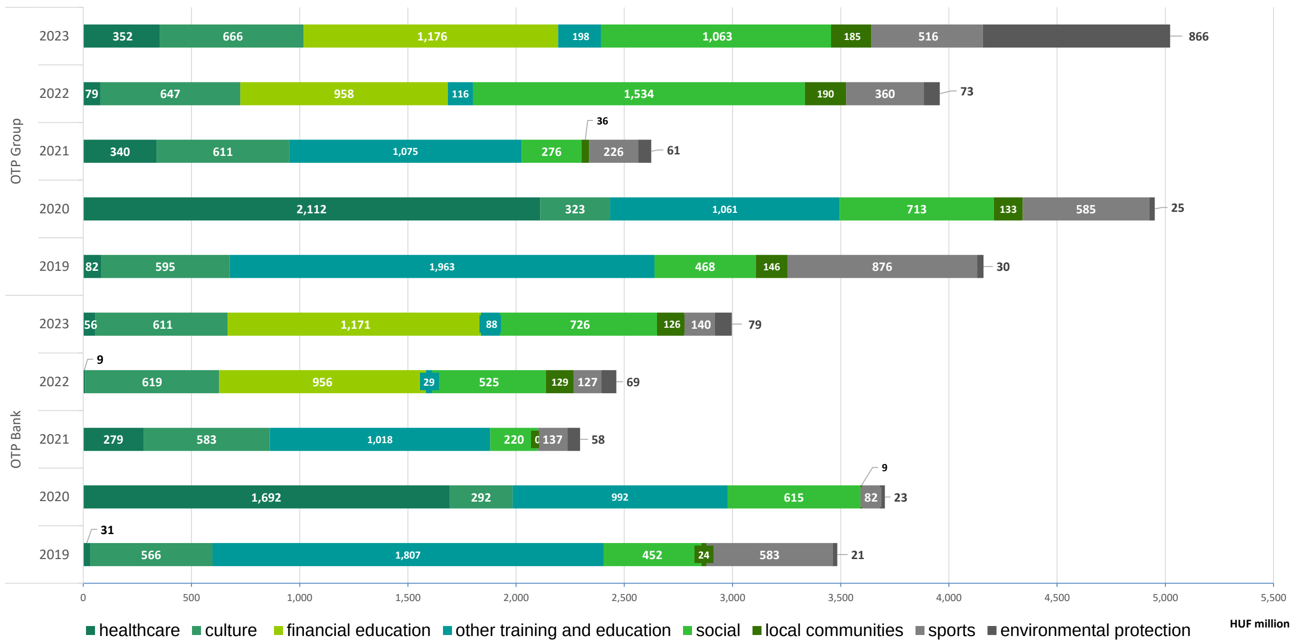
- creating opportunities: helping the disadvantaged and those in need,
- supporting culture and the arts: creating and preserving value,
- sports.

The OTP Bank subsidiaries make their own decisions on which local causes and initiatives they support or sponsor and how they engage their stakeholders in those. Subsidiaries draw on their own expertise and resources to meet local needs. A common feature of the flagship projects is measurability and cooperation with organisations. OTP Bank typically supports long-established social and regional cultural projects and participates in long term cooperation arrangements, overarching decades in cases, which facilitate real impacts and predictability.

In 2023, the OTP Group spent HUF 5 billion on donations, which is 27 percent more than in the previous year. The Group spent the most on financial education, which accounted for 23 percent of donations, followed by social sector, which accounted for one fifth of donations. The dramatic increase in environmental aid is due to the HUF 840 million pledged to mitigate the natural damage caused by the Slovenian floods. The cash contribution represented 99 percent of the value of the grants.[69]

[69] There is no complete data available on the value of supports in kind, so does not reflect their real value.

Donations by OTP Bank and OTP Group



In the years 2019 to 2021 the financial education and other training and education categories were recorded together.

In 2023, there were three areas of OTP Bank's community engagement activities that should be highlighted in addition to the above:

- humanitarian aid,
- the success of the OTP Donation Platform, i.e. our work to deepen the culture of micro-donations,
- the voluntary community engagement of our staff.

Providing assistance in a crisis

The OTP Group represents a culture of cooperation and assistance. The Banking Group responds sensitively to humanitarian emergencies and natural disasters, working with other organisations to respond quickly and effectively to crisis situations. Unfortunately, this has been necessary several times in recent years.

In crisis situations, the Banking Group provides immediate donations, typically in cash and in kind, to support those in need and also helps with recovery efforts.

SI The members of the OTP Group, the Slovenian NKBM, SKB Bank and OTP Bank have provided a total of EUR 2.2 million (~ HUF 840 million) in aid to the victims of the natural disaster of floods and landslides in Slovenia. The funding was allocated to voluntary organisations such as the Slovenian Red Cross, the Slovenian Mountain Rescue Association and the Slovenian Firefighters Association, which were the first to provide assistance. 18 employees of SKB Bank were directly affected, receiving immediate solidarity aid from the Slovenian bank. The Slovenian bank also set up community channels to encourage material and in-kind assistance between employees within the bank. To help the victims of the natural disaster, the two subsidiary banks also offered special services, including preferential loans for the affected population, special loans for corporate clients and free of charge transfers to the accounts of humanitarian organisations.

UA In the summer of 2023, the dam at the Kakhovka Hydroelectric Power Plant in Ukraine was destroyed during the war in Ukraine. The consequences of the dam bursting were catastrophic, endangering the population of the region and causing serious water shortages as the central water supply was cut off. To mitigate the damage caused by the broken dam, a humanitarian donation programme was launched within OTP Bank with the Humanity Social Foundation[70]. A total of 25,000 bottles of mineral water were donated to the population from a fundraising campaign organised among OTP Bank employees, worth approximately HUF 4.5 million. To accommodate Ukrainian families who fled to Hungary because of the Ukrainian-Russian war, OTP Life Annuity offered another apartment, the furnishing of which was contributed to by the Humanity

[70] OTP Bank exercises founder's rights over the Foundation.

Social Foundation. With their support, an emergency ambulance was equipped with medical devices for the Arcadia Clinical Sanatorium of the Ukrainian State Border Guard Service.

The Russian-Ukrainian war has also increased the number and value of social and health subsidies provided by the Ukrainian subsidiary bank. In 2023, one of the most important projects was the support of the Superhumans Center, where wounded Ukrainians are provided assistance, rehabilitation and prostheses. They also raised money for people in need of prostheses by organising charity fairs.

HU In Hungary in 2023, the most damage was caused by violent summer storms due to increasingly extreme weather. OTP Bank donated HUF 10 million to Jánoshida, which suffered serious damage, to cover the cost of storm damage restoration works.

Developing a culture of donation

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.

The Bank will continue to offer the opportunity to donate micro-donations of HUF 100-200-500 through its digital banking channels and ATMs in order to promote the culture of donation. In 2023, customers and employees offered a total of HUF 270 million in donations to 9 social organisations helping people in need on the donation platform. The success of the programme is proven by the fact that the amount of donations increases year on year. The organisations supported are recognised for their activities and the grants help to improve the living conditions of disadvantaged people and to strengthen communities. At the @website of OTP Bank's micro-donation programme, a list of supported organisations and a detailed description of their programmes can be found.

Names of organisations sponsored in 2023	Use of aid
Amigos for Children	Supporting sick children
Szent Ferenc Hospital of Budapest	Recovery of heart and lung transplant patients
"Hintalovon" Children's Rights Foundation	Responsible adults for the protection of children
InDaHouse Hungary Association	Developing disadvantaged children
"Kaptár" Day Care Centre	Accessible bus for young people with special needs
Hungarian Maltese Charity Service	*Kommandó* – Rebuilding burnt houses
Hungarian National Association of the Blind and Visually Impaired	Guide dog training
International Children's Safety Service	Mobile dental clinic for the screening of disadvantaged children
International Children's Safety Service	Support for sick children in need
"RÉS" Social and Cultural Foundation	Upgrading shelters for women and families in crisis

Two subsidiary banks continue to facilitate regular and small amount donations:

BG The Bulgarian bank's *DSK Helps!* platform, launched in 2022, will provide an opportunity to donate. The projects supported on the platform are focused on four main areas under the Bank's CSR policy: children and education, nature conservation, arts (including their "City as Its People" development project to improve the urban environment), employee engagement and volunteering.

HR OTP Bank Croatia has continued its joint programme with Mastercard, "Round up!", which allows customers to round up the total amount of their purchases. The difference will be provided to the chosen charity organisation. In the 4 years since its launch, EUR 800,000 (~HUF 300 million) has been donated to children's wards in 8 hospitals in Croatia, with contributions from 18,000 customers. In the 2023 campaign, the children's wards of Zadar Hospital and Osijek Clinical Hospital Centre benefited from the HUF 80 million donation.

Volunteering by our staff

Volunteering is a tradition for most members of the OTP Group. We encourage initiatives and are happy to contribute to the efforts of our staff.

Almost all subsidiaries organise corporate volunteering activities or create opportunities to join. At group level, 10 percent of employees are engaged in volunteer activities.

OTP Bank's OTP Local Value internal voluntary application programme was successfully implemented again in 2023. This time, 71 volunteer teams won a grant of HUF 200,000 to help a number of institutions, local communities and their surroundings. The teams were able to manage a total of HUF 14.2 million and the 1,267 volunteer colleagues provided support to nearly 19,595 people in need. In 2023, the Bank extended the tender opportunity to a significant number of its Hungarian subsidiaries. The Humanity Foundation continued to support the teams as a mentor.

The employees of OTP Bank collected donations of money and goods for the Hegyközi Elementary School and its four other member schools and their students as part of the donation campaign launched on Family Day. Thanks to staff donations, the campaign raised HUF 1.1 million, which was doubled by the Bank. The money was used to improve the school's infrastructure.

This year, the year-end fundraising campaign addressing employees raised a record HUF 3.5 million, which was matched by the Bank and the Humanity Social Foundation with a further HUF 4 million. Thanks to the initiative, 150 disadvantaged families received a donation package of durable food, and three kindergartens received various toys, development tools and kindergarten supplies.

The number of voluntary initiatives among Hungarian subsidiaries has increased. Many of them have provided additional help to organisations supported by the company in this way. Staff have mainly helped disadvantaged and sick children through fundraising and supported schools through their work.

OTP Bank and most of the Group companies have a long tradition of blood donation, one of the most selfless forms of volunteering. Every year, more than a thousand bank employees sign up to donate blood to support uninterrupted blood supply. OTP Bank joins the Bank Blood Donors Week every year, as it did in 2023.

HR The Croatian subsidiary is one of the main sponsors of the "Croatia Volunteers" movement, which was announced for the 13th time in 2023. Bank staff in six cities collected donations of food and hygiene products for the Red Cross. They have also contributed to two building renovations and helped 350 disadvantaged children start school.

RO During 2023, the Romanian subsidiary bank participated in 8 volunteer campaigns in partnership with charities, specifically supporting poor children in disadvantaged communities. They have helped disadvantaged schools with painting and planting activities in the EduPlant programme, filled backpacks for poor children starting school in their "Hátizsák" [Backpack] programme, provided books and furniture for a school library, and ran a sustainable clothing donation campaign.

Voluntary activity performance indicators, 2023			
		OTP Bank	**OTP Group**
Participants	number of	1,177	4,222
	percentage of, relative to total headcount (%)	11.1	10.0
Time spent doing voluntary activity	hours	9,416	14,025
Number of blood donors	persons	1,852	2,621

In 2023, OTP Bank announced the **Responsible for Each Other Award** with a renewed content and approach. One of the prizes awarded at the year-end OTP Gala is the award, which has been given since 2016 to the teams that have been most active and versatile in implementing social and environmental responsibility programmes. An important change in the content of the award was that each team could apply with a single, comprehensive, long-term project. The award was given to the staff of the Document Management Services Department, who are regular and dedicated supporters of Bethesda Children's Hospital. Their exemplary project was built on their expertise: they developed a new professional registration system for hospital X-rays, and also separated industrial silver in X-rays for recycling.

Priority grants, programmes

HU Thanks to the support of OTP Bank, the Children's Safety Service's dental screening bus was able to continue its work in 2023, during which it screened more than 3,300 children free of charge. The donation of HUF 50 million was used to renovate the bus and purchase equipment for screenings. The bus visited more than 11 locations across the country, including communities where dental care is difficult for children to access.

BG DSK Bank has been partnering with SOS Children's Villages in Bulgaria for 12 years. During this period, 424 children and young people in SOS families and homes were helped through corporate donations and donations made available through the ATM network and the Bank's online banking service. A further 469 young people were supported through the "Start of Independent Life" and "Pathways to Freedom" programmes, and a further 3,900 children received support through the SOS Counselling Centres and the "Family Support and Separation Prevention" project.

HR In 2023, the Croatian subsidiary's donation programme was again open to organisations in the categories of youth, education and science, culture, historical and traditional heritage, environment, humanitarian projects and sports. On this occasion, the jury selected 34 projects. Over the past twelve years, it has helped to deliver more than 500 projects of value to the development of communities and society as a whole.

OTP Class Grant

In 2023, OTP Bank launched the OTP Class Grant for the first time, with the aim of supporting school communities in addition to raising financial awareness. Fifth grade classes could enter their ideas in two categories – community development and cleaning up the classroom or the school environment. Around 300 entries were received in the form of a 2–3 minute creative video and a budget plan was also required for entering the competition. In addition to the four classes, each of which received a cash prize of HUF 500,000, two OTP Fáy special winners were also announced, who were given the opportunity to participate in a half-day practical financial training course at the Budapest Zoo. The winners used the prize money for a class trip to Prague, sign language training and a trip with hearing-impaired children, as well as to improve the school yard and buy sports equipment and replace cabinets in changing rooms.

Sponsoring of sports

OTP Bank is a committed supporter of Hungarian football, especially youth football. The **OTP Bozsik Institutional Programme** contributes to the education of young players in Hungarian football. The 2023/2024 season saw an increase of more than 10 percent in the number of registered players, which also means that this was the highest number of school football players (135,796) in the history of the programme. Girls accounted for 28 percent of the players, up 13 percent in a year to 38,646. In 2023, 15 percent more clubs joined the Bozsik programme than in 2022. 70 percent of the newly involved associations operates in disadvantaged municipalities.

SI RS *The* OTP Group is a key sponsor of the national Olympic team in several countries, including Slovenia and Serbia, in addition to Hungary.

MD OTP Bank Moldova is also committed to the development of football and youth football development. With their support, hundreds of children can once again do sports at the Zimbru Football Academy. In 2023, the bank sponsored members of the Moldovan Paralympic Team who represented the country at the Tokyo Paralympics Games. The grant was used to cover travel and other expenses of the athletes.

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 operations 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.

This chapter describes the activities related to the following relevant topic:

GRI 3-3: 305 **Greenhouse gas emissions from operations**

Impacts: The operational functioning of OTP Group requires the use of natural resources and energy, however, the resulting environmental impact is significantly lesser than the indirect impacts associated with the provision of financial services. Among the environmental impacts of our operations, greenhouse gas (GHG) emissions have been identified as a key sustainability topic, but we are also working to mitigate our impacts beyond it. Emissions exacerbate climate change and damage natural resources. Reducing emissions will help fight climate change. 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.

This material topic supports the achievement of the following SDGs:

Engagement: Our objective is to reduce the environmental impact of our operations. We are committed to the efficient use of resources, carbon-neutral operations and economy. Encouraging environmentally responsible behaviour in society through our employees and customers. We report transparently on the environmental impacts stemming from our operations, focusing on energy consumption and GHG emissions. Group members set targets to achieve carbon neutrality.

Acts: Reporting on the environmental impacts of the Group's operation
Energy efficiency investment projects
Purchase of green electricity, use of renewable energy sources
Reducing paper use through digitalisation; using recycled paper
Rationalising business travel
Improving waste management
Awareness-raising activities

Stakeholder cooperation: We work with service providers and NGOs to implement environmentally responsible practices. We do a lot to raise the awareness of our customers and our employees.

Details of the relevant thematic activities, their results and the evaluation of their effectiveness are presented on the following pages.

For our basic principles concerning environmental protection and the fundamentals of our practices, please visit our @website.

OTP Bank's ESG strategy has set a target of full carbon neutrality by 2030 for Scope 1–2 emissions, with the net **carbon neutrality target** achieved in 2023. 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.

SI RO RS ME Slovenian SKB has set a target of net carbon neutrality for Scope 1–2 emissions by 2023, the Romanian subsidiary by 2025 and the Serbian subsidiary by 2027. CKB is expected to become carbon neutral by 2035.

GRI 2-13 Environmental protection at OTP Bank is regulated by the Environmental Policy. Environmental policies are in place at some of the subsidiary banks. OTP Bank prepares annual internal reports on the environmental impact of its 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 Even with the two major acquisitions – Ipoteka Bank and NKBM – OTP Group's energy consumption did not increase drastically, as several members of the Banking Group significantly reduced their energy consumption (by up to 10–20 percent). Consumption decreased most in relation to heating (mainly natural gas and district heating), while consumption related to car use increased and electricity usage decreased to a lesser extent at the member companies. OTP Bank's total energy consumption decreased by almost 10 percent compared to 2022, again largely due to the use of heating fuels.

At the Group level, the reduction in consumption was driven by the savings measures implemented, which, in addition to environmental considerations, were also encouraged by the significant price increase in 2022 and a milder winter. In several cases, consumption was moderated by timers during the period of non-use, and changes in the property portfolio and moves also affected consumption trends. Some of the team members educated colleagues on the functioning of the office heating and ventilation system and how to set the temperature correctly.

The fact that the OTP Group continuously carries out renovations and modernisations at both its central buildings and in its branch network also reduces consumption, and improving energy efficiency is an important aspect of investment projects. In 2023, the modernisation of heating systems, the widest possible use of LED lighting and the installation of additional motion sensors were again the most common types of energy efficiency investments. Two subsidiary banks carried out energy efficiency audits. During the replacement of air conditioning units we make sure that the new units use environment-friendly coolants.

BG 14 buildings of DSK Bank have been energy audited and issued with energy efficiency certificates. The subsidiary bank also carried out a major heating upgrade and introduced a building management system in 6 buildings.

SI SKB Bank in Slovenia carried out energy audits at 16 locations, including its headquarters. According to the results, lighting replacements and other investments will be implemented. An energy efficiency monitoring system has been installed at NKBM.

RS The Serbian subsidiary has replaced its old air conditioners with devices using environmentally friendly refrigerants. The bank increased the number of areas with LED lighting by 30 percent compared to the previous year and installed motion sensors in toilets.

By means of the 2023 projects aimed at improving energy efficiency and at using renewable energy OTP Bank saved a total of 2,058 GJ energy. The entire OTP Group saved 7,745 GJ.

The Banking Group is also expanding its own **renewable energy** power plants, with significant new solar capacity installed in 2023. At Group level, our systems generated a total of 3,330 GJ of solar energy, 64 percent more than in 2022. OTP Bank's heat pump production decreased significantly because the archives using geothermal energy moved to another site.

BG In 2023, a solar PV system with a capacity of 201 kW was installed on the 3 buildings of DSK Bank.

HR The Croatian bank installed solar panels at two sites in 2023, with a capacity of 48 kW. The HEP Opskrba 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.

RS The Serbian subsidiary bank has also installed solar panels on one of its buildings.

UZ Bank Ipoteka has installed 849 kW of solar panels on its headquarters' building and at its branches. By continuing to invest, the bank expects a 30 percent reduction in electricity consumption.

The energy consumption of the OTP Group[71] in 2023 was 1,107 thousand GJ, practically the same as in the previous year. Electricity accounts for around half of the Banking Group's energy consumption, so increasing **green electricity procurement** reduces carbon emissions. In 2023, OTP Bank, the two Slovenian subsidiaries, OTP Bank Croatia, OTP Bank Serbia and OTP Bank Romania also used predominantly green electricity (green electricity procurement cannot be fully implemented for leased areas)[72].

[71] Direct and indirect energy consumption.
[72] Green electricity procurement is not available in all countries where the Banking Group operates.

GRI 305: 3-3, 302-1 **Energy consumption within the organisation (GJ) – OTP Bank**					
	2019	**2020[1]**	**2021**	**2022**	**2023**
Natural gas	65,594	63,827	71,219	62,539	50,066
Mineral vehicle fuels	31,829	29,444	31,741	34,651	37,253
Other non-renewable fuel	156	152	585	3,501	2,711
Total non-renewable fuel sources	*97,579*	*93,423*	*103,545*	*100,691*	*90,030*
Biogenic vehicle fuels	-	1,360	2,247	2,615	2,821
Total renewable fuel sources	*0*	*1,360*	*2,247*	*2,615*	*2,821*
Electricity	129,442	127,537	126,112	139,205	4,614
Green electricity (GO) [2]	N/A	N/A	N/A	N/A	128,181
District heating	21,584	24,244	25,970	22,371	18,597
Total indirect energy purchased	*151,026*	*151,781*	*152,082*	*161,575*	*151,392*
Self-generated renewable energy	*2,005*	*5,166*	*5,141*	*4,053*	*1,312*
Total energy consumption[3]	**250,610**	**251,730**	**263,014**	**268,934**	**245,555**
Total energy consumption per employee[4]	**28.14**	**26.75**	**26.73**	**26.17**	**23.19**
Share of renewable energy	**N/A**	**N/A**	**N/A**	**N/A**	**54%**

[1] Also includes the consumption of the former Monicomp and eBIZ.
[2] Purchases of green electricity certified by guarantee of origin (GO) will be indicated separately.
[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] In 2019 based on statistical headcount, from 2020 based on average full-time staff numbers.
The energy consumption data are derived from metering; solar energy and part of the heat pump energy is estimated based on manufacturer information in the absence of a meter. Where necessary, we used the calorific values taken from the National Inventory Report (NIR) from 2022 onwards, and previously the EU regulation and DEFRA values, to convert the consumed quantities into energy.

GRI 305: 3-3, 302-1 Energy consumption within the organisation (GJ) – OTP Group					
	2019	**2020[1]**	**2021[2]**	**2022[2]**	**2023**
Natural gas	143,139	134,738	308,237	272,624	243,745
Mineral vehicle fuels	99,801	79,248	113,153[3]	132,183	140,895
Other non-renewable fuel	2,194	1,054	31,327	53,281	57,078
Total non-renewable fuel sources	*245,134*	*215,040*	*452,717*	*458,088*	*441,719*
Biogenic vehicle fuels	-	1,949	5,583[3]	7,576	6,290
Renewable fuel	134	134	0	0	0
Total renewable fuel sources	*134*	*2,083*	*5,583*	*7,576*	*6,290*
Electricity	404,040	438,810	507,376	525,411	317,182
Green electricity (GO) [4]	N/A	N/A	N/A	N/A	227,349
District heating	87,574[5]	86,514	112,036[3]	94,875	111,108
Total indirect energy purchased	*491,614*	*525,034*	*619,411*	*620,286*	*655,639*
Self-generated renewable energy	*6,563*	*6,855*	*5,923*	*5,056*	*3,395*
Total energy consumption	**743,445**	**749,302**	**1,083,635**	**1,091,006**	**1,107,043**
Total energy consumption per employee	**20.37**	**20.27**	**27.49**	**29.22**	**25.58**
Share of renewable energy	**N/A**	**N/A**	**N/A**	**N/A**	**21%**

[1] Consumption of former Expressbank and OTP banka Srbija a.d. Beograd is reflected in the data from this date.
[2] Full consolidated corporate circle.
[3] In 2022 corrected data owing to calculation error, the Banking Group's total energy consumption is 0.7% higher than the figure published earlier.
[4] Purchases of green electricity certified by guarantee of origin (GO) are reported separately from 2023.
[5] The district heating figure of OTP Bank Russia is an actual measured figure, significantly above the estimated consumption of prior years.
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 from the 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 table shows the consumption of companies acquired in 2023, during the year, for the full year 2023, in line with the recommendations of the GHG Protocol.

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					
	2019	**2020 [1]**	**2021**	**2022**	**2023**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Direct (Scope 1)	***6,779***	***6,078***	***6,548***	***6,670***	***6,005***	***14,564***	***18,594***	***15,282***	**29,583**	**29,680**	**31,270**
by vehicles	2,272	2,123	2,280	2,521	2,706	6,938	7,204	5,738	8,253[3]	9,752	10,324
from natural gas consumption	3,686	3,587	4,003	3,515	2,814	6,053	8,044	7,572	17,323	15,269	13,627
from air conditioners [2]	811	358	228	420	308	1,536	3,140	1,892	1,838	1,708	3,310
other non-renewable energy	10	10	37	214	177	37	206	80	2,170	2,951	4,009
Indirect (Scope 2)											
Indirect location-based	***10,786***	***9,883***	***9,904***	***11,496***	***11,648***	***45,130***	***47,947***	***52,711***	**56,935**	**56,035**	**62,385**
from electricity	9,912	8,902	8,802	10,491	10,813	42,082	44,012	48,807	51,778	51,601	56,356
from district heating	874	981	1,102	1,004	835	3,048	3,935	3,904	5,158[3]	4,434	6,029
Indirect market-based	***8,640***	***8,350***	**8,369**	**1,005**	**1,110**	**N/A**	***47,334***	***53,196***	**58,562[3]**	**44,021**	**39,379**
from electricity	7,766	7,369	7,286	166	410	N/A	43,399	49,292	53,103	39,442	33,356
from district heating	874	981	1,083	839	701	N/A	3,935	3,904	5,459[3]	4,578	6,024
Total (Scope 1 + 2) location-based	**17,565**	**15,961**	**16,452**	**18,165**	**17,653**	**59,694**	**66,541**	**67,993**	**86,519[3]**	**85,715**	**93,655**
Total (Scope 1 + 2) market-based	**15,419**	**14,428**	**14,917**	**7,675**	**7,115**	N/A	**65,928**	**68,478**	**88,146[3]**	**73,701**	**70,649**
Total (Scope 1 + 2) with carbon offset	**15,419**	**14,428**	**14,917**	**675**	**485**	N/A	**65,928**	**68,478**	**87,785**	**66,701**	**60,874**
Per employee (regional)	*1.97*	*1.7*	*1.67*	*1.77*	*1.67*	*1.72*	*1.82*	*1.84*	*2.19*	*2.30*	*2.16*
Per employee (market-based)	*N/A*	*1.53*	*1.52*	*0.75*	*0.67*	*N/A*	*N/A*	*1.85*	*2.24*	*1.97*	*1.63*
Per employee (with offset)	*N/A*	*1.53*	*1.52*	*0.07*	*0.05*	*N/A*	*N/A*	*1.85*	*2.24*	*1.79*	*1.41*
Emissions intensity per turnover (per million HUF, market)	*N/A*	*N/A*	*N/A*	*0.014*	*0.012*	*N/A*	*N/A*	*N/A*	*N/A*	*0.044*	*0.032*
Biogenic emissions[4]	-	97	161	187	202	1	1	140	399	539	539

[1] Also includes the consumption of the former Monicomp and eBIZ.
[2] Headcount-proportionate estimate based on the figures from the OTP Group's member companies that supplied accurate data.
[3] Data corrected ex-post due to a calculation error, total issuance of the Banking Group is 0.4 percent higher than previously published.
[4] From 2020 it includes renewable-based vehicle fuel emissions.
The emissions intensity per turnover is reported from 2022.

The figures shown are calculated from energy consumption, in all cases based on the applicable statutory regulations and the factors stipulated by authorities and industry organisations (National Inventory Reports (NIR), IPCC, DEFRA, EU Regulation, AIB, IFI, and data from suppliers for electricity and district heating). For Scope 1 emissions, country-specific factors are applied subject to availability from 2022. We calculate electricity-related emissions using country-specific factors. For district heating use, from 2020 onwards we use the Hungarian, Slovenian and Croatian factors, and for all other countries, we uniformly use the data published by DEFRA, while in previous years we used the Hungarian emission factors, except for Ukraine, Russia and Serbia, in the absence of other reliable data.

Scope1 emissions and, in 2022 and 2023, even district heating cover all GHG emissions. For Scope 2 emissions, the previous years of district heating in Hungary and electricity factors only cover CO2. For the emission factors used, we do not have information on the GWP values considered in each and every case.

To offset its 2023 Scope 1 and Scope 2 emissions, OTP Bank purchased carbon credits in 2023, thereby preventing the emission of 7,600 tonnes of carbon emissions during the year. The 2023 emission values were determined in advance, with offsets higher than emissions. The credits purchased are retired credits verified as per Verra (VER). The Bank considers it essential that the project supported through offsetting is located in the country of operation of the Banking Group, and has again opted for a project in Bulgaria, which was implemented at the Saint Nikola Wind Farm, the largest wind farm in the country, near the town of Kavarna.

SI Slovenia's SKB Bank has also offset its Scope 1-2 emissions, purchasing 2,175 tonnes of carbon credits in 2023, also in the Sant Nikola Wind Farm project.

TCFD IV.b The OTP Group's other indirect (Scope 3) CO_2e emissions (t), 2023[1]

	OTP Bank	**OTP Group**
Business travel	991	1,963
Paper use	592	2,655

[1] 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 level of business travel varied across the Banking Group, with car use increasing for some companies and decreasing significantly for some businesses. The total mileage increased by 9 percent and 13 percent year-on-year at the parent bank and across the group, respectively. The increase was partly due to new group members. While online meetings remain a dominant part of liaising, with the end of the coronavirus pandemic, face-to-face meetings have become more frequent again.

The maximum carbon emission limits for car purchases at Banking Group level remained unchanged during the year. Among the cars to choose from there are hybrid or electric vehicles in all categories. At OTP Bank, 38 hybrid vehicles were purchased during the year, while the fleet of electric and hybrid cars at the subsidiary banks increased minimally.

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 7.8 million[73] kilometres.

At Group level, there was again a significant increase in the number of trips by air. Our employees took around 9,800 trips[74], nearly 30 percent of which were connected to OTP Bank. There were also a significant number of trips at DSK Bank and the Russian subsidiary.

Since OTP Bank and its subsidiaries find it important to enable employees and customers to access the workplace by alternative transportation means, several head office buildings and branches are equipped with bicycle storage at Group level. The establishment of branches typically requires the approval of local governments, which makes implementation more difficult. Bicycle storages are available at 60 percent of the branches of OTP Bank for employees and for customers. During the year, the number of bicycle storage facilities at the Ukrainian subsidiary's headquarters was increased and a shower facility was installed. The Serbian and Russian subsidiaries have also set up bicycle storage facilities. A shower was also installed at the Russian bank's headquarters.

Paper use

We are constantly working on cutting our paper use. The steadily increasing range of electronically available services also reduces paper consumption. In addition, the digitalisation of the bank's internal processes is ongoing. At the same time, the paper-based administration demanded by legal requirements inhibits in many cases the further reduction of printing in Hungary and in other countries.

The share of electronic account statements also showed an increasing trend in 2023. We also encourage their use through the conditions and fees of the application. The majority of OTP Bank customers (83 percent of retail clients and almost half of large corporate customers) do not receive paper-based statements, which is a noticeable increase over the previous year. 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. Three quarters of customers now receive an e-statement at the Serbian subsidiary, and 40 percent at the Croatian bank. At both Slovenian banks, 98 percent of corporate customers receive electronic statements, compared to almost 70 percent of retail customers at NKBM and 80 percent at SKB Bank. At the Montenegrin subsidiary electronic account statements are used in more than 50% of the cases among corporate customers. The Albanian, Montenegrin, Russian and Romanian subsidiaries also have a significant number of e-statements, but the exact number by 2023 is not known.

At the Group level, office paper use decreased minimally in 2023, which, taking acquisitions into account, represents an average decrease of 10 percent for the rest of the Group. The NKBM uses a minimum amount of paper for its size. At OTP Bank, we were able to reduce consumption by 11 percent. Further savings are expected from the electronic replacement of internal transport processes, with pilot operations launched at the end of 2023. The parent bank used 47 percent recycled paper in office paper use and 31 percent in total paper use. In Hungary, we use FSC-certified paper even in the case of account statements, 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 In 2023, our Croatian and Romanian subsidiary banks covered a small part of their office paper needs with recycled paper. The Croatian subsidiary uses FSC and PEFC certified paper.

RS Our Serbian subsidiary uses FSC-certified and ECF (Elemental Chlorine Free) paper.

SI Both NKBM and SKB Bank have been using PEFC certified products for several years.

At group level, the share of recycled paper was the same as in the previous year, 13 percent for office and 9 percent for total use.

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 RS UA RO At OTP Bank, DSK Bank, OTP Bank Serbia and OTP Bank Romania it is common practice to donate no longer used but still functional furniture and IT equipment (primarily computers and laptops).

[73] The Russian subsidiary bank was unable to provide data on own car use, the Montenegrin, Uzbek and NKBM subsidiaries were unable to provide data on taxi use, and some Hungarian subsidiaries were unable to provide any of those data.
[74] One-way trip.

In 2023, OTP Bank Ukraine also donated nearly 300 assets. At group level, a total of 731 no longer used computers were donated to charity.

BG SI HR RS ME RO MD Our subsidiaries in Bulgaria, Croatia, Serbia, Slovenia, Romania, Montenegro and Moldova have used toner refills for several years to reduce toner and ink cartridge waste.

OTP Group materials and procurement highlights		OTP Bank					OTP Group				
		2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Number of computers (laptops + PCs)	(thousand units)	18	19	19	19	18	51[1]	57[1]	65[1]	65[1]	71
Weight of ink cartridges and toners used	(t)	8	6	4	5	4	35[1]	34[1]	37[1]	35[1]	32
Amount of office paper	(t)	699	478	398	397	354	2.350	1.795	1.751	1.552	1.517
Amount of paper used for document sorting and packaging	(t)	58	75	90	98	26	117	153	829	1.105	842
Amount of indirectly used paper [2]	(t)	7	584[3]	491	558	313	631	903	732	897	704

[1] Partly estimate: prorated based on actual data
[2] E.g. marketing publications, account statements
[3] Predominantly the consumption of the former Monicomp.

Waste collection remains unchanged in 2023. 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, non-confidential paper waste is collected separately. 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				
		2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Separately collected waste paper (t)	(t)	809	1,120	729	880	938	1,323	1,450	1,091	1,244	1,350
Separately collected PET bottles, plastic	(kg)	7,929	2,203	4,607	8,807	6,142	12,613	5,810	10,685	29,426	13,187
Municipal waste	(t)	N/A	2,766	2,963	3,148	3,111	N/A	N/A	N/A	5,636	5,917

Attitude-shaping

The members of the Banking Group have launched numerous programmes, awareness-raising campaigns and involved employees to promote environmental awareness and the protection of natural values.

Green Challenge idea contest

OTP Bank has launched the Green Challenge idea contest among its employees. To start the competition, we launched a series of articles on six topics on the intranet. We rewarded the employees who answered the quiz questions at the end of each article the fastest.

For the idea contest, we were looking for applications that support the reduction of the Bank's carbon footprint and can be easily implemented in everyday practice. The challenge was met with great interest, with 136 ideas submitted, four of which will be implemented:

Installation of MOL-Bubi stations around OTP offices,
Green Plate Programme to promote more sustainable dietary habits,
the digitalisation of business travel settlements,
special prize for the idea with the greatest impact: minimising standby power consumption.

As a result of the popularity of the competition, we will be launching a permanent sustainability idea box starting from 2024.

OTP Bank was also one of the partners of the Green Friday initiative, launched jointly by MasterCard and several organisations to raise awareness about conscious spending and lifestyle. Throughout the programme, dedicated microsites and social media platforms featured awareness-raising articles and tips to promote a greener Christmas.

In 2023, the Bank continued its campaign with Mastercard in the Priceless Planet Coalition, which aims to mitigate the adverse effects of climate change by planting 100 million trees over five years. In 2023, OTP Bank enabled the planting of 75 thousand trees.

BG DSK Bank, in partnership with Mastercard and the Sofia Zoo, launched a new interactive game that teaches young people about the importance of biodiversity and ways to protect natural habitats. In addition to the game, free downloadable educational materials are available for teachers, educational organisations and students. Together with Mastercard, the subsidiary bank supported the “Five Little Corners” initiative, a unique urban art installation and events that raise awareness of biodiversity and environmental protection. The series of events took place in Sofia for a month.

The subsidiary bank supports the “Real Honey” initiative under the “Adopt a beehive” programme. The support is linked to the opening of a new corporate account, helping happy bee-keeping and Bulgarian bee-keepers. Customers will receive a certificate and Bulgarian honey for their contribution. The Bank’s employees also participated in a tree planting project in the Balchik Botanical Garden and in Sofia, planting more than 50 trees.

SI The NKBM has also organised an ideas competition among its staff, inviting initatives on ESG issues. 18 ideas were received for the competition, several of which have started to be implemented. The Bank’s employees planted 250 trees in the Karst region to help repair damage caused by forest fires. SKB Bank has launched a challenge to clean its employees’ living environment on Earth Day.

Both Slovenian banks participated in the European Mobility Week initiative, encouraging people to cycle to work. There is also a beehive on the roof of both banks’ headquarters, which is maintained by staff.

HR The bank provided e-learning training on environmental awareness for its staff, which was completed by 69 percent of the employees. The Board of Directors of the subsidiary bank has approved the decision that all the Bank’s bank cards will be made of PLA (plant-derived biodegradable) material. The bank is involved in the “Migration in the Light” bird monitoring project, using equipment installed on the central building to record the sounds and movements of birds to detect the effects of light pollution. In 2023, the subsidiary bank also supported Ekotlon, Croatia’s largest plogging (litter picking) race. More than 300 runners participated in the event. The registration fees were used for sponsorship this year again, for sports associations of disabed persons.

RS The Serbian subsidiary has established the so-called OTP Village as a venue for environmental programmes. Employees and their children had the opportunity to attend an event on bees, and workshops on ecological challenges and solutions were organised for the employees. The subsidiary bank also organised an environmental drawing competition for children. The employees also took part in voluntary waste collection and tree planting activities.

AL At the Albanian bank, a “Green Hearts” team of volunteers was formed during 2023, with members taking part in litter picking and tree planting initiatives. The bank also donated 20 trees to the city of Tirana.

ME Employees of a Montenegrin subsidiary bank planted trees in Podgorica and the bank is supporting an environmental project for students at one of the largest secondary schools in Podgorica.

UK Our Ukrainian subsidiary continued the ‘Surrender your Batteries!’ campaign, in the framework of which used batteries and accumulators collected nationwide are shipped to a Romanian recycling plant.

MD The Moldovan subsidiary bank supported the rehabilitation of trees in the Chisinau Botanical Garden through the inclusion of its employees.

Tree planting in Uzbekistan

The Uzbek subsidiary planted an outstanding number of trees (45,680 trees), helping to sequester carbon dioxide and clean the air. Trees neutralise an average of 502 tonnes of carbon dioxide emissions per year, as well as sequestering significant amounts of air pollutants, contributing to climate improvement, noise protection and soil conservation. The planting is equivalent to nearly 30 hectares of forest.

SUPPLEMENTARY DATA

METHODOLOGICAL NOTE: CHANGE IN THE SEGMENTATION OF OTP CORE AND CORPORATE CENTRE

According the decision of the management, starting from 2023 the segmentation of the Hungarian operation has been changed.

The previously applied old methodology was outlined on page 53 of the Half-Year Financial Report for 2010, pursuant to which the core business activity in Hungary was segmented into OTP Core, whereas Corporate Centre was carved out of the sub-consolidated financial statements of entities making up OTP Core. Thus, Corporate Centre acted as a separate 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.

According to the new methodology, starting from 1Q 2023 Corporate Centre is no longer carved out of the OTP Core segment. One reason for this change was the simplification of the stock exchange reporting structure and the reduction of the segments. Secondly, as a result of this change the balance sheet and P&L impact of capital market instruments issued in the last few quarters will be captured in the OTP Core section, which includes a written analytical chapter. According to the old methodology those capital market instruments issued by OTP Bank were presented on the liability side of Corporate Centre, whereas the already executed and future expected transactions were required partly for regulatory reasons, i.e. in order to comply with the consolidated MREL minimum requirements. In line with the Single Point of Entry approach used by the Bank, the consolidated MREL requirement has to be met by instruments issued and held by OTP Bank (Hungary). Furthermore, with this change the stock exchange reports adopt the segmentation used in internal reports prepared for the management, as Corporate Center ceased to exist in those internal reports, too.

Under the new methodology, certain intragroup loans and deposits that are recognised within loans and liabilities from accounting point of view, are shifted to financial assets and financial liabilities lines in the adjusted balance sheet of OTP Core. Thus, loan and deposit volumes presented under the OTP Core segment reflect the underlying business developments.

For the sake of transparency, in the report’s affected tables the 2022 base periods are presented both under the old (grey columns marked ’as previously reported’) and new (’restated’) methodology.

In the below tables we highlight the main financial data of OTP Core and Corporate Centre that were affected by this methodological change.

OTP CORE Main components of the Statement of recognised income	2022 as previously reported HUF million	2022 restated HUF million	2023 HUF million
After tax profit without received dividend	27,274	30,242	313,143
After tax profit	135,181	138,149	500,869
Adjusted profit after tax	253,232	256,200	302,935
Profit before tax	296,672	300,094	366,502
Operating profit	294,257	297,679	341,049
Total income	637,469	642,520	751,953
Net interest income	412,611	417,662	432,651
Operating expenses	(343,212)	(344,841)	(410,904)
Corporate income tax	-(43,440)	(43,894)	(63,566)
Indicators (adjusted)	**2022 as previously reported %/pps**	**2022 restated %/pps**	**2023 %/pps**
ROE	12.6	12.7	14.2
ROA	1.6	1.5	1.6
Operating profit margin	1.83	1.70	1.79
Total income margin	3.97	3.68	3.94
Net interest margin	2.57	2.39	2.26
Net fee and commission margin	1.10	1.01	1.03
Net other non-interest income margin	0.30	0.27	0.64
Operating costs to total assets ratio	2.1	2.0	2.2
Cost/income ratio	53.8	53.7	54.6
Effective tax rate	14.6	14.6	17.3
Main components of balance sheet (closing balances)	**2022 as previously reported HUF million**	**2022 restated HUF million**	**2023 HUF million**
Total Assets	15,758,292	17,596,229	18,459,423
Financial assets (net)	7,438,066	9,270,006	9,630,766
Liabilities to credit institutions	1,251,653	2,313,832	2,326,311
Issued securities	507,540	985,187	1,877,094
Issued securities without retail bonds	471,773	949,421	1,675,963
Subordinated bonds and loans	0	294,186	507,277

Corporate Centre Main components of the Statement of recognised income	2022 as previously reported HUF million	2022 restated HUF million	2023 HUF million
Adjusted profit after tax	2,968	-	-
Profit before tax	3,423	-	-
Operating profit	3,423	-	-
Total income	5,051	-	-
Net interest income	5,051	-	-
Operating expenses	(1,628)	-	-
Corporate income tax	(455)	-	-
Main components of balance sheet (closing balances)	**2022 as previously reported**	**2022 restated**	**2023**
Total Assets	3,848,180	-	-
Interbank loans to subsidiaries	2,393,334	-	-
Investments in subsidiaries	1,448,849	-	-
Other assets	5,998	-	-
Intra group liabilities from subsidiaries	1,399,338	-	-
Intra group funding from OTP Core	522,960	-	-
Issued securities	477,648	-	-
Subordinated debt (Tier 2)	294,186	-	-
Shareholders' equity	1,448,849	-	-

CHANGE IN THE SCOPE OF CONSOLIDATION FOR THE CONSOLIDATED CAPITAL ADEQUACY RATIOS PRESENTED IN THE STOCK EXCHANGE REPORTS

According to the decision by the management, starting from 3Q 2023 the consolidated capital adequacy ratios for the actual period and retrospectively for the base periods presented in the Stock Exchange Reports will be based on the prudential scope of consolidation, i.e. in line with Capital Requirements Regulation (CRR).

OTP Bank Plc. reports its consolidated capital adequacy ratios to the National Bank of Hungary in charge of financial supervision based on the prudential scope of consolidation.

In previous periods the consolidated capital adequacy ratios based on the prudential scope of consolidation were disclosed after the release of the Stock Exchange Reports, in the document titled *OTP Group Disclosure on consolidated basis*.

In the previous Stock Exchange Reports the presented consolidated capital adequacy ratios were calculated based on the accounting scope of consolidation, in line with IFRS standards.

The below table shows the consolidated capital adequacy ratios (Basel 3, IFRS) from 1Q 2022 until 3Q 2023 according to both prudential and accounting scope of consolidation.

According to PRUDENTIAL scope of consolidation (HUF million / %)	**1Q 2022**	**2Q 2022**	**3Q 2022**	**4Q 2022**	**1Q 2023**	**2Q 2023**	**3Q 2023**
Capital adequacy ratio	18.4%	18.4%	18.1%	17.8%	17.2%	17.9%	18.8%
Tier 1 ratio	16.9%	16.9%	16.7%	16.4%	14.8%	15.6%	16.4%
Common Equity Tier 1 ('CET1') capital ratio	16.9%	16.9%	16.7%	16.4%	14.8%	15.6%	16.4%
Own funds	3,217,591	3,635,663	3,922,723	3,671,104	3,767,588	4,076,508	4,489,776
o/w Tier1 Capital	2,950,935	3,347,375	3,620,662	3,383,161	3,242,569	3,551,485	3,929,662
o/w Common Equity Tier 1 capital	2,950,935	3,347,375	3,620,662	3,383,161	3,242,569	3,551,485	3,929,662
Consolidated risk weighted assets (RWA) (Credit & Market & Operational risk)	17,464,356	19,772,146	21,643,869	20,607,706	21,920,451	22,713,600	23,922,959
According to ACCOUNTING scope of consolidation (HUF million / %)	**1Q 2022**	**2Q 2022**	**3Q 2022**	**4Q 2022**	**1Q 2023**	**2Q 2023**	**3Q 2023**
Capital adequacy ratio	17.8%	17.9%	17.8%	17.5%	16.8%	17.5%	18.4%
Tier1 ratio	16.2%	16.4%	16.4%	16.1%	14.4%	15.2%	16.1%
Common Equity Tier 1 ('CET1') capital ratio	16.2%	16.4%	16.4%	16.1%	14.4%	15.2%	16.1%
Own funds	3,078,173	3,515,020	3,828,083	3,565,932	3,661,078	3,951,088	4,366,482
o/w Tier1 Capital	2,811,517	3,226,731	3,526,063	3,277,984	3,136,729	3,426,218	3,806,368
o/w Common Equity Tier 1 capital	2,811,517	3,226,731	3,526,063	3,277,984	3,136,729	3,426,218	3,806,368
Consolidated risk weighted assets (RWA) (Credit & Market & Operational risk)	17,324,682	19,629,309	21,497,011	20,405,328	21,795,586	22,551,166	23,714,042

CHANGE IN THE PRESENTATION OF ACCRUED INTEREST RECEIVABLES ON STAGE 3 LOANS – METHODOLOGICAL SUMMARY

Starting from 2023 the presentation of accrued interest receivables on Stage 3 loans has been changed in the adjusted balance sheets and statements of recognised income.

According to the old methodology in place until the end of 2022, in the adjusted balance sheets of the stock exchange report the total amount of accrued interest receivables on Stage 3 loans under IFRS 9 were netted with the provisions created in relation to the total exposure toward those particular clients. As a result of this, in the adjusted consolidated balance sheet, and also in the different segments, lower gross loan volumes and allowances for loan losses were shown compared to the IFRS reports. Furthermore, in the adjusted statement of recognised income of OTP Core and therefore on consolidated level, as well, the accrued interests on Stage 3 loans in the given period were netted with the related provision for impairment on loan losses. These items were not settled against each other in the case of foreign subsidiaries.

From 2023, under the new methodology, these items are not netted against each other in the adjusted financial statements. This means that this change has not been retroactively applied for the base period in the tables of this report, but the numbers according to the new methodology were presented only for 2023.

For the sake of comparability, in the below table we present the main financial data affected by this change for the 2022 base period under the new methodology, for the Group and OTP Core.

	2022 in HUF million
Consolidated	
Gross customer loans	19,690,287
Allowances for loan losses	(1,049,663)
Stage 3 loan volume under IFRS 9	1,015,899
Stage 3 loans under IFRS 9/gross customer loans	5.2%
Own coverage of Stage 3 loans under IFRS 9	62.8%
Net interest income	1,098,914
Net interest margin	3.52%
Provision for impairment on loan losses	(140,566)
Provision for impairment on loan losses-to-average gross loans ratio	0.75%
OTP Core	
Gross customer loans	6,551,991
Allowances for loan losses	(273,371)
Stage 3 loan volume under IFRS 9	346,947
Stage 3 loans under IFRS 9/gross customer loans	5.3%
Own coverage of Stage 3 loans under IFRS 9	47.1%
Net interest income	422,997
Net interest margin	2.42%
Provision for impairment on loan losses	27,515
Provision for impairment on loan losses-to-average gross loans ratio	(0.46%)

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., MONICOMP Ltd. and OTP Real Estate Leasing Ltd. were included from 1Q 2017 (from 1Q 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc. and OTP Ingatlanpont Llc. were included from 1Q 2019; OTP Ecosystem Ltd. (previous name: OTP eBIZ Ltd., it was eliminated from 1Q 2023) was included from 1Q 2020; OTP OTP Home Solutions was included from 2Q 2021.

The consolidated results of these companies were segmented into OTP Core and Corporate Centre until the end of 2022. According to the new methodology applied from 2023, Corporate Centre is no longer carved out of OTP Core. In the affected tables of this report, the 2022 base periods were presented both under the old and the new segment definitions.

(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 SKB Banka d.d. Ljubljana, SKB Leasing d.o.o., SKB Leasing Select d.o.o. and from February 2023 Nova Kreditna Banka Maribor d.d. is included.

(5) The statement of recognised income and balance sheet of OTP Leasing d.d. and SB Leasing d.o.o. was included.

(6) The financial performance of OTP Factoring Serbia d.o.o, OTP Lizing d.o.o. and OTP Services d.o.o. is included.

(7) The balance sheet of the newly acquired Alpha Bank Albania was included from July 2022, its statement of recognised income from August 2022. Alpha Bank Albania merged with OTP Bank Albania in December 2022.

(8) The statement of recognised income and balance sheet of the acquired Podgoricka banka was included, which merged into the Montenegrin bank in 4Q 2020.

(9) The balance sheet of Ipoteka Bank in Uzbekistan was consolidated from June 2023, whereas the adjusted profit of Ipoteka Bank was recognized in the consolidated P&L from 3Q 2023.

(10) The statement of recognised income and balance sheet of LLC MFO "OTP Finance" is included.

(11) Figures are based on the aggregated financial statements of OTP Bank JSC, LLC OTP Leasing, and OTP Factoring Ukraine LLC.

(12) The statement of recognised income and balance sheet of OTP Faktoring SRL and OTP Leasing Romania IFN S.A. was included.

(13) 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.

(14) LLC AMC OTP Capital, OTP Asset Management SAI S.A. (Romania), DSK Asset Management EAD (Bulgaria), ILIRIKA DZU a.d. Belgrade (Serbia).

(15) Velvin Ventures Ltd. (Belize), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), OTP Solution Fund (Ukraine), Mendota Invest d.o.o. (Slovenia), R.E. Four d.o.o., Novi Sad (Serbia).

(16) Until the end of 2022 Corporate Centre acted 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 was 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 was to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre were as follows: Hungarians: Merkantil Bank Ltd, OTP Flat Lease Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

Starting from 2023 Corporate Centre is no longer carved out of OTP Core. In the affected tables of this report, the 2022 base periods were presented both under the old and the new segment definitions.

(17) 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.

(18) 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 of OTP Bank are disclosed in the *Supplementary Data* section.

Adjustments affecting the income statement:

- The after tax effect of adjustment items (certain, typically one-off items from banking operations' point of view) are shown and analysed separately in the Statement of Recognised Income.
- 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.
- 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 expected one-off effect of the interest rate cap for certain loans in Hungary and Serbia* line contains the expected effect of the Hungarian rate cap, and the expected effect of the Serbian rate cap effective from October 2023 until the end of 2024.
- *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 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.
- In the *Consolidated financial highlights and share data* table the *Book Value Per Share* and the *Tangible Book Value Per Share*, as well as indicators derived from these are calculated based on the consolidated diluted share count used for EPS calculation.
- 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 may be 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:

- On 9 February 2024 OTP Bank announced the signing of the share sale and purchase agreement to sell its Romanian operation. As a result of this, according to IFRS 5, as at the end of 2023 the Romanian operation was presented as an asset classified as held for salein the consolidated balance sheet, and as discontinued operation in the income statement. With regards to the consolidated balance sheet, all Romanian assets and liabilities were shown on a separate line in the 2023 closing balance sheet. As for the consolidated income statement, the Romanian contribution for both 2022 and 2023 was shown separately from the result of continuing operation, on the *Net loss / gain from discontinued operation* line, i.e. the particular P&L lines in the 'continuing operations' section of the P&L don't incorporate the contribution from the Romanian subsidiaries. As opposed to this, in the adjusted financial statements presented in the Stock Exchange Report – in line with the structure of the financial statements monitored by the management – the Romanian operation was presented in a way as if it was still classified as continuing operation, i.e. its net interest income contribution was presented on the net interest income line in the consolidated adjusted income statement.
- In the adjusted balance sheet, net customer loans include the stock of loans at amortized cost, loans mandatorily at fair value through profit or loss, and finance lease receivables.
- In the adjusted balance sheets presented in the analytical section of the report, until the end of 2022 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 had an impact on the consolidated gross customer loans and allowances for loan losses. Starting from 2023 this adjustment is no longer applied.

Alternative performance measures pursuant to the National Bank of Hungary 5/2017. (V.24.) recommendation[75]

Alternative performance measures name	Description	Calculation (data in HUF million)	Measures value 2022	Measures value 2023
Leverage, consolidated[76]	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 2023: $\frac{3,945,569.6}{42,426,769.2} = 9.3\%$ Example for 2022: $\frac{3,383,160.8}{35,399,551.0} = 9.6\%$	9.6%	9.3%
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 2023: $\frac{11,062,683.8}{6,528,404.6 - 2,033,178.9} = 246.1\%$ Example for 2022: $\frac{7,439,159.8}{6,175,742.4 - 1,852,865.4} = 172.1\%$	172.1%	246.1%
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 after-tax profit 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 2023: $\frac{990,459.5 \ast 1.0}{3,639,782.4} = 27.2\%$ Example for 2022: $\frac{347,081.1 \ast 1.0}{3,160,118.9} = 11.0\%$	11.0%	27.2%

[75] 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.
[76] 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 2022	Measures value 2023
ROE (adjusted), consolidated	The return on equity ratio shall be calculated the consolidated adjusted 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 adjusted after-tax profit for the given period (annualized for periods less than one year), the denominator is the average consolidated equity. Example for 2023: $\frac{1{,}008{,}582.9 * 1.0}{3{,}639{,}782.4} = 27.7\%$ Example for 2022: $\frac{592{,}547.0 * 1.0}{3{,}160{,}118.9} = 18.8\%$	18.8%	27.7%
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 2023: $\frac{1{,}008{,}582.9 * 1.0}{37{,}167{,}776.0} = 2.7\%$ Example for 2022: $\frac{592{,}547.0 * 1.0}{31{,}190{,}136.9} = 1.9\%$	1.9%	2.7%
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 2023: $\frac{1{,}260{,}849.8 * 1.0}{37{,}167{,}776.0} = 3.39\%$ Example for 2022: $\frac{868{,}486.7 * 1.0}{31{,}190{,}136.9} = 2.78\%$	2.78%	3.39%
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 2023: $\frac{2{,}224{,}584.2 * 1.0}{37{,}167{,}776.0} = 5.99\%$ Example for 2022: $\frac{1{,}656{,}571.0 * 1.0}{31{,}190{,}136.9} = 5.31\%$	5.31%	5.99%
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 2023: $\frac{1{,}459{,}693.5 * 1.0}{37{,}167{,}776.0} = 3.93\%$ Example for 2022: $\frac{1{,}093{,}578.8 * 1.0}{31{,}190{,}136.9} = 3.51\%$	3.51%	3.93%
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 2023: $\frac{963{,}734.3 * 1.0}{37{,}167{,}776.0} = 2.59\%$ Example for 2022: $\frac{788{,}084.3 * 1.0}{31{,}190{,}136.9} = 2.53\%$	2.53%	2.59%

Alternative performance measures name	Description	Calculation (data in HUF million)	Measures value 2022	Measures value 2023
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 2023: 963,734.3 / 2,224,584.2 = 43.3% Example for 2022: 788,084.3 / 1,656,571.0 = 47.6%	47.6%	43.3%
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 2023: 34,780.7 * 1.0 / 21,377,407.9 = 0.16% Example for 2022: 135,231.1 * 1.0 / 18,639,432.7 = 0.73%	0.73%	0.16%
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 2023: 38,521.5 * 1.0 / 37,167,776.0 = 0.10% Example for 2022: 178,464.7 * 1.0 / 31,190,136.9 = 0.57%	0.57%	0.10%
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 2023: 213,745.5 / 1,222,328.4 = 17.5% Example for 2022: 97,475.0 / 690,022.0 = 14.1%	14.1%	17.5%
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 2023: 21,447,380.3 / (29,428,283.5 + 201,130.6) = 72% Example for 2022: 17,929,314.2 / (24,289,844.4 + 35,766.3) = 74%	74%	72%

ADJUSTMENTS ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IFRS)

	2022 HUF million	2023 HUF million
Net interest income	**1,026,868**	**1,383,014**
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian operation	2,034	0
(-) Netting of interest revenues on Stage 3 loans with the related provision (booked on the Provision for loan losses line)	5,335	-
(-) Effect of acquisitions	(3,179)	(5,674)
(-) Reclassification due to the introduction of IFRS16	(2,386)	(2,970)
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	64,446	68,151
Net interest income (adj.)	**1,093,579**	**1,459,809**
Net fees and commissions	**584,491**	**691,525**
(+) Financial Transaction Tax	(89,751)	(98,472)
(-) Effect of acquisitions	(2)	(27)
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	15,870	5,537
(-) Structural shift of income from currency exchange from net fees to the FX result	113,494	120,496
Net fees and commissions (adj.)	**397,118**	**478,122**
Foreign exchange result	**(16,302)**	**13,945**
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian operations	7,818	0
(-) Effect of acquisitions	(4)	(2)
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	1,313	(11,397)
(+) Structural shift of income from currency exchange from net fees to the FX result	113,494	120,496
Foreign exchange result (adj.)	**90,691**	**123,046**
Gain/loss on securities, net	**(4,505)**	**7,283**
(-) Effect of acquisitions	(556)	(1,125)
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	17	194
(-) Revaluation result of the treasury share swap agreement	(10,002)	(3,868)
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Gain/loss on securities, net)	(4,636)	(18,716)
(+) 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	8,240
Gain/loss on securities, net (adj.)	**1,579**	**1,994**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale	**28,003**	**(21,246)**
(-) Profit of the sale of OTP Garancia Group (before tax)	0	0
(-) Effect of acquisitions	0	(55,913)
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**28,003**	**34,667**
Gains and losses on real estate transactions	**5,232**	**7,195**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adjusted)	**28,003**	**34,667**
(+) Other non-interest income	**118,329**	**331,425**
(+) Net results on derivative instruments and hedge relationships	**16,360**	**(12,760)**
(+) Net insurance result	**1,369**	**1,921**
(+) Losses on loans measured mandatorily at fair value through other comprehensive income and on securities at amortized cost	**(4,044**	**92,682**
(-) 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	8,240
(-) Received cash transfers	447	531
(+) Other other non-interest expenses	(72,969)	(54,855)
(+) 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	2,738
(-) Effect of acquisitions	3,268	205,233
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian operation	(5,783)	0
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(591)	0
(-) 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)	0
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	(21,994)	(13,697)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(5)	0
(+) Shifting of the costs of mediated services at Merkantil Bérlet Ltd. to the net other non-interest result line	(1,846)	(2,119)
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Net other non-interest result)	(492)	191
(-) Expected one-off effect of the interest rate cap for certain loans in Hungary and Serbia	(2,022)	0
(-) Effect of the winding up of Sberbank Hungary (recovery leg)		11,416
Net other non-interest result (adj.)	**73,604**	**161,967**

	2022 HUF million	2023 HUF million
Gain from derecognition of financial assets at amortized cost	**(1,573)**	**(17,182)**
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Gain/loss on securities, net)	(4,636)	(18,716)
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Provision for impairment on loan losses)	3,473)	1,343
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Net other non-interest result)	(492)	191
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	(82)	0
Gain from derecognition of financial assets at amortized cost (adj.)	**0**	**0**
Provision for impairment on loan and placement losses	**(145,159)**	**(126,415)**
(+) Modification gains or losses	**(39,997)**	**(38,141)**
(+) 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**	**(91)**
(+) Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	**(60,761)**	**9,054**
(+) Provision for commitments and guarantees given	**(5,917)**	**9,772**
(+) Impairment of assets subject to operating lease and of investment properties	**(1,204)**	**1,333**
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	138	0
(+) Netting of interest revenues on Stage 3 loans with the related provision (booked on the Provision for loan losses line)	5,335	-
(-) Effect of acquisitions	(3,493)	(51,873)
(-) Structural correction between Provision for loan losses and Other provisions	(61,965)	10,387
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	(10,750)	2,758
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(4,816)	0
(+) Structural adjustment due to the *Gain from derecognition of financial assets at amortized cost* line (against *Provision for impairment on loan losses*)	3,473	1,343
(-) Shifting of provision for impairment on placement losses to the other provisions line from 1Q 2022	(261)	2,945
(-) Expected one-off effect of the interest rate cap for certain loans in Hungary and Serbia	(36,005)	(36,909)
Provision for impairment on loan losses (adj.)	**(135,231)**	**(64,937)**
Profit from associates	**14,618**	**15,299**
(+) Received cash transfers	447	531
(+) Paid cash transfers	(17,709)	(15,360)
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	(17,519)	(15,067)
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	12,130	14,200
(-) 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	2,738
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	23	22
After tax dividends and net cash transfers	**1,927**	**(1,378)**
Depreciation	**(168,840)**	**(111,996)**
(-) Goodwill impairment charges	(67,715)	0
(-) Effect of acquisitions	(4,917)	(4,897)
(-) Reclassification due to the introduction of IFRS16	(18,008)	(15,575)
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	(6,463)	(4,040)
(+) Structural shift of right of use asset depreciation between other non-interest expenses and depreciation line		0
Depreciation (adj.)	**(84,663)**	**(95,564)**
Personnel expenses	**(377,728)**	**(478,695)**
(-) Effect of acquisitions	(1,259)	(2,507)
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	(24,835)	(26,571)
(-) 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)	0
Personnel expenses (adj.)	**(396,304)**	**(502,759)**
Income taxes	**(58,600)**	**(188,710)**
(-) Corporate tax impact of goodwill/investment impairment charges	8,461	(3,919)
(-) Corporate tax impact of the special tax on financial institutions	5,456	6,079
(+) Tax deductible transfers to spectator sports (offset against corporate taxes)	(14,479)	(73)
(-) Corporate tax impact of the effect of acquisitions	543	7,687
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	(652)	(3,575)
(-) Corporate tax impact of the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	244	0
(-) Corporate tax impact of the result of the treasury share swap agreement	900	348
(-) Corporate tax impact of the impairments on Russian government bonds booked at OTP Core and DSK Bank from 2022	3,494	311
(-) Corporate tax impact of the winding up of Sberbank Hungary (contribution to the Deposit Protection Fund)	1,027	(1,027)
(-) Corporate tax impact of the expected one-off effect of the interest rate cap for certain loans in Hungary and Serbia	3,618	3,830

	2022 HUF million	2023 HUF million
(+) One-timer structural reclassification between Corporate income tax and Other non-interest expenses in 4Q 2023		(5,624)
Corporate income tax (adj.)	**(97,475)**	**(211,291)**
Other operating expense	**(125,742)**	**(117,962)**
(-) Other costs and expenses	(17,279)	(10,143)
(-) Other non-interest expenses	(90,678)	(69,850)
(-) Effect of acquisitions	(1,341)	(10,271)
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	453	0
(-) 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	0
(+) Structural correction between *Provision for loan losses* and *Other provisions*	(61,965)	10,387
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	(3,057)	(98)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	2,104	0
(-) Impairments on Russian government bonds booked at OTP Core and DSK Bank from 2022	(38,268)	(3,110)
(+) Shifting of provision for impairment on placement losses to the other provisions line from 1Q 2022	(261)	2,945
(-) Shifting of certain expenses arising from mediated services from other provisions to the other non-interest expenses line	(882)	(1,252)
(-) Expected one-off effect of the interest rate cap for certain loans in Hungary and Serbia	(2,175)	181
Other provisions (adj.)	**(43,234)**	**(10,285)**
Other general expenses	**(451,163)**	**(483,283)**
(+) Other costs and expenses	(17,279)	(10,143)
(+) Other non-interest expenses	(90,678)	(69,850)
(-) Paid cash transfers	(17,709)	(15,360)
(+) Film subsidies and cash transfers to public benefit organisations	(17,519)	(15,067)
(-) Other other non-interest expenses	(72,969)	(54,490)
(-) Special tax on financial institutions (recognised as other administrative expenses)	(96,808)	(68,630)
(-) Tax deductible transfers (offset against corporate taxes)	(14,479)	(73)
(-) Financial Transaction Tax	(89,751)	(98,472)
(-) Effect of acquisitions	(4,654)	(8,366)
(+) Reclassification due to the introduction of IFRS16	(20,395)	(18,545)
(+) Presentation of the contribution from discontinued operation and assets held for sale on the adjusted P&L lines	(13,835)	(17,284)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	0	0
(-) Shifting of the costs of mediated services at Merkantil Bérlet Ltd. to the net other non-interest result line	(1,846)	(2,119)
(+) Shifting of certain expenses arising from mediated services from other provisions to the other non-interest expenses line	(882)	(1,252)
(-) Effect of the winding up of Sberbank Hungary (contribution to the Deposit Protection Fund)	(11,416)	0
(+) 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)	0
(-) Structural shift of right of use asset depreciation between other non-interest expenses and depreciation line		0
(-) One-timer structural reclassification between Corporate income tax and Other non-interest expenses in 4Q 2023		(5,624)
Other non-interest expenses (adj.)	**(307,117)**	**(362,289)**

ADJUSTMENTS OF CONSOLIDATED IFRS BALANCE SHEET LINES

	2022 HUF million	2023 HUF million
Cash, amounts due from Banks and balances with the National Banks	4,221,392	7,125,050
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	199,587
Cash, amounts due from Banks and balances with the National Banks (adjusted)	4,221,392	7,324,636
Placements with other banks, net of allowance for placement losses	1,351,081	1,567,777
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	8,147
Placements with other banks, net of allowance for placement losses (adjusted)	1,351,081	1,575,924
Securities at fair value through profit and loss	436,387	288,884
(+) Allocation of Assets classified as held for sale among balance sheet lines	0	2,091
Securities at fair value through profit or loss (adjusted)	436,387	290,975
Securities at fair value through other comprehensive income	1,739,603	1,601,461
(+) Allocation of Assets classified as held for sale among balance sheet lines	0	39,430
Securities at fair value through other comprehensive income (adjusted)	1,739,603	1,640,891
Gross customer loans (incl. finance lease receivables and accrued interest receivables related to loans)	19,690,287	21,329,908
(-) Accrued interest receivables related to Stage 3 loans	46,730	-
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	1,136,507
Gross customer loans (adjusted)	19,643,558	22,466,415
Allowances for loan losses (incl. impairment of finance lease receivables)	(1,049,663)	(963,179)
(-) Allocated provision on accrued interest receivables related to Stage 3 loans	(46,730)	-
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	(55,856)
Allowances for loan losses (adjusted)	(1,002,933)	(1,019,035)
Associates and other investments	73,849	96,110
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	236
Associates and other investments (adjusted)	73,849	96,346
Securities at amortized costs	4,891,938	5,249,490
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	226,427
Securities at amortized costs (adjusted)	4,891,938	5,475,917
Tangible and intangible assets, net	738,105	860,449
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	18,500
Tangible and intangible assets, net (adjusted)	738,105	878,949
Other assets	711,230	2,455,664
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	(1,575,068)
Other assets (adjusted)	711,230	880,596
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	1,517,349	2,011,569
(+) Allocation of *Liabilities directly associated with assets classified as held-for-sale* among balance sheet lines	0	1,764
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 (adjusted)	1,517,349	2,013,333
Deposits from customers	25,188,805	28,332,431
(+) Allocation of *Liabilities directly associated with assets classified as held-for-sale* among balance sheet lines	0	1,095,852
Deposits from customers (adjusted)	25,188,805	29,428,284
Other liabilities	1,603,078	2,514,876
(+) Allocation of *Liabilities directly associated with assets classified as held-for-sale* among balance sheet lines	0	(1,097,617)
Other liabilities (adjusted)	1,603,078	1,417,260

STATEMENT OF PROFIT OR LOSS OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (CONSOLIDATED)[1]

	2023 HUF million	2022 HUF million	Change %
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	2,314,677	1,425,859	62
Income similar to interest income	633,587	475,547	33
Interest incomes	2,948,264	1,901,406	55
Interest expenses	(1,561,558)	(874,538)	79
NET INTEREST INCOME	**1,386,706**	**1,026,868**	**35**
Risk cost total	**(79,281)**	**(199,695)**	**(60)**
Loss allowance / Release of loss allowance on loans, placements, amounts due from banks and repo receivables	(109,223)	(145,159)	(25)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(91)	13,346	
Loss allowance / Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	8,831	(60,761)	
Provision for commitments and guarantees given	19,870	(5,917)	
Impairment / (Release of impairment) of assets subject to operating lease and of investment properties	1,332	(1,204)	
NET INTEREST INCOME AFTER RISK COST	**1,307,425**	**827,173**	**58**
Income from fees and commissions	861,309	716,866	20
Expense from fees and commissions	(169,316)	(132,375)	28
Net profit from fees and commissions	**691,993**	**584,491**	**18**
Modification gain or loss	**(38,141)**	**(39,997)**	**(5)**
Foreign exchange gains / losses, net	1,067	58	
Foreign exchange gains / losses, net	13,827	(16,302)	
Net results on derivative instruments and hedge relationships	(12,760)	16,360	
Gains / Losses on securities, net	7,283	(4,505)	
Gains / Losses on financial assets /liabilities measured at fair value through profit or loss	94,613	(4,044)	
Gain from derecognition of financial assets at amortized cost	(17,182)	(1,573)	992
Profit from associates	14,766	14,618	1
Other operating income	324,266	124,930	160
Gains and losses on real estate transactions	7,195	5,232	38
Other non-interest income	315,155	118,329	166
Net insurance result	1,915	1,369	40
Other operating expense	(110,570)	(125,742)	(12)
Net operating income	**314,243**	**3,742**	
Personnel expenses	(478,696)	(377,728)	27
Depreciation and amortization	(111,996)	(168,840)	(34)
Other administrative expenses	(483,645)	(451,163)	7
Other administrative expenses	**(1,074,337)**	**(997,731)**	**8**
PROFIT BEFORE INCOME TAX	**1,201,183**	**377,678**	**218**
Income tax expense	(189,478)	(58,600)	223
PROFIT AFTER INCOME TAX FOR THE PERIOD FROM CONTINUING OPERATIONS	**1,011,705**	**319,078**	**217**
DISCONTINUED OPERATIONS			
Gains from disposal of subsidiary classified as held for sale	**0**	**11,444**	**(100)**
Net loss / gain from discontinued operation	**(21,246)**	**16,559**	
PROFIT AFTER INCOME TAX FROM CONTINUING AND DISCOUNTINUED OPERATION	990,459	347,081	185
From this, attributable to:			
Non-controlling interest	1,801	727	148
Owners of the company	988,658	346,354	185

[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]

	2023 HUF million	2022 HUF million	Change %
Cash, amounts due from banks and balances with the National Banks	7,125,049	4,221,392	69
Placements with other banks, net of loss allowance for placements	1,566,998	1,351,082	16
Repo receivables	223,884	41,009	446
Financial assets at fair value through profit or loss	288,885	436,387	(34)
Securities at fair value through other comprehensive income	1,601,461	1,739,603	(8)
Loans at amortized cost	17,676,533	16,094,458	10
Loans mandatorily at fair value through profit or loss	1,400,485	1,247,414	12
Finance lease receivables	1,289,712	1,298,752	(1)
Associates and other investments	96,110	73,849	30
Loans at amortized cost	5,249,272	4,891,938	7
Property and equipment	523,124	464,469	13
Intangible assets and goodwill	291,358	237,031	23
Right-of-use assets	74,698	58,937	27
Investment properties	53,381	47,452	12
Derivative financial assets designated as hedge accounting	41,967	48,247	(13)
Deferred tax assets	55,691	75,421	(26)
Current income tax receivable	7,773	5,650	38
Other assets	509,430	471,119	8
Assets classified as held for sale	1,533,333	-	
TOTAL ASSETS	**39,609,144**	**32,804,210**	21
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1,940,862	1,463,158	33
Repo liabilities	126,237	217,369	(42)
Financial liabilities designated at fair value through profit or loss	70,707	54,191	30
Deposits from customers	28,332,431	25,188,805	12
Liabilities from issued securities	2,095,548	870,682	141
Derivative financial liabilities held for trading	140,488	385,747	(64)
Derivative financial liabilities designated as hedge accounting	63,899	27,949	129
Leasing liabilities	76,313	63,778	20
Deferred tax liabilities	28,663	40,094	(29)
Current income tax payable	69,948	28,866	142
Provisions	121,119	131,621	(8)
Other liabilities	745,820	707,654	5
Subordinated bonds and loans	562,396	301,984	86
Liabilities directly associated with assets classified as held for sale	1,139,920	-	
TOTAL LIABILITIES	**35,514,351**	**29,481,898**	20
Share capital	28,000	28,000	0
Retained earnings and reserves	4,179,322	3,395,215	23
Treasury shares	(120,489)	(106,862)	13
Total equity attributable to the parent	4,086,833	3,316,353	23
Total equity attributable to non-controlling interest	7,960	5,959	34
TOTAL SHARHOLDERS' EQUITY	**4,094,793**	**3,322,312**	23
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**39,609,144**	**32,804,210**	21

[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)

SECURITY LISTED ON THE BUDAPEST STOCK EXCHANGE BETWEEN 01/01/2014 AND 31/12/2023

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/II	17/01/2014	31/01/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/I	17/01/2014	17/01/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/III	31/01/2014	14/02/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/II	31/01/2014	31/01/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/IV	14/02/2014	28/02/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/III	14/02/2014	14/02/2016	EUR
OTP Bank Plc.	Retail bond	OTP_ EURO_1 2015/V	28/02/2014	14/03/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/IV	28/02/2014	28/02/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/VI	14/03/2014	28/03/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/V	14/03/2014	14/03/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/VII	21/03/2014	04/04/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/VI	21/03/2014	21/03/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/VIII	11/04/2014	25/04/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/VII	11/04/2014	11/04/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/IX	18/04/2014	02/05/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/VIII	18/04/2014	18/04/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/X	09/05/2014	23/05/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/IX	09/05/2014	09/05/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XI	23/05/2014	06/06/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/X	23/05/2014	23/05/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XII	06/06/2014	20/06/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/XI	06/06/2014	06/06/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XIII	20/06/2014	04/07/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/XII	20/06/2014	20/06/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XIV	04/07/2014	18/07/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/XIII	04/07/2014	04/07/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XV	18/07/2014	01/08/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/XIV	18/07/2014	18/07/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XVI	30/07/2014	13/08/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/XV	30/07/2014	30/07/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XVII	08/08/2014	22/08/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/XVI	08/08/2014	08/08/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XVIII	29/08/2014	12/09/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/XVII	29/08/2014	29/08/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XIX	12/09/2014	26/09/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/XVIII	12/09/2014	12/09/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XX	03/10/2014	17/10/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_2 2016/XIX	03/10/2014	03/10/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XXI	22/10/2014	05/11/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XXII	31/10/2014	14/11/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XXIII	14/11/2014	28/11/2015	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XXIV	28/11/2014	12/12/2015	EUR
OTP Bank Plc.	Retail bond	OTP_VK_USD_2 2016/I	28/11/2014	28/11/2016	USD
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XXV	19/12/2014	02/01/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2015/XXVI	09/01/2015	23/01/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/I	30/01/2015	13/02/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/II	20/02/2015	06/03/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/III	20/03/2015	03/04/2016	EUR
OTP Bank Plc.	Retail bond	OTP_VK_USD_2 2017/I	10/04/2015	10/04/2017	USD
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/IV	10/04/2015	24/04/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/V	24/04/2015	08/05/2016	EUR
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2016/I	24/04/2015	24/04/2016	USD
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/VI	29/05/2015	12/06/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/VII	30/06/2015	14/07/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/VIII	24/07/2015	07/08/2016	EUR
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2016/II	24/07/2015	24/07/2016	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2016/III	25/09/2015	25/09/2016	USD
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/IX	25/09/2015	09/10/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/X	30/10/2015	13/11/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/XI	11/11/2015	25/11/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/XII	27/11/2015	11/12/2016	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2016/XIII	30/12/2015	13/01/2017	EUR
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2017/I	29/01/2016	29/01/2017	USD
OTP Bank Plc.	Retail bond	OTP_EURO_1 2017/I	29/01/2016	12/02/2017	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2017/II	12/02/2016	26/02/2017	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2017/III	26/02/2016	12/03/2017	EUR
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2017/II	18/03/2016	18/03/2017	USD
OTP Bank Plc.	Retail bond	OTP_EURO_1 2017/IV	18/03/2016	01/04/2017	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2017/V	15/04/2016	29/04/2017	EUR
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2017/III	27/05/2016	27/05/2017	USD
OTP Bank Plc.	Retail bond	OTP_EURO_1 2017/VI	27/05/2016	10/06/2017	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2017/VII	10/06/2016	24/06/2017	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2017/VIII	01/07/2016	15/07/2017	EUR
OTP Bank Plc.	Retail bond	OTP_EURO_1 2017/IX	10/08/2016	24/08/2017	EUR
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2017/IV	16/09/2016	16/09/2017	USD
OTP Bank Plc.	Retail bond	OTP_EURO_1 2017/X	16/09/2016	30/09/2017	EUR
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2018/I	20/01/2017	20/01/2018	USD
OTP Mortgage Bank	Mortgage bond	OJB2021/I	15/02/2017	27/10/2021	HUF
OTP Mortgage Bank	Mortgage bond	OJB2020/III	23/02/2017	20/05/2020	HUF
OTP Mortgage Bank	Mortgage bond	OJB2022/I	24/02/2017	24/05/2022	HUF
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2018/II	03/03/2017	03/03/2018	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2018/III	13/04/2017	13/04/2018	USD

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2018/IV	02/06/2017	02/06/2018	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2018/V	14/07/2017	14/07/2018	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2018/VI	04/08/2017	04/08/2018	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2018/VII	29/09/2017	29/09/2018	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2018/VIII	17/11/2017	17/11/2018	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2018/IX	20/12/2017	20/12/2018	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2019/I	16/02/2018	16/02/2019	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2019/II	29/03/2018	29/03/2019	USD
OTP Mortgage Bank	Mortgage bond	OJB2023/I	05/04/2018	24/11/2023	HUF
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2019/III	18/05/2018	18/05/2019	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2019/IV	28/06/2018	28/06/2019	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2019/V	06/08/2018	06/08/2019	USD
OTP Mortgage Bank	Mortgage bond	OJB2024/A	17/09/2018	20/05/2024	HUF
OTP Mortgage Bank	Mortgage bond	OJB2024/B	18/09/2018	24/05/2024	HUF
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2019/VI	04/10/2018	04/10/2019	USD
OTP Mortgage Bank	Mortgage bond	OJB2024/II	10/10/2018	24/10/2024	HUF
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2019/VII	15/11/2018	15/11/2019	USD
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2019/II	15/12/2018	31/05/2019	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2020/I	15/12/2018	31/05/2020	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2021/I	15/12/2018	31/05/2021	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2022/I	15/12/2018	31/05/2022	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2023/I	15/12/2018	31/05/2023	HUF
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2019/VIII	20/12/2018	20/12/2019	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2020/I	21/02/2019	21/02/2020	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2020/II	04/04/2019	04/04/2020	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2020/III	16/05/2019	16/05/2020	USD
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2024/I	30/05/2019	31/05/2024	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2025/I	30/05/2019	31/05/2025	HUF
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2020/IV	27/06/2019	27/06/2020	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2020/V	15/08/2019	15/08/2020	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2020/VI	26/09/2019	26/09/2020	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2020/VII	07/11/2019	07/11/2020	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2020/VIII	19/12/2019	19/12/2020	USD
OTP Mortgage Bank	Mortgage bond	OJB2025/II	03/02/2020	26/11/2025	HUF
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2021/I	20/02/2020	20/02/2021	USD
OTP Mortgage Bank	Mortgage bond	OJB2024/C	24/02/2020	24/10/2024	HUF
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2021/II	02/04/2020	02/04/2021	USD
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2021/III	14/05/2020	14/05/2021	USD
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2022/II	29/05/2020	31/05/2022	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2023/II	29/05/2020	31/05/2023	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2024/II	29/05/2020	31/05/2024	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2025/II	29/05/2020	31/05/2025	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2026/I	29/05/2020	31/05/2026	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2027/I	29/05/2020	31/05/2027	HUF
OTP Bank Plc.	Retail bond	OTP_VK_USD_1 2021/IV	18/06/2020	18/06/2021	USD
OTP Mortgage Bank	Mortgage bond	OJB2027/I	23/07/2020	27/10/2027	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2025/III	31/05/2021	31/05/2025	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2024/III	31/05/2021	31/05/2024	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2027/II	31/05/2021	31/05/2027	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2026/II	31/05/2021	31/05/2026	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2028/I	31/05/2021	31/05/2028	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2029/I	31/05/2021	31/05/2029	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2030/I	31/05/2021	31/05/2030	HUF
OTP Mortgage Bank	Mortgage bond	OJB2031/I	18/08/2021	22/10/2031	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2026/III	31/03/2022	31/05/2026	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2027/III	31/03/2022	31/05/2027	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2028/II	31/03/2022	31/05/2028	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2029/II	31/03/2022	31/05/2029	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2030/II	31/03/2022	31/05/2030	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2031/I	31/03/2022	31/05/2031	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2032/I	31/03/2022	31/05/2032	HUF
OTP Mortgage Bank	Mortgage bond	OJB2029/A	25/07/2022	24/05/2029	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2025/1	18/11/2022	18/11/2025	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2026/1	22/12/2022	05/01/2026	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/1	17/02/2023	17/02/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/2	10/03/2023	10/03/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/3	31/03/2023	31/03/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/4	21/04/2023	21/04/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/5	12/05/2023	12/05/2024	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2028/III	01/06/2023	31/05/2028	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2029/III	01/06/2023	31/05/2029	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2030/III	01/06/2023	31/05/2030	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2031/II	01/06/2023	31/05/2031	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2032/II	01/06/2023	31/05/2032	HUF
OTP Bank Plc.	Corporate bond	OTP_DK_HUF_2033/I	01/06/2023	31/05/2033	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/6	02/06/2023	02/06/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/7	23/06/2023	23/06/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/8	30/06/2023	30/06/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2025/2	30/06/2023	30/06/2025	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/9	28/07/2023	28/07/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/10	07/08/2023	07/08/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/11	01/09/2023	01/09/2024	HUF
OTP Mortgage Bank	Mortgage bond	OJB2032/A	20/09/2023	24/11/2032	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/12	25/09/2023	25/09/2024	HUF

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy
OTP Bank Plc.	Retail bond	OTP_TBSZ_HUF_2028/1	13/10/2023	15/12/2028	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/13	20/10/2023	20/10/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/14	17/11/2023	17/11/2024	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2026/2	15/12/2023	15/12/2026	HUF
OTP Bank Plc.	Retail bond	OTP_HUF_2024/15	20/12/2023	20/12/2024	HUF

COMPANIES INVOLVED IN THE SCOPE OF CONSOLIDATION (in IFRS consolidated accounts)

	Description	Main activity	Country of tax residence
1.	OTP Bank Plc.	monetary intermediation	Hungary
2.	OTP Ingatlan Zrt.	buying and selling of own real estate	Hungary
3.	BANK CENTER No. 1. Beruházási és Fejlesztési Kft.	renting and operating real estate	Hungary
4.	OTP Alapkezelő Zrt.	fund management activities	Hungary
5.	OTP Faktoring Követeléskezelő Zrt.	other financial services	Hungary
6.	OTP Lakástakarék Zrt.	monetary intermediation	Hungary
7.	Merkantil Bank Zrt.	monetary intermediation	Hungary
8.	OTP Faktoring Vagyonkezelő Kft.	buying and selling of own real estate	Hungary
9.	Merkantil Bérlet Kft.	renting and operating real estate, leasing machines and equipment	Hungary
10.	OTP Jelzálogbank Zrt.	monetary intermediation	Hungary
11.	OTP Pénztárszolgáltató Zrt.	activities auxiliary to financial services	Hungary
12.	NIMO 2002 Ker. és Szolgáltató Kft.	renting and operating real estate	Hungary
13.	OTP Ingatlan Befektetési Alapkezelő Zrt.	fund management activities	Hungary
14.	OTP Kártyagyártó és Szolgáltató Kft.	manufacture of plastic products	Hungary
15.	Air-Invest Vagyonkezelö Kft.	passenger air transport	Hungary
16.	SPLC–P Ingatlanfejlesztő, Ingatlanhasznosító Kft.	renting and operating real estate	Hungary
17.	SPLC Vagyonkezelő Kft.	trade of passenger vehicles, renting and operating real estate	Hungary
18.	OTP Ingatlanlízing Zrt.	credit granting, financial leasing	Hungary
19.	OTP Életjáradék Ingatlanbefektető Zrt.	buying and selling of own real estate	Hungary
20.	OTP Ingatlanpont Ingatlanközvetítő Kft.	real estate brokerage	Hungary
21.	OTP Hungaro-Projekt Kft.	business management consultancy	Hungary
22.	OTP Mérnöki Szolgáltató Kft.	engineering activity	Hungary
23.	OTP Ingatlanüzemeltető Kft.	real estate operation	Hungary
24.	PortfoLion Kockázati Tőkealap-kezelő Zrt.	fund management activities	Hungary
25.	MONICOMP Zrt.	repair of computers and computer peripherals	Hungary
26.	CIL Babér Kft.	renting and operating real estate, business management consultancy	Hungary
27.	OTP Pénzügyi Pont Zrt.	activities auxiliary to financial services	Hungary
28.	Bajor-Polár Center Ingatlanhasznosító Zrt.	renting and operating real estate	Hungary
29.	OTP Mobil Szolgáltató Kft.	IT services	Hungary
30.	OTP Travel Kft.	travel agency services	Hungary
31.	OTP Ecosystem Korlátolt Felelősségű Társaság	other information technology services	Hungary
32.	OTP Bank Munkavállalói Résztulajdonosi Program Szervezet	activities auxiliary to financial services	Hungary
33.	PortfoLion Digital Kft.	business management consultancy	Hungary
34.	OTP Ingatlankezelő Korlátolt Felelősségű Társaság	real estate management	Hungary
35.	MFM Projekt Beruházási és Fejlesztési Kft.	renting and operating real estate	Hungary
36.	ShiwaForce.com Zártkörűen Működő Részvénytársaság	computer programming	Hungary
37.	EiSYS Kft.	IT consultancy	Hungary
38.	OTP Otthonmegoldások Kft.	data processing	Hungary
39.	OD Informatikai Fejlesztő és Szolgáltató Korlátolt Felelősségű Társaság	computer programming	Hungary
40.	BALANSZ Zártkörű Nyíltvégű Ingatlanalap	investment fund	Hungary
41.	PortfoLion Zöld Magántőkealap	investment fund	Hungary
42.	PortfoLion Digitális Magántőkealap I.	investment fund	Hungary
43.	PortfoLion Regionális Magántőkealap	investment fund	Hungary
44.	PortfoLion Regionális Magántőkelap II.	investment fund	Hungary
45.	PortfoLion Partner Magántőke Alap	investment fund	Hungary
46.	PortfoLion Digitális Magántőkealap II.	investment fund	Hungary
47.	"Nemesszalóki Mezőgazdasági" Állattenyésztési, Növénytermesztési, Termelő és Szolgáltató Zrt.	agricultural activity	Hungary
48.	ZA-Invest Béta Kft.	agricultural activity	Hungary
49.	NAGISZ Mezőgazdasági Termelő és Szolgáltató Zártkörűen Működő Részvénytársaság	agricultural activity	Hungary
50.	Nádudvari Élelmiszer Feldolgozó és Kereskedelmi Korlátolt Felelősségű Társaság	agricultural activity	Hungary
51.	Hage Hajdúsági Agráripari Zrt.	agricultural activity	Hungary

	Description	Main activity	Country of tax residence
52.	AFP Private Equity Invest Zártkörűen Működő Részvénytársaság	asset management (holding)	Hungary
53.	ZA-Invest Delta korlátolt Felelősségű Társaság	asset management (holding)	Hungary
54.	Foglaljorvost Online Korlátolt Felelősségű Társaság	World Wide Web portal service	Hungary
55.	OTP Ecosystem Korlátolt Felelősségű Társaság	Other information technology services	Hungary
56.	JN Parkoló Ingatlanhasznosító Kft.	Services to buildings	Hungary
57.	Szajki Mezőgazdasági Zártkörűen Működő Részvénytársaság	Growing of cereals (except rice), leguminous crops, oil seeds	Hungary
58.	Szekszárdi Mezőgazdasági Zártkörűen Működő Részvénytársaság	Growing of cereals (except rice), leguminous crops, oil seeds	Hungary
59.	ARANYMEZŐ 2001. Mezőgazdasági Termékelőállító, Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság	Growing of cereals (except rice), leguminous crops, oil seeds	Hungary
60.	AGROMAG-PLUSZ Mezőgazdasági Termékelőállító, Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság	Growing of cereals (except rice), leguminous crops, oil seeds	Hungary
61.	Aranykalász 1955. Mezőgazdasági korlátolt felelősségű társaság	Growing of cereals (except rice), leguminous crops, oil seeds	Hungary
62.	ZA Gamma HoldCo Korlátolt Felelősségű Társaság	Asset management (holding)	Hungary
63.	ZA Invest Gamma Korlátolt Felelősségű Társaság	Asset management (holding)	Hungary
64.	ZA-Invest Kappa Korlátolt Felelősségű Társaság	Asset management (holding)	Hungary
65.	Club Hotel Füred Szálloda Kft.	Hotel services	Hungary
66.	DSK Bank AD,	monetary intermediation	Bulgaria
67.	DSK Trans Security EAD	security services	Bulgaria
68.	POK DSK-Rodina AD	pension insurance	Bulgaria
69.	DSK Asset Management EAD	fund management activities	Bulgaria
70.	DSK Leasing AD,	financial leasing	Bulgaria
71.	OTP Insurance Broker EOOD	activities of insurance agents and brokers	Bulgaria
72.	OTP Factoring Bulgaria EAD;	factoring, trade credit	Bulgaria
73.	DSK Ventures EAD	commercial mediation, marketing, IT services	Bulgaria
74.	DSK DOM EAD	credit intermediation	Bulgaria
75.	OTP Leasing EOOD;	financial leasing	Bulgaria
76.	Regional Urban Development Fund AD	financing of urban development plans	Bulgaria
77.	OTP banka dioničko društvo	monetary intermediation	Croatia
78.	OTP Invest d.o.o.	fund management activities	Croatia
79.	OTP Nekretnine d.o.o	development of construction projects	Croatia
80.	OTP Leasing d.d.	financial leasing	Croatia
81.	CRESCO d.o.o.	buying and selling of own real estate	Croatia
82.	Georg d.o.o	business management consultancy	Croatia
83.	SKB banka d.d. Ljubljana	monetary intermediation	Slovenia
84.	SKB Leasing d.o.o.	financial leasing	Slovenia
85.	SKB Leasing Select d.o.o.	financial leasing	Slovenia
86.	Mendota Invest, Nepremicninska druzba, d.o.o.	property developer, manager	Slovenia
87.	Mendota Invest, Nepremicninska druzba, d.o.o.	Real estate management	Slovenia
88.	Nova Kreditna Banka Maribor d.d.	Other monetary intermediation	Slovenia
89.	ALEJA FINANCE, FINANCNE IN DRUGE STORITVE, D.O.O.	Other activities auxiliary to financial services, except insurance and pension funding	Slovenia
90.	OTP banka Srbija akcionarsko drustvo Novi Sad	monetary intermediation	Serbia
91.	OTP Investments d.o.o. Novi Sad	other financial services	Serbia
92.	OTP Factoring Serbia d.o.o.	other financial services	Serbia
93.	R.E. Four d.o.o. Novi Sad	buying and selling of own real estate	Serbia
94.	PEVEC d.o.o Beograd	warehousing	Serbia
95.	OTP Lizing d.o.o.	financial leasing	Serbia
96.	OTP Services d. o. o. Beograd	trade of passenger vehicles	Serbia
97.	OTP Leasing Srbija d.o.o Beograd	financial leasing	Serbia
98.	OTP Osiguranje A.D.O. Beograd	insurance	Serbia
99.	Banka OTP Albania SHA	monetary intermediation	Albania
100.	Crnogorska Komercijalna Banka a.d.	monetary intermediation	Montenegro
101.	OTP Debt Collection d.o.o. Podgorica	other financial intermediation	Montenegro
102.	JSCMB 'IPOTEKA BANK'	Other monetary intermediation	Uzbekistan
103.	JSC "OTP Bank" (Russia)	monetary intermediation	Russia
104.	Velvin Ventures Ltd.	real estate brokerage	Russia
105.	LLC MFO "OTP Finance"	micro-financial operation	Russia
106.	OTP Bank JSC (Ukraine)	monetary intermediation	Ukraine
107.	LLC AMC OTP Capital	fund management activities	Ukraine
108.	LLC OTP Leasing	financial leasing	Ukraine
109.	OTP Factoring Ukraine LLC	receivable management, credit intermediation	Ukraine
110.	OTP Solution Fund	investment fund	Ukraine

	Description	Main activity	Country of tax residence
111.	OTP Bank Romania S.A.	monetary intermediation	Romania
112.	OTP Leasing Romania IFN S.A.	financial leasing	Romania
113.	OTP Asset Management SAI S.A.	fund management activities	Romania
114.	OTP Factoring SRL	other financial services	Romania
115.	SC Aloha Buzz SRL	other financial services	Romania
116.	SC Favo Consultanta SRL	other financial services	Romania
117.	SC Tezaur Cont SRL	other financial services	Romania
118.	OTP Bank S.A.	monetary intermediation	Moldova
119.	OTP Holding Ltd.	other financial services	Cyprus
120.	OTP Luxembourg S.à r.l.	Asset management (holding)	Luxembourg
121.	OTP Financing Solutions B.V.	loan receivables	Netherlands
122.	OTP Holding Malta Ltd.	financial holdings	Malta
123.	OTP Financing Malta Ltd.	lending	Malta
124.	Project 01 Consulting, s. r. o.	other financial services	Slovakia

INDEPENDENT AUDITORS' REPORTS 2023
(SEPARATE AND CONSOLIDATED, IN ACCORDANCE WITH IFRS)

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Building a better working world

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 separate financial statements

Opinion

We have audited the accompanying 2023 separate financial statements of OTP Bank Nyrt. ("the Company") included in the accompanying 529900W3MOO00A18X956-2023-12-31-hu.zip[1] digital file, which comprise the separate statement of financial position as at 31 December 2023 - showing a total assets of HUF 17,552,953 million -, and a separate statement of comprehensive income - showing a total comprehensive income for the year of HUF 701,450 million -, the related separate statement of profit or loss, separate statement of changes in equity, separate statement of cash flows for the year then ended and notes to the separate financial statements, including material accounting policy information.

In our opinion the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 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 529900W3MOO00A18X956-2023-12-31-hu.zip separate financial statements, using SHA 256 HASH algorithm is 2808F7287D51E1D0482F6BC5E1AEEFB0B728991CC79FB18D6D8FA448658CE4A9

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 collateral. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from estimates of future cash flows and the realisable value of collateral,	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 evaluated 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 evaluated the controls over the general IT environment of the applications relevant from an audit perspective related to the

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 and the risks to the global economy, 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 27% of Total Assets as of 31 December 2023) and the related estimation uncertainty, this is considered a key audit matter.

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 evaluated 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 a collective basis we evaluated the model governance, methodologies, inputs and management assumptions used (probability of default, loss given default, significant increase in credit risk and forward-looking elements).

We considered the regulatory measures on the assumptions applied by the management for ECL estimation purposes.

We also evaluated 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 2.13 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.

<u>General Information Technology controls over the financial reporting process</u>

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

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

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A member firm of Ernst & Young Global Limited 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.

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.

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, among others, impacts on businesses in Ukraine and Russia. The sanctions implemented caused an unforeseen rise

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 and volatility of market prices, foreign exchange 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 foreign exchange derivatives) which are exposed to valuation uncertainties relating to the Russian-Ukrainian conflict is HUF 45 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 an impairment test on investments in subsidiaries. As a result, the Company has a HUF 299 billion impairment on its investments significantly impacted by the Russian-Ukrainian conflict. The investment 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 9 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 subsidiaries.

Our procedures included an assessment of the suitability of the valuation model and the key assumptions applied by 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 evaluated 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 evaluated 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.

The Company's disclosures about its risk valuation policies are included in Note 2.4 Investments in subsidiaries, associated companies and other investments, Note 2.7. Financial assets at fair value through profit or loss, Note 2.10. Securities at fair value through other comprehensive income ("FVOCI securities"), Note 4: Macro environment, impact of economic situation on the Bank 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

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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 2023) and the related estimation uncertainty, this is considered a key audit matter.

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 2023 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 2023" 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.

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 Delegated Regulation (EU) 2019/815 of 17 December 2018 on Supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF Regulation") and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ("EU Taxonomy Regulation"), 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 2023 is consistent, in all material respects, with the 2023 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.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation of separate financial statements that give a true and fair view in accordance with 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.

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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.

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 controls 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.

Opinion

In our opinion, the financial statements in ESEF format of the Company for the year ended 31 December 2023 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 28 April 2023. 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 three 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, 20 March 2024

(The original Hungarian version has been signed.)

Kónya Zsolt Engagement partner Ernst & Young Kft. 1132 Budapest, Váci út 20. Registration No. 001165	Kónya Zsolt Registered auditor Chamber membership No.: 007383

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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 2023 consolidated financial statements of OTP Bank Nyrt. ("the Company") and its subsidiaries (altogether "the Group") included in the accompanying 529900W3MOO00A18X956-2023-12-31-hu.zip[1] digital file, which comprise the consolidated statement of financial position as at 31 December 2023 - showing a total assets of HUF 39,609,144 million - and a consolidated statement of comprehensive income – showing a total comprehensive income for the year of HUF 864,843 million -, the related consolidated statement of profit or loss, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

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 2023 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 529900W3MOO00A18X956-2023-12-31-hu.zip consolidated financial statements, using SHA 256 HASH algorithm is 2808F7287D51E1D0482F6BC5E1AEEFB0B728991CC79FB18D6D8FA448658CE4A9

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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.

Acquisition accounting for significant new business combinations

In 2023, after obtaining all required regulatory approvals, the Group acquired 43 legal entities, of which two entities, Nova KBM d.d. and JSCMB Ipoteka Bank, have significant operations from a Group perspective. Accounting for acquisitions falls under the scope of IFRS 3 - Business Combinations and involves significant judgments and assumptions for the determination and recognition of the fair value of the acquired assets and liabilities assumed. Management performed the assessment and purchase price allocations with the	Our audit procedures on the business combinations included among others the following procedures. We read and evaluated the share purchase agreements and the acquisition accounting assessments made by management. Our audit procedures included the involvement of valuation specialists to assess the appropriateness of the methodology applied by management in determining the fair value of acquired financial instruments, real estate, immaterial rights and other assets acquired and liabilities

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involvement of (external) valuation expert.

After performing the purchase price allocations for the two subsidiaries, the Group recognized negative goodwill arising on these two acquisitions in the amount of HUF 198 billion.

Due to the significance of the recognized negative goodwill (representing 20% of total profit after income tax as of 31 December 2023) and the related estimation uncertainty, this is considered a key audit matter.

assumed. We also assessed the main assumptions used in the valuation and evaluated the competence, capabilities and objectivity of the (external) valuation specialists involved by management. We assessed the measurement of the assets acquired and liabilities assumed at fair value, as well as the calculation of negative goodwill.

We also assessed the completeness of the fair value adjustments recognized by reading share purchase agreements, Board decisions and due diligence reports.

We evaluated whether the negative goodwill determined is reasonable and whether there are any potential liabilities to be recognized as part of the purchase price allocation.

We also evaluated whether the disclosures in the consolidated financial statements appropriately reflect the Group's acquisition accounting and are compliant with the EU IFRSs.

The Group's disclosures about its policies for business combinations are included in Note 2.4. Accounting for acquisitions, which specifically explain the accounting policies and key assumptions used when determining the estimations and their evaluation, are detailed in Note 42 Acquisition.

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

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 evaluated the design and tested the operating effectiveness of internal controls over the approval, recording may include the financial condition of the counterparty, expected future cash flows, and expected net selling prices of collateral. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from estimates of future cash flows and the 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, 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 48% of Total Assets as of 31 December 2023) and the related estimation uncertainty, this is considered a key audit matter.

and monitoring of loans at amortized cost and controls over ECL calculations, including the quality of underlying data and applications.

We evaluated the controls over the general IT environment of the applications relevant from an audit perspective related to the determination of ECL.

We evaluated 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 evaluated 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 a collective basis we evaluated the model governance, methodologies, inputs and management assumptions used (probability of default, loss given default, significant increase in credit risk and forward-looking elements).

For exposures subject 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.

We considered the regulatory measures on the assumptions applied by the management for ECL estimation purposes.

We also evaluated 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 2.6 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 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	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

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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.

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 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, among others, impacts on businesses in Ukraine and Russia. The sanctions implemented caused an unforeseen rise and volatility of market prices, foreign exchange and interest

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.

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 foreign exchange derivatives) which are exposed to valuation uncertainties relating to the Russian-Ukrainian conflict is HUF 463 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 11 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 2023. The goodwill impairment test model includes sensitive inputs as key assumptions.

Our procedures included an assessment of the suitability of the valuation model and the key assumptions applied by 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 evaluated 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 evaluated 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 2.5.3. Financial assets at fair value through profit or loss, Note 3.4. Impairment on goodwill, Note 4: Macro environment, impact of 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,

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Due to the significance of assets impacted by the Russian - Ukrainian conflict (representing 5% of Total Assets as of 31 December 2023) and the related estimation uncertainty, this is considered a key audit matter.

equipment and intangible assets, Note 35 Income taxes and Note 48.4. Fair value levels.

Other information

Other information consists of the 2023 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 2023" 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 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 Delegated Regulation (EU) 2019/815 of 17 December 2018 on Supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF Regulation") and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ("EU Taxonomy Regulation"), 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 2023 is consistent, in all material respects, with the 2023 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.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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.

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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.
- ► 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.

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- 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.

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 controls relevant to the application of the ESEF Regulation.

Those charged with governance are responsible for overseeing the Group'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.

Opinion

In our opinion, the consolidated financial statements in ESEF format of the Group for the year ended 31 December 2023 included in the digital files -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 28 April 2023. 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 three 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, 20 March 2024

(The original Hungarian version has been signed.)

Kónya Zsolt
Engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Kónya Zsolt
Registered auditor
Chamber membership No.: 007383

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SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS (2023)

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

	Note	31 December 2023	31 December 2022
Cash, amounts due from banks and balances with the National Bank of Hungary	5.	2,708,232	1,092,198
Placements with other banks	6.	2,702,433	2,899,829
Repo receivables	7.	201,658	246,529
Financial assets at fair value through profit or loss	8.	257,535	410,012
Financial assets at fair value through other comprehensive income	9.	559,527	797,175
Securities at amortised cost	10.	2,710,848	3,282,373
Loans at amortised cost	11.	4,681,359	4,825,040
Loans mandatorily measured at fair value through profit or loss	11.	934,848	793,242
Investments in subsidiaries	12.	2,001,952	1,596,717
Property and equipment	13.	107,306	94,564
Intangible assets	13.	98,115	69,480
Right of use assets	35.	66,222	39,882
Investment properties	14.	4,203	4,207
Deferred tax assets	34.	408	35,742
Current tax assets	34.	-	1,569
Derivative financial assets designated as hedge accounting relationships	15.	21,628	47,220
Non-current assets held for sale	46.	130,718	-
Other assets	16.	365,961	329,752
TOTAL ASSETS		**17,552,953**	**16,565,531**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	17.	1,761,579	1,736,128
Repo liabilities	18.	443,694	408,366
Deposits from customers	19.	10,734,325	11,119,158
Leasing liabilities	35.	68,282	41,464
Liabilities from issued securities	20.	1,163,109	498,709
Financial liabilities designated at fair value through profit or loss	21.	19,786	16,576
Derivative financial liabilities designated as held for trading	22.	183,565	373,401
Derivative financial liabilities designated as hedge accounting relationships	23.	27,423	50,623
Current tax liabilities	34.	14,393	3,199
Provisions	24.	22,497	29,656
Other liabilities	24.	295,399	313,188
Subordinated bonds and loans	25.	520,296	294,186
TOTAL LIABILITIES		**15,254,348**	**14,884,654**
Share capital	26.	28,000	28,000
Retained earnings and reserves	27.	2,276,759	1,655,601
Treasury shares	28.	(6,154)	(2,724)
TOTAL SHAREHOLDERS' EQUITY		**2,298,605**	**1,680,877**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**17,552,953**	**16,565,531**

Budapest, 20 March 2024

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 2023
(in HUF mn)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Interest Income:			
Interest income calculated using the effective interest method	29.	1,227,173	721,679
Income similar to interest income	29.	795,906	377,231
Interest income and similar to interest income total		**2,023,079**	**1,098,910**
Interest Expense:			
Interest expenses total	29.	**(1,556,361)**	**(802,020)**
NET INTEREST INCOME		**466,718**	**296,890**
(Release of loss allowance) / Loss allowance on loan, placement and repo receivables losses	6., 7., 11., 30.	8,616	(47,687)
(Release of loss allowance) / Loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	9., 10., 30.	11,879	(53,238)
(Release of provision) / Provision for loan commitments and financial guarantees given	24., 30.	7,172	(5,541)
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.	(980)	11,872
Risk cost total		**26,687**	**(94,594)**
NET INTEREST INCOME AFTER RISK COST		**493,405**	**202,296**
LOSSES ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST		**(19,707)**	**(56,195)**
MODIFICATION LOSS	4.	**(9,017)**	**(14,856)**
Income from fees and commissions	31.	402,885	362,444
Expenses from fees and commissions	31.	(78,755)	(66,087)
NET PROFIT FROM FEES AND COMMISSIONS		**324,130**	**296,357**
Foreign exchange (losses) and gains	32.	(12,269)	541
Gains and (losses) on securities, net	32.	7,073	(10,605)
Gains / (losses) on financial instruments at fair value through profit or loss	32.	91,268	(18,790)
Net results on derivative instruments and hedge relationships	32.	13,055	9,917
Dividend income	32.	275,705	194,526
Other operating income	33.	26,184	13,775
Other operating expenses	33.	63,590	(131,942)
NET OPERATING INCOME		**464,606**	**57,422**
Personnel expenses	33.	(195,404)	(154,303)
Depreciation and amortization	33.	(50,814)	(46,738)
Other administrative expenses	33.	(281,918)	(290,989)
OTHER ADMINISTRATIVE EXPENSES		**(528,136)**	**(492,030)**
PROFIT BEFORE INCOME TAX		**725,281**	**(7,006)**
Income tax	34.	(70,293)	13,638
PROFIT AFTER INCOME TAX		**654,988**	**6,632**
Earnings per share (in HUF)			
Basic	43.	2,344	24
Diluted	43.	2,344	24

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

	Note	Year ended 31 December 2023	Year ended 31 December 2022
PROFIT AFTER INCOME TAX		**654,988**	**6,632**
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	34.	(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	34.	(338)	440
(Losses) / Gains on derivative financial instruments designated as cash flow hedge		5,700	(5,641)
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	34.	(374)	(41)
Total		**46,462**	**(58,011)**
TOTAL COMPREHENSIVE INCOME		**701,450**	**(51,379)**

OTP BANK PLC.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023
(in HUF mn)

	Note	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		-	-	(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 treasury shares	28.	-	-	(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**
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		-	-	46,462	-	46,462
Total comprehensive income		**-**	**-**	**701,450**	**-**	**701,450**
Share-based payment	39.	-	-	3,292	-	3,292
Sale of treasury shares	28.	-	-	-	36,388	36,388
Acquisition of treasury shares	28.	-	-	-	(39,818)	(39,818)
Loss on sale of treasury shares	28.	-	-	416	-	416
Dividend for the year 2022		-	-	(84,000)	-	(84,000)
Other transaction with owners		**-**	**-**	**(80,292)**	**(3,430)**	**(83,722)**
Balance as at 31 December 2023		**28,000**	**52**	**2,276,707**	**(6,154)**	**2,298,605**

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

	Note	Year ended 31 December 2023	Year ended 31 December 2022
OPERATING ACTIVITIES			
Profit before income tax		**725,281**	**(7,006)**
Net accrued interest		3,136	(11,196)
Depreciation and amortization	13.	50,834	46,873
Loss allowance on loans and placements	30.	357	63,939
(Release of loss allowance) / Loss allowance on securities at fair value through other comprehensive income	9.	(3,303)	25,615
(Reversal of impairment loss) / Impairment loss on investments in subsidiaries	12.	(87,609)	93,513
(Release of loss allowance) / Loss allowance on securities at amortised cost	10.	(8,576)	27,623
Loss allowance on other assets	16.	3,575	2,939
(Release of provision) / Provision on off-balance sheet commitments and contingent liabilities	24.	(6,663)	7,598
Share-based payment	39.	3,292	2,948
Unrealised gains on fair value adjustment of financial instruments at fair value through profit or loss	45.	(95,953)	11,870
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments	45.	(76,357)	52,840
Gains on securities	32.	18,890	62,354
Interest expense from leasing liabilities	35.	(2,081)	(1,186)
Foreign exchange gain / (loss)	32.	(20,842)	9,359
Proceeds from sale of tangible and intangible assets	33.	(1,225)	(267)
Net changing in assets and liabilities in operating activities			
Net decrease / (increase) in placements with other banks and repo receivables before allowance for placement losses	6., 7.	291,024	(521,731)
Changes in held for trading securities	8.	52,640	(44,181)
Change in financial instruments mandatorily measured at fair value through profit or loss	8.	(2,200)	1,925
Changes in derivative financial instruments at fair value through profit or loss	8.	(32,338)	136
Net increase in loans	11.	(35,369)	(817,297)
Increase in other assets, excluding advances for investments and before provisions for losses	16.	(22,571)	(99,813)
Net increase in amounts due to banks and deposits from the National Bank of Hungary and other banks and repo liabilities	17., 18.	105,778	910,984
Financial liabilities designated as fair value through profit or loss	21.	(1,332)	(1,625)
Net (decrease) / increase in deposits from customers	19.	(237,889)	971,640
(Decrease) / Increase in other liabilities	24.	(73,221)	77,424
Net increase in the compulsory reserve established by the National Bank of Hungary	5.	(402,879)	(641,125)
Dividend income	12.	(275,705)	(194,526)
Income tax paid		(19,213)	(19,953)
Net cash (used in) / provided by operating activities		**(150,519)**	**9,674**

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

	Note	Year ended 31 December 2023	Year ended 31 December 2022
INVESTING ACTIVITIES			
Purchase securities at fair value through other comprehensive income	9.	(342,984)	(1,322,153)
Proceeds from sale of securities at fair value through other comprehensive income	9.	628,817	1,074,212
Change in derivative financial instruments designated as hedge accounting		1,580	13,805
Increase in investments in subsidiaries	12.	(445,637)	(117,222)
Dividend income		254,694	194,449
Increase in securities at amortised cost	10.	(81,661)	(624,476)
Redemption of securities at amortised cost	10.	588,288	415,975
Additions to property, equipment and intangible assets	13.	(86,251)	(60,575)
Disposal of property, equipment and intangible assets	13.	1,903	648
Net increase in investment properties	14.	(134)	(14)
Net provided by / (used in) cash used in investing activities		**518,615**	**(425,351)**
FINANCING ACTIVITIES			
Leasing payments		(5,341)	(6,189)
Cash received from issuance of securities	20.	829,166	575,994
Cash used for redemption of issued securities	20.	(140,736)	(91,635)
Cash received from issuance of subordinated bonds and loans	25.	293,590	6,781
Cash used for redemption of subordinated bonds and loans	25.	(44,611)	(7,523)
Increase of Treasury shares	28.	(39,818)	(16,268)
Decrease of Treasury shares	28.	36,804	50,858
Dividends paid	27.	(83,995)	(120,213)
Net cash provided by financing activities		**845,059**	**391,805**
Net increase in cash and cash equivalents		**1,213,155**	**(23,872)**
Cash and cash equivalents at the beginning of the year		351,770	375,642
Cash and cash equivalents at the end of the year		**1,564,925**	**351,770**
Interest received		*1,848,542*	*941,406*
Interest paid		*1,320,920*	*511,635*

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.

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: Zsolt Kónya, registration number: 007383.

Audit service fee agreed by the Annual General Meeting of the Bank for the year ended 2023 is an amount of EUR 458 thousand + 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 (%):

	31 December 2023	31 December 2022
Domestic and foreign private and institutional investors	99%	99%
Employees	1%	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 342 branches in Hungary.

	31 December 2023	31 December 2022
Number of employees	10,715	10,516
Average number of employees	10,591	10,252

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

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 2023

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 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). This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. – *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). This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. – *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]

1.2.1. The effect of adopting new and revised IFRS standards effective from 1 January 2023 [continued]

- **Amendments to IAS 12 "Income taxes" –** International Tax Reform - Pillar Two Model Rules – The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12.
  - The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.

The adoption of these amendments to the existing standards has not led to any material changes in these Separate Financial Statements.

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" –** Classification of Liabilities as Current or Non-current. **–** The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8.
  - 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 – The amendments are effective for annual reporting periods beginning on or after January 1, 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.

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 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments Disclosure - Supplier Finance Arrangements"** – The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.
    - The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements.
- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" –** Lack of Exchangeability – The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted.
    - The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.
- **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. Business model and SPPI test

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.

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 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. 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.

2.7. Financial assets at fair value through profit or loss

2.7.1. 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[77] 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.

2.7.2. 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.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7.2 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.

2.8. 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]

2.8. Hedge accounting [continued]

Derivative financial instruments designated as fair value [continued]

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 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.

2.9. 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.

2.10. 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]

2.11. 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[78] 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.

2.12. 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".

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. 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 that financial asset and write-off reversal is applied in the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. 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 Group considers as a derecognition and a new recognition the followings:

- merging several debts into a single debt, or one single debt splitting into several tranches,
- change of currency,
- change in counterparty,
- failing SPPI test after modification,
- interest rate change (fixed to floating or floating to fixed),

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 of a financial asset, 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 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]

2.13. 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.

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.

The default occurs when either or both of the following events have taken place:

- objective criterion meaning that the credit obligation of the client is overdue exceeding the materiality threshold for more than 90 consecutive days (90+ default DPD), or the obligor has breached the limit of the overdraft with an amount exceeding the materiality threshold for more than 90 consecutive days (90+ default DPD), or
- probability criterion meaning the probability that the obligor will be unable to pay its credit obligations in full (UTP= Unlikely to Pay). The following conditions indicate the occurrence of the probability criterion: specific credit risk adjustment, sell of credit obligation with significant loss, distressed restructuring, termination of the contract on the initiative of the Bank, Bankruptcy, liquidation, personal bankruptcy, forced deleted status.

Previously described conditions should result in default status mandatorily. Moreover, during the individual expert-based assessment the client's default status shall be established if in the specific case the default can be justified on subjective basis. The default status should be terminated if in the last 3 months no other default criterion exists and the condition (either probability criterion or objective criterion) that resulted in the default status ceased at least 3 months ago.

The expected loss calculation should be forward looking. Available forward-looking information has to be included in the parameter estimation by using different scenarios, including forecasts of future economic conditions. The determination of probability-weighted forward-looking scenarios are based on the OTP Group' macro model. In general, there are two crisis scenarios (4-5), and three non-crisis scenarios (1-3) but the calculation of impairment should be based on at least two scenarios in the OTP Group. The macro conditioning is performed by Vasicek-model, which captures the relationship between point-in-time (PiT) and through-the-cycle (TTC) PD.

The Vasicek PD transformation can also be used to estimate the PIT PDs of the buckets. The required parameters (such as correlation coefficient and macro condition parameter) can be derived from the OTP's macro model.

In the collective provisioning methodology credit risk and the change of credit risk can be correctly captured by understanding the risk characteristics of the portfolio. At portfolio segmentation, setting the segments is a key element of the provisioning calculation and requires the extensive knowledge of the portfolio. The segmentation is expected to stay stable from month to month. The segmentation must be performed separately for each parameter, since in each case different factors may have relevance.

The estimation of one-year and lifetime probability of default (PD) of collectively assessed exposures is performed via transition matrices. The assets should be allocated to groups representing similar credit risk based on major credit risk characteristics and their capability to fulfil contractual obligations. The mandatory variables of the group level assessment procedure are payment delay, deal/client rating, the restructured flag, the default status and product type. Further segmentation is advisable in case significant differences are observed in probability of default. Transition matrices should be determined for each portfolio segment separately. The Group model handles healing (from default) rate in the PD parameter, thus the calculated probabilities should be reduced by this rate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. Loss allowance [continued]

Two different methods are applied in OTP Group for LGD parameter calculation: Retail mortgage loans and non-retail portfolios (MSE and Wholesale) that are significantly secured by mortgage: modified LGD methodology based on the Asset Quality Review (AQR) – the primary source of the recovery the collateral itself but cash recovery is also taken into account. The calculation is performed for each exposure individually based on the estimated parameters (main parameters: FSR – foreclosure success rate, SR – sales ratio, TTS – time to sale, C – cost, REC – cash recovery) and the actual value of collaterals (e.g. property, guarantee, surety, bail).

For Consumer loans and car finance: recovery based LGD methodology estimated from historical recoveries. The LGD calculation should not be automatically identified with historic actual data. The direction and degree of the shift in the factors impacting the LGD, also considering the macroeconomic effects, in addition to the anticipated developments in those, must always be analysed. The LGD – just like the PD – is not independent of the business cycles either; typically it increases in parallel with the economic downturn.

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]

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.

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 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.

If the exposure is no longer considered as credit impaired, the Bank 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Classification into risk classes [continued]

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.

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 of effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.14. 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.

2.15. 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 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.16. 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:

	Depreciation key	Useful lifetime (years)
Intangible assets		
Software	20%-33%	3-5
Property rights	17%-50%	2-6
Property	1%-7%	15-100
Office equipment and vehicles	7%-50%	2-15

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.

2.17. 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. The Bank's policy is to sell repossessed assets and not to use them for its internal operations.

2.18. 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.

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.

2.19. Financial liabilities

The financial liabilities are presented within these lines in the Separate 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 Bank 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.19. Financial liabilities [continued]

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 Bank recognizes the initial fair value difference in the Separate 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.

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.

2.20. 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.

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.

2.21. 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.

2.22. 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.

2.23. 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 Bank classifies assets under IFRS 5 if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Bank does not account for an asset under IFRS 5 that has been temporarily taken out of use as if it had been abandoned.
The Bank 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 Bank 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 Bank 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 Bank has classified an asset under IFRS 5, but the criteria for that are no longer met, the Bank ceases to classify the asset under IFRS 5. The Bank 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 Bank presents an asset classified as asset under IFRS 5 separately from other assets in the Separate Statement of Financial Position. The liabilities of the asset under IFRS 5 are presented separately from other liabilities in the Separate 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.23. Non-current assets held-for-sale and discontinued operations [continued]

The Bank 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.

2.24. 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

2.25. 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 earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately because it typically controls the services before transferring them to the customer.

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]

2.25 Fees and Commisions [continued]

Performance obligations satisfied over time include asset management, deposit and account maintenance services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

The Bank's fee and commission income from services where performance obligations are satisfied over time are followings:

Deposit and account maintenance fees and commissions and fees related to cash withdrawal

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 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 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.
These 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.

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.
These 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 Bank 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.
These 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.
These 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.25 Fees and Commisions [continued]

Net insurance fee income

Due to the fact that the Bank 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

Fees that are not significant in the Bank 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.
These 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.

2.26. 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.

2.27. 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.

Current tax asset or current tax liability is presented related to income tax and innovation contribution separately in the Consolidated Statement of Financial Position.

Pillar Two – Global Anti-base Erosion Model Rules ("GloBE), global minimum tax – introduces a minimum effective tax rate of at least 15%, calculated based on a specific rule set. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group considers this top-up tax as an income tax according to IAS 12.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.27. Income tax [continued]

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.

2.28. 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]

2.29. 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.

2.30. Share-based payment

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.

2.31. Employee benefits

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.

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.

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 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.32. 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.

2.33. 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, Uzbekistan, Merkantil Group, Asset Management subsidiaries, other subsidiaries, Corporate Centre.

2.34. 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 2022

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 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK

Macro economy and financial situation in Hungary

Having elevated after the rapid recovery that followed the Covid crisis and the outbreak of the Russian-Ukrainian war, inflation in advanced economies started to slow in 2023, but the developed world's central banks had to raise interest rates aggressively until the end of the year. It was not before the year was nearing its end that the tightening cycle stopped and the debate on the possible timing of an interest rate cut began. Meanwhile, the labour market remained tight, with low unemployment and strong wage dynamics. Developed markets' long-term yields hit multi-decade highs in the autumn, before a sharp fall began at the end of 2023.

Economic growth printed different patterns on the two sides of the Atlantic. The USA's economic expansion accelerated in 2023, as opposed to the expected slowing, and growth shifted into higher gear in the second half of the year. The robust figures were driven by supportive fiscal policy, the large stocks of savings household had accumulated during the pandemic, and the low effective lending rates caused by the high share of loans with fixed interest rates. Headline inflation peaked in June 2022 (+8.9%), but the subsequent decline briefly stalled in the middle of 2023. However, core inflation continued to drop, easing to 3.9% YoY by the end of the year. The very loose fiscal policy, which raised the budget deficit from around 5% to 8% of GDP, required tight monetary policy to bring inflation down. The Fed has aggressively raised its base rate to 5.25–5.5% and began to reduce its balance sheet.

The energy crisis brought the euro area to its knees, and the economy has been unable to recover amid high inflation and high interest rates, thus output has been practically stagnant since the third quarter of 2022. Countries with industries that used to rely heavily on Russian energy (e.g. Germany) were hit particularly hard. Elevated interest rates have led to a slowdown in lending, which has also hindered kick-starting growth in Europe. Disinflation was strong in the euro area in 2023: headline and core inflation fell to 2.8% and 3.3%, respectively by the end of the year. The biggest concern in this context is services inflation, which has been stagnating at 4.0% YoY since November 2023. Despite all the weakness in the economy and strong disinflation, the ECB has not yet considered cutting interest rates, thus the euro area ended last year with a deposit rate of 4% and a lending rate of 4.5%.

Hungary's economy fell into a longer and deeper recession than the rest of the CEE region in 2023 (GDP YoY: Q1: -0.9%; Q2: -2.4%; Q3: -0.4%; Q4 (flash): 0,0). However, the recession ended in the third quarter, and growth started to pick up on quarterly basis, helped by the base effect of an unprecedented poor agriculture season in 2022. Overall, regarding the Hungarian economy's underlying processes, activity fell sharply in Q4 2022 and in Q1 2023, and it has been stagnating or trivially rising since then. The structure of growth is unfavourable, as the sharp fall in domestic use was moderated by an increase in net exports, but it was caused by the decline in imports owing to the sluggish domestic demand, rather than by exports' strong expansion.

Inflation peaked at 25.7%, ten percentage points higher than the average of the CEE region, before disinflation started in the spring. As disinflation accelerated starting from mid-2023, the pace of price increases accelerated, bringing down CPI to 5.5% YoY by December; the annual average rate of inflation was 17.6% in 2023. From the middle of the year, real wages started to rise again month-on-month, but this passed on to consumer spending only modestly.

After running 8% current account deficit in 2022, Hungary's external balance turned into surplus last year, as gas prices collapsed and imports fell due to a drop in domestic demand. The rapid rise in debt ratios between 2020 and 2023 has stopped.

The original budget deficit target of 3.9% of GDP proved to be unsustainable, so it was raised to 5.2% in October, but the accrual-based deficit probably exceeded 6% of GDP last year, even with the dividend payment by MVM and with the savings of the 'utility protection fund'.

Having raised the effective rate to 18% in autumn 2022, the MNB cut it in several steps by a total of 725 basis points, to 10.75% by the end of the year. The base rate regained its role in September, when the former overnight deposit facility was phased out. The EUR/HUF fell from around 400 at the beginning of the year to below 370 at one point in the summer, but stabilized around 380 by the end of 2023.

Hungary made headway in accessing EU funds at the end of last year as the European Commission approved the so-called horizontal enabling conditions for the judicial reform in December. The government unblocked about EUR 11 billion worth of EU funds, thanks to the measures implemented last year.

Starting from autumn 2022, the credit market froze in the CEE region, including Hungary, and similarly to Western Europe. There was a slight pick up at the end of 2023, particularly in retail lending, within that in 'baby loans' and housing loans; demand for cash loans also jumped at the end of the year. In full year 2023, the volume of housing loans rose by 1.3% (2022: 7.6%), that of cash loans grew by 6.9% (2022: 9.3%), and corporate loan volumes increased by an FX-adjusted 6% (2022: 15.5%).

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

Windfall tax [continued]

- 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.

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.

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.

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]

Savings, government bond market:

- Pursuant to Government decree No. 205/2023. (V. 31.), effective from 1 July 2023, on top of the existing 15% interest tax, an additional 13% social contribution tax was introduced temporarily for certain savings forms. The tax base is the interest income as defined by the PIT law, earned by natural persons after 1 July 2023 on bank deposits placed or certain securities (except for real estate investment fund investment certificates) purchased after 1 July.
- Pursuant to Government decree No. 208/2023. (V. 31.), effective from 1 July 2023 the weight of securities in the portfolio of bond funds, equity funds and mixed funds must be at least 60%. Furthermore, from 1 August no more than 5% of the assets of these securities funds can be invested in debt securities other than HUF denominated government securities.
- According to Government decree No. 209/2023. (V. 31.), between 1 October 2023 and 31 December 2023 credit institutions shall send a warning notice to their natural person clients with bank account contracts about how much more interest they could have earned in a specific period with an investment of HUF 100,000, HUF 500,000 and HUF 1,000,000 if they had invested in retail government securities instead of bank deposits.

Family support schemes

- Baby loan: in line with Government decree No. 303/2023. (VII. 11.), from 1 January 2024 the maximum amount of baby loan will increase from HUF 10 to 11 million, and those families will be eligible where the wife is below the age of 30 years. Also, the clause that baby loan contracts can be entered into by the end of this year lost effect, so the scheme will remain in place indefinitely. As for the interest rate fixation periods, in contrast to the current situation that the baby loans reprice in every 5 years, from 2024 the interest rate of newly contracted baby loans will be fixed for 1 year during the first 2 years, then the baby loans will have a 3-year rate fixation period.
- Housing Subsidy for Families (CSOK), village CSOK: from 1 January 2024 the village CSOK non-refundable amounts will increase, but in towns and settlements with more than 5,000 inhabitants the CSOK subsidy will no longer be available.

Mandatory minimum reserve requirements

Pursuant to NBH decree No. 6/2023. (III. 8.) and NBH decree No. 11/2023. (III. 31.), from April the minimum reserve requirement was increased to 10%, and the effective rate paid on the reserves was reduced to 9.75% from the previous 13%, since the national bank doesn't pay any interest for the first 2.5% reserve requirement, and for the remaining amount the national bank pays the base rate.
NBH decree No. 25/2023. (VI. 14.) amended the reserve requirement rules: among others, from 1 July 2023 up to 15% of the minimum reserve requirement can be met by central bank deposits with at least 14 days original maturity. Also, from July until further notice (by the end of the year according to plans) the reserve requirement will be based on the volumes in the statistical balance sheet as at 31 March 2023.

Capital regulation

- On 22 June 2023 the national bank announced that it postpones the activation of the Countercyclical Capital Buffer rate of 0.5% planned from 1 July 2023 by one year to 1 July 2024. In addition, it preventively reactivates the Systemic Risk Buffer aimed at risks related to commercial real estate loans (especially non-performing loans).
- MREL minimum requirement: effective from 1 January 2024, the consolidated MREL minimum requirement for OTP Bank is 18.94%, while the minimum requirement including combined buffer requirements is 23.95% in % of the total RWA of the resolution group.
- Pillar 2 capital requirement: effective from 1 January 2024, the National Bank of Hungary imposed the below additional capital requirements for OTP Group, on consolidated level:
  - 0.9%-point in case of the Common Equity Tier1 (CET1) capital, accordingly the minimum requirement for the consolidated CET1 ratio is 5.4% (without regulatory capital buffers);
  - 1.2%-points in case of the Tier1 capital, accordingly the minimum requirement for the consolidated Tier1 ratio is 7.2% (without regulatory capital buffers);
  - 1.6%-points in case of the Total SREP Capital Requirement (TSCR), accordingly the minimum requirement for the consolidated capital adequacy ratio is 9.6% (without regulatory capital buffers).

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 2023 in connection with the evaluation of Russian and Ukrainian exposures

Going concern principle

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, bearing in mind that any future solution should be strictly within the framework and in accordance with applicable local and international regulations.

In February 2022 a military conflict started between Russia and Ukraine.
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 1,037 billion at the end of 2023 (2.6% of total consolidated assets), while net loans comprised HUF 309 billion (1.4% of consolidated net loans) and shareholders' equity amounted to HUF 157 billion (3.8% of the consolidated total equity).
At the end of 2023 the gross intragroup funding towards the Ukrainian operation represented HUF 83 billion, while taking into account the Ukrainian deposits placed with the Headquarters, i.e. the net group funding stood at HUF 22 billion equivalent deposit placed by the Ukrainian operation (i.e. Ukraine funded the Group).
In 2023 the Ukrainian operation posted an adjusted profit after tax of HUF 45.2 billion, against the HUF 15.9 billion loss suffered in the corresponding period of last year.

The total assets of the Group's Russian operation represented HUF 1,471 billion at the end of 2023 (3.7% of consolidated total assets), while net loans comprised HUF 588 billion (2.7% of consolidated net loans) and shareholders' equity HUF 275 billion (6.7% of consolidated total equity).
As the Russian subsidiary repaid its maturing intragroup loans in 4Q 2022, the gross intragroup funding towards the Russian operation declined to zero and remained nil throughout 2023. At the end of 2023 the intragroup subordinated loan exposure toward the Russian operation amounted to HUF 9 billion equivalent.
The Russian operation posted HUF 95.7 billion adjusted profit in 2023, after the HUF 42.5 billion profit reached in full-year 2022.
In 2H 2023 the Russian Central Bank approved twice a dividend payment by OTP's Russian subsidiary with a total amount of RUB 13.4 billion.
If the Russian entity was deconsolidated and the outstanding gross intragroup exposures were written off as well, the effect for the consolidated CET1 ratio would be -11 bps, whereas in the Ukraine the negative effect would be 2 bps.

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 2023 in connection with the evaluation of Russian and Ukrainian exposures [continued]

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	33,681	(11,507)
Securities at fair value through other comprehensive income	1	30,873	(22,920)
Other financial assets		6,721	(2,570)
Investments	6	462,646	(299,339)
TOTAL ASSETS		**533,921**	**(336,336)**

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. 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.

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

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.

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 2023 in connection with the evaluation of Russian and Ukrainian exposures [continued]

References [continued]

4. Valuation of Ukrainian derivatives

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. As at 31 December 2023 the concerning exposures (HUF 72 billion) had HUF 2.7 billion of expected credit loss.

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.

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 reversal of impairment loss was recognised for the year ended 31 December 2023 as follows:

by Country	Reversal of impairment loss for the year ended 31 December 2023
Ukraine	-
Russia	-
Moldova	(3,163)
Total	**(3,163)**

NOTE 4: MACRO-ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE BANK [continued]

Financial assets modified during the year ended 31 December 2023

Modification due to prolongation of existing interest rate cap till 31 December 2023

Gross carrying amount before modification	179,970
Modification loss	(6,952)
Gross carrying amount after modification	**173,018**
Loss allowance before modification	(9,376)
Net amortised cost after modification	**163,642**

Modification due to prolongation of existing interest rate cap till 30 June 2024 (in case of SME loans till 1 April 2024)

Gross carrying amount before modification	124,456
Modification loss	(2,065)
Gross carrying amount after modification	**122,391**
Loss allowance before modification	(7,938)
Net amortised cost after modification	**114,453**

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 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY (in HUF mn)

	31 December 2023	31 December 2022
Cash on hand:		
In HUF	86,317	80,809
In foreign currency	15,412	20,506
	101,729	**101,315**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	2,272,840	739,382
In foreign currency	334,058	252,854
	2,606,898	**992,236**
Subtotal	**2,708,627**	**1,093,551**
Loss allowance	(395)	(1,353)
Subtotal	**2,708,232**	**1,092,198**
Average amount of compulsory reserve	1,143,307	740,428
Total	**1,564,925**	**351,770**
Rate of the compulsory reserve	10%	6%

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.

An analysis of the change in the loss allowance on placement losses is as follows:

	31 December 2023	31 December 2022
Balance as at 1 January	**1,353**	**185**
Loss allowance	3,588	5,023
Release of loss allowance	(4,399)	(3,813)
FX movement	(147)	(42)
Closing balance	**395**	**1,353**

NOTE 6: PLACEMENTS WITH OTHER BANKS (in HUF mn)

	31 December 2023	31 December 2022
Within one year:		
In HUF	563,752	825,820
In foreign currency	134,346	366,574
	698,098	**1,192,394**
Over one year		
In HUF	1,196,419	1,215,114
In foreign currency	814,791	511,103
	2,011,210	**1,726,217**
Total placements	**2,709,308**	**2,918,611**
Loss allowance on placement losses	(6,875)	(18,782)
Total	**2,702,433**	**2,899,829**

An analysis of the change in the loss allowance on placement losses is as follows:

	31 December 2023	31 December 2022
Balance as at 1 January	**18,782**	**7,490**
Loss allowance	8,178	27,571
Release of loss allowance	(19,727)	(17,026)
Use of loss allowance	-	-
FX movement	(358)	747
Closing balance	**6,875**	**18,782**

Interest conditions of placements with other banks (%):

	31 December 2023	31 December 2022
Placements with other banks in HUF	0%-25%	0%-25.7%
Placements with other banks in foreign currency	0%-11.6%	0%-13.29%
Average interest of placements with other banks	7.55%	7.51%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	31 December 2023	31 December 2022
Within one year:		
In HUF	202,025	248,696
	202,025	**248,696**
Total gross amount	**202,025**	**248,696**
Loss allowance on repo receivables	(367)	(2,167)
Total repo receivables	**201,658**	**246,529**

An analysis of the change in the loss allowance on repo receivables is as follows:

	31 December 2023	31 December 2022
Balance as at 1 January	**2,167**	**72**
Loss allowance	11,755	4,480
Release of loss allowance	(13,555)	(2,385)
Closing balance	**367**	**2,167**

Interest conditions of repo receivables (%):

	31 December 2023	31 December 2022
Repo receivables in HUF	7.49%-11.4%	10.7%-18%
Average interest of repo receivables denominated in HUF	13.85%	7.31%
Average interest of repo receivables denominated in foreign currency	3.86%	-

Securities as collaterals underlying repo receivable contracts is as follows:

As at 31 December 2023

Type	Currency	Notional	Fair value
Government bonds	HUF	233,408	219,270
Hungarian government discounted Treasury Bills	HUF	1,439	1,384
Total		**234,847**	**220,654**

As at 31 December 2022

Type	Currency	Notional	Fair value
Government bonds	HUF	321,794	259,268
Hungarian government discounted Treasury Bills	HUF	3,949	3,784
Total		**325,743**	**263,052**

NOTE 8: 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	4,437	1,748
Subtotal	**27,804**	**74,795**
Securities mandatorily measured at fair value through profit or loss		
Shares in investment funds	31,124	29,029
Shares	1,808	1,469
Subtotal	**32,932**	**30,498**
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	41,820	46,512
Subtotal	**196,799**	**304,719**
Total	**257,535**	**410,012**

Interest conditions and the remaining maturities of securities held for trading are as follows:

	31 December 2023	31 December 2022
Within one year:		
variable interest	103	3,041
fixed interest	12,881	10,467
	12,984	**13,508**
Over one year:		
variable interest	975	9,535
fixed interest	13,012	51,093
	13,987	**60,628**
Non-interest bearing securities	833	659
Total	**27,804**	**74,795**
Securities held for trading denominated in HUF	28%	89%
Securities held for trading denominated in foreign currency	72%	11%
Securities held for trading total	**100%**	**100%**
Government bonds denominated in HUF	18%	90%
Government bonds denominated in foreign currency	82%	10%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading in HUF	1%-16.25%	0%-16.69%
Interest rates on securities held for trading in foreign currency	0%-7.63%	0%-7.63%
Average interest on securities held for trading	11.58%	6.44%

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:

	31 December 2023	31 December 2022
Non-interest bearing securities	32,932	30,498
Total	**32,932**	**30,498**
Securities mandatorily measured at fair value through profit or loss denominated in HUF	73%	69%
Securities mandatorily measured at fair value through profit or loss denominated in foreign currency	27%	31%
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)

	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
Listed securities	*11,622*	*7,290*
in foreign currency	11,622	7,290
Non-listed securities	*36,538*	*55,304*
in HUF	12,115	14,304
in foreign currency	24,423	41,000
Subtotal	**538,350**	**779,253**
Non-trading equity instruments		
-non-listed securities	21,177	17,922
in HUF	528	528
in foreign currency	20,649	17,394
	21,177	**17,922**
Securities at fair value through other comprehensive income total	**559,527**	**797,175**

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	31 December 2023	31 December 2022
Garantiqa	HUF	392	392
Hage / Közvil / Pénzügykut	HUF	136	136
OBS	EUR	14,318	11,915
VISA A Preferred	USD	6,331	5,479
		21,177	**17,922**

Interest conditions and the remaining maturities of FVOCI securities can be analysed as follows:

	31 December 2023	31 December 2022
Within one year:		
variable interest	30,130	-
fixed interest	13,235	261,529
	43,365	**261,529**
Over one year:		
variable interest	120,268	235,661
fixed interest	374,717	282,063
	494,985	**517,724**
Non-interest bearing securities	21,177	17,922
Total	**559,527**	**797,175**
FVOCI securities denominated in HUF	71%	83%
FVOCI securities denominated in foreign currency	29%	17%
FVOCI securities total	**100%**	**100%**
Interest rates on FVOCI securities denominated in HUF	1.25%-13.8%	1.25%-17.36%
Interest rates on FVOCI securities denominated in foreign currency	0.74%-16%	0.74%-16%
Average interest on FVOCI securities	8.16%	5.78%

Certain fixed-rate mortgage bonds and other securities are hedged against interest rate risk. (See Note 45.4.)

	31 December 2023	31 December 2022
Net gain / (loss) reclassified from other comprehensive income to statement of profit or loss	25,363	(22,816)
Fair value of the hedged securities:		
Government bonds	118,405	118,979
Other bonds	3,625	43,870
	122,030	**162,849**

During the year ended 31 December 2023 the Bank didn’t sell any of equity instruments designated to measure at fair value through other comprehensive income. During the year ended 31 December 2022 equity instruments designated to measure at fair value through other comprehensive income was sold. Fair value related to the transactions were EUR 12.8 million.

NOTE 10: 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	24,738	24,586
Subtotal	**2,737,073**	**3,318,223**
Loss allowance	(26,225)	(35,850)
Total	**2,710,848**	**3,282,373**

Interest conditions and the remaining maturities of securities at amortised cost can be analysed as follows:

	31 December 2023	31 December 2022
Within one year:		
fixed interest	63,775	321,879
	63,775	**321,879**
Over one year:		
variable interest	4,845	24,601
fixed interest	2,668,453	2,971,743
	2,673,298	**2,996,344**
Total	**2,737,073**	**3,318,223**

The distribution of the securities at amortised cost by currency (%):

	31 December 2023	31 December 2022
Securities at amortised cost denominated in HUF	72%	72%
Securities at amortised cost denominated in foreign currency	28%	28%
Securities at amortised cost total	**100%**	**100%**
Interest rates on securities at amortised cost	0,1%-13.2%	0.1%-17.74%
Average interest on securities at amortised cost denominated in HUF	3.95%	2.93%

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	(1,049)	1,542
Closing balance	**26,225**	**35,850**

NOTE 11: 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	888,717	753,548
Loans measured at fair value through profit or loss total	**934,848**	**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

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

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

	31 December 2023	31 December 2022
In HUF	61%	58%
In foreign currency	39%	42%
Total	**100%**	**100%**

Interest rates of the loan portfolio mandatorily measured at fair value through profit or loss are as follows (%):

	31 December 2023	31 December 2022
Loans denominated in HUF	3.1%-21.08%	2,89%-18,26%
Average interest on loans denominated in HUF	5.96%	4.77%

Interest rates of the loan portfolio measured at amortised cost are as follows (%):

	31 December 2023	31 December 2022
Loans denominated in HUF	0%-43.11%	0%-43.7%
Loans denominated in foreign currency	0%-21.21%	(0.1%)-20.1%
Average interest on loans denominated in HUF	11.32%	9.77%
Average interest on loans denominated in foreign currency	5.42%	2.74%

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:

	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	(2,752)	6,285
Closing balance	**147,415**	**174,880**

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)

	31 December 2023	31 December 2022
Investments in subsidiaries:		
Controlling interest	2,390,718	2,116,059
Other	29,349	23,427
Subtotal	**2,420,067**	**2,139,486**
Impairment loss	(418,115)	(542,769)
Total	**2,001,952**	**1,596,717**

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:

	31 December 2023		31 December 2022	
	% Held (direct/indirect)	Gross book value	% Held (direct/indirect)	Gross book value
OTP Bank JSC (Ukraine)	100%	311,390	100%	311,390
OTP Luxembourg S.à r.l.	100%	301,470	100%	-
DSK Bank EAD (Bulgaria)	100%	280,722	100%	280,722
OTP banka Srbija akcionarsko drustvo Novi Sad (Serbia)	100%	262,759	100%	262,759
OTP banka Hrvatska d.d. (Croatia)	100%	204,243	100%	205,349
OTP Bank Romania S.A. (Romania)	100%	-	100%	167,764
OTP Mortgage Bank Ltd.	100%	199,294	100%	199,294
SKB Banka d.d. Ljubljana (Slovenia)	100%	107,689	100%	107,689
Ipoteka Bank (Uzbekistan)	80%	110,015	-	-
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%	49,248	100%	39,248
OTP Holding Malta Ltd.	100%	32,359	100%	32,359
Balansz Private Open-end Investment Fund	100%	60,629	100%	60,630
Bank Center No. 1. Ltd.	100%	43,955	100%	26,063
OTP Factoring Ltd.	100%	25,411	100%	25,411
Other		204,339		200,186
Total		**2,390,718**		**2,116,059**

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	(37,657)	-
Closing balance	**418,115**	**542,769**

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:

	31 December 2023	31 December 2022
OTP Bank JSC (Ukraine)	280,763	280,763
OTP Mortgage Bank Ltd.	84,707	84,707
LLC Alliance Reserve (Russia)	15,801	15,801
Air-Invest Ltd.	10,965	10,965
Monicomp Ltd.	8,632	8,632
OTP Real Estate Ltd.	4,395	5,557
R.E. Four d.o.o. (Serbia)	3,763	3,763
JSC "OTP Bank" (Russia)	2,775	2,775
OTP Life Annuity Ltd.	2,281	10,969
OTP Bank Romania S.A. (Romania)	-	77,962
OTP banka Srbija akcionarsko drustvo Novi Sad (Serbia)	-	23,452
Crnogorska komercijalna banka a.d. (Montenegro)	-	4,495
Balansz Private Open-end Investment Fund	-	5,110
Total	**414,082**	**534,951**

Dividend income from significant subsidiaries and shares held-for-trading and shares measured at fair value through other comprehensive income is as follows:

	31 December 2023	31 December 2022
OTP Factoring Ltd.	70,000	45,000
DSK Bank EAD (Bulgaria)	48,658	74,314
JSC "OTP Bank" (Russia)	33,961	-
OTP banka Srbija akcionarsko drustvo Novi Sad (Serbia)	30,873	-
OTP banka dioničko društvo (Croatia)	28,574	14,637
OTP Luxembourg S.à r.l.	21,131	-
OTP Bank S.A. (Moldova)	5,513	-
Merkantil Bank Ltd.	3,800	8,000
Crnogorska komercijalna banka a.d. (Montenegro)	3,511	-
OTP Holding Ltd. (Cyprus)	3,000	7,800
OTP Mortgage Bank Ltd.	-	18,000
Other	12,201	14,403
Subtotal	**261,222**	**182,154**
Dividend from shares held-for-trading	14,229	12,166
Dividend from shares fair value through other comprehensive income	254	207
Total	**275,705**	**194,527**

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 as at 31 December 2023:

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
Edrone spółka z ograniczoną odpowiedzialnością	848	23.54%	(342)	Poland / Krakow	Computer programming activities
NovaKid Inc.	2,009	4.07%	(231)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc	4	17.42%	267	Hungary /Budapest	Computer programming activities
CodeCool Ltd	1,310	7.26%	(731)	Hungary /Budapest	Other education
Pepita.hu Closed Co. Plc	2,679	38.75%	(580)	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd	8,070	19.26%	(1,210)	UK / London	Computer programming activities
VCC Live Group Closed Co. Plc	1,632	24.72%	(220)	Hungary /Budapest	Computer programming activities
Cursor Insight Ltd	73	6.75%	(51)	UK / London	Computer programming activities
OneSoil Ag.	6	3.72%	(819)	Switzerland / Zurich	Computer programming activities
Packhelp Spółka Akcyjna	899	3.14%	(2,725)	Poland / Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
Phoenix Play Invest Closed Co. Plc	6,368	21.68%	151	Hungary /Budapest	Activities of holding companies
Algorithmiq Invest Closed Co. Plc	5,185	21.68%	(8,907)	Hungary /Budapest	Activities of holding companies
Deligo Vision Technologies Ltd	302	8.70%	(215)	Hungary /Budapest	Other information service activities
Shopper Park Plus Closed Co. Plc.[1]	5,237	2.80%	3,175	Hungary /Budapest	Sale and purchase of own real estate
New Frontier Technology Invest SARL	3,624	14.00%	103	Luxemburg / Luxembourg	Activities of holding companies
Mindgram sp. z.o.o	206	2.38%	(1,083)	Poland / Warsaw	Other human health activities
Tine Limited	-	0.00%	(1,086)	Great Britain / London	Child day-care services
Renewabl Ltd.	102	5.01%	(269)	Great Britain / London	Other information technology services
Giganci Programowania sp. z.o.o.	514	5.03%	(149)	Poland / Warsaw	Other education
FlowX.Ai., Inc	2,252	9.50%	(1,786)	USA / Camano Park	Computer programming activities
Commsignia Inc.	1,763	3.17%	(1,438)	USA / Santa Clara	Retail sale of computers, peripheral units and software in specialized stores
Deskbird AG	1,079	8.46%	(1,944)	St. Gallen / Switzerland	Computer programming activities
Subtotal (Investments through funds)	**44,162**		**(20,090)**		
OTP Risk Fund I.	611	44.12%	158	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	280	22.00%	308	Hungary /Budapest	Trusts, funds and similar financial entities
D-ÉG Thermoset Ltd 'u.l.'	-	46.99%	n.a.	Hungary / Dunaújváros	Wholesale of hardware, plumbing and heating equipment and supplies
Company for Cash Services AD	392	25.00%	337	Bulgaria / Sofia	Other financial service activities, except insurance and pension funding
Fabetker Ltd	3	20.00%	119	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
NGY Propertiers Investment SRL	11,637	14.54%	6,903	Romania / Bucharest	Renting and operating of own or leased real estate
Fintech CEE Software Invest Ltd	408	20.04%	(7)	Hungary /Budapest	Activities of holding companies
Bankart Procesiranje Placilnih Instrumentov d.o.o.	7,219	43.06%	(1,733)	Ljubjana / Slovenia	Data processing, web hosting services
Mortgage refinancing Company of Uzbekistan	1,030	20.00%	(615)	Tashkent / Uzbekistan	Refinancing mortgage loans
Dél-borsodi Gazdák Ltd.	4	40.92%	(4)	Hungary / Mezőkeresztes	Wholesale of grain, tobacco, seeds and animal feeds.
"Egertej"Ltd.	8	28.12%	78	Hungary / Eger	Manufacture of dairy products.
Orbánhegyi Szőlőbirtok	-	25.00%	28	Hungary / Budapest	Viticulture
Subtotal	**21,592**		**5,572**		
Total	**65,754**		**(14,518)**		

[1]Previously known as: GRADUW Invest Closed Co. Plc

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

Significant associates and joint ventures [continued]

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
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
CodeCool 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
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
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
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
Subtotal (Investments through funds)	**42,558**		**(9,363)**		
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
Fabetker Ltd	1	20.48%	135	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
NGY Propertiers Investment SRL	11,735	14.54%	(22,567)	Romania / Bucharest	Renting and operating of own or leased real estate
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
Subtotal	**13,548**		**(22,288)**		
Total	**56,106**		**(31,651)**		

[1] Based on unaudited financial statements.

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

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 hasregistered 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.

On 4 January 2024 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.

On 8 January 2024 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.

On 2 February 2024 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 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the year ended 31 December 2023

	Intangible assets	Property	Office equipment and vehicles	Vehicles	Construction in progress	Right of use assets	Total
Cost							
Balance as at 1 January	**213,085**	**78,595**	**112,924**	**197**	**15,650**	**59,349**	**479,800**
Additions	55,533	10,550	15,662	200	30,718	68,060	180,723
Disposals	(6,764)	(3,227)	(12,772)	(59)	(26,739)	(40,755)	(90,316)
Closing balance	**261,854**	**85,918**	**115,814**	**338**	**19,629**	**86,654**	**570,207**
Depreciation and Amortization							
Balance as at 1 January	**143,605**	**30,148**	**82,577**	**77**	**-**	**19,467**	**275,874**
Charge for the year	25,902	3,900	12,290	39	-	8,927	50,814
Disposals	(5,768)	(2,070)	(12,548)	(20)	-	(7,962)	(28,124)
Closing balance	**163,739**	**31,978**	**82,319**	**96**	**-**	**20,432**	**298,564**
Net book value							
Balance as at 1 January	69,480	48,447	30,347	120	15,650	39,882	203,926
Closing balance	98,115	53,940	33,495	242	19,629	66,222	271,643

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 December	**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 December	**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

The Bank has no intangible assets with indefinite useful life.

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

For the year ended 31 December 2023 and for the year ended 31 December 2022, respectively

	31 December 2023	31 December 2022
Property		
Cost		
Balance as at 1 January	**5,027**	**5,013**
Additions result from subsequent expenditure	138	14
Closing balance	**5,165**	**5,027**
Depreciation and Amortization		
Balance as at 1 January	**820**	**685**
Charge for the period	142	135
Closing balance	**962**	**820**
Net book value		
Balance as at 1 January	**4,207**	**4,328**
Closing balance	**4,203**	**4,207**

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	31 December 2023	31 December 2022
Rental income	9	8
Depreciation	138	135

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:

	31 December 2023	31 December 2022
Interest rate swaps designated as fair value hedge	12,521	29,139
CCIRS designated as fair value hedge	10,173	20,732
Interest rate swaps designated as cash flow hedge	(1,066)	(2,651)
Total	**21,628**	**47,220**

NOTE 16: OTHER ASSETS[1] (in HUF mn)

	31 December 2023	31 December 2022
Other financial assets		
Receivables from OTP Employee Stock Ownership Program (OTP ESOP)	133,347	119,123
Prepayments and accrued income	23,785	15,674
Receivables from investment services	29,597	34,828
Stock exchange deposit	19,630	30,939
Trade receivables	13,960	11,053
Receivables from card operations	51,938	34,783
Receivables from suppliers	9,367	6,621
Other	25,089	9,130
	306,713	**262,151**
Loss allowance	(7,875)	(7,026)
Other financial assets total	**298,838**	**255,125**
Other non-financial assets		
Accrued expenses	42,574	44,106
Receivable related to Hungarian Government subsidies	15,996	19,076
Other	9,160	12,144
	67,730	**75,326**
Provision for impairment on other assets	(607)	(699)
Other non-financial assets total	**67,123**	**74,627**
Total	**365,961**	**329,752**

An analysis of the movement in the loss allowance on other financial assets is as follows:

	31 December 2023	31 December 2022
Balance as at 1 January	**7,026**	**5,148**
Charge for the period	6,686	10,572
Release of loss allowance	(4,479)	(7,715)
Use of loss allowance	(1,227)	(982)
FX movement	(131)	3
Closing balance	**7,875**	**7,026**

An analysis of the movement in the loss allowance on other non-financial assets is as follows:

	31 December 2023	31 December 2022
Balance as at 1 January	**699**	**514**
Charge for the period	266	255
Release of provision	(336)	(106)
FX movement	(22)	36
Closing balance	**607**	**699**

[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)

	31 December 2023	31 December 2022
Within one year:		
In HUF	328,641	554,794
In foreign currency	337,184	448,935
	665,825	**1,003,729**
Over one year:		
In HUF	615,167	392,947
In foreign currency	480,587	339,452
	1,095,754	**732,399**
Subtotal	**1,761,579**	**1,736,128**
Total	**1,761,579**	**1,736,128**

Interest rates on amounts due to banks and deposits from the NBH and other banks are as follows (%):

	31 December 2023	31 December 2022
Within one year:		
In HUF	(2.4%)-8.75%	(2.4%) - 18%
In foreign currency	(2.31%)-4.2%	(2.31%) - 5.9%
Over one year:		
In HUF	(1.7%)-11.4%	(2.4%) - 9.23%
In foreign currency	(2.02%)-7.18%	(2.4%) - 6.84%
Average interest on amounts due to banks in HUF	6.02%	3.24%
Average interest on amounts due to banks in foreign currency	3.55%	1.50%

NOTE 18: REPO LIABILITIES (in HUF mn)

	31 December 2023	31 December 2022
Within one year:		
In HUF	100,296	122,676
In foreign currency	101,862	15,561
	202,158	**138,237**
Over one year:		
In HUF	190,255	82,200
In foreign currency	51,281	187,929
	241,536	**270,129**
Subtotal	**443,694**	**408,366**
Total	**443,694**	**408,366**

Interest rates on repo liabilities are as follows (%):

	31 December 2023	31 December 2022
Within one year:		
In HUF	9.25%-10.63%	11.5% - 15.47%
In foreign currency	1.67%	2.47%-5.2%
Over one year:		
In HUF	9.25%-10.63%	15%
In foreign currency	1.67%-5.92%	3.58%-3.69%
Average interest on repo liabilities in HUF	15.22%	9.31%
Average interest on repo liabilities in foreign currency	4.51%	0.30%

NOTE 19: 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	2,962,206	3,112,937
	10,710,112	**11,095,819**
Over one year:		
In HUF	24,213	23,339
	24,213	**23,339**
Total	**10,734,325**	**11,119,158**

Interest rates on deposits from customers are as follows (%):

	31 December 2023	31 December 2022
Within one year:		
In HUF	0%-15.4%	0%-17.95%
In foreign currency	(0.36%)-11.77%	(0.4%)-45.1%
Over one year:		
In HUF	0%-10.75%	0%-13%
In foreign currency	0%-9,73%	-
Average interest on deposits from customers in HUF	3.75%	2.32%
Average interest on deposits from customers in foreign currency	1.36%	0.12%

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	909,495	8%	791,411	7%
Total	**10,734,325**	**100%**	**11,119,158**	**100%**

NOTE 20: 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	26,670	6,351
	187,887	**10,662**
Over one year:		
In HUF	43,025	46,192
In foreign currency	932,197	441,855
	975,222	**488,047**
Total	**1,163,109**	**498,709**

Interest rates on liabilities from issued securities are as follows (%):

	31 December 2023	31 December 2022
Issued securities denominated in HUF	0,6%-15%	0,6%-15%
Issued securities denominated in foreign currency	5,5%-8,1%	5,5%-7,35%
Average interest on issued securities denominated in HUF	11.42%	2.63%
Average interest on issued securities denominated in foreign currency	6.88%	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.

Term Note Program in the value of HUF 800 billion for the year of 2023/2024

On 18 April 2023 the Bank initiated term note program in the value of HUF 800 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 7 August 2023 the prospectus of Term Note Program. The prospectus is valid for 12 months following the disclosure.

Notes issued in amount of USD 650 million

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.

Notes issued in amount of USD 500 million

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.

Notes issued in amount of EUR 110 million

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.

Notes issued in amount of EUR 650 million

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.

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Notes issued in amount of RON 170 million

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.

Notes issued in amount of EUR 75 million

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.

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 2023

	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	649	248,497	689	263,732	fixed	7.35
2	XS2698603326	05/10/2023	05/10/2027	EUR	650	248,725	674	258,006	fixed	6.13
3	XS2626773381	25/05/2023	25/05/2027	USD	500	173,152	499	173,011	fixed	7.50
4	XS2499691330	13/07/2022	13/07/2025	EUR	400	153,111	410	157,095	fixed	5.50
5	XS2642536671	27/06/2023	27/06/2026	EUR	110	42,106	114	43,745	fixed	7.50
6	XS2737630314	22/12/2023	22/06/2026	EUR	75	28,709	75	28,778	fixed	6.10
7	XS2536446649	29/09/2022	29/09/2026	USD	60	20,786	61	21,180	fixed	7.25
8	XS2703264635	13/10/2023	13/10/2026	RON	170	13,082	173	13,320	variable	8.10
	Subtotal issued securities in foreign currency					**928,168**	-	**958,867**		

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	fixed	7.35
2	XS2499691330	13/07/2022	13/07/2025	EUR	399	159,859	409	163,893	fixed	5.50
3	XS2536446649	29/09/2022	29/09/2026	USD	60	22,541	61	22,972	fixed	7.25
	Subtotal issued securities in foreign currency					**442,536**		**448,206**		

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2023

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions		Hedged
1	OTP_HUF_2024/1	17/02/2023	17/02/2024	26,079	28,593	fix	11.00	
2	OTP_HUF_2025/1	18/11/2022	18/11/2025	25,563	27,042	fix	15.00	hedged
3	OTP_HUF_2024/2	10/03/2023	10/03/2024	22,977	25,048	fix	11.00	
4	OTP_HUF_2024/3	31/03/2023	31/03/2024	17,015	18,441	fix	11.00	
5	OTP_HUF_2024/6	02/06/2023	02/06/2024	16,722	17,806	fix	11.00	
6	OTP_HUF_2024/4	21/04/2023	21/04/2024	14,698	15,837	fix	11.00	
7	OTP_HUF_2024/5	12/05/2023	12/05/2024	13,946	14,937	fix	11.00	
8	OTP_HUF_2024/7	23/06/2023	23/06/2024	11,232	11,859	fix	10.50	
9	OTP_HUF_2026/1	22/12/2022	05/01/2026	10,228	11,856	fix	12.00	hedged
10	OTP_HUF_2025/2	30/06/2023	30/06/2025	5,116	5,431	fix	12.00	
11	OTP_HUF_2024/9	28/07/2023	28/07/2024	4,173	4,364	fix	10.50	
12	OTP_HUF_2024/8	30/06/2023	30/06/2024	3,730	3,931	fix	10.50	
13	OTP_HUF_2024/13	20/10/2023	20/10/2024	3,494	3,557	fix	8.75	
14	OTP_HUF_2024/14	17/11/2023	17/11/2024	3,509	3,547	fix	8.50	
15	OTP_HUF_2024/15	20/12/2023	20/12/2024	2,994	3,004	fix	8.00	
16	OTP_HUF_2024/12	25/09/2023	25/09/2024	2,777	2,845	fix	9.00	
17	OTP_HUF_2024/11	01/09/2023	01/09/2024	2,655	2,743	fix	9.75	
18	OTP_HUF_2024/10	07/08/2023	07/08/2024	1,431	1,490	fix	10.00	
19	OTP_HUF_2026/2	15/12/2023	15/12/2026	647	649	fix	7.40	
20	OTPX2024B	10/10/2014	16/10/2024	295	339	indexed	0.70	hedged
21	OTPX2024A	18/06/2014	21/06/2024	241	283	indexed	1.30	hedged
22	OTPX2024C	15/12/2014	20/12/2024	242	275	indexed	0.60	hedged
23	OTP_TBSZ_HUF_2028/1	13/10/2023	15/12/2028	155	159	fix	12.00	
	Other			206	206			
	Subtotal issued securities in HUF			**190,125**	**204,242**			
	Total			**1,118,293**	**1,163,109**			

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	fix	15.00	
2	OTP_HUF_26/1	12/22/2022	1/5/2026	10,229	10,270	fix	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			
	Subtotal issued securities in HUF			**51,017**	**50,503**			
	Total			**493,553**	**498,709**			

NOTE 21: FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	31 December 2023	31 December 2022
Within one year:		
In HUF	1,816	1,716
	1,816	**1,716**
Over one year:		
In HUF	17,970	14,860
	17,970	**14,860**
Total	**19,786**	**16,576**
Contractual amount outstanding	*17,747*	*19,853*

Interest rates on financial liabilities designated as fair value through profit or loss are as follows (%):

	31 December 2023	31 December 2022
Within one year:		
In HUF	4.97%-9.97%	2,19-3.96%
Over one year:		
In HUF	4.83%	0,01%-4.63%
Average interest on amounts due to banks in HUF	7.88%	3.06%

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:

	31 December 2023	31 December 2022
Interest rate swaps	72,200	221,647
Foreign currency swaps	53,102	87,988
CCIRS and mark-to-market CCIRS	9,161	15,711
Other derivative contracts	49,102	48,055
Total	**183,565**	**373,401**

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:

	31 December 2023	31 December 2022
IRS designated as fair value hedge	7,875	22,551
CCIRS designated as fair value hedge	10,679	5,398
IRS designated as cash flow hedge	8,869	22,674
Total	**27,423**	**50,623**

NOTE 24: OTHER LIABILITIES[1] AND PROVISIONS (in HUF mn)

	31 December 2023	31 December 2022
Other financial liabilities		
Liabilities from investment services	50,321	108,284
Accrued expenses	27,673	21,183
Accounts payable	33,508	27,127
Liabilities due to short positions	19,107	24,596
Liabilities from customer's credit card payments	84,184	52,274
Other	28,526	25,007
Other financial liabilities total	**243,319**	**258,471**
Other non-financial liabilities		
Technical accounts	25,321	32,338
Current income tax payable	13,770	12,371
Social contribution	8,475	5,275
Accrued expenses	2,940	2,829
Other	1,574	1,904
Other non-financial liabilities total	**52,080**	**54,717**
Other liabilities total	**295,399**	**313,188**

The provision on other liabilities, off-balance sheet commitments and contingent liabilities are detailed as follows:

	31 December 2023	31 December 2022
Provision for losses on other off-balance sheet commitments and contingent liabilities	16,092	23,632
Provisions in accordance with IFRS 9	**16,092**	**23,632**
Provision for litigation	1,931	1,917
Provision for retirement pension and severance pay	2,000	1,527
Provision on other liabilities	2,474	2,580
Provisions in accordance with IAS 37	**6,405**	**6,024**
Total	**22,497**	**29,656**

Movements in the provision for losses on commitments and contingent liabilities in accordance with IFRS 9 can be summarized as follows:

	31 December 2023	31 December 2022
Opening balance	**23,632**	**17,768**
Provision for the period	62,662	49,698
Release of provision for the period	(50,882)	(28,772)
Use of provision	(18,952)	(15,385)
FX revaluation	(368)	323
Closing balance	**16,092**	**23,632**

Movements in the provision for losses on commitments and contingent liabilities in accordance with IAS 37 can be summarized as follows:

	31 December 2023	31 December 2022
Opening balance	**6,024**	**3,759**
Provision for the period	11,563	8,128
Release of provision	(8,633)	(933)
Use of provision	(2,420)	(5,138)
FX revaluation	(129)	208
Closing balance	**6,405**	**6,024**

[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)

	31 December 2023	31 December 2022
Within one year		
In HUF	1,886	-
In foreign currency	6,174	3,395
	8,060	**3,395**
Over one year:		
In HUF	11,133	-
In foreign currency	501,103	290,791
	512,236	**290,791**
Total	**520,296**	**294,186**

Interest rates on subordinated bonds and loans are as follows (%):

	31 December 2023	31 December 2022
Subordinated bonds and loans denominated in foreign currency	2.9%-8.8%	2.9%-4.7%
Average interest on subordinated bonds and loans denominated in HUF	5.51%	-
Average interest on subordinated bonds and loans denominated in foreign currency	6.04%	3.06%

NOTE 25: SUBORDINATED BONDS AND LOANS (in HUF mn) [continued]

Subordinated loans and bonds are detailed as follows as at 31 December 2023:

Type	Name	Date of issuance	Date of maturity	Issue price	Currency	Nominal value in FX million	Nominal value in HUF million	Amortised cost in Fx million	Amortised cost in HUF million	Interest conditions	Current interest rate
Subordinated bond	XS0274147296	07/11/2006	Perpetual	99.38%	EUR	231	88,409	234	89,381	Three-month EURIBOR + 3%, variable (payable quarterly)	6.966%
Subordinated bond	XS2022388586	15/07/2019	15/07/2029	99.74%	EUR	497	190,399	501	191,894	Fixed 2.875% (payable annual)	2.875%
Subordinated bond	XS2586007036	15/02/2023	15/05/2033	99.42%	USD	650	225,104	653	226,001	Fixed 8.75% (payable annual)	8.750%
Discount bond	HU0000358924	30/05/2019	31/05/2024	87.85%	HUF	426	426	421	421	N.a.	
Discount bond	HU0000359724	29/05/2020	31/05/2024	94.79%	HUF	592	592	589	589	N.a.	
Discount bond	HU0000360508	31/05/2021	31/05/2024	95.12%	HUF	883	883	876	876	N.a.	
Discount bond	HU0000358932	30/05/2019	31/05/2025	83.86%	HUF	104	104	100	100	N.a.	
Discount bond	HU0000359732	29/05/2020	31/05/2025	92.99%	HUF	592	592	580	580	N.a.	
Discount bond	HU0000360516	31/05/2021	31/05/2025	92.54%	HUF	1,216	1,216	1,183	1,180	N.a.	
Discount bond	HU0000359740	29/05/2020	31/05/2026	91.10%	HUF	392	392	378	378	N.a.	
Discount bond	HU0000360524	31/05/2021	31/05/2026	90.02%	HUF	707	707	672	672	N.a.	
Discount bond	HU0000361597	31/03/2022	31/05/2026	76.86%	HUF	783	783	672	672	N.a.	
Discount bond	HU0000359757	29/05/2020	31/05/2027	89.05%	HUF	95	95	90	90	N.a.	
Discount bond	HU0000360532	31/05/2021	31/05/2027	87.27%	HUF	795	795	735	735	N.a.	
Discount bond	HU0000361605	31/03/2022	31/05/2027	72.13%	HUF	1,092	1,092	879	879	N.a.	
Discount bond	HU0000360540	31/05/2021	31/05/2028	84.31%	HUF	669	669	601	601	N.a.	
Discount bond	HU0000361613	31/03/2022	31/05/2028	67.89%	HUF	554	554	420	420	N.a.	
Discount bond	HU0000362553	01/06/2023	31/05/2028	66.68%	HUF	1,959	1,959	1,369	1,369	N.a.	
Discount bond	HU0000360557	31/05/2021	31/05/2029	81.23%	HUF	403	403	350	350	N.a.	
Discount bond	HU0000361621	31/03/2022	31/05/2029	64.03%	HUF	554	554	396	396	N.a.	
Discount bond	HU0000362561	01/06/2023	31/05/2029	63.21%	HUF	684	684	452	452	N.a.	
Discount bond	HU0000360565	31/05/2021	31/05/2030	78.09%	HUF	104	104	87	87	N.a.	
Discount bond	HU0000361639	31/03/2022	31/05/2030	60.38%	HUF	554	554	373	373	N.a.	
Discount bond	HU0000362579	01/06/2023	31/05/2030	60.08%	HUF	719	719	451	451	N.a.	
Discount bond	HU0000361647	31/03/2022	31/05/2031	56.88%	HUF	384	384	243	243	N.a.	
Discount bond	HU0000362587	01/06/2023	31/05/2031	56.64%	HUF	762	762	450	450	N.a.	
Discount bond	HU0000361654	31/03/2022	31/05/2032	53.52%	HUF	105	105	62	62	N.a.	
Discount bond	HU0000362595	01/06/2023	31/05/2032	52.82%	HUF	817	817	450	450	N.a.	
Discount bond	HU0000362603	01/06/2023	31/05/2033	49.02%	HUF	282	282	144	144	N.a.	
Total							**520,139**		**520,296**		

NOTE 26: SHARE CAPITAL (in HUF mn)

	31 December 2023	31 December 2022
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 2023 dividend of HUF 84,000 million was paid out from the profit of the year 2022, which meant HUF 300 dividend per share payable to the shareholders. In 2024 dividend of HUF 150,000 million are expected to be proposed by the Management from the profit of the year 2023, which means HUF 535.71 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 2023:

31 December 2023 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**	**52,402**	**2,279,773**	**(55,468)**	**(6,154)**	**-**	**-**	**-**	**2,298,605**
Other comprehensive income	-	-	-	9,148	-	-	(9,148)	-	-	-
Option reserve	-	(55,468)	-	-	55,468	-	-	-	-	-
Treasury shares	-	(6,154)	-	-	-	6,154	-	-	-	-
Share based payments	-	52,402	(52,402)	-	-	-	-	-	-	-
Net profit for the year	-	-	-	(654,988)	-	-	-	-	654,988	-
General reserve and tied-up reserve	-	-	-	(192,937)	-	-	-	192,937	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**28,000**	**(9,168)**	**-**	**1,440,996**	**-**	**-**	**(9,148)**	**192,937**	**654,988**	**2,298,605**

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 2023:

1 January 2023 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**	**49,110**	**1,661,907**	**(55,468)**	**(2,724)**	**-**	**-**	**-**	**1,680,877**
Other comprehensive income	-	-	-	52,933	-	-	(52,933)	-	-	-
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]

Calculated untied retained earnings in accordance with paragraph 114/B of Act on Accounting

	31 December 2023	31 December 2022
Retained earnings	1,440,996	1,580,770
Net profit for the year	654,988	6,632
Untied retained earnings	**2,095,984**	**1,587,402**

Items of retained earnings and other reserves

	31 December 2023	31 December 2022
Retained earnings	1,440,996	1,580,770
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	192,937	127,438
Fair value of financial instruments measured at fair value through other comprehensive income	(5,639)	(43,723)
Share-based payment reserve	52,402	49,110
Fair value of derivative financial instruments designated as cash-flow hedge	(3,509)	(9,210)
Net profit for the period	654,988	6,632
Retained earnings and other reserves	**2,276,759**	**1,655,601**

Fair value adjustment of securities at fair value through other comprehensive income

	31 December 2023	31 December 2022
Balance as at 1 January	**(82,906)**	**145**
Change of fair value correction	46,485	(88,350)
Deferred tax related to change of fair value correction	(3,841)	5,299
Closing balance	**(40,262)**	**(82,906)**

Expected credit loss on securities at fair value through other comprehensive income

	31 December 2023	31 December 2022
Balance as at 1 January	**29,161**	**1,174**
Increase of loss allowance	3,401	33,946
Release of loss allowance	(6,704)	(8,331)
Fx movement	(1,513)	2,372
Closing balance	**24,345**	**29,161**

Fair value changes of equity instruments as at fair value through other comprehensive income

	31 December 2023	31 December 2022
Balance as at 1 January	**10,022**	**7,327**
Change of fair value correction	3,307	3,631
Deferred tax related to change of fair value correction	(374)	(936)
Transfer to retained earnings	(2,677)	-
Closing balance	**10,278**	**10,022**

NOTE 28: TREASURY SHARES (in HUF mn)

	31 December 2023	31 December 2022
Nominal value (ordinary shares)	57	35
Carrying value at acquisition cost	6,154	2,724

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:

	31 December 2023	31 December 2022
Number of shares as at 1 January	**352,344**	**3,249,984**
Additions	3,948,338	1,801,256
Disposals	(3,729,436)	(4,698,896)
Number of shares at the end of the period	**571,246**	**352,344**

Change in carrying value:	31 December 2023	31 December 2022
Balance as at 1 January	**2,724**	**58,872**
Additions	39,818	16,268
Disposals	(36,388)	(72,416)
Closing Balance	**6,154**	**2,724**

	31 December 2023	31 December 2022
Face value of treasury shares held by OTP Group members	1,210	1,097

NOTE 29: 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	37,435	10,235
Subtotal	**1,227,173**	**721,679**
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	9	8
Subtotal	**795,906**	**377,231**
Interest income total	**2,023,079**	**1,098,910**
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	-	1,371
Interest expense total	**1,556,361**	**802,020**

NOTE 30: **RISK COST (in HUF mn)**

	Year ended 31 December 2023	Year ended 31 December 2022
Loss allowance of loans at amortised cost		
Loss allowance	249,194	245,183
Release of loss allowance	(243,652)	(211,345)
	5,542	**33,838**
Loss allowance of sight deposits and placements with other banks		
Loss allowance	11,767	32,592
Release of loss allowance	(24,125)	(20,838)
	(12,358)	**11,754**
Loss allowance of placements with other banks		
Loss allowance	11,755	4,480
Release of loss allowance	(13,555)	(2,385)
	(1,800)	**2,095**
Loss allowance of FVOCI debt instruments		
Loss allowance	3,401	33,946
Release of loss allowance	(6,704)	(8,331)
	(3,303)	**25,615**
Loss allowance of securities at amortised cost		
Loss allowance	2,287	31,695
Release of loss allowance	(10,863)	(4,072)
	(8,576)	**27,623**
Provision on loan commitments and financial guarantees		
Provision for the period	62,662	49,698
Release of provision	(69,834)	(44,157)
	(7,172)	**5,541**
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	**980**	**(11,872)**
Risk cost total	**(26,687)**	**94,594**

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions:

	Year ended 31 December 2023	Year ended 31 December 2022
Fees and commissions related to lending	**12,040**	**12,711**
Deposit and account maintenance fees and commissions	162,872	146,817
Fees and commission related to the issued bank cards	137,162	122,138
Fees and commissions related to security trading	33,899	27,867
Fx margin	21,828	26,032
Fees and commissions paid by OTP Mortgage Bank Ltd.	8,379	8,819
Net insurance fee income	13,558	10,981
Other	13,147	7,079
Fees and commissions from contracts with customers	**390,845**	**349,733**
Total Income from fees and commissions:	**402,885**	**362,444**

Contract balances

	Year ended 31 December 2023	Year ended 31 December 2022
Receivables, which are included in 'other assets'	24,012	15,674
Loss allowance	(616)	(512)

Fee and commission expense

	Year ended 31 December 2023	Year ended 31 December 2022
Other fees and commissions related to issued bank cards	63,941	53,179
Insurance fees	715	783
Fees and commissions related to lending	5,320	5,267
Fees and commissions related to security trading	2,497	789
Fees and commissions relating to deposits	2,850	2,417
Trust activities related to securities	2,324	2,096
Postal fees	223	223
Money market transaction fees and commissions	205	166
Other	680	1,167
Total	**78,755**	**66,087**
Net profit from fees and commissions	**324,130**	**296,357**

NOTE 32: GAINS AND LOSSES BY TRANSACTIONS (in HUF mn)

	Year ended 31 December 2023	Year ended 31 December 2022
Losses arising from derecognition of financial assets measured at amortised cost		
Gain from loans	2,760	485
Loss from loans	(2,716)	(1,881)
Gain from securities	152	-
Loss from securities	(19,552)	(54,402)
Other	(351)	(397)
Total	**(19,707)**	**(56,195)**

Additional information to Gains or losses from operating income:

	Year ended 31 December 2023	Year ended 31 December 2022
Foreign exchange (losses) and gains		
Gains from foreign exchange	-	6,857
Loss from foreign exchange	(6,116)	-
Margin gains	8,157	8,400
Margin losses	(14,310)	(14,716)
Total	**(12,269)**	**541**

	Year ended 31 December 2023	Year ended 31 December 2022
Net results on derivative instruments and hedge relationships		
Gains on FX spot, swap and option deals	59,675	76,709
Losses from FX spot, swap and option deals	(52,428)	(67,882)
Fees received related to option deals	6,569	4,111
Fees paid related to option deals	(6,554)	(5,073)
Gains on commodity deals	87,062	134,949
Losses from commodity deals	(83,504)	(132,288)
Gains on futures transactions	212	687
Losses from futures transactions	(230)	(402)
Losses from credit valuation adjustment related to FX spot, swap and option deals held for trading	2,232	(1,059)
Losses from credit valuation adjustment related to commodity deals held for trading	21	165
Total	**13,055**	**9,917**

	Year ended 31 December 2023	Year ended 31 December 2022
Gains / (losses) on financial instruments at fair value through profit or loss		
Gains on securities mandatorily measured at fair value through profit or loss	2,570	2,688
Gains on loans mandatorily measured at fair value through profit or loss	100,436	21,205
Losses on loans mandatorily measured at fair value through profit or loss	(7,196)	(44,614)
Gains on financial liabilities designated at fair value through profit or loss	766	4,509
Losses on financial liabilities designated at fair value through profit or loss	(5,308)	(2,578)
Total	**91,268**	**(18,790)**

NOTE 32: GAINS AND LOSSES BY TRANSACTIONS (in HUF mn) [continued]

Additional information to Gains or losses from operating income: [continued]

	Year ended 31 December 2023	Year ended 31 December 2022
Gains and (losses) on securities, net		
Interest income from held for trading securities	1,168	3,556
Gains on held for trading securities	14,529	11,599
Losses on held for trading securities	(6,588)	(7,806)
Gains on FVOCI securities	999	8
Losses on FVOCI securities	(489)	(7,960)
Gains on derecognition of investments in subsidiaries	1,322	-
Losses on derecognition of investments in subsidiaries	-	-
Gains/losses from other securities	(3,868)	(10,002)
Total	**7,073**	**(10,605)**

	Year ended 31 December 2023	Year ended 31 December 2022
Dividend income		
Distribution from investments in subsidiaries	261,222	182,153
Distribution from held for trading securities	14,229	12,166
Distribution from FVOCI equity instruments	254	207
Total	**275,705**	**194,526**
Total gains and losses from operating income (without other operating income)	**374,832**	**175,589**

For the year ended 31 December 2023 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	(15,433)	2,855	(12,578)

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

NOTE 33: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Other operating income	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Repayment of extraordinary payments made to NDIF in previous years	10,738	-
Other operating income from OTP Employee Stock Ownership Program (OTP ESOP)	4,739	4,429
Intermediary and other services	2,547	2,716
Income from lease of tangible assets	1,223	1,186
Gains on IT services provided to subsidiaries	1,155	1,021
Derecognition of financial liabilities at amortised cost	716	985
Non-repayable assets received	423	443
Gains on sale of tangible assets	1,225	267
Income from written off receivables	257	249
Gains on transactions related to property activities	113	237
Gains on sale of receivables	-	-
Other	3,048	2,242
Total	**26,184**	**13,775**

Other operating expenses	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Release of loss allowance/(Loss allowance) on investments in subsidiaries	87,609	(93,513)
Release of provision for off-balance sheet commitments and contingent liabilities	(471)	(2,057)
Non-repayable assets contributed	(1,056)	(1,397)
Release of loss allowance on other assets	(3,576)	(2,939)
Financial support for sport association and organization of public utility	(11,893)	(16,344)
Other	(7,023)	(15,692)
Total	**63,590**	**(131,942)**

Other administrative expenses:	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Personnel expenses:		
Wages	141,650	110,646
Taxes related to personnel expenses	20,172	16,460
Other personnel expenses	33,582	27,197
Subtotal	**195,404**	**154,303**
Depreciation and amortization	**50,814**	**46,738**
Other administrative expenses:		
Taxes, other than income tax	139,629	167,834
Services	86,272	74,383
Fees payable to authorities and other fees	25,384	21,674
Administration expenses, including rental fees	7,813	7,477
Professional fees	11,382	9,320
Advertising	11,438	10,301
Subtotal	**281,918**	**290,989**
Total	**528,136**	**492,030**

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:

	31 December 2023	31 December 2022
Current tax expense	39,174	18,026
Deferred tax (benefit)/expense	31,119	(31,664)
Total	**70,293**	**(13,638)**

A reconciliation of the deferred tax liability is as follows:

	31 December 2023	31 December 2022
Balance as at 1 January	**35,742**	**(1,507)**
Deferred tax (expense)/ benefit	(31,119)	31,664
Tax effect of fair value adjustment of FVOCI securities and ICES recognised in comprehensive income	(4,215)	5,585
Closing balance	**408**	**35,742**

A breakdown of the deferred tax liability is as follows:

	31 December 2023	31 December 2022
Provision for untaken leave	399	323
Provision for termination benefits and jubilee	1,325	900
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	**1,724**	**36,980**
Fair value adjustment of held for trading and securities at fair value through other comprehensive income	(55)	-
Difference in depreciation and amortization	(1,261)	(1,193)
Provision for developments	-	(45)
Deferred tax liabilities	**(1,316)**	**(1,238)**
Net deferred tax assets/(liabilities)	**408**	**35,742**

NOTE 34: INCOME TAX (in HUF mn) [continued]

A reconciliation of the income tax (income) / expense is as follows:

	31 December 2023	31 December 2022
Profit before income tax	725,281	(7,006)
Income tax at statutory tax rate (9%)	65,275	-
Income tax adjustments due to permanent differences are as follows:		
Share-based payment	296	265
Deferred use of tax allowance	69	43
Dividend income	(24,449)	(17,298)
Use of tax allowance in the current year	777	-
Amounts unenforceable by tax law	23	(182)
Change due to accounting policy (Visa)	1,068	-
Carryforward of unused tax losses	-	(1,234)
Deferred tax asset due to unused tax allowance	-	(12,102)
Correction due to local taxes classified as income taxes	7,196	-
Local taxes	21,545	16,793
Other	(1,507)	77
Income tax	**70,293**	**(13,638)**
Effective tax rate	9.7%	194.7%

	31 December 2023	31 December 2022
Current tax assets	-	1,569
Current tax liabilities	(14,393)	(3,199)
Net tax liabilities	**(14,393)**	**(1,630)**

NOTE 34: INCOME TAX (in HUF mn) [continued]

Global minimum tax

The global minimum tax legislation has been enacted, or substantively enacted, in certain jurisdictions the OTP Group operates, mainly in the EU Member States. OTP Group is in scope of the enacted global minimum tax legislation. The legislation will be effective for the Group's financial year beginning 1 January 2024 and introduces a minimum rate of effective taxation of 15%. The global minimum tax legislation has been adopted in Hungary in Act No. LXXXIV of 2023 on the top-up taxes ensuring a global minimum level of taxation and the amendment of related acts.

From an accounting perspective, it is unclear if the global minimum tax rules create additional temporary differences, whether to remeasure deferred taxes for the global minimum tax rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, IAS 12 'Income taxes' has been amended to introduce a mandatory temporary exception to the requirements of IAS 12. Under the mandatory temporary exception, a company does not recognize or disclose information about deferred tax assets and liabilities related to the global minimum tax rules. The Bank applied the temporary exception for the year ended 31 December 2023.
The Bank has performed an assessment of the Group's potential exposure to top-up taxes under the global minimum tax rules.

The assessment of the potential exposure to top-up taxes is based on the most recent information available regarding the financial performance of the group entities in the OTP Group. Based on the assessment, the Group has identified potential exposure to top-up taxes in respect of profits earned in Bulgaria, Hungary, Moldova and Serbia. The potential exposure comes from the constituent entities in these jurisdictions where the expected global minimum tax effective tax rate may be below 15% based on the currently available information. The global minimum tax effective tax rate may be lower in these jurisdictions generally due to the low nominal domestic tax rate. As for Hungary, it is difficult to reasonably estimate the global minimum tax effective tax for the following reasons. In Hungary, the most relevant taxes determining the global minimum tax effective tax rate are corporate income tax, local business tax and innovation contribution. Local business tax and innovation contribution (with a combined statutory rate of 2.3%) apply to profit categories significantly different from those considered for corporate income tax purposes (statutory rate of 9%). Therefore, the taxable income for corporate income tax purposes is significantly different and usually significantly lower than the taxable income for local business tax and innovation contribution purposes. The proportion of the different profit categories considered for corporate income tax and local business tax and innovation contribution purposes, respectively, in the total profit may vary year by year to a great extent raising difficulties with respect to the estimation of the global minimum tax effective tax rate with a reasonable certainty. The variation of the proportion of the various profit categories in the total profits may result in the global minimum tax effective tax rate being above 15% in one year and slightly below 15% in another. Furthermore, profits not subject to taxation can also impact on the global minimum tax effective tax rate.

Had the global minimum tax legislation been effective for the current year, the estimated global minimum tax income taxes would be approximately HUF 11,100 million in respect of Bulgaria, HUF 2,000 million in respect of Hungary, HUF 450 million in respect of Moldova and HUF 300 million in respect of Serbia. In respect of Hungary, the one-off income from the changes in the fair value of the OTP Bank Plc shares held by the Employee Stock Ownership Program was excluded from the global minimum tax calculation.

Based on the current status of the enactment of global minimum tax legislation, if top-up taxes arose in the jurisdictions potentially exposed to top-up taxes (Bulgaria, Hungary, Moldova and Serbia), OTP Bank Plc., being an ultimate parent entity, would be obliged to pay top-up taxes in respect of Moldova and Serbia. Any top-up taxes arising in respect of Bulgaria would be payable by the local entities in Bulgaria. As for Hungary, the Hungarian global minimum tax legislation provides for various options as to who is obliged to pay the Hungarian top-up (i.e., the Hungarian Group entities based on certain allocation ratios or OTP Bank Plc.). OTP group plans to choose the option where OTP Bank Plc pays the Hungarian top-up tax (if any). This decision may be revisited every year per the Hungarian global minimum legislation.

NOTE 35: LEASE (in HUF mn)

The Bank as a lessee:

Amounts recognised in profit and loss	**31 December 2023**	**31 December 2022**
Interest expense on lease liabilities	2,314	1,186
Expense relating to short-term leases	2,065	1,945
Expense relating to variable lease payments not included in the measurement of lease liabilities	1,662	1,386

Leasing liabilities by maturities:

	31 December 2023	**31 December 2022**
Within one year	7,595	5,944
Over one year	60,687	35,520
Total	**68,282**	**41,464**

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 2022	**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**
Additions due to new contracts	26,426	3,012	29,438
Derecognition due to matured contracts	(7,957)	(218)	(8,175)
Change due to revaluation and modification	4,293	1,749	6,042
Balance as at 31 December 2023	**80,124**	**6,530**	**86,654**
Depreciation			
Balance as at 1 January 2022	**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**
Depreciation charge	7,991	936	8,927
Derecognition due to matured contracts	(7,943)	(19)	(7,962)
Balance as at 31 December 2023	**19,428**	**1,004**	**20,432**
Net carrying amount			
Balance as at 31 December 2022	**37,982**	**1,900**	**39,882**
Balance as at 31 December 2023	**60,696**	**5,526**	**66,222**

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 2023:

	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	2,708,232	2,701,675	6,952	-	-	2,708,627	267	128	-	-	395	-
Placements with other banks	2,702,433	2,697,572	9,421	2,315	-	2,709,308	3,465	1,095	2,315	-	6,875	-
Repo receivables	201,658	202,025	-	-	-	202,025	367	-	-	-	367	-
Retail consumer loans	*572,912*	*488,231*	*128,101*	*19,811*	*1*	*636,144*	*15,471*	*33,192*	*14,568*	*1*	*63,232*	-
Mortgage loans	*53,996*	*41,172*	*7,232*	*4,823*	*1,988*	*55,215*	*38*	*189*	*813*	*179*	*1,219*	-
Municipal loans	*102,003*	*103,152*	*320*	-	-	*103,472*	*1,417*	*52*	-	-	*1,469*	-
Corporate loans	*3,952,448*	*3,213,155*	*746,233*	*65,434*	*9,121*	*4,033,943*	*16,783*	*36,390*	*27,544*	*778*	*81,495*	*22,637*
Loans at amortised cost	4,681,359	3,845,710	881,886	90,068	11,110	4,828,774	33,709	69,823	42,925	958	147,415	22,637
FVOCI debt instruments	538,350	507,477	-	30,873	-	538,350	1,425	-	22,920	-	24,345	-
Securities at amortised cost	2,710,848	2,696,310	5,961	34,802	-	2,737,073	13,350	273	12,602	-	26,225	-
Other financial assets	115,499	114,982	792	7,560	15	123,349	1,442	3,039	3,357	12	7,850	-
Total	**13,658,379**	**12,765,751**	**905,012**	**165,618**	**11,125**	**13,847,506**	**54,025**	**74,358**	**84,119**	**970**	**213,472**	**22,637**
Loan commitments	1,976,476	1,854,533	130,879	2,127	-	1,987,539	6,153	4,206	704	-	11,063	-
Financial guarantees	1,995,500	1,946,951	46,977	5,819	-	1,999,747	2,020	412	1,815	-	4,247	-
Factoring loan commitments	365,440	348,659	12,386	5,136	-	366,181	482	53	206	-	741	-
Bill of credit	8,586	8,626	-	-	-	8,626	40	-	-	-	40	-
Loan commitments and financial guarantees total	**4,346,002**	**4,158,769**	**190,242**	**13,082**	**-**	**4,362,093**	**8,695**	**4,671**	**2,725**	**-**	**16,091**	**-**

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 debt instruments	779,253	751,838	-	27,415	-	779,253	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	86,438	85,277	486	4,561	18	90,342	1,435	369	2,088	12	3,904	-
Total	**13,211,660**	**12,504,532**	**712,938**	**218,111**	**13,015**	**13,448,596**	**84,992**	**59,825**	**119,576**	**1,704**	**266,097**	**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]

36.1.2. Financial instruments under simplified approach by day-past-due categories

As at 31 December 2023

	Without delay	< 30 days	31 - 60 days	61 - 90 days	> 91 days	Closing balance
Expected credit loss rate	**0.72%**	**0.69%**	**5.17%**	**9.39%**	**21.06%**	**2.02%**
Gross value	161,963	8,459	968	309	11,307	183,006
Loss allowance	1,173	58	50	29	2,381	3,691
Net carrying value	**163,136**	**8,517**	**1,018**	**338**	**13,688**	**186,697**

As at 31 December 2022

	Without delay	< 30 days	31 - 60 days	61 - 90 days	> 91 days	Closing balance
Expected credit loss rate	**0.27%**	**0.77%**	**2.09%**	**5.75%**	**26.11%**	**1.82%**
Gross value	144,046	15,620	1,912	487	9,744	171,809
Loss allowance	389	121	40	28	2,544	3,122
Net carrying value	**144,435**	**15,741**	**1,952**	**515**	**12,288**	**174,931**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.3. Changes in the Gross carrying amount and in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages

Movement of gross carrying amount of loans at amortised cost

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January 2022	3,501,643	563,982	108,979	13,418	4,188,022
Transfer to Stage 1	128,623	(125,232)	(3,391)	-	-
Transfer to Stage 2	(195,786)	205,613	(9,827)	-	-
Transfer to Stage 3	(34,487)	(41,649)	76,136	-	-
New financial assets originated or purchased	2,684,856	249,182	44,325	291	2,978,654
Financial assets derecognised (other than write-offs)	(1,899,139)	(184,121)	(60,292)	(672)	(2,144,224)
Write-offs	(70)	(354)	(7,211)	(40)	(7,675)
Modification loss	(9,257)	(3,234)	(2,366)	-	(14,857)
Gross amount as at 31 December 2022	**4,176,383**	**664,187**	**146,353**	**12,997**	**4,999,920**
Transfer to Stage 1	125,054	(105,061)	(19,993)	-	-
Transfer to Stage 2	(448,120)	461,067	(12,947)	-	-
Transfer to Stage 3	(24,935)	(29,379)	54,314	-	-
New financial assets originated or purchased	2,227,406	200,034	28,678	1,163	2,457,281
Financial assets derecognised (other than write-offs)	(2,203,558)	(306,780)	(100,045)	(2,970)	(2,613,353)
Write-offs	(61)	(578)	(5,338)	(80)	(6,057)
Modification loss	(6,459)	(1,604)	(954)	-	(9,017)
Gross amount as at 31 December 2023	**3,845,710**	**881,886**	**90,068**	**11,110**	**4,828,774**

Movement of loss allowance of loans at amortised cost

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2022	**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**
Transfer to Stage 1	21,673	(9,755)	(11,918)	-	-
Transfer to Stage 2	(5,037)	12,425	(7,388)	-	-
Transfer to Stage 3	(497)	(3,906)	4,403	-	-
Net remeasurement of loss allowance	(21,553)	13,435	1,920	(701)	(6,899)
New financial assets originated or purchased	14,620	8,468	4,717	14	27,819
Financial assets derecognised (other than write-offs)	(13,800)	(7,317)	(26,425)	(47)	(47,589)
Unwind of discount	-	-	5,181	80	5,261
Write-offs	(61)	(578)	(5,338)	(80)	(6,057)
Loss allowance as at 31 December 2023	**33,709**	**69,823**	**42,925**	**958**	**147,415**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.3. Changes in the Gross carrying amount and in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]

Movement of gross carrying amount of loan commitments and financial guarantees

	Stage 1	Stage 2	Stage 3	Total
Gross amount as at 1 January 2022	**3,549,739**	**77,568**	**10,373**	**3,637,680**
Transfer to Stage 1	27,955	(27,324)	(631)	-
Transfer to Stage 2	(114,601)	114,978	(377)	-
Transfer to Stage 3	(17,137)	(1,704)	18,841	-
New financial assets originated or purchased	1,344,993	55,461	15,484	1,415,938
Decrease	(857,132)	(77,515)	(7,191)	(941,838)
Gross amount as at 31 December 2022	**3,933,817**	**141,464**	**36,499**	**4,111,780**
Transfer to Stage 1	60,083	(58,857)	(1,225)	-
Transfer to Stage 2	(158,404)	159,071	(667)	-
Transfer to Stage 3	(9,460)	(2,028)	11,488	-
New financial assets originated or purchased	1,195,949	64,939	1,451	1,262,339
Decrease	(863,217)	(114,347)	(34,464)	(1,012,027)
Gross amount as at 31 December 2023	**4,158,768**	**190,242**	**13,082**	**4,362,092**

Movement of loss allowance of loan commitments and financial guarantees

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**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**
Transfer to Stage 1	2,410	(1,888)	(522)	-
Transfer to Stage 2	(787)	1,022	(235)	-
Transfer to Stage 3	(26)	(242)	268	-
Net remeasurement of loss allowance	(10,128)	1,584	1,669	(6,875)
New financial assets originated or purchased	2,985	514	212	3,711
Decrease	(2,406)	(792)	(1,178)	(4,376)
Loss allowance as at 31 December 2023	**8,690**	**4,671**	**2,731**	**16,092**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.3. Changes in the Gross carrying amount and in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]

Movement of gross carrying amount of cash, amounts due from banks and balances with the National Bank of Hungary

	Stage 1	Stage 2	Total
Gross amount as at 1 January 2022	**475,130**	**-**	**475,130**
Transfer to Stage 2	(13)	13	-
New financial assets originated or purchased	2,881,995	31,292	2,913,287
Financial assets derecognised (other than write-offs)	(2,294,866)	-	(2,294,866)
Gross amount as at 31 December 2022	**1,062,246**	**31,305**	**1,093,551**
New financial assets originated or purchased	14,858,652	137	14,858,788
Financial assets derecognised (other than write-offs)	(13,219,223)	(24,490)	(13,243,712)
Gross amount as at 31 December 2023	**2,701,675**	**6,952**	**2,708,627**

Movement of loss allowance of cash, amounts due from banks and balances with the National Bank of Hungary

	Stage 1	Stage 2	Total
Loss allowance as at 1 January 2022	**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**
Transfer to Stage 2	-	-	-
Net remeasurement of loss allowance	46	(744)	(698)
New financial assets originated or purchased	30	-	30
Financial assets derecognised (other than write-offs)	(290)	-	(290)
Loss allowance as at 31 December 2023	**267**	**128**	**395**

Movement of gross carrying amount of placements with other banks

	Stage 1	Stage 2	Stage 3	Total
Gross amount as at 1 January 2022	**2,573,226**	**-**	**1,476**	**2,574,702**
Transfer to Stage 2	(8,855)	8,855	-	-
New financial assets originated or purchased	2,894,611	2,006	36	2,896,653
Financial assets derecognised (other than write-offs)	(2,552,130)	(614)	-	(2,552,744)
Gross amount as at 31 December 2022	**2,906,852**	**10,247**	**1,512**	**2,918,611**
New financial assets originated or purchased	1,441,924	9,986	887	1,452,797
Financial assets derecognised (other than write-offs)	(1,651,204)	(10,813)	(84)	(1,662,100)
Gross amount as at 31 December 2023	**2,697,572**	**9,421**	**2,315**	**2,709,308**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.3. Changes in the Gross carrying amount and in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]

Movement of loss allowance of placements with other banks

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**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**
Net remeasurement of loss allowance	(9,159)	3	(84)	(9,240)
New financial assets originated or purchased	1,418	1,091	887	3,396
Financial assets derecognised (other than write-offs)	(4,831)	(1,232)	-	(6,063)
Loss allowance as at 31 December 2023	**3,465**	**1,095**	**2,315**	**6,875**

Movement of gross carrying amount of repo receivables

	Stage 1	Total
Loss allowance as at 1 January 2022	**33,710**	**33,710**
New financial assets originated or purchased	769,374	769,374
Financial assets derecognised (other than write-offs)	(554,388)	(554,388)
Loss allowance as at 31 December 2022	**248,696**	**248,696**
New financial assets originated or purchased	1,808,640	1,808,640
Financial assets derecognised (other than write-offs)	(1,855,311)	(1,855,311)
Loss allowance as at 31 December 2023	**202,025**	**202,025**

Movement of loss allowance of repo receivables

	Stage 1	Total
Loss allowance as at 1 January 2022	**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**
New financial assets originated or purchased	1,825	1,825
Financial assets derecognised (other than write-offs)	(2,167)	(2,167)
Loss allowance as at 31 December 2023	**367**	**367**

Movement of gross carrying amount of securities at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Gross amount as at 1 January 2022	**3,064,500**	**13,223**	**-**	**3,077,723**
Transfer to Stage 3	(34,057)	-	34,057	-
New financial assets originated or purchased	717,463	1,591	4,213	723,267
Financial assets derecognised (other than write-offs)	(474,666)	(8,101)	-	(482,767)
Gross amount as at 31 December 2022	**3,273,240**	**6,713**	**38,270**	**3,318,223**
Transfer to Stage 1	1,403	(1,403)	-	-
Transfer to Stage 2	(1,203)	1,203	-	-
New financial assets originated or purchased	199,101	3	-	199,104
Financial assets derecognised (other than write-offs)	(776,230)	(554)	(3,468)	(780,253)
Loss allowance as at 31 December 2023	**2,696,311**	**5,961**	**34,802**	**2,737,074**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.3. Changes in the Gross carrying amount and in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]

Movement of loss allowance of securities at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**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**
Net remeasurement of loss allowance	(5,424)	(27)	(1,202)	(6,653)
New financial assets originated or purchased	163	-	-	163
Financial assets derecognised (other than write-offs)	(3,135)	-	-	(3,135)
Loss allowance as at 31 December 2023	**13,350**	**273**	**12,602**	**26,225**

Movement of gross carrying amount of FVOCI debt instruments

	Stage 1	Stage 3	Total
Loss allowance as at 1 January 2022	**624,801**	**-**	**624,801**
Transfer to Stage 3	(27,415)	27,415	-
New financial assets originated or purchased	423,279	-	423,279
Financial assets derecognised (other than write-offs)	(268,827)	-	(268,827)
Loss allowance as at 31 December 2022	**751,838**	**27,415**	**779,253**
New financial assets originated or purchased	164,182	3,480	167,662
Financial assets derecognised (other than write-offs)	(408,543)	(21)	(408,564)
Loss allowance as at 31 December 2023	**507,477**	**30,873**	**538,350**

Movement of loss allowance of FVOCI debt instruments

	Stage 1	Stage 3	Total
Loss allowance as at 1 January 2022	**1,174**	**-**	**1,174**
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**
Net remeasurement of loss allowance	(1,741)	(1,479)	(3,220)
New financial assets originated or purchased	172	-	172
Financial assets derecognised (other than write-offs)	(1,768)	-	(1,768)
Loss allowance as at 31 December 2023	**1,425**	**22,920**	**24,345**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.4. Loan portfolio by internal ratings

31 December 2023	Gross carrying amount				
Internal rating grade	**Stage1**	**Stage2**	**Stage3**	**POCI**	**Total**
High grade (1-4)	1,748,019	155,527	-	275	**1,903,821**
Medium grade (5-7)	2,030,681	572,339	-	9,136	**2,612,156**
Low grade (8-9)	67,010	154,020	-	195	**221,225**
Non performing	-	-	90,068	1,504	**91,572**
Total	**3,845,710**	**881,886**	**90,068**	**11,110**	**4,828,774**

	Accumulated loss allowance				
Internal rating grade	**Stage1**	**Stage2**	**Stage3**	**POCI**	**Total**
High grade (1-4)	9,485	8,791	-	3	**18,279**
Medium grade (5-7)	19,488	39,153	-	462	**59,103**
Low grade (8-9)	4,736	21,879	-	6	**26,621**
Non performing	-	-	42,925	487	**43,412**
Total	**33,709**	**69,823**	**42,925**	**958**	**147,415**

31 December 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**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.5. Loan portfolio by countries

An analysis of carrying amount of the non-qualified and qualified gross loan portfolio by country is as follows:

	31 December 2023		31 December 2022	
Country	**Gross loan and placements with other banks portfolio**	**Loss allowance**	**Gross loan and placements with other banks portfolio**	**Loss allowance**
Hungary	5,406,144	(126,770)	5,651,445	(147,446)
Malta	647,521	(1,220)	772,898	(3,857)
Bulgaria	351,368	(3,123)	272,449	(10,736)
Slovenia	245,018	(1,520)	101,842	(261)
Serbia	243,010	(3,697)	251,812	(6,204)
Croatia	195,198	(433)	149,993	(1,424)
Romania	149,356	(3,206)	197,255	(3,741)
France	123,582	(84)	255,918	(969)
Ukraine	83,328	(1,579)	86,329	(2,393)
Belgium	55,535	(154)	38,227	(107)
Other	240,047	(12,871)	389,059	(18,691)
Loans, placements with other banks and repo receivables at amortised cost total	**7,740,107**	**(154,657)**	**8,167,227**	**(195,829)**
Hungary	934,824	-	793,228	-
Other	24	-	14	-
Loans at fair value total	**934,848**	**-**	**793,242**	**-**
Loans, placements with other banks and repo receivables total	**8,674,955**	**(154,657)**	**8,960,469**	**(195,829)**

36.1.6. Loan portfolio classification by economic activities

Loans at amortised cost by economic activities	**31 December 2023**		**31 December 2022**	
	Gross amount	**Loss allowance**	**Gross amount**	**Loss allowance**
Retail	758,426	66,372	645,496	71,024
Agriculture, forestry and fishing	215,325	5,649	211,875	6,025
Manufacturing, mining and quarrying and other industry	492,620	14,746	587,190	18,211
Construction	202,542	8,896	231,015	5,580
Wholesale and retail trade, transportation and storage accommodation and food service activities	733,631	17,259	833,618	18,674
Information and communication	24,086	618	25,404	1,027
Financial and insurance activities	1,215,215	7,965	1,183,848	14,903
Real estate activities	503,510	17,113	471,772	10,995
Professional, scientific, technical, administration	242,818	4,106	231,335	3,864
Public administration, defence, education, human health and social work activities	119,196	1,704	99,593	1,592
Other services	321,405	2,987	478,774	22,985
Total	**4,828,774**	**147,415**	**4,999,920**	**174,880**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.7. 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	31 December 2023	31 December 2022
Mortgages	1,977,401	1,859,713
Guarantees and warranties	1,961,382	2,082,418
Deposit	214,085	174,247
from this: Cash	*94,486*	*95,836*
Securities	*119,599*	*78,411*
Other	147	254
Total	**4,153,015**	**4,116,632**

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	31 December 2023	31 December 2022
Mortgage	1,523,976	1,445,244
Guarantees and warranties	1,662,645	1,755,474
Deposit	145,591	133,000
from this: Cash	*89,211*	*84,225*
Securities	*56,380*	*48,775*
Other	90	254
Total	**3,332,302**	**3,333,972**

The coverage level of loan portfolio to the extent of the exposures increased from 42,1% to 44,21% as at 31 December 2023, while the coverage to the total collateral value decreased from 51,99% to 55,09%.

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 2023	Gross carrying amount	Loss allowance	Carrying amount	Collateral value
Retail consumer loans	19,812	(14,569)	5,243	644
Mortgage loans	6,811	(992)	5,819	33,515
Corporate loans	74,555	(28,322)	46,233	82,595
Total	**101,178**	**(43,883)**	**57,295**	**116,754**

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**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.7. Collaterals [continued]

Maximum exposure to credit risk as at 31 December 2023

31 December 2023	Maximum exposure to credit risk	Fair value of collateral Cash	Securities	Guarantees	Property	Other	Offsetting arrangements	Surplus	Collateral total	Net exposure	Coverage	ECL
Cash, amounts due from banks and balances with the National Bank of Hungary	2,708,627	-	-	-	-	-	-	-	-	2,708,627	0%	395
Placements with other banks	2,709,308	-	-	-	-	-	-	-	-	2,709,308	0%	6,875
Repo receivables	*202,025*	-	*220,654*	-	-	-	-	*(21,868)*	*198,786*	3,239	98%	367
Retail consumer loans	*636,144*	*1,621*	*204*	*1,941*	*16,620*	-	-	*(7,128)*	*13,258*	622,886	2%	*63,232*
Mortgage loans	*55,215*	-	-	*2,515*	*386,730*	-	-	*(334,122)*	*55,123*	92	100%	*1,219*
Municipal loans	*103,472*	*1*	-	*9,191*	*11,913*	-	-	*(5,990)*	*15,115*	88,357	15%	*1,469*
Corporate loans	*6,387,663*	*42,390*	*255,404*	*903,666*	*2,599,109*	*242*	-	*(1,704,294)*	*2,096,517*	4,291,146	33%	*93,299*
Loans at amortised cost	7,182,494	44,012	255,608	917,313	3,014,372	242	-	(2,051,534)	2,180,013	5,002,481	30%	159,219
Securities at amortised cost	2,737,073	-	-	-	-	-	-	-	-	2,737,073	0%	26,225
Financial assets at amortised cost total	**15,539,527**	**44,012**	**476,262**	**917,313**	**3,014,372**	**242**	**-**	**(2,073,402)**	**2,378,799**	**13,160,728**	**15%**	**193,081**
Derivative financial assets	218,427	76,853	-	-	-	-	60,721	-	*137,574*	80,853	63%	-
Held-for-trading financial assets	27,804	-	-	-	-	-	-	-	-	27,804	0%	-
mFVTPL securities	32,932	-	-	-	-	-	-	-	-	32,932	0%	-
mFVTPL loans	934,848	-	-	865,054	-	-	-	(44,555)	*820,499*	114,349	88%	-
Financial assets at fair value through profit or loss total	**1,214,011**	**76,853**	**-**	**865,054**	**-**	**-**	**60,721**	**(44,555)**	**958,073**	**255,938**	**79%**	**-**
FVOCI debt instruments	538,350	-	-	-	-	-	-	-	-	538,350	0%	24,345
FVOCI debt instruments total	**538,350**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**538,350**	**0%**	**24,345**
Financial assets total	**17,291,888**	**120,865**	**476,262**	**1,782,367**	**3,014,372**	**242**	**60,721**	**(2,117,957)**	**3,336,872**	**13,955,016**	**19%**	**217,426**
Financial guarantees	1,999,747	47,241	1,801	19,442	157,085	-	-	(44,554)	*181,015*	1,818,732	9%	4,247
Accreditive	8,626	-	-	-	-	-	-	-	-	8,626	0%	40
Off-balance sheet items total	**2,008,373**	**47,241**	**1,801**	**19,442**	**157,085**	**-**	**-**	**(44,554)**	**181,015**	**1,827,358**	**9%**	**4,287**
Total	**19,300,261**	**168,106**	**478,063**	**1,801,809**	**3,171,457**	**242**	**60,721**	**(2,162,511)**	**3,517,887**	**15,782,374**	**18%**	**221,713**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.7. Collaterals [continued]

Maximum exposure to credit risk as at 31 December 2022

31 December 2022	**Maximum exposure to credit risk**	**Fair value of collateral**										
		Cash	**Securities**	**Guarantees**	**Property**	**Other**	**Offsetting arrangements**	**Surplus**	**Collateral total**	**Net exposure**	**Coverage**	**ECL**
Cash, amounts due from banks and balances with the National Bank of Hungary	1,093,551	-	-	-	-	-	-	-	-	1,093,551	0%	1,353
Placements with other banks	2,918,611	-	-	-	-	-	-	-	-	2,918,611	0%	18,782
Repo receivables	*248,696*	-	*263,052*	-	-	-	-	*(22,355)*	*240,697*	7,999	97%	2,167
Retail consumer loans	*626,285*	*3,256*	*3,521*	*4,639*	*17,514*	-	-	*(20,839)*	*8,091*	618,194	1%	*70,223*
Mortgage loans	*64,125*	-	-	*2,788*	*378,794*	-	-	*(317,578)*	*64,004*	121	100%	*1,538*
Municipal loans	*82,142*	*1*	-	*11,234*	*9,813*	-	-	*(4,713)*	*16,335*	65,807	20%	*1,059*
Corporate loans	*6,452,949*	*32,658*	*224,172*	*1,047,739*	*2,415,367*	*13*	-	*(1,649,512)*	*2,070,437*	4,382,512	32%	*115,254*
Loans at amortised cost	7,225,501	35,915	227,693	1,066,400	2,821,488	13	-	(1,992,642)	2,158,867	5,066,634	30%	188,074
Securities at amortised cost	3,318,223	-	-	-	-	-	-	-	-	3,318,223	0%	35,850
Financial assets at amortised cost total	**14,804,582**	**35,915**	**490,745**	**1,066,400**	**2,821,488**	**13**	**-**	**(2,014,997)**	**2,399,564**	**12,405,018**	**16%**	**246,226**
Derivative financial assets	351,939	90,551	-	-	-	-	103,014	-	*193,565*	158,374	55%	-
Held-for-trading financial assets	74,795	-	-	-	-	-	-	-	-	74,795	0%	-
mFVTPL securities	30,498	-	-	-	-	-	-	-	-	30,498	0%	-
mFVTPL loans	793,242	-	-	814,544	-	-	-	(80,161)	*734,383*	58,859	93%	-
Financial assets at fair value through profit or loss total	**1,250,474**	**90,551**	**-**	**814,544**	**-**	**-**	**103,014**	**(80,161)**	**927,948**	**322,526**	**74%**	**-**
FVOCI debt instruments	779,253	-	-	-	-	-	-	-	-	779,253	0%	29,161
FVOCI debt instruments total	**779,253**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**779,253**	**0%**	**29,161**
Financial assets total	**16,834,309**	**126,466**	**490,745**	**1,880,944**	**2,821,488**	**13**	**103,014**	**(2,095,158)**	**3,327,512**	**13,506,797**	**20%**	**275,387**
Financial guarantees	1,873,824	47,628	1,392	19,595	50,382	-	-	(63,330)	*55,667*	1,818,157	3%	10,348
Accreditive	12,375	-	-	-	-	-	-	-	-	12,375	0%	90
Off-balance sheet items total	**1,886,199**	**47,628**	**1,392**	**19,595**	**50,382**	**-**	**-**	**(63,330)**	**55,667**	**1,830,532**	**3%**	**10,438**
Total	**18,720,508**	**174,094**	**492,137**	**1,900,539**	**2,871,870**	**13**	**103,014**	**(2,158,488)**	**3,383,179**	**15,337,329**	**18%**	**285,825**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.7. Collaterals

Returns from realization of collaterals taken into possession by types of collateral

Types of collateral	31 December 2023	31 December 2022
Real estate	178	203
Guarantee	25,509	30,863
Bail	-	140
Other	80	236
Proceeds from enforcement of collaterals	**25,767**	**31,442**

36.1.8. Restructured loans

	31 December 2023		31 December 2022	
	Gross portfolio	Loss allowance	Gross portfolio	Loss allowance
Consumer loans	12,757	(7,064)	22,947	(6,279)
Mortgage loans	1,829	(65)	6,342	(114)
Corporate loans	103,897	(5,312)	181,496	(21,820)
SME loans	21,555	(1,508)	40,422	(2,951)
Municipal loans	75	(1)	-	-
Total	**140,114**	**(13,949)**	**251,208**	**(31,165)**

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]

36.1.9. Financial instruments by rating categories[1]

Held-for-trading securities as at 31 December 2023

	A2	A3	Aa2	Aa3	Aaa	B1	Ba1	Ba2	Ba3	Baa1	Baa2	Baa3	N/A	Total
Government bonds	532	-	23	-	27	625	-	540	-	-	19,695	910	-	22,352
Other bonds	-	-	-	-	-	-	-	-	-	-	2,212	40	2,185	4,437
Investment fund units	-	-	-	-	-	-	-	-	-	-	-	-	320	320
Hungarian government discounted Treasury Bills	-	-	-	-	-	-	-	-	-	-	71	-	-	71
Shares	56	33	23	52	-	-	39	-	4	17	20	2	267	513
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	16	95	111
Total	**588**	**33**	**46**	**52**	**27**	**625**	**39**	**540**	**4**	**17**	**21,998**	**968**	**2,867**	**27,804**

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**

Securities mandatorily measured at fair value through profit or loss as at 31 December 2023

	N/A	Total
Government bonds	31,124	31,124
Mortgage bonds	1,808	1,808
Total	**32,932**	**32,932**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.9. Financial instruments by rating categories[1]

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**

FVOCI securities as at 31 December 2023

	A1	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	WR	Total
Government bonds	660	-	6,259	4,082	144,857	2,654	-	30,873	189,385
Mortgage bonds	59,793	-	-	-	-	231,895	8,881	-	300,569
Other bonds	-	3,840	24,424	-	-	-	19,896	-	48,160
Hungarian Treasury Bills	-	-	-	-	235	-	1	-	236
Non-treading equity instruments	-	-	-	-	-	-	21,177	-	21,177
Total	**60,453**	**3,840**	**30,683**	**4,082**	**145,092**	**234,549**	**49,955**	**30,873**	**559,527**

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**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.9. Financial instruments by rating categories[1]

Securities at amortised cost as at 31 December 2023

	A1	A2	A3	Aaa	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	WR	Total
Government bonds	1,196	33,032	36,307	260,116	-	19,695	50,205	1,911,133	39,052	1	22,175	2,372,912
Corporate bonds	1,847	8,983	8,039	-	1,912	-	11,444	3,822	28,324	248,857	-	313,228
Mortgage bonds	13,020	-	-	-	-	-	-	-	-	11,688	-	24,708
Total	**16,063**	**42,015**	**44,346**	**260,116**	**1,912**	**19,695**	**61,649**	**1,914,955**	**67,376**	**260,546**	**22,175**	**2,710,848**

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**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.10. Securities (held for trading, mandatorily FVTPL, FVOCI and amortised cost) in a country breakdown

Country	31 December 2023		31 December 2022	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Hungary	1,975,451	(12,904)	2,412,543	(19,158)
United States of America	370,997	(672)	418,900	(1,234)
Luxembourg	265,082	(3,968)	223,256	(4,804)
Spain	53,209	(82)	56,375	(365)
Russia	24,978	(8,533)	27,064	(9,246)
Portugal	16,284	(21)	16,979	(101)
Serbia	-	-	140,116	(867)
Other	31,072	(45)	22,990	(75)
Securities at amortised cost total	**2,737,073**	**(26,225)**	**3,318,223**	**(35,850)**
Hungary	395,183	-	664,813	-
Luxembourg	93,077	-	62,549	-
Other	50,090	-	51,891	-
FVOCI debt instruments total	**538,350**	**-**	**779,253**	**-**
United States of America	6,332	-	5,479	-
Austria	14,317	-	11,914	-
Other	528	-	529	-
Non-trading equity instruments designated to measure at fair value through other comprehensive income	**21,177**	**-**	**17,922**	**-**
Luxembourg	10,167	-	1,248	-
United States of America	7,633	-	1,894	-
Hungary	8,849	-	67,448	-
Serbia	147	-	3,668	-
Other	1,008	-	537	-
Held for trading securities total	**27,804**	**-**	**74,795**	**-**
Hungary	23,916	-	21,124	-
Luxembourg	6,058	-	6,885	-
United States of America	1,808	-	1,469	-
Portugal	1,150	-	1,020	-
Securities mandatorily measured at fair value through profit or loss	**32,932**	**-**	**30,498**	**-**
Securities total	**3,357,336**	**(26,225)**	**4,220,691**	**(35,850)**

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 2023.

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]

As at 31 December 2023	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	2,708,628	-	-	-	-	2,708,628
Placements with other banks	577,692	120,424	1,294,775	716,538	-	2,709,429
Repo receivables	202,024	-	-	-	-	202,024
Financial assets at fair value through profit or loss	12,055	1,142	10,053	3,754	19,341	46,345
Securities at fair value through other comprehensive income	5,891	43,109	310,370	231,586	111,159	702,115
Securities at amortised cost	31,807	61,118	1,730,399	974,048	-	2,797,372
Loans at amortised cost	1,187,849	1,084,559	1,632,019	1,049,524	-	4,953,951
Loans mandatorily measured at fair value through profit or loss	22,541	23,591	144,052	706,726	-	896,910
Investment properties	-	-	-	-	4,203	4,203
Investments in subsidiaries, associates and other investments	-	-	-	-	2,001,951	2,001,951
Other financial assets	304,197	2,517	-	-	-	306,714
TOTAL ASSETS	**5,052,684**	**1,336,460**	**5,121,668**	**3,682,176**	**2,136,654**	**17,329,642**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	517,908	147,923	846,764	283,882	-	1,796,477
Deposits from customers	10,578,617	131,343	15,091	9,274	-	10,734,325
Repo liabilities	196,811	5,347	241,536	-	-	443,694
Liabilities from issued securities	105,747	82,140	969,875	-	-	1,157,762
Subordinated bonds and loans	6,174	1,901	8,956	509,277	-	526,308
Financial liabilities at fair value through profit or loss	740	1,077	5,387	11,318	-	18,522
Leasing liabilities	1,794	5,716	41,884	18,888	-	68,282
Other financial liabilities	239,293	22,807	1,578	-	-	263,678
TOTAL LIABILITIES	**11,647,084**	**398,254**	**2,131,071**	**832,639**	**-**	**15,009,048**
NET POSITION	**(6,594,400)**	**938,206**	**2,990,597**	**2,849,537**	**2,136,654**	**2,320,594**
Receivables from derivative financial instruments classified as held for trading	8,329,035	1,398,729	972,506	250,098	-	10,950,368
Liabilities from derivative financial instruments classified as held for trading	(8,172,061)	(1,388,901)	(1,008,090)	(247,029)	-	(10,816,081)
Net position of derivative financial instruments classified as held for trading	***156,974***	***9,828***	***(35,584)***	***3,069***	***-***	***134,287***
Receivables from derivative financial instruments designated as hedge accounting	86,989	283,374	759,903	211,105	-	1,341,371
Liabilities from derivative financial instruments designated as hedge accounting	(84,445)	(297,109)	(1,810,394)	(204,953)	-	(2,396,901)
Net position of derivative financial instruments designated as hedging accounting	**2,544**	**(13,735)**	**(1,050,491)**	**6,152**	**-**	**(1,055,530)**
Net position of derivative financial instruments total	**159,518**	**(3,907)**	**(1,086,075)**	**9,221**	**-**	**(921,243)**
Commitments to extend credit	1,987,539	-	-	-	-	1,987,539
Confirmed letters of credit	8,626	-	-	-	-	8,626
Factoring loan commitment	366,181	-	-	-	-	366,181
Bank guarantees	268,861	210,113	265,867	1,254,906	-	1,999,747
Off-balance sheet commitments	**2,631,207**	**210,113**	**265,867**	**1,254,906**	**-**	**4,362,093**

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 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
Investment properties	-	-	-	-	4,207	4,207
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]

36.3. Net foreign currency position and foreign currency risk

As at 31 December 2023

	USD	EUR	CHF	Others	Total
Assets	648,226	3,613,710	7,769	232,728	4,502,433
Liabilities	(956,648)	(4,373,571)	(62,142)	(92,143)	(5,484,504)
Derivative financial instruments	299,135	433,387	54,576	(137,542)	649,556
Net position	**(9,287)**	**(326,474)**	**203**	**3,043**	**(332,515)**

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**

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]

31 December 2023	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	**2,180,950**	**332,909**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**178,193**	**16,180**	**2,359,143**	**349,089**	**2,708,232**
fixed interest	13,951	332,909	-	-	-	-	-	-	-	-	-	-	13,951	332,909	346,860
variable interest	2,166,999	-	-	-	-	-	-	-	-	-	-	-	2,166,999	-	2,166,999
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	178,193	16,180	178,193	16,180	194,373
Placements with other banks	**338,152**	**78,034**	**123,031**	**624,268**	**43,151**	**143,091**	**147,777**	**9,564**	**1,036,999**	**73,162**	**68,897**	**16,306**	**1,758,007**	**944,425**	**2,702,432**
fixed interest	11,436	4,556	63,267	1,928	29,036	15,785	147,777	9,564	1,036,999	73,162	-	-	1,288,515	104,995	1,393,510
variable interest	326,716	73,478	59,764	622,340	14,115	127,306	-	-	-	-	-	-	400,595	823,124	1,223,719
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	68,897	16,306	68,897	16,306	85,203
Repo receivables	**201,658**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**201,658**	**-**	**201,658**
fixed interest	129,541	-	-	-	-	-	-	-	-	-	-	-	129,541	-	129,541
variable interest	72,117	-	-	-	-	-	-	-	-	-	-	-	72,117	-	72,117
Securities held for trading	**225**	**5,515**	**625**	**6,253**	**1,240**	**95**	**2,293**	**844**	**3,112**	**6,769**	**217**	**616**	**7,712**	**20,092**	**27,804**
fixed interest	-	5,515	71	6,253	948	95	2,287	844	3,112	6,769	-	-	6,418	19,476	25,894
variable interest	225	-	554	-	292	-	6	-	-	-	-	-	1,077	-	1,077
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	217	616	217	616	833
Securities mandatorily measured at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,917**	**9,015**	**23,917**	**9,015**	**32,932**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	23,917	9,015	23,917	9,015	32,932
Securities at fair value through other comprehensive income	**150,415**	**-**	**46**	**351**	**9,781**	**3,040**	**78,451**	**16,710**	**156,490**	**123,066**	**528**	**20,649**	**395,711**	**163,816**	**559,527**
fixed interest	19	-	44	351	9,781	3,040	78,451	16,710	156,490	123,066	-	-	244,785	143,167	387,952
variable interest	150,396	-	2	-	-	-	-	-	-	-	-	-	150,398	-	150,398
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	528	20,649	528	20,649	21,177

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

31 December 2023	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	**768,234**	**493,557**	**327,609**	**1,390,931**	**71,453**	**110,398**	**216,734**	**23,518**	**988,290**	**132,552**	**116,716**	**41,367**	**2,489,036**	**2,192,323**	**4,681,359**
fixed interest	26,634	1,520	14,684	304	62,798	4,198	215,943	23,518	981,880	132,552	-	-	1,301,939	162,092	1,464,031
variable interest	741,600	492,037	312,925	1,390,627	8,655	106,200	791	-	6,410	-	-	-	1,070,381	1,988,864	3,059,245
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	116,716	41,367	116,716	41,367	158,083
Loans mandatorily measured at fair value through profit or loss	**21,569**	**-**	**19**	**-**	**181,484**	**-**	**221,779**	**-**	**509,997**	**-**	**-**	**-**	**934,848**	**-**	**934,848**
variable interest	21,569	-	19	-	181,484	-	221,779	-	509,997	-	-	-	934,848	-	934,848
Securities at amortised cost	**517**	**2,137**	**-**	**4,623**	**60,738**	**-**	**415,720**	**31,462**	**1,478,085**	**717,567**	**-**	**-**	**1,955,060**	**755,789**	**2,710,849**
fixed interest	517	2,137	-	-	60,738	-	415,720	31,462	1,478,085	717,567	-	-	1,955,060	751,166	2,706,226
variable interest	-	-	-	4,623	-	-	-	-	-	-	-	-	-	4,623	4,623
Other financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**233,545**	**64,940**	**233,545**	**64,940**	**298,485**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	233,545	64,940	233,545	64,940	298,485
Derivative financial instruments	**751,222**	**2,070,427**	**961,287**	**1,413,811**	**481,235**	**724,587**	**54,251**	**107,615**	**297,986**	**230,493**	**581,836**	**165,708**	**3,127,817**	**4,712,641**	**7,840,458**
fixed interest	643,342	2,008,291	364,434	1,025,182	321,153	444,680	54,251	107,375	297,986	228,099	-	-	1,681,166	3,813,627	5,494,793
variable interest	107,880	62,136	596,853	388,629	160,082	279,907	-	240	-	2,394	-	-	864,815	733,306	1,598,121
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	581,836	165,708	581,836	165,708	747,544

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

31 December 2023	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	**211,121**	**241,637**	**15,233**	**125,710**	**30,529**	**78,404**	**223,700**	**301,093**	**431,599**	**60,060**	**31,626**	**10,867**	**943,808**	**817,771**	**1,761,579**
fixed interest	170,042	11,432	15,232	268	30,481	78,399	223,700	301,093	431,599	60,060	-	-	871,054	451,252	1,322,306
variable interest	41,079	230,205	1	125,442	48	5	-	-	-	-	-	-	41,128	355,652	396,780
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	31,626	10,867	31,626	10,867	42,493
Financial liabilities designated to measure at fair value through profit or loss	**19,761**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25**	**-**	**-**	**-**	**19,786**	**-**	**19,786**
fixed interest	-	-	-	-	-	-	-	-	25	-	-	-	25	-	25
variable interest	19,761	-	-	-	-	-	-	-	-	-	-	-	19,761	-	19,761
Repo liabilities	**95,146**	**101,665**	**-**	**-**	**-**	**-**	**195,405**	**19,825**	**-**	**31,653**	**-**	**-**	**290,551**	**153,143**	**443,694**
fixed interest	24,572	101,665	-	-	-	-	195,405	19,825	-	31,653	-	-	219,977	153,143	373,120
variable interest	70,574	-	-	-	-	-	-	-	-	-	-	-	70,574	-	70,574
Deposits from customers	**7,520,231**	**2,875,160**	**156,216**	**34,561**	**75,793**	**37,149**	**-**	**-**	**7**	**-**	**19,872**	**15,336**	**7,772,119**	**2,962,206**	**10,734,325**
fixed interest	1,068,482	935,571	156,216	34,561	75,793	37,149	-	-	7	-	-	-	1,300,498	1,007,281	2,307,779
variable interest	6,451,749	1,939,589	-	-	-	-	-	-	-	-	-	-	6,451,749	1,939,589	8,391,338
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	19,872	15,336	19,872	15,336	35,208
Liabilities from issued securities	**545**	**-**	**72,641**	**-**	**85,919**	**13,320**	**32,473**	**157,095**	**12,664**	**788,452**	**-**	**-**	**204,242**	**958,867**	**1,163,109**
fixed interest	206	-	72,083	-	85,919	-	32,473	157,095	12,664	788,452	-	-	203,345	945,547	1,148,892
variable interest	339	-	558	-	-	13,320	-	-	-	-	-	-	897	13,320	14,217
Subordinated bonds and loans	**-**	**-**	**-**	**89,381**	**1,886**	**191,894**	**1,863**	**-**	**9,270**	**226,002**	**-**	**-**	**13,019**	**507,277**	**520,296**
fixed interest	-	-	-	-	1,886	-	1,863	-	9,270	226,002	-	-	13,019	226,002	239,021
variable interest	-	-	-	89,381	-	191,894	-	-	-	-	-	-	-	281,275	281,275
Leasing liabilities	**240**	**275**	**545**	**704**	**2,477**	**3,484**	**6,579**	**8,424**	**21,198**	**24,356**	**-**	**-**	**31,039**	**37,243**	**68,282**
fixed interest	186	108	378	219	1,725	1,001	4,695	2,410	12,574	863	-	-	19,558	4,601	24,159
variable interest	54	167	167	485	752	2,483	1,884	6,014	8,624	23,493	-	-	11,481	32,642	44,123
Other financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**71,790**	**170,431**	**71,790**	**170,431**	**242,221**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	71,790	170,431	71,790	170,431	242,221
Derivative financial instruments	**1,858,423**	**981,110**	**524,302**	**1,863,222**	**442,891**	**872,793**	**59,172**	**111,527**	**197,826**	**167,354**	**491,972**	**262,427**	**3,574,586**	**4,258,433**	**7,833,019**
fixed interest	1,809,109	846,948	373,167	1,019,044	226,755	499,824	59,172	111,527	197,826	167,354	-	-	2,666,029	2,644,697	5,310,726
variable interest	49,314	134,162	151,135	844,178	216,136	372,969	-	-	-	-	-	-	416,585	1,351,309	1,767,894
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	491,972	262,427	491,972	262,427	754,399
NET POSITION	**(5,292,525)**	**(1,217,268)**	**643,680**	**1,326,659**	**209,587**	**(215,833)**	**617,813**	**(408,251)**	**3,798,370**	**(14,268)**	**588,589**	**(124,280)**	**565,514**	**(653,241)**	**(87,727)**

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
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
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**
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**
variable interest	18,432	-	110	-	515	-	181,763	-	592,422	-	-	-	793,242	-	793,242
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
Other financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**200,781**	**54,344**	**200,781**	**54,344**	**255,125**
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]

36.5. 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 Var**	
	2023	**2022**
Foreign exchange	11,181	6,820
Interest rate	489	327
Equity instruments	18	42
Total VaR exposure	**11,688**	**7,189**

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 following table shows the result of the foreign currency sensitivity analysis. 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.

	Effects to the P&L in 3 months period	
Probability	**2023**	**2022**
	In HUF billion	**In HUF billion**
1%	(8,943)	(4,582)
5%	(4,784)	(2,470)
25%	(1,332)	(786)
50%	360	14
25%	1,790	999
5%	4,527	2,700
1%	6,321	4,233

Notes:
(1) Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 31 December 2023 and 31 December 2022.

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) (1) HUF base rate and BUBOR increases gradually by 500 bps over the next year (probable scenario)
(2) (2) HUF base rate and BUBOR increases gradually by 100 bps over the next year (alternative scenario)

The net interest income in a one year period after 1 January 2024 would be decreased by HUF 6.355 million (probable scenario) and increased by HUF 999 million (alternative scenario) as a result of these simulation.The same simulation indicated HUF 6.304 million decrease (probable scenario) and HUF 3.058 million increase (alternative scenario) in the Net interest income in a one year period after 1 January 2023. Besides the effect is further increased by capital gains HUF +429 million (for probable scenario), HUF -104 million (for alternative scenario) as at 31 December 2023 and (HUF -350 million for scenario 1, HUF +181 million for scenario 2 as at 31 December 2022) 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	2023		2022	
	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	(426)	14	1,105	36
HUF 0.1% parallel shift	425	(14)	(1,105)	(36)
EUR (0.1%) parallel shift	1,065	-	(383)	-
EUR 0.1% parallel shift	(1,564)	-	1,121	-
USD (0.1%) parallel shift	500	-	935	-
USD 0.1% parallel shift	(517)	-	(1,106)	-
Total	**(941)**	**-**	**(120)**	**-**

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	2023	2022
VaR (99%, one day, million HUF)	10	15
Stress test (million HUF)	(103)	(26)

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[85]

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 2023 as well as in 2022.

The Bank's capital adequacy calculation is in line with IFRS and based on Basel III as at 31 December 2023 and 31 December 2022. 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).

	31 December 2023 Basel III	**31 December 2022 Basel III**
Core capital (Tier 1)	2,186,422	1,632,037
Primary core capital (CET1)	*2,186,422*	*1,632,037*
Supplementary capital (Tier 2)	500,555	286,181
Regulatory capital	**2,686,977**	**1,918,218**
Credit risk capital requirement	719,575	742,536
Market risk capital requirement	27,799	26,530
Operational risk capital requirement	30,324	31,440
Total eligible regulatory capital	**777,698**	**800,506**
Surplus capital	**1,909,279**	**1,117,712**
CET 1 ratio	22.49%	16.31%
Capital adequacy ratio	**27.64%**	**19.17%**

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.

[85] 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 2023		31 December 2022	
	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount			
Financial assets at fair value through other comprehensive income				
Debt securities	77,030	75,812	95,493	95,900
Total	**77,030**	**75,812**	**95,493**	**95,900**
Financial assets at amortised cost				
Debt securities	408,632	367,883	381,356	312,466
Total	**408,632**	**367,883**	**381,356**	**312,466**
Total	**485,662**	**443,695**	**476,849**	**408,366**

As at 31 December 2023 and 31 December 2022, the Bank had obligation from repurchase agreements about HUF 444 billion and HUF 408 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

	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
from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank	*1,177,213*	*955,480*
Factoring loan commitments	366,181	373,417
Confirmed letters of credit	8,626	12,376
Contingent liabilities and commitments total in accordance with IFRS 9	**4,362,093**	**4,111,781**
Legal disputes (disputed value)	4,586	3,678
Contingent liabilities related to payments from shares in venture capital fund	20,803	28,614
Other	19	7
Contingent liabilities and commitments total in accordance with IAS 37	**25,408**	**32,299**
Total	**4,387,501**	**4,144,080**

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 1.931 million and HUF 1.917 million as at 31 December 2023 and 31 December 2022, 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. 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 2018-2022 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 2018			for the year 2019			for the year 2020		
2019	10,413	4,000	12,413	-	-	-	-	-	-
2020	10,413	4,000	12,413	9,553	4,000	11,553	-	-	-
2021	10,413	4,000	12,413	9,553	4,000	11,553	12,644	9,000	16,644
2022	10,913	4,000	12,413	9,553	4,000	11,553	12,644	8,000	16,644
2023	10,913	4,000	12,413	9,553	4,000	11,553	13,644	8,000	16,644
2024	10,913	4,000	12,413	9,553	4,000	11,553	13,644	8,000	16,644
2025	10,913	4,000	12,413	9,553	4,000	11,553	13,644	8,000	16,644
2026	-	-	-	9,553	4,000	11,553	13,644	8,000	16,644
2027	-	-	-	-	-	-	13,644	8,000	16,644

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 2021			for the year 2022		
2022	5,912	6,000	8,912	-	-	-
2023	6,912	7,000	8,912	7,773	6,000	10,773
2024	6,912	8,000	8,912	8,773	7,000	10,773
2025	6,912	9,000	8,912	8,773	8,000	10,773
2026	6,912	10,000	8,912	8,773	9,000	10,773
2027	6,912	10,000	8,912	8,773	10,000	10,773
2028	6,912	10,000	8,912	8,773	10,000	10,773
2029	-	-	-	8,773	10,000	10,773

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%
2023	10,773	33.3%	13.2%	9.2%	8.2%	7.7%	7.3%	7.1%	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]

Év	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
2023	300	330	363	399	439	483	531	Binomial

<u>Based on parameters accepted by Supervisory Board, relating to the year 2018 effective pieces are follows As at 31 December 2023:</u>

	Approved pieces of shares	Exercised until 31 December 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2023
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	77,425	14,605	9,031	-
Remuneration exchanged to share applying in 2022	13,858	13,858	8,529	-	-
Share-purchasing period starting in 2023	45,155	45,155	14,736	-	-
Remuneration exchanged to share applying in 2023	3,217	3,217	11,820	-	-
Remuneration exchanged to share applying in 2024	-	-	-	-	864
Remuneration exchanged to share applying in 2025	-	-	-	-	432

<u>Based on parameters accepted by Supervisory Board, relating to the year 2019 effective pieces are follows As at 31 December 2023:</u>

	Approved pieces of shares	Exercised until 31 December 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2023
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	101,897	13,771	1,344	4,519
Remuneration exchanged to share applying in 2022	10,564	10,564	8,529	-	-
Share-purchasing period starting in 2023	117,437	114,063	13,893	-	3,374
Remuneration exchanged to share applying in 2023	13,427	13,427	11,674	-	-
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

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board, relating to the year 2020 effective pieces are follows As at 31 December 2023:

	Approved pieces of shares	Exercised until 31 December 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2023
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	3,536	14,193	1,288	78,864
Remuneration exchanged to share applying in 2022	15,232	15,111	8,529	121	-
Share-purchasing period starting in 2023	47,275	-	-	-	47,275
Remuneration exchanged to share applying in 2023	8,562	8,562	11,659	-	-
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

Based on parameters accepted by Supervisory Board, relating to the year 2021 effective pieces are follows As at 31 December 2023:

	Approved pieces of shares	Exercised until 31 December 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2023
Share-purchasing period started in 2022	60,018	59,776	10,122	242	-
Remuneration exchanged to share provided in 2022	11,028	11,028	8,691	-	-
Share-purchasing period starting in 2023	117,276	117,276	13,672	-	-
Remuneration exchanged to share applying in 2023	10,824	10,824	11,534	-	-
Share-purchasing period starting in 2024	-	-	-	-	50,771
Remuneration exchanged to share applying in 2024	-	-	-	-	4,942
Share-purchasing period starting in 2025	-	-	-	-	54,262
Remuneration exchanged to share applying in 2025	-	-	-	-	4,942
Share-purchasing period starting in 2026	-	-	-	-	58,155
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

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board, relating to the year 2022 effective pieces are follows As at 31 December 2023:

	Approved pieces of shares	Exercised until 31 December 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2023
Share-purchasing period started in 2023	57,412	57,364	13,484	-	48
Remuneration exchanged to share provided in 2023	8,726	8,590	11,629	-	136
Share-purchasing period starting in 2024	-	-	-	-	103,450
Remuneration exchanged to share applying in 2024	-	-	-	-	8,494
Share-purchasing period starting in 2025	-	-	-	-	42,814
Remuneration exchanged to share applying in 2025	-	-	-	-	3,993
Share-purchasing period starting in 2026	-	-	-	-	43,714
Remuneration exchanged to share applying in 2026	-	-	-	-	3,993
Share-purchasing period starting in 2027	-	-	-	-	44,701
Remuneration exchanged to share applying in 2027	-	-	-	-	3,993
Share-purchasing period starting in 2028	-	-	-	-	19,756
Remuneration exchanged to share applying in 2028	-	-	-	-	-

Effective pieces relating to the periods starting in 2024-2028 settled during valuation of performance of year 2019-2022, 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 2023 based on performance assessment accounted as equity-settled share based transactions HUF 3,292 million was recognized as expense for the year ended 31 December 2023.

NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn)

Outstanding balances and transactions with related parties are summarized below in aggregate:

Statement of financial position

	31 December 2023		31 December 2022	
	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	11,568	-	83,713	-
Placements with other banks	2,202,179	-	2,019,597	-
Repo receivables	183,394	-	205,520	-
Held for trading securities	16	-	11	-
Held for trading derivative financial instruments:	43,808	-	55,989	-
Financial assets at fair value through other comprehensive income	273,400	-	302,121	-
Securities at amortised cost	-	609	-	601
Loans at amortised cost	979,319	56,353	997,027	65,767
Loans mandatorily measured at fair value through profit or loss	-	42	-	44
Right of use assets	25,972	-	21,615	-
Derivative financial assets designated as hedge accounting relationships	1,345	-	1,625	-
Other assets	173,687	280	136,361	375
Total Assets	**3,894,688**	**57,284**	**3,823,579**	**66,787**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(998,512)	-	(863,748)	-
Repo liabilities	(317,457)	-	(191,102)	-
Deposits from customers	(300,557)	(78,840)	(271,214)	(58,217)
Leasing liabilities	(26,948)	-	(22,129)	-
Liabilities from issued securities	(11,133)	-	(11,093)	-
Derivative financial liabilities designated as held for trading	(24,137)	-	(40,225)	-
Derivative financial liabilities designated as hedge accounting relationships	(898)	-	-	-
Other liabilities	(14,681)	-	(14,836)	(491)
Total Liabilities	**(1,694,323)**	**(78,840)**	**(1,414,347)**	**(58,708)**
Off balance sheet items				
Guarantees	(1,324,353)	(10,209)	(1,208,669)	(7,824)
Loan commitments	(59,569)	(49,294)	(72,161)	(43,324)
Factoring loan commitments	(1,094)	(2,977)	(1,085)	(8,763)
Total	**(1,385,016)**	**(62,480)**	**(1,281,915)**	**(59,911)**

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 2023	Year ended 31 December 2022
Interest Income	419,368	181,369
Interest Expense	(291,054)	(93,185)
Risk cost	20,067	70,147
(Losses)/Gains arising from derecognition of financial assets measured at amortised cost	968	(49,745)
Income from fees and commissions	35,577	18,742
Expenses from fees and commissions	(3,599)	(3,038)
Other administrative expenses	(11,778)	(9,761)

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:

	31 December 2023	31 December 2022
Short-term employee benefits	3,379	2,986
Share-based payment	1,732	2,225
Long-term employee benefits (on the basis of IAS 19)	320	239
Total	**5,431**	**5,450**

	31 December 2023	31 December 2022
Loans provided to companies owned by the Management (in the normal course of business)	56,353	65,767
Commitments to extend credit and bank guarantees	62,480	59,911

An analysis of payment to Executives related to their activity in Board of Directors and Supervisory Board is as follows (in HUF mn):

	31 December 2023	31 December 2022
Members of Board of Directors	1,283	1,180
Members of Supervisory Board	225	198
Total	**1,508**	**1,378**

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.

	31 December 2023	31 December 2022
Loans managed by the Bank as a trustee	26,851	27,914

NOTE 42: CONCENTRATION OF ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	27.39%	23.58%
Securities issued by the OTP Mortgage Bank Ltd.	1.54%	2.30%
Loans at amortised cost	5.29%	5.26%

There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2023 or 31 December 2022.

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 813 billion and HUF 929 billion as at 31 December 2023 and 31 December 2022 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.

	31 December 2023	31 December 2022
Net profit for the year attributable to ordinary shareholders (in HUF mn)	654,988	6,632
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	279,485,921	278,795,018
Basic Earnings per share (in HUF)	**2,344**	**24**
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	654,988	6,632
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	279,490,541	278,797,915
Diluted Earnings per share (in HUF)	**2,344**	**24**

	2023	2022
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(514,089)	(1,204,992)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**279,485,921**	**278,795,018**
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares	4,620	2,896
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**279,490,541**	**278,797,914**

NOTE 44: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn)

Year ended 31 December 2023	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	338,840	-	-	-
Placements with other banks	206,280	-	(12,358)	-
Repo receivables	37,435	-	(1,800)	-
Loans	457,471	12,668	5,542	-
Securities at amortised cost	129,054	(19,400)	(8,576)	-
Financial assets measured at amortised cost total	**1,169,080**	**(6,732)**	**(17,192)**	**-**
Financial assets measured at fair value				
Securities held for trading	1,168	10,511	-	-
Debt instruments at fair value through other comprehensive income	50,838	510	(3,303)	37,917
Equity instruments at fair value through other comprehensive income	-	254	-	3,308
Loans mandatorily measured at fair value through profit or loss	51,132	95,711	980	-
Financial assets measured at fair value total	**103,138**	**106,986**	**(2,323)**	**41,225**
Financial liabilities measured at amortised cost				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(94,942)	-	-	-
Repo liabilities	(202,137)	-	-	-
Deposits from customers	(336,118)	233,243	-	-
Leasing liabilities	(2,314)	-	-	-
Liabilities from issued securities	(58,495)	-	-	-
Subordinated bonds and loans	(29,893)	-	-	-
Financial liabilities measured at amortised cost total	**(723,899)**	**233,243**	**-**	**-**
Financial liabilities designated to measure at fair value through profit or loss	**(1,433)**	**(4,542)**	**-**	**-**
Derivative financial instruments	**(78,871)**	**13,055**	**-**	**-**
Total	**468,015**	**342,010**	**(19,515)**	**41,225**

Current year change of derivative financial assets and liabilities held-for-trading and designated as hedge accounting by types of results in the profit or loss for the year ended 31 December 2023

	Held-for-trading	Hedge accounting
Balance as at 1 January	**(68,682)**	**(3,403)**
Change in current period		
on interest income/interest expense	88,973	(1,161)
on net results on derivative instruments and hedge relationships	4,524	(27,167)
on revaluation difference	(4,263)	15,273
Realized result on closed deals /matured deals	(7,318)	10,663
Closing balance	**13,234**	**(5,795)**

NOTE 44: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn) [continued]

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	-	-
Debt instruments at fair value through other comprehensive income	39,988	(7,952)	25,615	(55,804)
Equity instruments at fair value through other comprehensive income	-	207	-	2,736
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**	**(21,453)**	**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	**(146,192)**	**9,917**	**-**	**-**
Total	**300,573**	**160,996**	**89,053**	**(53,068)**

Current year change of derivative financial assets and liabilities held-for-trading and designated as hedge accounting by types of results in the profit or loss for the year ended 31 December 2022

	Held-for-trading	Hedge accounting
Balance as at 1 January	**(9,493)**	**(963)**
Change in current period		
on interest income/interest expense	(73,781)	492
on net results on derivative instruments and hedge relationships	(80,525)	62,140
on revaluation difference	103,665	(59,604)
Realized result on closed deals /matured deals	(8,548)	(5,468)
Closing balance	**(68,682)**	**(3,403)**

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.

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;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Use of modified yield curve

During the year ended 31 December 2023 and 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.

For the year ended 31 December 2023 and 2022 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 at amortised cost

	31 December 2023					31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Cash, amounts due from banks and balances with the National Bank of Hungary	2,708,232	2,708,232	2,708,232	-	-	1,092,198	1,092,198	1,092,198	-	-
Placements with other banks	2,702,433	2,933,781	1,509,113	1,424,668	-	2,899,829	2,871,307	1,300,188	1,571,119	-
Repo receivables	201,658	201,742	-	201,742	-	246,529	248,513	-	248,513	-
Securities at amortised cost	2,710,848	2,494,227	2,236,994	238,837	18,396	3,282,373	2,654,685	2,301,512	337,789	15,384
Loans at amortised cost	4,681,359	4,824,169	-	-	4,824,169	4,825,040	4,856,352	-	-	4,856,352
Other financial assets	298,838	298,838	-	-	298,838	255,125	255,125	-	-	255,125
Total assets measured at amortised cost	**13,303,368**	**13,460,989**	**6,454,339**	**1,865,247**	**5,141,403**	**12,601,094**	**11,978,180**	**4,693,898**	**2,157,421**	**5,126,861**
Amounts due to banks, deposits from the National Bank of Hungary and other banks	1,761,579	1,709,710	609,288	1,100,422	-	1,736,128	1,559,492	389,779	1,169,713	-
Repo liabilities	443,694	457,508	-	457,508	-	408,366	415,703	-	415,703	-
Deposits from customers	10,734,325	10,741,597	-	10,741,597	-	11,119,158	11,122,775	-	11,122,775	-
Leasing liabilities	68,282	68,328	-	-	68,328	41,464	41,477	-	-	41,477
Liabilities from issued securities	1,163,109	1,201,901	1,201,901	-	-	498,709	493,440	493,440	-	-
Subordinated bonds and loans	520,296	421,030	421,030	-	-	294,186	261,113	261,113	-	-
Other financial liabilities	243,319	243,319	-	-	243,319	282,103	282,103	-	-	282,103
Total liabilities measured at amortised cost	**14,934,604**	**14,843,393**	**2,232,219**	**12,299,527**	**311,647**	**14,380,114**	**14,176,104**	**1,144,332**	**12,708,191**	**323,580**

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.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Derivative financial instruments [continued]

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).

Fair value of derivative financial instruments[1]

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	-

[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]

	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 hedges	**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 other derivatives designated in fair value hedges	**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)**

[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]

Financial assets subject to offsetting, netting arrangement as at 31 December 2023

	Offsetting recognised on the balance sheet			Netting potential not recognised on the balance sheet			Assets not subject to netting arrangements	Total assets	Maximum exposure to risk
	Gross assets before offset	Offsetting with gross liabilities	Net assets recognised on the statement of financial position	Financial liabilities	Collateral received	Assets after consideration of netting potential	Assets recognised on the statement os financial position	Recognised in the statement of financial position	After consideration of netting potential
Derivative financial instruments	324.446	(158.844)	165.602	(60.721)	(76.853)	28.028	52.825	218.427	80.853

Financial liabilities subject to offsetting, netting arrangement as at 31 December 2023

	Offsetting recognised on the balance sheet			Netting potential not recognised on the balance sheet			Liabilities not subject to netting arrangements	Total liabilities	Maximum exposure to risk
	Gross liabilities before offset	Offsetting with gross assets	Net liabilities recognised on the statement of financial position	Financial assets	Collateral pledged	Liabilities after consideration of netting potential	Liabilities recognised on the statement os financial position	Recognised in the statement of financial position	After consideration of netting potential
Derivative financial instruments	347.414	(158.844)	188.570	(60.721)	(103.563)	24.286	22.418	210.988	46.704

[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]

Financial assets subject to offsetting, netting arrangement as at 31 December 2022

	Offsetting recognised on the balance sheet			**Netting potential not recognised on the balance sheet**			**Assets not subject to netting arrangements**	**Total assets**	**Maximum exposure to risk**
	Gross assets before offset	Offsetting with gross liabilities	Net assets recognised on the statement of financial position	Financial liabilities	Collateral received	Assets after consideration of netting potential	Assets recognised on the statement os financial position	Recognised in the statement of financial position	After consideration of netting potential
Derivative financial instruments	441,412	(208,505)	232,907	(90,551)	(103,014)	39,342	119,032	351,939	158,374

Financial liabilities subject to offsetting, netting arrangement as at 31 December 2022

	Offsetting recognised on the balance sheet			**Netting potential not recognised on the balance sheet**			**Liabilities not subject to netting arrangements**	**Total liabilities**	**Maximum exposure to risk**
	Gross liabilities before offset	Offsetting with gross assets	Net liabilities recognised on the statement of financial position	Financial assets	Collateral pledged	Liabilities after consideration of netting potential	Liabilities recognised on the statement os financial position	Recognised in the statement of financial position	After consideration of netting potential
Derivative financial instruments	580,572	-208,505	372,067	-90,551	-240,661	40,855	51,957	424,024	92,812

[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 2023 (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	-	-	(24,975)	102,049	28,300	**105,374**
		Average Interest Rate (%)	-	-	15.66%	15.25%	1.38%	
		EUR						
		Notional	-	-	-	(590)	-	**(590)**
		Average Interest Rate (%)	-	-	-	3.92%	-	
		USD						
		Notional	-	-	-	(1,106)	47	**(1,059)**
		Average Interest Rate (%)	-	-	-	3.65%	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	8	10	**21**
		Average Interest Rate (%)	-	(1.69%)	(1.68%)	(1.73%)	(1.82%)	
		Average FX Rate	-	310.02	310.10	309.36	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 2023 (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	-	175	250	1,167	-	**1,592**
		Average FX Rate	-	356.12	359.11	383.36	-	
		RON/HUF						
		Notional	-	-	575	1,250	-	**1,825**
		Average FX Rate	-	-	73.75	74.94	-	
		JPY/HUF						
		Notional	-	-	-	4,500	-	**4,500**
		Average FX Rate	-	-	-	2.43	-	
		USD/HUF						
		Notional	-	-	143	-	-	**143**
		Average FX Rate	-	357.16	357.16	-	-	
Fair Value Hedge	**Other**	**Interest rate swap**						
		HUF						
		Notional	-	-	778	-	-	**778**
Cash flow Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	-	-	-	28,027	-	**28,027**
		Average Interest Rate	-	-	-	2.46	-	
Other fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		EUR						
		Notional	-	-	(60)	(240)	(120)	**(420)**
		Average Interest Rate	-	-	3.54	2.61	2.42	

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)

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	
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	-	**2,299**
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]

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 Decembe 2023					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 2023
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge										
	Interest rate swap	Interest rate risk	1,167,195	37,543	(33,055)	25,130	12,413	(7,925)	Derivative assets (liabilities) held for risk management	648
	Cross-currency swap	FX & IR risk	6,394	-	(1,418)	-	-	(1,418)	Derivative assets (liabilities) held for risk management	(893)
	Cross-currency swap	FX risk	997,565	10,173	(9,260)	-	10,173	(9,260)	Derivative assets (liabilities) held for risk management	6,699
	Interest rate swap	Other	778	108	-	-	108	-	Derivative assets (liabilities) held for risk management	1
Cash flow hedge										
	Interest rate swap	Interest rate risk	66,899	-	(9,935)	1,066	(1,066)	(8,869)	Derivative assets (liabilities) held for risk management	(84)
Other fair value hedge										
	Interest rate swap	Interest rate risk	160,768	168	(119)	168	-	49	Derivative assets (liabilities) held for risk management	32

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

Derivative financial instruments designated as hedge accounting as follows:

31 December 2023	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 hedge - micro						
- Loans	***Interest rate risk***	26,839	-	(3,178)	-	Loans
- Loans	***Interest rate risk***	-	143,857	-	(11,249)	Amounts due to banks and deposits from the National Bank of Hungary and other banks
- Government bonds	***Interest rate risk***	164,229	-	7,808	-	Securities at amortised cost
- Government bonds	***Interest rate risk***	148,843	-	20,391	-	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***	3,828	-	203	-	Securities at fair value through other comprehensive income
- Other securities	***Interest rate risk***	-	457,027	-	6,539	Liabilities from issued securities
- Other securities	***Interest rate risk***	-	219,989	-	(157)	Subordinated debts
- Loans	***FX & IR risk***	3,266	-	(96)	-	Loans
- Loans	***FX risk***	949,447	-	-	-	Loans
- Government bonds	***FX risk***	10,986	-	-	-	Securities at amortised cost
- Government bonds	***FX risk***	49,378	-	-	-	Securities at fair value through other comprehensive income
- Other securities	***Other risk***	-	897	-	(39)	Liabilities from issued securities
- Customer deposits	***Other risk***	-	157,543	-	84	Customer deposits
Fair value hedge total		**1,356,816**	**979,313**	**25,128**	**(4,822)**	

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 – Before netting – Assets	Before netting – Liabilities	Netting	After netting – Assets	After netting – Liabilities	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
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 – Assets	Carrying amount of the hedged item – Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item – Assets	Accumulated amount of fair value hedge adjustments – Liabilities	Line item in the statement of financial position in which the hedged item is included
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
- 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**	**(55,088)**	**(33,919)**	

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

For the year ended 31 December 2023 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	28,027	-	3,509	Loans at amortised cost

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 2023 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	949,447	-	167	530	Loans at amortised cost
FX risk	10,986	-	(69)	-	FVOCI securities
	960,433	**-**	**98**	**530**	

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**	

Change in the fair value of the hedging instrument related to cash flow hedge

31 December 2023

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	(5,701)	(85)	Interest Income from Placements with other banks, net of allowance for placement losses

For the year ended 31 December 2023 there were no reclassification from cash flow hedge reserve to profit or loss due to termination of hedging relationship.

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 December 2022 an amount HUF 227 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,
- 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 2023	Total	Level 1	Level 2	Level 3
Loans mandatorily at fair value through profit or loss	934,848	-	-	934,848
Financial assets at fair value through profit or loss	257,535	44,106	204,414	9,015
from this: securities held for trading	*27,804*	*19,756*	*8,048*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*196,799*	*433*	*196,366*	-
from this: securities mandatorily measured at fair value through profit or loss	*32,932*	*23,917*	-	*9,015*
Equity instruments at fair value through other comprehensive income	21,177	21,177	-	-
Securities at fair value through other comprehensive income	538,350	229,331	278,146	30,873
Positive fair value of derivative financial instruments designated as hedge accounting	21,628	-	21,628	-
Financial assets measured at fair value total	**1,773,538**	**294,614**	**504,188**	**974,736**
Financial liabilities at fair value through profit or loss	19,786	-	-	19,786
Negative fair value of derivative financial instruments classified as held for trading	183,565	451	179,414	3,700
Short position	19,107	19,107	-	-
Negative fair value of derivative financial instruments designated as hedge accounting	27,423	-	27,423	-
Financial liabilities measured at fair value total	**249,881**	**19,558**	**206,837**	**23,486**

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) *Fair value classes [continued]*

As at 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	**2,047,649**	**254,212**	**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**

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%

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

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 2023	Class of financial instrument	Unobservable inputs	Carrying amount	Fair values		Effect on profit and loss	
				Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Financial assets at fair value through profit or loss	Illiquidity	1,808	2,024	1,590	217	(217)
MFB refinanced loans (asset)	Loans mandatorily at fair value through profit or loss	Probability of default	19,154	19,499	18,809	345	(345)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Probability of default	911,190	913,292	909,097	2,102	(2,093)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Operational costs	911,190	916,712	905,728	5,522	(5,462)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Demography	911,190	911,939	910,577	749	(613)
Russian government bonds	Securities at fair value through other comprehensive income	Probability of default	30,873	40,248	21,498	9,375	(9,375)

31 December 2022	Class of financial instrument	Unobservable inputs	Carrying amount	Fair values		Effect on profit and loss	
				Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Financial assets at fair value through profit or loss	Illiquidity	1,469	1,707	1,231	238	(238)
MFB refinanced loans (asset)	Loans mandatorily 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	Securities at fair value through other comprehensive income	Probability of default	27,415	34,586	20,244	7,171	(7,171)

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 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 2023 and 31 December 2022 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.

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 2023 and 31 December 2022 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 2023

	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	793,242	-	(980)	93,257	103,725	(54,396)	934,848
Securities mandatorily measured at fair value through profit or loss	9,374	-	-	(359)	-	-	9,015
Derivative financial instruments designated as held for trading	(650)	-	-	(3,050)	-	-	(3,700)
Securities at fair value through other comprehensive income	27,415	-	1,423	2,035	-	-	30,873
Financial liabilities at fair value through profit or loss	(16,576)		-	(4,542)	-	1,332	(19,786)
Total	**812,805**	**-**	**443**	**87,341**	**103,725**	**(53,064)**	**951,250**

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**	**-**	**11,872**	**(17,958)**	**183,431**	**(37,948)**	**812,805**

NOTE 46: ASSETS CLASSIFIED AS HELD-FOR-SALE (in HUF mn)

The Bank has 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. (hereinafter referred to as: 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 total selling price is EUR 347.5 million from which EUR 335 million is related to OTP Bank Romania S.A. Therefore impairment gain was recoreded in amount of HUF 41 billion in the Separate Statement of Profit or Loss related to investment of OTP Bank Romania S.A., after that the carrying amount was reclassified to „Non-current asset held for sale” in the Separate Statement of Financial Position.

The financial closing of the transaction is expected in 2024 subject to the necessary regulatory approvals.

NOTE 47: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2023

1) Term Note Program

See details about the event in Note 20.

2) Purchase of the majority stake in the Uzbek Ipoteka Bank
See details about the event in Note 12.

3) Termination of financial closing of Nova KBM
See details about the event in Note 12.

4) Capital increase at OTP Mortgage Bank Ltd.
See details about the event in Note 12.

5) Capital increase at OTP Real Estate Ltd.
See details about the event in Note 12.

6) Significant regulatory changes in Hungary
About the prolongation of deadline of interest rate cap, amending the previously laid down methodology of windfall tax calculation, the changes in savings and government bond markets, family support schemes, capital regulation and mandatory minimum reserve requirements please see details in Note 4.

NOTE 47: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2023 [continued]

7) 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

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 December 31, 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 2023

Reference rate	Type of the contract	Nominal value of the contract	Pieces of contracts
USD LIBOR	Loan	14,592	255
Other LIBOR	Bonds (assets)	4,853	1
Total		**19,445**	**256**

The above LIBOR-based amounts outstanding as at 31 December 2023 will be managed at the first interest period therefore they do not cause a risk to the Bank or to the customers.

NOTE 47: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2023 [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 48: 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 details about the event in Note 12.
- Capital increase at Monicomp Ltd. See details about the event in Note 12.
- Capital increase at Ipotek Bank. See details about the event in Note 12.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS (2023)

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

	Note	31/12/2023	31/12/2022
Cash, amounts due from banks and balances with the National Banks	5.	7,125,049	4,221,392
Placements with other banks	6.	1,566,998	1,351,082
Repo receivables	7.	223,884	41,009
Financial assets at fair value through profit or loss	8.	288,885	436,387
Securities at fair value through other comprehensive income	9.	1,601,461	1,739,603
Securities at amortized cost	10.	5,249,272	4,891,938
Loans at amortized cost	11.	17,676,533	16,094,458
Loans mandatorily at fair value through profit or loss	11.	1,400,485	1,247,414
Finance lease receivables	36.	1,289,712	1,298,752
Associates and other investments	12.	96,110	73,849
Property and equipment	13.	523,124	464,469
Intangible assets and goodwill	13.	291,358	237,031
Right-of-use assets	36.	74,698	58,937
Investment properties	14.	53,381	47,452
Derivative financial assets designated as hedge accounting	15.	41,967	48,247
Deferred tax assets	35.	55,691	75,421
Current income tax receivables	35.	7,773	5,650
Other assets	16.	509,430	471,119
Assets classified as held for sale	50.	1,533,333	-
TOTAL ASSETS		**39,609,144**	**32,804,210**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	17.	1,940,862	1,463,158
Repo liabilities	18.	126,237	217,369
Financial liabilities designated at fair value through profit or loss	19.	70,707	54,191
Deposits from customers	20.	28,332,431	25,188,805
Liabilities from issued securities	21.	2,095,548	870,682
Derivative financial liabilities held for trading	22.	140,488	385,747
Derivative financial liabilities designated as hedge accounting	23.	63,899	27,949
Leasing liabilities	36.	76,313	63,778
Deferred tax liabilities	35.	28,663	40,094
Current income tax payable	35.	69,948	28,866
Provisions	24.	121,119	131,621
Other liabilities	24.	745,820	707,654
Subordinated bonds and loans	25.	562,396	301,984
Liabilities directly associated with assets classified as held for sale	50.	1,139,920	-
TOTAL LIABILITIES		**35,514,351**	**29,481,898**
Share capital	26.	28,000	28,000
Retained earnings and reserves	27.	4,179,322	3,395,215
Treasury shares	28.	(120,489)	(106,862)
Total equity attributable to the parent		**4,086,833**	**3,316,353**
Total equity attributable to non-controlling interest	**29.**	**7,960**	**5,959**
TOTAL SHAREHOLDERS' EQUITY		**4,094,793**	**3,322,312**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**39,609,144**	**32,804,210**

Budapest, 20 March 2024

Dr. Sándor Csányi	László Wolf
Chairman and Chief Executive Officer	Deputy Chief Executive Officer

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

	Note	Year ended 31 December 2023	Year ended 31 December 2022
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	30.	2,314,677	1,425,859
Income similar to interest income	30.	633,587	475,547
Interest income and income similar to interest income		**2,948,264**	**1,901,406**
Interest expense		**(1,561,558)**	**(874,538)**
NET INTEREST INCOME		**1,386,706**	**1,026,868**
Loss allowance on loans, placements, amounts due from banks and on repo receivables	31.	(109,223)	(145,159)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	31.	(91)	13,346
Release of loss allowance / (Loss allowance) on securities at fair value through other comprehensive income and on securities at amortized cost	31.	8,831	(60,761)
Release of provision / (Provision) for commitments and guarantees given	31.	19,870	(5,917)
Release of impairment / (Impairment) of assets subject to operating lease and of investment properties	31.	1,332	(1,204)
Risk cost total		**(79,281)**	**(199,695)**
NET INTEREST INCOME AFTER RISK COST		**1,307,425**	**827,173**
Loss from derecognition of financial assets at amortized cost	**33.**	**(17,182)**	**(1,573)**
Modification loss	**4.**	**(38,141)**	**(39,997)**
Income from fees and commissions	32.	861,309	716,866
Expense from fees and commissions	32.	(169,316)	(132,375)
Net profit from fees and commissions		**691,993**	**584,491**
Foreign exchange result, net	33.	13,827	(16,302)
Gain / (Loss) on securities, net	33.	7,283	(4,505)
Fair value adjustment on financial instruments measured at fair value through profit or loss	33.	94,613	(4,044)
Net results on derivative instruments and hedge relationships	33.	(12,760)	16,360
Profit from associates	8., 9.	14,766	14,618
Goodwill impairment	13.	-	(67,715)
Other operating income	34.	324,266	124,930
Other operating expenses	34.	(110,570)	(125,742)
Net operating income / (expense)		**331,425**	**(62,400)**
Personnel expenses	34.	(478,696)	(377,728)
Depreciation and amortization	13.	(111,996)	(101,125)
Other general expenses	34.	(483,645)	(451,163)
Other administrative expenses		**(1,074,337)**	**(930,016)**
PROFIT BEFORE INCOME TAX		**1,201,183**	**377,678**
Income tax expense	35.	(189,478)	(58,600)
PROFIT AFTER INCOME TAX FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,011,705**	**319,078**

OTP BANK PLC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023 [continued]
(in HUF mn)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
PROFIT AFTER INCOME TAX FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,011,705**	**319,078**
DISCOUNTINUED OPERATIONS			
Gains from disposal of subsidiary classified as held for sale	50.	-	11,444
Net (Loss) / Gain from discontinued operations	50.	(21,246)	16,559
PROFIT AFTER INCOME TAX FROM CONTINUING AND DISCOUNTINUED OPERATION		**990,459**	**347,081**
From this, attributable to:			
Non-controlling interest	**29.**	**1,801**	**727**
Owners of the company		**988,658**	**346,354**
Earnings per share (in HUF)			
From continuing operations			
Basic	46.	3,774	1,184
Diluted	46.	3,772	1,184
From continuing and discontinued operations			
Basic	46.	3,695	1,289
Diluted	46.	3,693	1,288

OTP BANK PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023
(in HUF mn)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
PROFIT AFTER INCOME TAX FOR THE YEAR		**990,459**	**347,081**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of securities at fair value through other comprehensive income	27.	89,734	(134,692)
Deferred tax related to fair value adjustment of securities at fair value through other comprehensive income	27.	(12,779)	10,816
Net investment hedge in foreign operations	27.	(2,707)	-
Foreign currency translation difference	27.	(200,928)	179,623
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.	2,411	5,780
Deferred tax related to equity instruments at fair value through other comprehensive income	27.	(947)	(1,282)
Change of actuarial gain related to employee benefits	27.	(392)	1,059
Deferred tax related to change of actuarial gain related to employee benefits	27.	(8)	(43)
Other comprehensive income		**(125,616)**	**61,261**
TOTAL COMPREHENSIVE INCOME		**864,843**	**408,342**
From this, attributable to:			
Non-controlling interest		1,129	647
Owners of the company		863,714	407,695

OTP BANK PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023
(in HUF mn)

	Note	Share capital	Capital reserve	Retained earnings and other reserves[1]	Treasury shares	Total equity attributable to shareholders	Non-controlling interest	Total equity
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**

	Note	Share capital	Capital reserve	Retained earnings and other reserves[1]	Treasury shares	Total equity attributable to shareholders	Non-controlling interest	Total equity
Balance as at 1 January 2023		**28,000**	**52**	**3,395,163**	**(106,862)**	**3,316,353**	**5,959**	**3,322,312**
Profit after income tax for the period		-	-	988,658	-	988,658	1,801	990,459
Other Comprehensive Income		-	-	(124,944)	-	(124,944)	(672)	(125,616)
Total comprehensive income		**-**	**-**	**863,714**	**-**	**863,714**	**1,129**	**864,843**
Purchasing of non-controlling interest		-	-	-	-	-	(159)	(159)
Increase due to business combination		-	-	-	-	-	3,149	3,149
Dividend paid to non-controlling interest	29.					-	(2,118)	(2,118)
Share-based payment	40.	-	-	3,292	-	3,292	-	3,292
Paid dividends for year 2022	27.	-	-	(84,000)	-	(84,000)	-	(84,000)
Adjustment related to share-based payment		-	-	3,836	-	3,836	-	3,836
Sale of Treasury shares	28.	-	-	-	26,191	26,191	-	26,191
Treasury shares - loss on sale	28.	-	-	(2,735)	-	(2,735)	-	(2,735)
Treasury shares - acquisition	28.	-	-	-	(39,818)	(39,818)	-	(39,818)
Balance as at 31 December 2023		**28,000**	**52**	**4,179,270**	**(120,489)**	**4,086,833**	**7,960**	**4,094,793**

[1] See details in Note 27.

OTP BANK PLC
CONSOLIDATED STATEMENT OF CASH-FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023
(in HUF mn)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
OPERATING ACTIVITIES			
Profit after income tax for the period			
(attributable to the owners of the company)		**988,658**	**346,354**
Net accrued interest		4,360	45,499
Dividend income	27.	(14,787)	(13,800)
Depreciation and amortization	13.	123,327	112,749
Goodwill impairment	13.	-	67,715
(Release of loss allowance) / Loss allowance on securities	9.,10.	(9,066)	60,774
Loss allowance on loans and placements, amounts due from banks and on repo receivables	5-7., 11.	116,002	155,681
Loss allowance on investments	12.	22	901
(Release of loss allowance) / Loss allowance on investment properties	14.	(1,362)	1,326
Impairment on tangible and intangible assets	13.	5,824	468
Loss allowance on other assets	16.	11,120	15,973
(Release of provision) / Provision on off-balance sheet commitments and contingent liabilities	24.	(10,052)	8,589
Share-based payment	40.	3,292	2,948
Unrealized gains on fair value change of financial instrument at fair value through profit or loss	33.	(89,577)	(84,641)
Non-realized foreign exchange loss / (gain)	33.	6,945	(296,986)
Loss / (Gain) from sale of tangible and intangible assets	13.	595	(1,281)
Unrealized (gains) / losses on fair value change of derivative financial instruments	33.	(81,451)	81,440
Negative goodwill	42.	(198,361)	(3,784)
Net changes in assets and liabilities in operating activities			
Net decrease / (increase) in securities at fair value through profit or loss	8.	120,890	(133,548)
Net increase in compulsory reserves at the National Banks	5.	(797,695)	(769,233)
(Increase) / Decrease in placement with other banks, before loss allowance for placements	6.	(326,379)	412,510
Net increase in loans at amortized cost before loss allowance for loans and in loans at fair value	11.	(28,934)	(2,733,463)
Net decrease / (increase) in other assets before loss allowance	16.	95,512	(205,916)
Net decrease in amounts due to banks, the National Governments, deposits from the National Banks and other banks and repo liabilities	17., 18.	(205,101)	(43,747)
Net increase in financial liabilities designated at fair value through profit or loss	19.	11,974	11,073
Net increase in deposits from customers	20.	846,428	3,787,573
Cash payments for the interest portion of the lease liability	36.	(3,099)	(2,386)
Net increase in other liabilities	24.	40,695	400,077
Income tax paid	35.	(152,201)	(74,411)
Net Cash Provided by Operating Activities		**457,579**	**1,148,454**

OTP BANK PLC
CONSOLIDATED STATEMENT OF CASH-FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023
(in HUF mn)
[continued]

	Note	Year ended 31 December 2023	Year ended 31 December 2022
INVESTING ACTIVITIES			
Purchase of securities at fair value through other comprehensive income	9.	(871,512)	(1,129,729)
Proceeds from sale of securities at fair value through other comprehensive income	9.	1,176,467	1,529,538
Purchase of investments	12.	(13,910)	(38,053)
Proceeds from sale of investments	12.	-	30,525
Dividends received	27.	15,642	13,800
Purchase of securities at amortized cost	10.	(1,037,889)	(32,573,247)
Redemption of securities at amortized cost	10.	1,329,137	31,625,182
Purchase of property, equipment and intangible assets	13.	(300,002)	(275,017)
Proceeds from disposals of property, equipment and intangible assets	13.	139,155	76,136
Purchase of investment properties	14.	(10,363)	(20,935)
Proceeds from sale of investment properties	14.	14,782	1,127
Net cash paid for acquisition	42.	577,464	38,889
Net Cash Provided by / (Used in) Investing Activities		**1,018,971**	**(721,784)**
FINANCING ACTIVITIES			
Cash received from issuance of securities	21.	1,090,039	569,839
Cash used for redemption of issued securities	21.	(172,413)	(133,712)
Cash payments for the principal portion of the lease liability	36.	(32,567)	(24,632)
Cash received from issuance of subordinated bonds and loans	25.	290,159	6,418
Cash used for redemption of subordinated bonds and loans	25.	(49,445)	(4,646)
Sale of Treasury shares	28.	23,456	8,913
Purchase of Treasury shares	28.	(39,818)	(16,268)
Dividends paid	27.	(80,159)	(116,147)
Net Cash Provided by Financing Activities		**1,029,252**	**289,765**
TOTAL NET CASH PROVIDED BY		**2,505,802**	**716,435**
Cash and cash equivalents at the beginning of the period	**5.**	**2,597,688**	**1,701,564**
Foreign currency translation		(200,253)	179,689
Net change in cash and cash equivalent		2,505,802	716,435
Adjustment due to discontinued operation		(43,895)	-
Cash and cash equivalents at the end of the period	**5.**	**4,859,342**	**2,597,688**

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: Zsolt Kónya, registration number: 007383.

These Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 20 March 2024. 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 (%):

	31/12/2023	31/12/2022
Domestic and foreign private and institutional investors	99%	99%
Employees	1%	1%
Treasury shares	-	-
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 1,439 branches in the following countries Hungary, Bulgaria, Romania (classified as discontinued operation), Serbia, Croatia, Russia, Ukraine, Albania, Montenegro, Moldova, Slovenia and Uzbekistan, 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 (with employed agents):

	31/12/2023	31/12/2022
The number of employees at the Group	41,547	35,976
The average number of employees at the Group	40,237	36,168

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 2023

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 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.
- **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 material in case of these Consolidated Financial Statements. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts.

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 2023 [continued]

- **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). This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. IFRS 17 is not material in case of these Consolidated 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 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.
- **Amendments to IAS 12 "Income taxes" – International Tax Reform - Pillar Two Model Rules (**effective immediately upon issuance, but certain disclosure requirements are effective later). The Organization for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12.
    - The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.

The adoption of these amendments to the existing standards has not led to any material changes in these Consolidated Financial Statements.

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

- **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 and will need to be applied retrospectively in accordance with IAS 8):
  - 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** (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.

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 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments Disclosure - Supplier Finance Arrangements"** (effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted):
  - The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements.

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 IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability** (effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted):
  - The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

- **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 MATERIAL ACCOUNTING POLICIES

Material 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 2.5.5. 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 2.5.4. 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 MATERIAL 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 MATERIAL 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”.

The Group measures non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiaries’ net assets in the event of liquidation at cost and are disclosed among equity. In case of equity investments measured at fair value through profit or loss in line with IFRS 9, non-controlling interests are measured at fair value to avoid any accounting mismatch. These types of non-controlling interests are disclosed as financial liabilities designated at fair value through profit or loss.

2.5. Financial assets

2.5.1. Business model and SPPI test

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.

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 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.5. Financial assets [continued]

2.5.1. Business model and SPPI test [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.

2.5.2. 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, interest-bearing and discounted treasury bills.

2.5.3. Financial assets at fair value through profit or loss

2.5.3.1. 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.

2.5.3.2. 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 MATERIAL ACCOUNTING POLICIES [continued]

2.5. Financial assets [continued]

2.5.3. Financial assets at fair value through profit or loss [continued]

2.5.3.3. 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 MATERIAL ACCOUNTING POLICIES [continued]

2.5. Financial assets [continued]

2.5.3. Financial assets at fair value through profit or loss [continued]

2.5.3.3. 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.

2.5.4. 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 MATERIAL ACCOUNTING POLICIES [continued]

2.5. Financial assets [continued]

2.5.4. 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.
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. The Group does not intend to take foreign currency risks from open foreign currency position therefore the Group uses net investment hedge in foreign operations to hedge the foreign currency risk arising from the net assets of subsidiaries with EUR functional currency.

2.5.5. 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.

2.5.6. 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.

NOTE 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.5. Financial assets [continued]

2.5.7. 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.

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 through other comprehensive income” option is based only on direct decision of management of the Group.

2.5.8. 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.

NOTE 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.5. Financial assets [continued]

2.5.8. Loans, placements with other banks, repo receivables and loss allowance for loan and placements and repo receivable losses [continued]

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”.
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 MATERIAL ACCOUNTING POLICIES [continued]

2.5. Financial assets [continued]

2.5.9. 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 the followings:

- merging several debts into a single debt, or one single debt splitting into several tranches,
- change of currency,
- change in counterparty,
- failing SPPI test after modification,
- interest rate change (fixed to floating or floating to fixed),

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 of a financial asset, 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.

2.5.10. 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 Group's books.

NOTE 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.6. 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.

The default occurs when either or both of the following events have taken place:

- objective criterion meaning that the credit obligation of the client is overdue exceeding the materiality threshold for more than 90 consecutive days (90+ default DPD), or the obligor has breached the limit of the overdraft with an amount exceeding the materiality threshold for more than 90 consecutive days (90+ default DPD), or
- probability criterion meaning the probability that the obligor will be unable to pay its credit obligations in full (UTP= Unlikely to Pay). The following conditions indicate the occurrence of the probability criterion: specific credit risk adjustment, sell of credit obligation with significant loss, distressed restructuring, termination of the contract on the initiative of the Bank, Bankruptcy, liquidation, personal bankruptcy, forced deleted status.

Previously described conditions should result in default status mandatorily. Moreover, during the individual expert-based assessment the client's default status shall be established if in the specific case the default can be justified on subjective basis. The default status should be terminated if in the last 3 months no other default criterion exists and the condition (either probability criterion or objective criterion) that resulted in the default status ceased at least 3 months ago.

The expected loss calculation should be forward looking. Available forward-looking information has to be included in the parameter estimation by using different scenarios, including forecasts of future economic conditions. The determination of probability-weighted forward-looking scenarios are based on the OTP Group' macro model. In general, there are two crisis scenarios (4-5), and three non-crisis scenarios (1-3) but the calculation of impairment should be based on at least two scenarios in the OTP Group. The macro conditioning is performed by Vasicek-model, which captures the relationship between point-in-time (PiT) and through-the-cycle (TTC) PD.

The Vasicek PD transformation can also be used to estimate the PIT PDs of the buckets. The required parameters (such as correlation coefficient and macro condition parameter) can be derived from the OTP's macro model.
In the collective provisioning methodology credit risk and the change of credit risk can be correctly captured by understanding the risk characteristics of the portfolio. At portfolio segmentation, setting the segments is a key element of the provisioning calculation and requires the extensive knowledge of the portfolio. The segmentation is expected to stay stable from month to month. The segmentation must be performed separately for each parameter, since in each case different factors may have relevance.
The estimation of one-year and lifetime probability of default (PD) of collectively assessed exposures is performed via transition matrices. The assets should be allocated to groups representing similar credit risk based on major credit risk characteristics and their capability to fulfil contractual obligations. The mandatory variables of the group level assessment procedure are payment delay, deal/client rating, the restructured flag, the default status and product type. Further segmentation is advisable in case significant differences are observed in probability of default. Transition matrices should be determined for each portfolio segment separately. The Group model handles healing (from default) rate in the PD parameter, thus the calculated probabilities should be reduced by this rate.

NOTE 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.6. Loss allowance [continued]

Two different methods are applied in OTP Group for LGD parameter calculation: Retail mortgage loans and non-retail portfolios (MSE and Wholesale) that are significantly secured by mortgage: modified LGD methodology based on the Asset Quality Review (AQR) – the primary source of the recovery the collateral itself but cash recovery is also taken into account. The calculation is performed for each exposure individually based on the estimated parameters (main parameters: FSR – foreclosure success rate, SR – sales ratio, TTS – time to sale, C – cost, REC – cash recovery) and the actual value of collaterals (e.g. property, guarantee, surety, bail).

For Consumer loans and car finance: recovery based LGD methodology estimated from historical recoveries. The LGD calculation should not be automatically identified with historic actual data. The direction and degree of the shift in the factors impacting the LGD, also considering the macroeconomic effects, in addition to the anticipated developments in those, must always be analysed. The LGD – just like the PD – is not independent of the business cycles either; typically it increases in parallel with the economic downturn.

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 MATERIAL ACCOUNTING POLICIES [continued]

2.6. 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 MATERIAL ACCOUNTING POLICIES [continued]

2.6. 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.

2.7. 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.

2.8. Associates and other investments

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.
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.
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.

NOTE 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.8. Associates and other investments [continued]

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.

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.

2.9. 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	8.3% - 100.0%	1 – 12
Property right	16.7% - 50.0%	2 – 6
Property	1.0% - 33.3%	3 – 100
Machinery and office equipment	2.0% - 50.0%	2 – 50
Vehicle	3.0% - 50.0%	2 – 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 MATERIAL ACCOUNTING POLICIES [continued]

2.10. 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.

2.11. 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.

2.12. 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 MATERIAL ACCOUNTING POLICIES [continued]

2.12. 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.

2.13. 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 2.6.).

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 MATERIAL ACCOUNTING POLICIES [continued]

2.13. 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

2.14. 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.

2.15. 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.

2.16. 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 MATERIAL ACCOUNTING POLICIES [continued]

2.17. 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.

2.18. 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 MATERIAL ACCOUNTING POLICIES [continued]

2.19. Revenue recognition

The Group recognizes revenue from the following major sources:
- fee and commission income from financial services
- other revenue from customers.

2.19.1. 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. These fees are related to deposits, cash withdrawals, security trading, bank card etc.

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group provides a service to its customers, consideration is invoiced and generally due immediately because it typically controls the services before transferring them to the customer.

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.

Performance obligations satisfied over time include asset management, deposit and account maintenance services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The Group's fee and commission income from services where performance obligations are satisfied over time are followings:

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.
These 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.

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.
These 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.

NOTE 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.19. Revenue recognition [continued]

2.19.1. Fees and commissions [continued]

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.
These 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.
These 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

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.
These 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.

2.19.2. Other revenue from customers

Other revenue from customers contains revenues from:
- sale of agricultural produce,
- tourism activity,
- gain on transactions related to property activities,
- rental income,
- income from computer programming.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with customers and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to customers. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods and services before transferring them to the customer.

NOTE 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.19. Revenue recognition [continued]

2.19.2. Other revenue from customers [continued]

Typically, the Group's other revenue from customers is recognized at the point in time when control of the goods or services is transferred to the customer. Exceptions are revenues services provided to customers – for example rental income – where the customer simultaneously receives and consumes the benefits as the Group performs.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration, existence of a significant financing component, and a consideration payable to the customer, if any.

2.20. 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.

2.21. 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.

Pillar Two – Global Anti-base Erosion Model Rules ("GloBE), global minimum tax – introduces a minimum effective tax rate of at least 15%, calculated based on a specific rule set. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024, but in year 2023 no income tax results obtained from Pillar Two rules. The Group considers this top-up tax as an income tax according to IAS 12.

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.

NOTE 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.21. Income tax [continued]

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.

2.22. Banking tax

The Bank and some of its subsidiaries are obliged to pay banking tax based on Act LIX of 2006 in Hungary. 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%. These taxes are classified as levies according to IFRS rules.

2.23. 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 2.6.). 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.

2.24. 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.

NOTE 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.25. 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 Other Comprehensive Income.

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.

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.

2.26. 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.

2.27. 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.

NOTE 2: SUMMARY OF MATERIAL ACCOUNTING POLICIES [continued]

2.28. 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, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Uzbekistan, Merkantil Group, Asset Management subsidiaries, Other subsidiaries. Romanian segment is classified as discontinued operation from 2023 but in line with management report it is still presented in Segment reporting as separate segment.

2.29. 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 2022, however results in the Consolidated Statement of Profit or Loss for the comparative period changed due to IFRS 5 disclosure requirement. As the Romanian operation was classified as discontinued operation in year 2023, in the comparative period related results were presented as they would have been classified as discontinued operation for year 2022 in the Consolidated Statement of Profit or Loss. The income and expenses of Romanian operation were separated from continuing operation and presented separately after "Profit after income tax for the period" on line "(Loss) /Gain from discontinued operations" so both for year 2023 and 2022 the results in the Consolidated Profit or Loss showing the result of continuing operation which do not include the Romanian contribution. Additional disclosures or extension of existing disclosures have been made throughout the Consolidated Financial Statements, where relevant.

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.

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.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES [continued]

3.5. Contingent consideration

Contingent consideration generally arises where the acquirer agrees to transfer additional consideration to the former owners of the acquired business after the acquisition date if certain specified events occur or conditions are met in the future.
These future payments may be in cash or other assets and may be contingent upon the achievement of specified events, and/or may be linked to future financial performance over a specified period of time.
Some changes in the fair value of contingent consideration may be the result of additional information that the acquirer obtained after the acquisition date about fact and circumstances that existed at that date. Such changes are measurement period adjustments and have impact of goodwill/negative goodwill. Changes resulting from events after the acquisition date are not measurement period adjustments. Contingent considerations should be recorded on the date of acquisition in consolidated financial statement at fair value.
The Group so far settled the contingent considerations in cash. The fair value estimation is made by the "Merger & Acquisition" team based on the sale and purchase agreement ("SPA") and other available information.

OTP concluded the contract including two instalments: first for 73.71% of the shares in 2023 (in December 2023 it increased to 79.58% after capital increase), then second for 24.57% (in December 2023 it decreased to 19.16% after capital increase) of the shares 3 years later. The price of 24.57% of the shares is variable, but within a predefined range and can be adjusted only with factors that have not direct connection with the profit of Ipoteka Bank. The purchase of the second stock cannot be avoided by the parties since the execution of the SPA. Considering the elements of the shares retained by Ministry of Finance of the Republic of Uzbekistan for the given period are treated as financial liability.
The recognized liability includes the estimate of the adjustments to the second purchase price and does not include the items that are considered as indemnity. Indemnification related expected cash-inflow is recognized as indemnification asset (measured consistently with the measurement of underlying assets).

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP

Macro economy and financial situation in Hungary

Having elevated after the rapid recovery that followed the Covid crisis and the outbreak of the Russian-Ukrainian war, inflation in advanced economies started to slow in 2023, but the developed world's central banks had to raise interest rates aggressively until the end of the year. It was not before the year was nearing its end that the tightening cycle stopped and the debate on the possible timing of an interest rate cut began. Meanwhile, the labour market remained tight, with low unemployment and strong wage dynamics. Developed markets' long-term yields hit multi-decade highs in the autumn, before a sharp fall began at the end of 2023.

Economic growth printed different patterns on the two sides of the Atlantic. The USA's economic expansion accelerated in 2023, as opposed to the expected slowing, and growth shifted into higher gear in the second half of the year. The robust figures were driven by supportive fiscal policy, the large stocks of savings household had accumulated during the pandemic, and the low effective lending rates caused by the high share of loans with fixed interest rates. Headline inflation peaked in June 2022 (+8.9%), but the subsequent decline briefly stalled in the middle of 2023. However, core inflation continued to drop, easing to 3.9% YoY by the end of the year. The very loose fiscal policy, which raised the budget deficit from around 5% to 8% of GDP, required tight monetary policy to bring inflation down. The Fed has aggressively raised its base rate to 5.25–5.5% and began to reduce its balance sheet.

The energy crisis brought the euro area to its knees, and the economy has been unable to recover amid high inflation and high interest rates, thus output has been practically stagnant since the third quarter of 2022. Countries with industries that used to rely heavily on Russian energy (e.g. Germany) were hit particularly hard. Elevated interest rates have led to a slowdown in lending, which has also hindered kick-starting growth in Europe. Disinflation was strong in the euro area in 2023: headline and core inflation fell to 2.8% and 3.3%, respectively by the end of the year. The biggest concern in this context is services inflation, which has been stagnating at 4.0% YoY since November 2023. Despite all the weakness in the economy and strong disinflation, the ECB has not yet considered cutting interest rates, thus the euro area ended last year with a deposit rate of 4% and a lending rate of 4.5%.

Hungary's economy fell into a longer and deeper recession than the rest of the CEE region in 2023 (GDP YoY: Q1: -0.9%; Q2: -2.4%; Q3: -0.4%; Q4 (flash): 0,0). However, the recession ended in the third quarter, and growth started to pick up on quarterly basis, helped by the base effect of an unprecedented poor agriculture season in 2022. Overall, regarding the Hungarian economy's underlying processes, activity fell sharply in Q4 2022 and in Q1 2023, and it has been stagnating or trivially rising since then. The structure of growth is unfavourable, as the sharp fall in domestic use was moderated by an increase in net exports, but it was caused by the decline in imports owing to the sluggish domestic demand, rather than by exports' strong expansion.

Inflation peaked at 25.7%, ten percentage points higher than the average of the CEE region, before disinflation started in the spring. As disinflation accelerated starting from mid-2023, the pace of price increases accelerated, bringing down CPI to 5.5% YoY by December; the annual average rate of inflation was 17.6% in 2023. From the middle of the year, real wages started to rise again month-on-month, but this passed on to consumer spending only modestly.

After running 8% current account deficit in 2022, Hungary's external balance turned into surplus last year, as gas prices collapsed and imports fell due to a drop in domestic demand. The rapid rise in debt ratios between 2020 and 2023 has stopped.

The original budget deficit target of 3.9% of GDP proved to be unsustainable, so it was raised to 5.2% in October, but the accrual-based deficit probably exceeded 6% of GDP last year, even with the dividend payment by MVM and with the savings of the 'utility protection fund'.

Having raised the effective rate to 18% in autumn 2022, the MNB cut it in several steps by a total of 725 basis points, to 10.75% by the end of the year. The base rate regained its role in September, when the former overnight deposit facility was phased out. The EUR/HUF fell from around 400 at the beginning of the year to below 370 at one point in the summer, but stabilized around 380 by the end of 2023.

Hungary made headway in accessing EU funds at the end of last year as the European Commission approved the so-called horizontal enabling conditions for the judicial reform in December. The government unblocked about EUR 11 billion worth of EU funds, thanks to the measures implemented last year.

Starting from autumn 2022, the credit market froze in the CEE region, including Hungary, and similarly to Western Europe. There was a slight pick up at the end of 2023, particularly in retail lending, within that in 'baby loans' and housing loans; demand for cash loans also jumped at the end of the year. In full year 2023, the volume of housing loans rose by 1.3% (2022: 7.6%), that of cash loans grew by 6.9% (2022: 9.3%), and corporate loan volumes increased by an FX-adjusted 6% (2022: 15.5%).

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

Summary of economic policy measures made and other relevant regulatory changes in the period under review

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 from HUF 74.6 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.

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.

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.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

Summary of economic policy measures made and other relevant regulatory changes in the period under review [continued]

Savings, government bond market

- Pursuant to Government decree No. 205/2023. (V. 31.), effective from 1 July 2023, on top of the existing 15% interest tax, an additional 13% social contribution tax was introduced temporarily for certain savings forms. The tax base is the interest income as defined by the PIT law, earned by natural persons after 1 July 2023 on bank deposits placed or certain securities (except for real estate investment fund investment certificates) purchased after 1 July.
- Pursuant to Government decree No. 208/2023. (V. 31.), effective from 1 July 2023 the weight of securities in the portfolio of bond funds, equity funds and mixed funds must be at least 60%. Furthermore, from 1 August no more than 5% of the assets of these securities funds can be invested in debt securities other than HUF denominated government securities.
- According to Government decree No. 209/2023. (V. 31.), between 1 October 2023 and 31 December 2023 credit institutions shall send a warning notice to their natural person clients with bank account contracts about how much more interest they could have earned in a specific period with an investment of HUF 100,000, HUF 500,000 and HUF 1,000,000 if they had invested in retail government securities instead of bank deposits.

Family support schemes

- Baby loan: in line with Government decree No. 303/2023. (VII. 11.), from 1 January 2024 the maximum amount of baby loan will increase from HUF 10 to 11 million, and those families will be eligible where the wife is below the age of 30 years. Also, the clause that baby loan contracts can be entered into by the end of this year lost effect, so the scheme will remain in place indefinitely. As for the interest rate fixation periods, in contrast to the current situation that the baby loans reprice in every 5 years, from 2024 the interest rate of newly contracted baby loans will be fixed for 1 year during the first 2 years, then the baby loans will have a 3-year rate fixation period.
- Housing Subsidy for Families (CSOK), village CSOK: from 1 January 2024 the village CSOK non-refundable amounts will increase, but in towns and settlements with more than 5,000 inhabitants the CSOK subsidy will no longer be available.

Mandatory minimum reserve requirements

Pursuant to NBH decree No. 6/2023. (III. 8.) and NBH decree No. 11/2023. (III. 31.), from April the minimum reserve requirement was increased to 10%, and the effective rate paid on the reserves was reduced to 9.75% from the previous 13%, since the national bank doesn't pay any interest for 25% of the minimum reserve requirement, and for the remaining amount the national bank pays the base rate.
NBH decree No. 25/2023. (VI. 14.) amended the reserve requirement rules: among others, from 1 July 2023 up to 15% of the minimum reserve requirement can be met by central bank deposits with at least 14 days original maturity. Also, from July until further notice (by the end of the year according to plans) the reserve requirement will be based on the volumes in the statistical balance sheet as at 31 March 2023.

Capital regulation

- On 22 June 2023 the national bank announced that it postpones the activation of the Countercyclical Capital Buffer rate of 0.5% planned from 1 July 2023 by one year to 1 July 2024. In addition, it preventively reactivates the Systemic Risk Buffer aimed at risks related to commercial real estate loans (especially non-performing loans).
- MREL minimum requirement: effective from 1 January 2024, the consolidated MREL minimum requirement for OTP Bank is 18.94%, while the minimum requirement including combined buffer requirements is 23.95% in % of the total RWA of the resolution group.
- Pillar 2 capital requirement: effective from 1 January 2024, the National Bank of Hungary imposed the below additional capital requirements for OTP Group, on consolidated level:
  - 0.9%-point in case of the Common Equity Tier1 (CET1) capital, accordingly the minimum requirement for the consolidated CET1 ratio is 5.4% (without regulatory capital buffers);
  - 1.2%-points in case of the Tier1 capital, accordingly the minimum requirement for the consolidated Tier1 ratio is 7.2% (without regulatory capital buffers);
  - 1.6%-points in case of the Total SREP Capital Requirement (TSCR), accordingly the minimum requirement for the consolidated capital adequacy ratio is 9.6% (without regulatory capital buffers).

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 2023 in connection with the evaluation of Russian and Ukrainian exposures

Going concern principle

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, bearing in mind that any future solution should be strictly within the framework and in accordance with applicable local and international regulations.

In February 2022 a military conflict started between Russia and Ukraine.
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 1,037 billion at the end of 2023 (2.6% of total consolidated assets), while net loans comprised HUF 309 billion (1.4% of consolidated net loans) and shareholders' equity amounted to HUF 157 billion (3.8% of the consolidated total equity).
At the end of 2023 the gross intragroup funding towards the Ukrainian operation represented HUF 83 billion, while taking into account the Ukrainian deposits placed with the Headquarters, i.e. the net group funding stood at HUF 22 billion equivalent deposit placed by the Ukrainian operation (i.e. Ukraine funded the Group).
In 2023 the Ukrainian operation posted an adjusted profit after tax of HUF 45.2 billion, against the HUF 15.9 billion loss suffered in the corresponding period of last year.

The total assets of the Group's Russian operation represented HUF 1,471 billion at the end of 2023 (3.7% of consolidated total assets), while net loans comprised HUF 588 billion (2.7% of consolidated net loans) and shareholders' equity HUF 275 billion (6.7% of consolidated total equity).
As the Russian subsidiary repaid its maturing intragroup loans in 4Q 2022, the gross intragroup funding towards the Russian operation declined to zero and remained nil throughout 2023. At the end of 2023 the intragroup subordinated loan exposure toward the Russian operation amounted to HUF 9 billion equivalent.
The Russian operation posted HUF 95.7 billion adjusted profit in 2023, after the HUF 42.5 billion profit reached in full-year 2022.
In 2H 2023 the Russian Central Bank approved a dividend payment by OTP's Russian subsidiary with a total amount of HUF 51.3 billion.
If the Russian entity was deconsolidated and the outstanding gross intragroup exposures were written off as well, the effect for the consolidated CET1 ratio would be -11 bps, whereas in the Ukraine the negative effect would be 2 bps.

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 2023 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		76,494	-		98,864	(12)		47	(6)
Placements with other banks	5	702,097	-	5	96,070	(147)		-	-
Repo receivables		-	-		9,726	(516)		-	-
Financial assets at fair value through profit or loss - derivatives	3	207	-	4	3	-		-	-
Securities at fair value through other comprehensive income	1a	21,284	-	2a	85,431	-		36,230	(24,582)
Securities at amortized cost				2a	310,617	(204)		33,075	(11,299)
Loans at amortized cost	5	721,212	(133,255)	5	274,472	(58,450)	5	79,953	(4,487)
Finance lease receivables					113,203	(20,156)		-	-
Property and equipment		30,567	(19,190)		19,392	(6,938)		-	-
Intangible assets and goodwill		31,387	(14,851)		11,275	(6,701)	6	-	-
Right-of-use assets		13,994	(8,380)		5,682	(3,480)		-	-
Investment properties		-	-		225	-		-	-
Deferred tax assets	7	15,448	-	7	-	-		-	-
Current income tax receivables		2,885	-		-	-		-	-
Other assets		31,820	(4,910)		7,289	(857)		15,537	(7,884)
TOTAL ASSETS		**1,647,395**	**(180,586)**		**1,032,249**	**(97,461)**		**164,842**	**(48,258)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks		8,970	-		7,418	-		-	-
Deposits from customers		1,086,708	-		747,337	-		56,280	-
TOTAL LIABILITIES		**1,095,678**	**-**		**754,755**	**-**		**56,280**	**-**

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 2023 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.

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 through 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.
In the case of overdue receivables, the Group determines the impairment based on its expectations regarding the probability and time frame of recovery. Basically, a higher probability of return and a shorter time frame can be assigned to those items for which, as a result of the legal steps taken by the Group, the claim has been paid in RUB by the competent Russian clearing house (NSD) and access to the relevant amounts is subject to Hungarian authority approvals. On the other hand, a lower probability of return and a longer time period were determined for those items where the payment is expected in EUR or USD with the help of European clearing houses (Euroclear, Clearstream) requiring a complex legal process.
Regarding the future, the Group expects that it will be able to ask for the above-described, more favorable payment in RUB with respect to claims that become due. The claims from the overdue Russian government bonds are classified to Other financial asset line and in the above table presented within Other countries in the amount of HUF 8.9 billion with the impairment of HUF 5.4 billion.

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 acquired before 2023 are classified as Stage2 and exposures acquired in 2023 are classified as Stage 1. In the case of a portfolio valued at fair value through 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.

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 2023 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]

3. Valuation of Russian derivative transactions

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.

4. Valuation of Ukrainian derivatives

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 current and forward-looking economic environment was taken into account when determining the expected loss, however, the Bank does not expect any further substantial deterioration of the economic environment.
In the case of Ukrainian Group members, the proportion of customers with increased risk (Stage2) decreased while non-performing (Stage3) category stabilized in 2023, but further deterioration is not expected in 2024. The impact of the current and forward-looking economic environment was taken into account when determining the expected loss, however, the Bank does not expect any further substantial deterioration of the economic environment. 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.

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 2023 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 15,45 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.

Financial assets modified in the Group for the year ended 31 December 2023 (in HUF million)

Modification losses from changes other than Hungarian interest rate cap resulted in HUF 1,631 million loss and HUF 2,859 million as at 31 December 2023 and 2022, respectively. In the following tables the modification gains and losses resulting from the prolongation of interest rate caps is presented. The newly granted loans have fixed interest throughout the lifetime and the voluntary interest rate cap does not affect the previously disbursed loans.

Modification due to prolongation of the existing interest rate cap till 30 June 2024

	Group
Gross carrying amount before modification	351,776
Loss allowance before modification	(12,702)
Net amortised cost before modification	**339,074**
Modification loss	(8,738)
Net amortised cost after modification	**330,336**

Modification due to prolongation of the existing interest rate cap till 31 December 2023

	Group
Gross carrying amount before modification	709,771
Loss allowance before modification	(18,640)
Net amortised cost before modification	**691,131**
Modification loss	(27,772)
Net amortised cost after modification	**663,359**

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 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANKS (in HUF mn)

	31/12/2023	31/12/2022
Cash on hand		
In HUF	86,498	92,526
In foreign currency	519,333	582,950
	605,831	**675,476**

Amounts due from banks and balances with the National Banks

	31/12/2023	31/12/2022
Within one year		
In HUF	2,275,719	732,956
In foreign currency	4,244,007	2,814,663
	6,519,726	**3,547,619**
Over one year		
In HUF	-	-
In foreign currency	-	-
	-	**-**
Loss allowance on amounts due from bank and balances with the National Banks	(508)	(1,703)
Total	**7,125,049**	**4,221,392**
Compulsory reserve set by the National Banks	(2,265,707)	(1,623,704)
Cash and cash equivalents	**4,859,342**	**2,597,688**

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:

	31/12/2023	31/12/2022
Balance as at 1 January	**1,703**	**1,108**
Loss allowance for the period	11,859	8,072
Release of loss allowance for the period	(12,919)	(7,697)
Use of loss allowance for the period	(3)	-
Foreign currency translation difference	(132)	220
Closing balance	**508**	**1,703**

NOTE 6: PLACEMENTS WITH OTHER BANKS (in HUF mn)

	31/12/2023	31/12/2022
Within one year		
In HUF	343,022	681,892
In foreign currency	961,554	447,648
	1,304,576	**1,129,540**
Over one year		
In HUF	184,696	199,056
In foreign currency	79,973	26,323
	264,669	**225,379**
Loss allowance on placements	(2,247)	(3,837)
Total	**1,566,998**	**1,351,082**

An analysis of the change in the loss allowance on placements with other banks is as follows:

	31/12/2023	31/12/2022
Balance as at 1 January	**3,837**	**2,994**
Loss allowance for the period	3,425	38,314
Release of loss allowance for the period	(4,880)	(38,378)
Use of loss allowance for the period	-	(100)
Assets held for sale	(12)	-
Foreign currency translation difference	(123)	1,007
Closing balance	**2,247**	**3,837**

Interest conditions of placements with other banks:

	31/12/2023	31/12/2022
Interest rates on placements with other banks denominated in HUF	0.00% - 25.00%	0.00% - 25.70%
Interest rates on placements with other banks denominated in foreign currency	0.00% - 22.00%	(1.5)% - 13.29%

	31/12/2023	31/12/2022
Average interest rates on placements with other banks (%)	13.89%	11.02%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	31/12/2023	31/12/2022
Within one year		
In HUF	18,341	41,250
In foreign currency	206,077	-
	224,418	**41,250**
Over one year		
In HUF	37	-
In foreign currency	22	-
	59	**-**
Loss allowance on repo receivables	(593)	(241)
Total	**223,884**	**41,009**

An analysis of the change in the loss allowance on repo receivables is as follows:

	31/12/2023	31/12/2022
Balance as at 1 January	**241**	**290**
Loss allowance for the period	5,002	4,744
Release of loss allowance for the period	(4,631)	(4,794)
Use of loss allowance	-	-
Foreign currency translation difference	(19)	1
Closing balance	**593**	**241**

Interest conditions of repo receivables (%):

	31/12/2023	31/12/2022
Interest rates on repo receivables denominated in HUF	0.00% - 11.00%	10.70% - 18.00%
Interest rates on repo receivables denominated in foreign currency	0.00% - 17.96%	-

	31/12/2023	31/12/2022
Average interest rates on repo receivables denominated in HUF (%)	11.83%	9.93%
Average interest rates on repo receivables denominated in foreign currency (%)	6.92%	-

Securities as collaterals underlying repo receivable contracts:

Types of securities	**31/12/2023**	**31/12/2022**
Government bonds	31,333	46,081
Treasury bills	197,639	3,949
Total	**228,972**	**50,030**

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	31/12/2023	31/12/2022
Trading securities at fair value through profit or loss		
Government bonds	58,232	78,897
Equity instruments and fund units	513	385
Corporate bonds	584	119
Discounted Treasury bills	3,959	22,896
Mortgage bonds	97	72
Other interest-bearing securities	3,852	1,628
Other non-interest-bearing securities	331	753
	67,568	**104,750**
Non-trading instruments mandatorily at fair value through profit or loss		
Equity instruments, shares and open-ended fund units	64,002	49,746
Bonds	3,686	5,409
	67,688	**55,155**
Financial assets designated at fair value through profit or loss	**-**	**-**
Total	**135,256**	**159,905**

Positive fair value of derivative financial assets held for trading

	31/12/2023	31/12/2022
Foreign exchange swaps held for trading	36,068	79,395
Interest rate swaps held for trading	65,711	127,230
Commodity swaps	32,336	33,693
CCIRS and mark-to-market CCIRS held-for-trading [1]	8,644	20,512
Foreign exchange forward contracts held for trading	7,101	13,085
Held-for-trading option contracts	3,040	2,122
Held-for-trading forward security agreement	3	13
Other derivative transactions held for trading[2]	726	432
Total	**153,629**	**276,482**
Total	**288,885**	**436,387**

[1] CCIRS: Cross Currency Interest Rate Swaps (See Note 2.5.3.3.)
[2] Other category includes: fx spot, equity swaps, option and index futures.

An analysis of securities held for trading portfolio by currency (%):

	31/12/2023	31/12/2022
Denominated in HUF	30.73%	81.47%
Denominated in foreign currency	69.27%	18.53%
Total	**100.00%**	**100.00%**

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

An analysis of government bond portfolio by currency (%):

	31/12/2023	31/12/2022
Denominated in HUF	22.71%	78.42%
Denominated in foreign currency	77.29%	21.58%
Total	**100.00%**	**100.00%**

Interest conditions of held for trading securities (%):

	31/12/2023	31/12/2022
Interest rates on securities held for trading denominated in HUF	1.90% - 16.66%	0.00% - 16.69%
Interest rates on securities held for trading denominated in foreign currency	0.00% - 18.00%	0.00% - 7.63%

Interest conditions and the remaining maturities of **securities held for trading** can be analysed as follows:

	31/12/2023	31/12/2022
Within one year		
With variable interest	135	3,041
With fixed interest	40,689	29,025
	40,824	**32,066**
Over one year		
With variable interest	1,154	9,535
With fixed interest	24,746	62,011
	25,900	**71,546**
Non-interest-bearing securities	844	1,138
Total	**67,568**	**104,750**

Interest conditions and the remaining maturities of non-trading securities mandatorily at fair value through profit or loss are as follows:

	31/12/2023	31/12/2022
Within one year		
With variable interest	-	-
With fixed interest	-	-
	-	**-**
Over one year		
With variable interest	-	-
With fixed interest	57	-
	57	**-**
Non-interest-bearing securities	67,631	55,155
Total	**67,688**	**55,155**

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

	31/12/2023	31/12/2022
Profit from associates from shares measured at fair value through profit or loss	14,297	12,216

An analysis of **non-trading securities** mandatorily at fair value through profit or loss portfolio by currency (%):

	31/12/2023	31/12/2022
Denominated in HUF	60.76%	60.69%
Denominated in foreign currency	39.24%	39.31%
Total	**100.00%**	**100.00%**

Interest conditions of non-trading instruments mandatorily at fair value through profit or loss (%):

	31/12/2023	31/12/2022
Interest rates on non-trading instruments mandatorily at fair value through profit or loss denominated in foreign currency (%)	2.00% - 3.00%	-

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)

	31/12/2023	31/12/2022
Securities at fair value through other comprehensive income		
Government bonds	1,288,230	1,301,179
Corporate bonds	34,996	82,651
Listed securities:		
In HUF	-	-
In foreign currency	*16,989*	*13,626*
	16,989	**13,626**
Non-listed securities:		
In HUF	*12,115*	*14,304*
In foreign currency	*5,892*	*54,721*
	18,007	**69,025**
Mortgage bonds	30,344	54,553
Interest bearing treasury bills	235	182,726
Securities issued by the National Bank of Hungary	114,746	74,867
Other securities	72,429	3,470
Total	**1,540,980**	**1,699,446**

	31/12/2023	31/12/2022
Non-interest-bearing instruments at fair value through other comprehensive income		
Listed securities:		
In HUF	-	-
In foreign currency	*9,472*	*11,233*
	9,472	**11,233**
Non-listed securities:		
In HUF	*403*	*403*
In foreign currency	*50,606*	*28,521*
	51,009	**28,924**
	60,481	**40,157**
Total	**1,601,461**	**1,739,603**

Movement table of loss allowance of securities at fair value through other comprehensive income is presented in Note 27.

An analysis of securities at fair value through other comprehensive income by currency (%):

	31/12/2023	31/12/2022
Denominated in HUF	33.85%	36.47%
Denominated in foreign currency	66.15%	63.53%
Total	**100.00%**	**100.00%**

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn) [continued]

Detailed information of the non-interest-bearing instruments at fair value through other comprehensive income:

	31/12/2023	31/12/2022
Strategic investments closely related to banking activity		
Fair value	51,131	31,873
Dividend income from instruments held at the reporting date	369	1,120
Derecognition		
Fair value of disposed, reclassified equity instrument, fund units	2,277	4,906
Cumulative gain / loss on disposal, reclassification transferred to retained earnings	3,978	-
Other strategic investments		
Fair value	9,350	8,284
Dividend income from instruments held at the reporting date	61	59
Total		
Total fair values	**60,481**	**40,157**
Dividend income from instruments held at the reporting date	**430**	**1,179**
Fair value of derecognized equity instrument, fund units	**2,277**	**4,906**
Cumulative gain / loss on disposal transferred to retained earnings	**3,978**	**-**

Since the joining of NKBM into OTP Group on the 6th of February 2023, investment in Bankart d.o.o. became an associated company and the Group reclassified the investment in Bankart from Securities at fair value through other comprehensive income to Associates and other investments. The amount of this reclassification transferred to retained earnings was HUF 1,301 million and the fair value of the investment was HUF 2,277 million as at the reclassification.
During the year ended 31 December 2022 HUF 2,677 million equity instruments measured at fair value through other comprehensive income was sold but the realized income only in 2023 was transferred to retained earnings.

An analysis of government bonds by currency (%):

	31/12/2023	31/12/2022
Denominated in HUF	29.83%	23.64%
Denominated in foreign currency	70.17%	76.36%
Total	**100.00%**	**100.00%**

Interest conditions of the security portfolio at fair value through other comprehensive income are as follows (%):

	31/12/2023	31/12/2022
Interest rates on securities at fair value through other comprehensive income denominated in HUF	2.00% - 13.80%	1.50% - 15.11%
Interest rates on securities at fair value through other comprehensive income denominated in foreign currency	0.01% - 19.75%	0.00% - 18.24%

	31/12/2023	31/12/2022
Average interest rates on securities at fair value through other comprehensive income denominated in HUF (%)	3.51%	3.31%
Average interest rates on securities at fair value through other comprehensive income denominated in foreign currency (%)	3.60%	2.55%

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:

	31/12/2023	31/12/2022
Within one year		
With variable interest	456	15,124
With fixed interest	373,618	507,888
	374,074	**523,012**
Over one year		
With variable interest	18,136	28,523
With fixed interest	1,148,770	1,147,911
	1,166,906	**1,176,434**
Non-interest-bearing securities	60,481	40,157
Total	**1,601,461**	**1,739,603**

Certain securities are hedged against interest rate risk. See Note 37.4.

NOTE 10: SECURITIES AT AMORTIZED COST (in HUF mn)

	31/12/2023	31/12/2022
Government bonds	4,468,813	4,375,085
Corporate bonds	310,514	250,538
Bonds of Hungarian National Bank	-	177,679
Discounted Treasury bills	67,653	19,539
Mortgage bonds	24,738	24,586
Interest bearing Treasury bills	6,480	4,977
Other securities	403,722	82,583
	5,281,920	**4,934,987**
Loss allowance on securities at amortized cost	(32,648)	(43,049)
Total	**5,249,272**	**4,891,938**

Interest conditions and the remaining maturities of securities at amortized cost can be analysed as follows:

	31/12/2023	31/12/2022
Within one year		
With variable interest	-	159
With fixed interest	700,735	951,773
	700,735	**951,932**
Over one year		
With variable interest	6,005	25,753
With fixed interest	4,575,180	3,957,302
	4,581,185	**3,983,055**
Total	**5,281,920**	**4,934,987**

An analysis of securities at amortized cost by currency (%):

	31/12/2023	31/12/2022
Denominated in HUF	46.81%	63.50%
Denominated in foreign currency	53.19%	36.50%
Total	**100.00%**	**100.00%**

Interest conditions of securities at amortized cost (%):

	31/12/2023	31/12/2022
Interest rates of securities at amortized cost with variable interest	0.75% - 2.91%	0.75% - 17.74%
Interest rates of securities at amortized cost with fixed interest	0.00% - 26.00%	0.00% - 23.00%

	31/12/2023	31/12/2022
Average interest rates on securities at amortized cost denominated in HUF (%)	4.48%	3.31%

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:

	31/12/2023	31/12/2022
Balance as at 1 January	**43,049**	**9,113**
Loss allowance for the period	10,875	37,104
Release of loss allowance	(20,060)	(5,603)
Use of loss allowance	-	-
Assets held for sale	(637)	-
Foreign currency translation difference	(579)	2,435
Closing balance	**32,648**	**43,049**

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn)

Loans at amortized cost

	31/12/2023	**31/12/2022**
Within one year		
In HUF	1,340,659	1,422,663
In foreign currency	3,714,471	3,672,023
	5,055,130	**5,094,686**
Over one year		
In HUF	2,516,270	2,425,793
In foreign currency	10,999,164	9,540,339
	13,515,434	**11,966,132**
	18,570,564	**17,060,818**
Loss allowance on loans	(894,031)	(966,360)
Total	**17,676,533**	**16,094,458**

An analysis of the gross loan portfolio at amortized cost by currency (%):

	31/12/2023	**31/12/2022**
In HUF	20.77%	22.56%
In foreign currency	79.23%	77.44%
Total	**100.00%**	**100.00%**

Interest rates of the loan portfolio at amortized cost are as follows:

	31/12/2023	**31/12/2022**
Loans at amortized cost denominated in HUF[1]	0.00% - 59.99%	0.00% - 43.70%
Loans at amortized cost denominated in foreign currency[2]	(0.50)% - 90.00%	(0.10)% - 90.00%

[1] The highest interest rate relates to HUF loan is car loan in the current year and overdraft loan in the previous year.
[2] The highest interest rate relates to loan in foreign currency is multi personal loan for the current year and POS services in the previous year.

	31/12/2023	**31/12/2022**
Average interest rates on loans at amortized cost denominated in HUF (%)	11.36%	8.65%
Average interest rates on loans at amortized cost denominated in foreign currency (%)	6.12%	5.47%

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 64,487 million and HUF 117,357 million as at 31 December 2023 and 2022, 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:

	31/12/2023	31/12/2022
Balance as at 1 January	**966,360**	**851,994**
Loss allowance for the period	*714,784*	*676,389*
Release of loss allowance	*(551,477)*	*(469,929)*
Loss allowance in the current period	163,307	206,460
from this: effect of change in parameters used for loss allowance calculation	(22,784)	10,276
Use of loss allowance	(61,078)	(92,004)
Partial write-off [1]	(37,169)	(67,651)
Assets held for sale	(61,355)	-
Foreign currency translation difference	(76,034)	67,561
Closing balance	**894,031**	**966,360**

[1] See details in Note 2.5.8.

Movement in loss allowance on loans and placements is summarized as below:

	31/12/2023	31/12/2022
Release of loss allowance on placements and loss from derecognition of placements	(1,455)	(39)
Loss allowance on loans and gain from derecognition of loans	111,771	114,163
Total [2]	**110,316**	**114,124**

[2] See details in Note 31.

Loans mandatorily at fair value through profit or loss

	31/12/2023	31/12/2022
Within one year		
In HUF	77,886	70,883
In foreign currency	131	-
	78,017	**70,883**
Over one year		
In HUF	1,320,889	1,176,531
In foreign currency	1,579	-
	1,322,468	**1,176,531**
Total	**1,400,485**	**1,247,414**

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 (%):

	31/12/2023	31/12/2022
In HUF	99.88%	100.00%
In foreign currency	0.12%	0.00%
Total	**100.00%**	**100.00%**

Interest rates of the loan portfolio mandatorily at fair value through profit or loss are as follows (%):

	31/12/2023	31/12/2022
Interest rates on loans denominated in HUF	1.31% - 25.36%	1.12% - 18.26%
Interest rates on loans denominated in foreign currency	5.00% - 30.00%	-

	31/12/2023	31/12/2022
Average interest rates on loan portfolio at fair value through profit or loss denominated in HUF (%)	6.96%	4.55%
Average interest rates on loan portfolio at fair value through profit or loss denominated in foreign currency (%)	4.68%	0.04%

NOTE 12: ASSOCIATES AND OTHER INVESTMENTS (in HUF mn)

	31/12/2023	31/12/2022
Investments		
Investments in associates (non-listed)	66,805	56,835
Other investments (non-listed)	39,019	29,094
	105,824	**85,929**
Impairment on investments	(9,714)	(12,080)
Total	**96,110**	**73,849**

An analysis of the change in the impairment on investments is as follows:

	31/12/2023	31/12/2022
Balance as at 1 January	**12,080**	**12,514**
Impairment for the period	44	1,312
Release of impairment for the period	(65)	(411)
Modification due to merge	(2,344)	(1,238)
Use of impairment	-	-
Foreign currency translation difference	(1)	(97)
Closing balance	**9,714**	**12,080**

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 3,334 million and HUF 3,466 million as at 31 December 2023 and 2022, respectively.
There was HUF 330 million restrictions on title and properties, plants or equipment pledged as security for liabilities as at 31 December 2023 and there was no restriction as at 31 December 2022.
As at 31 December 2023 and 31 December 2022 the amount of contractual commitments for the acquisition of tangible and intangible assets was HUF 29,980 million and HUF 21,116 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 2023 impairment test was prepared where a three-year cash-flow model was applied with an explicit period between 2024-2026. The basis for the estimation was the actual data of November 2023 and based on the prepared medium-term (2024-2026) forecasts. When the Bank prepared the calculations for the period 2024-2026, 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 2023 and 2022

Based on the valuations of the subsidiaries for the year ended 31 December 2023 no goodwill impairment while 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).

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2023

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	**471,420**	**109,185**	**375,765**	**271,879**	**43,288**	**53,544**	**31,206**	**1,356,287**
Increase due to acquisition	18,484	-	41,770	9,085	207	339	272	70,157
Additions	131,153	328	34,384	42,538	1,744	71,211	18,644	300,002
Foreign currency translation differences	(16,618)	(1,715)	(11,158)	(10,447)	(419)	110	(1,482)	(41,729)
Disposals	(45,342)	(40,866)	(8,075)	(22,041)	(1,460)	(78,421)	(12,016)	(208,221)
Assets held for sale	(16,362)	-	(11,079)	(14,472)	(1,429)	(886)	-	(44,228)
Closing balance	**542,735**	**66,932**	**421,607**	**276,542**	**41,931**	**45,897**	**36,624**	**1,432,268**

Depreciation and amortization	Intangible assets	Property	Machinery and office equipment	Vehicle	Tangible assets subject to operating lease	Total
Balance as at 1 January	**299,912**	**93,288**	**195,614**	**9,140**	**8,855**	**606,809**
Charge for the period	53,259	11,599	28,516	2,302	4,447	100,123
Foreign currency translation differences	(9,862)	(3,455)	(8,392)	(265)	(447)	(22,421)
Disposals	(19,459)	(4,067)	(19,375)	(2,131)	(5,004)	(50,036)
Assets held for sale	(11,765)	(5,675)	(9,139)	(899)	-	(27,478)
Closing balance	**312,085**	**91,690**	**187,224**	**8,147**	**7,851**	**606,997**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2023 [continued]

Impairment	**Intangible assets**	**Goodwill**	**Property**	**Machinery and office equipment**	**Tangible assets subject to operating lease**	**Total**
Balance as at 1 January	**2,796**	**40,866**	**4,251**	**46**	**19**	**47,978**
Impairment for the period	4,361	-	441	820	30	5,652
Release of impairment for the period	-	-	-	(2)	-	(2)
Foreign currency translation differences	37	-	(215)	2	(1)	(177)
Use of impairment	(970)	(40,866)	(1)	(820)	(5)	(42,662)
Closing balance	**6,224**	**-**	**4,476**	**46**	**43**	**10,789**

	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	**168,712**	**68,319**	**278,226**	**76,219**	**34,148**	**53,544**	**22,332**	**701,500**
Closing balance	**224,426**	**66,932**	**325,441**	**89,272**	**33,784**	**45,897**	**28,730**	**814,482**
Fair values	**-**	**-**	**350,867**	**89,318**	**33,779**	**-**	**28,730**	**502,694**
Gross amount of the fully depreciated assets that are still in use	**164,201**	**-**	**27,950**	**136,683**	**1,612**	**-**	**582**	**331,028**

An analysis of the intangible assets for the year ended 31 December 2023 is as follows:

Intangible assets	**Self-developed**	**Purchased**	**Total**
Gross values	22,230	520,505	542,735
Accumulated amortization	(10,220)	(301,865)	(312,085)
Impairment	-	(6,224)	(6,224)
Carrying value	**12,010**	**212,416**	**224,426**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2023 [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	43,684	28,541	HUF	99.92%	1,072,672	3.00%	12.28%
(Bulgaria)			77	BGN				
OTP banka d.d.								
(Croatia)	205,349	22,221	58	EUR	100.00%	465,038	3.00%	10.75%
POK-DSK Rodina a.d.								
(Bulgaria)	1,680	11	11	HUF	99.85%	18,880	3.00%	12.28%
George Consult								
(Croatia)	225	212	4	HRK	76.00%	171	3.00%	10.75%
OTP Home Solutions Llc.								
(Hungary)	3,870	478	478	HUF	100.00%	3,870	3.00%	14.25%
OTP Invest Drustvo AD								
(Serbia)	304	326	100	RSD	100.00%	304	3.00%	12.69%
	492,150	**66,932**						

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 14: INVESTMENT PROPERTIES (in HUF mn)

An analysis of the change in gross values of investment properties is as follows:

Gross values	31/12/2023	31/12/2022
Balance as at 1 January	**61,346**	**40,241**
Increase due to transfer from inventories or owner-occupied properties	-	1,830
Increase from purchase	10,363	20,935
Increase from acquisition	9,910	-
Transfer to held-for-sale properties	(34)	(321)
Transfer to inventories or owner-occupied properties	(4,985)	(1,442)
Disposal due to sale	(10,652)	(1,798)
Assets held for sale	(182)	-
Foreign currency translation difference	(2,214)	1,901
Closing balance	**63,552**	**61,346**

The applied depreciation and amortization rates were as follows:

	31/12/2023	31/12/2022
Depreciation and amortization rates	2.00% - 15.00%	2.00% - 20.00%

An analysis of the movement in the depreciation and amortization on investment properties is as follows:

Depreciation and amortization	31/12/2023	31/12/2022
Balance as at 1 January	**11,273**	**9,111**
Additions due to transfer from inventories or owner-occupied properties	-	1,513
Charge for the period	866	912
Assets held for sale	(86)	-
Transfer to inventories or owner-occupied properties	(2,178)	(126)
Disposal due to sale	(420)	(780)
Transfer to held-for-sale properties	(5)	(17)
Foreign currency translation difference	(442)	660
Closing balance	**9,008**	**11,273**

An analysis of the movement in the impairment on investment properties is as follows:

Impairment	31/12/2023	31/12/2022
Balance as at 1 January	**2,621**	**1,248**
Impairment for the period	32	1,389
Release of impairment for the period	(1,394)	(63)
Use of impairment	-	(40)
Assets held for sale	(34)	-
Decrease due to transfer to inventories or owner-occupied properties	(11)	(8)
Foreign currency translation difference	(51)	95
Closing balance	**1,163**	**2,621**

NOTE 14: INVESTMENT PROPERTIES (in HUF mn) [continued]

Carrying values	31/12/2023	31/12/2022
Balance as at 1 January	47,452	29,882
Closing balance	53,381	47,452
Fair values	72,647	61,198

The amount of restrictions on the realisability of investment property is HUF 781 million as at 31 December 2023 while there wasn't any restriction as at 31 December 2022.

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	31/12/2023	31/12/2022
Rental income	3,029	2,511
Direct operating expenses of investment properties – income generating	451	426
Direct operating expenses of investment properties – non income generating	307	82

NOTE 15: DERIVATIVE FINANCIAL ASSETS DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Positive fair value of derivative financial assets designated as fair value hedge

	31/12/2023	31/12/2022
CCIRS and mark-to-market CCIRS designated as fair value hedge	24,750	20,732
Foreign exchange swap designated as fair value hedge	-	1,696
Interest rate swaps designated as fair value hedge	17,217	25,819
Total	**41,967**	**48,247**

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.

Other financial assets	31/12/2023	31/12/2022
Receivables from card operations	71,385	67,981
Prepayments and accrued income on other financial assets	34,369	29,284
Trade receivables	53,010	37,777
Receivables from investment services	56,855	57,189
Other advances	24,612	19,652
Stock exchange deals	20,451	31,234
Giro clearing accounts	31,022	12,593
Receivables due from pension funds and investment funds	8,507	6,478
Receivables from leasing activities	1,634	1,778
Advances for securities and investments	82	358
Other financial assets	15,075	30,490
Loss allowance on other financial assets	(34,602)	(31,833)
Total	**282,400**	**262,981**

Other financial assets contain claims from overdue Russian government bonds, for further information please see details in Note 4. 1b.

Other non-financial assets	31/12/2023	31/12/2022
Prepayments and accrued income on other non-financial assets	59,311	62,878
Receivables, subsidies from the State, Government	21,085	23,383
Settlement and suspense accounts	26,409	40,066
Biological assets and agricultural produce	10,672	8,366
Other non-financial assets	45,294	27,963
Impairment on other non-financial assets	(4,437)	(7,041)
Total	**158,334**	**155,615**

Other assets (under IAS 2)	31/12/2023	31/12/2022
Inventories	56,552	48,210
Repossessed real estate	14,832	6,985
Repossessed other non-financial assets	2,289	1,192
Write-down of the assets measured under IAS 2	(4,977)	(3,864)
Total	**68,696**	**52,523**
Total other assets	**509,430**	**471,119**

NOTE 16: OTHER ASSETS (in HUF mn) [continued]

An analysis of the movement in the loss allowance on **other financial assets** is as follows:

	31/12/2023	31/12/2022
Balance as at 1 January	**31,833**	**16,800**
Loss allowance for the period	16,278	22,472
Release of allowance for the period	(7,016)	(8,917)
Use of loss allowance	(3,505)	(2,083)
Reclassification	-	253
Assets held for sale	(371)	-
Foreign currency translation difference	(2,617)	3,308
Closing balance	**34,602**	**31,833**

An analysis of the movement in the impairment on **other non-financial assets** is as follows:

	31/12/2023	31/12/2022
Balance as at 1 January	**7,041**	**4,413**
Impairment for the period	778	3,304
Release of impairment for the period	(1,161)	(647)
Use of impairment	(583)	(324)
Reclassification	-	(253)
Assets held for sale	(1,576)	-
Foreign currency translation difference	(62)	548
Closing balance	**4,437**	**7,041**

NOTE 17: AMOUNTS DUE TO BANKS, THE NATIONAL GOVERNMENTS, DEPOSITS FROM THE NATIONAL BANKS AND OTHER BANKS (in HUF mn)

	31/12/2023	31/12/2022
Within one year		
In HUF	179,321	369,015
In foreign currency	244,011	218,611
	423,332	**587,626**
Over one year		
In HUF	737,892	689,579
In foreign currency	779,638	185,953
	1,517,530	**875,532**
Total	**1,940,862**	**1,463,158**

Interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks are as follows:

	31/12/2023	31/12/2022
Within one year		
In HUF	(2.40)% - 8.75%	(2.40)% - 18.00%
In foreign currency[1]	(2.31)% - 18.00%	(2.32)% - 12.00%
Over one year		
In HUF	(1.70)% - 11.40%	(2.40)% - 9.23%
In foreign currency[1]	(2.12)% - 16.81%	(2.40)% - 13.76%

	31/12/2023	31/12/2022
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in HUF	3.25%	2.28%
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in in foreign currency	5.65%	2.40%

NOTE 18: REPO LIABILITIES (in HUF mn)

	31/12/2023	31/12/2022
Within one year		
In HUF	24,572	29,147
In foreign currency	101,665	197
	126,237	**29,344**
Over one year		
In HUF	-	96
In foreign currency	-	187,929
	-	**188,025**
Total	**126,237**	**217,369**

Interest conditions on repo liabilities are as follows (%):

	31/12/2023	31/12/2022
Interest rates on repo liabilities denominated in HUF	0.00% - 0.00%	4.75% - 15.47%
Interest rates on repo liabilities denominated in foreign currency	0.00% - 3.65%	2.47% - 5.20%

	31/12/2023	31/12/2022
Average interest rates on repo liabilities denominated in HUF	12.85%	9.06%
Average interest rates on repo liabilities denominated in foreign currency	4.22%	1.51%

NOTE 19: FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	31/12/2023	31/12/2022
Within one year		
In HUF	1,816	1,716
In foreign currency	-	-
	1,816	**1,716**
Over one year		
In HUF	68,891	52,475
In foreign currency	-	-
	68,891	**52,475**
Total	**70,707**	**54,191**
Contractual amount outstanding	17,747	19,853
Result from associated entity's measured at fair value attributable to the Group	50,921	37,616

Interest conditions of financial liabilities designated at fair value through profit or loss can be analysed as follows:

	31/12/2023	31/12/2022
Interest rates on financial liabilities designated at fair value denominated in HUF within one year	4.97% - 9,97%	2.19% - 3.96%
Interest rates on financial liabilities designated at fair value denominated in HUF over one year	4.83%	0.01% - 4.63%

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)

	31/12/2023	31/12/2022
Within one year		
In HUF	7,584,728	7,910,448
In foreign currency	20,332,448	16,757,984
	27,917,176	**24,668,432**
Over one year		
In HUF	244,965	274,217
In foreign currency	170,290	246,156
	415,255	**520,373**
Total	**28,332,431**	**25,188,805**

Interest rates on deposits from customers are as follows:

	31/12/2023	31/12/2022
Within one year		
In HUF	0.00% - 15.40%	0.00% - 17.95%
In foreign currency[1]	0.00% - 23.00%	(0.40)% - 45.10%
Over one year		
In HUF	(0.36)% - 17.50%	0.00%- 13.00%
In foreign currency	0.00% - 22.10%	0.00% - 18.00%

[1] The highest interest rate regarding within-one-year deposits in foreign currency for the previous year relate to treasury deposit in Turkish lira in Hungary.

	31/12/2023	31/12/2022
Average interest rates on deposits from customers denominated in HUF	3.69%	2.21%
Average interest rates on deposits from customers denominated in foreign currency	0.98%	0.68%

An analysis of deposits from customers by type is as follows:

	31/12/2023		31/12/2022	
Retail deposits	16,093,360	56.80%	13,739,669	54.56%
Corporate deposits	10,965,159	38.70%	10,408,982	41.32%
Municipality deposits	1,273,912	4.50%	1,040,154	4.13%
Total	**28,332,431**	**100.00%**	**25,188,805**	**100.00%**

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	31/12/2023	31/12/2022
With original maturity		
Within one year		
In HUF	399,897	48,755
In foreign currency	153,264	6,427
	553,161	**55,182**
Over one year		
In HUF	283,165	373,645
In foreign currency	1,259,222	441,855
	1,542,387	**815,500**
Total	**2,095,548**	**870,682**

Interest rates on liabilities from issued securities are as follows:

	31/12/2023	31/12/2022
Issued securities denominated in HUF	0.60% - 15.00%	0.60% - 15.00%
Issued securities denominated in foreign currency	1.63% - 16.00%	0.74% - 7.35%

	31/12/2023	31/12/2022
Average interest rates on issued securities denominated in HUF	8.83%	5.00%
Average interest rates on issued securities denominated in foreign currency	7.14%	2.95%

Issued securities denominated in HUF as at 31 December 2023 (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	OTPX2024A	18/06/2014	21/06/2024	241	283	indexed	1.30	hedged
2	OTPX2024B	10/10/2014	16/10/2024	295	339	indexed	0.70	hedged
3	OTPX2024C	15/12/2014	20/12/2024	242	275	indexed	0.60	hedged
4	OTP_HUF_24/1	17/02/2023	17/02/2024	26,079	28,593	fix	11.00	
5	OTP_HUF_24/2	10/03/2023	10/03/2024	22,977	25,048	fix	11.00	
6	OTP_HUF_24/3	31/03/2023	31/03/2024	17,015	18,441	fix	11.00	
7	OTP_HUF_24/4	21/04/2023	21/04/2024	14,698	15,837	fix	11.00	
8	OTP_HUF_24/5	12/05/2023	12/05/2024	13,946	14,937	fix	11.00	
9	OTP_HUF_24/6	02/06/2023	02/06/2024	16,722	17,806	fix	11.00	
10	OTP_HUF_24/7	23/06/2023	23/06/2024	11,232	11,859	fix	10.50	
11	OTP_HUF_24/8	30/06/2023	30/06/2024	3,730	3,931	fix	10.50	
	Subtotal			**127,177**	**137,349**			

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2023 (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
12	OTP_HUF_24/9	28/07/2023	28/07/2024	4,173	4,364	fix	10.50	
13	OTP_HUF_24/10	07/08/2023	07/08/2024	1,431	1,490	fix	10.00	
14	OTP_HUF_24/11	01/09/2023	01/09/2024	2,655	2,743	fix	9.75	
15	OTP_HUF_24/12	25/09/2023	25/09/2024	2,777	2,845	fix	9.00	
16	OTP_HUF_24/13	20/10/2023	20/10/2024	3,494	3,557	fix	8.75	
17	OTP_HUF_24/14	17/11/2023	17/11/2024	3,509	3,547	fix	8.50	
18	OTP_HUF_24/15	20/12/2023	20/12/2024	2,994	3,004	fix	8.00	
19	OTP_HUF_25/1	18/11/2022	18/11/2025	25,563	27,042	fix	15.00	hedged
20	OTP_HUF_25/2	30/06/2023	30/06/2025	5,116	5,431	fix	12.00	
21	OTP_HUF_26/1	22/12/2022	05/01/2026	10,228	11,856	fix	12.00	hedged
22	OTP_HUF_26/2	15/12/2023	15/12/2026	647	649	fix	7.40	
23	OTP_TBSZ_HUF_2028/1	13/10/2023	15/12/2028	155	159	fix	12.00	
24	OJB2024_A	17/09/2018	20/05/2024	59,999	59,999	floating	11.32	
25	OJB2024_C	24/02/2020	24/10/2024	80,000	79,818	floating	10.90	
26	OJB2024_II	10/10/2018	24/10/2024	96,800	92,101	fix	2.50	
27	OJB2025_II	03/02/2020	26/11/2025	22,550	21,140	fix	1.50	hedged
28	OJB2027_I	23/07/2020	27/10/2027	76,850	67,619	fix	1.25	
29	OJB2029_A	25/07/2022	24/05/2029	66,520	66,360	floating	10.85	
30	OJB2031_I	18/08/2021	22/10/2031	82,000	66,867	fix	2.50	
31	OJB2032_A	20/09/2023	24/11/2032	25,000	24,916	floating	10.85	
32	Other			206	206			
	Total issued securities in HUF			**699,844**	**683,062**			

Issued securities denominated in foreign currency as at 31 December 2023

	Name	Date of issue	Maturity	Type of FX	Nominal value		Amortized cost		Interest conditions (actual interest rate in % p.a.)	
					(FX mn)	(HUF mn)	(FX mn)	(HUF mn)		
1	XS2560693181	01/12/2022	04/03/2026	EUR	649	248,497	689	263,732	fix	7.35
2	XS2626773381	25/05/2023	25/05/2027	USD	500	173,152	499	173,011	fix	7.50
3	XS2499691330	13/07/2022	13/07/2025	EUR	400	153,111	410	157,095	fix	5.50
4	XS2642536671	27/06/2023	27/06/2026	EUR	110	42,106	114	43,745	fix	7.50
5	XS2536446649	29/09/2022	29/09/2026	USD	60	20,786	61	21,180	fix	7.25
6	XS2698603326	05/10/2023	05/10/2027	EUR	650	248,725	674	258,006	fix	6.13
7	XS2737630314	22/12/2023	22/06/2026	EUR	75	28,709	75	28,778	fix	6.10
8	XS2703264635	13/10/2023	13/10/2026	RON	170	13,082	173	13,320	floating	8.10
9	SI0022104176	25/05/2021	25/05/2027	EUR	176	67,254	156	59,728	fix	1.63
10	XS2430442868	27/01/2022	27/01/2024	EUR	300	114,834	304	116,407	fix	1.88
11	XS2639027346	29/06/2023	29/06/2026	EUR	400	153,112	416	159,266	fix	7.38
12	XS2260457754	19/11/2020	19/11/2025	USD	300	103,932	285	98,589	fix	5.50
13	XS2331929963	16/04/2021	16/04/2024	UZS	685,065	19,250	698,553	19,629	fix	16.00
	Total issued securities in FX					**1,386,550**		**1,412,486**		
	Total issued securities							**2,095,548**		

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

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	1.7	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
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)	Nominal value (HUF mn)	Amortized cost (FX mn)	Amortized cost (HUF 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	5.5
3	XS2536446649	29/09/2022	29/09/2026	USD	60	22,541	61	22,972	fix	7.25
4	Other				12	60	15	76		
	Total issued securities in FX					**442,596**		**448,282**		
	Total issued securities							**870,682**		

Issued securities denominated in foreign currency in "Other" category are promissory notes issued by JSC "OTP Bank" (Russia) in the amount of HUF 60 million as at 31 December 2022.

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Hedge accounting of issued bonds

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.

Term Note Program in the value of HUF 800 billion for the year of 2023/2024

The Bank initiated term note program in the value of HUF 800 billion with the intention of issuing registered dematerialized bonds in public. On 7 August 2023, 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 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.
On 28 June 2023 the National Bank of Hungary approved the extension of the value of the originally HUF 200 billion Term Note Program to HUF 500 billion.

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.

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

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.

Issuance of Senior Preferred Notes in the aggregate nominal amount of USD 500 million

OTP Bank Plc. have been issued notes (ISIN: XS2626773381) 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.

Issuance of Senior Non-Preferred Notes in the aggregate nominal amount of EUR 110 million

OTP Bank Plc. have been 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.

Issuance of Senior Preferred Notes in the aggregate nominal amount of EUR 650 million

OTP Bank Plc have been issued the notes (ISIN: XS2698603326) 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.

Issuance of Senior Preferred Notes in the aggregate nominal amount of RON 170 million

OTP Bank Plc have been issued the 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.

Issuance of Senior Non-Preferred Notes in the aggregate nominal amount of EUR 75 million

OTP Bank Plc have been issued the 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.

Issuance of Senior Non-Preferred and Preferred bonds by Nova KBM

On 25 May 2021, Nova KBM issued senior non-preferred bonds KBM12 in the nominal amount of EUR 176 million with maturity on 25 May 2027. They are not listed on the stock exchange.
On 27 January 2022, Nova KBM issued senior non-preferred bonds NOVAKR 0 01/27/25 in the total nominal amount of EUR 300 million, which were early repaid on 27 January 2024. The bonds were rated Ba1 by Moody's and BBB- by Fitch. The bonds were listed on the Luxembourg Stock Exchange.
On 29 June 2023, Nova KBM issued senior preferred bonds NOVAKR 7 06/29/26 in the total nominal amount of EUR 400 million. The bonds are rated Baa2 by Moody's. The bonds are listed on the Luxembourg Stock Exchange.

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

	31/12/2023	31/12/2022
Foreign exchange swaps held for trading	51,928	83,149
Commodity swaps	31,661	31,632
Interest rate swaps held for trading	29,179	237,269
Foreign exchange forward contracts held-for-trading	11,061	13,740
CCIRS and mark-to-market CCIRS held for trading	8,945	15,759
Held for trading option contracts	2,904	1,891
Held-for-trading forward rate agreements	214	-
Held-for-trading forward security agreement	1	-
Other derivative transactions held for trading[1]	4,595	2,307
Total	**140,488**	**385,747**

[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

	31/12/2023	31/12/2022
CCIRS and mark-to-market CCIRS designated as fair value hedge	10,009	5,398
Foreign exchange swap designated as fair value hedge	-	16,199
Interest rate swaps designated as fair value hedge	53,939	6,352
Other hedge of interest rate risk designated as fair value hedge	(49)	-
Total	**63,899**	**27,949**

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.

	31/12/2023	31/12/2022
Other financial liabilities		
Liabilities connected to Cafeteria benefits	92,409	91,001
Liabilities from investment services	47,647	108,513
Accrued expenses on other financial liabilities	66,816	55,898
Liabilities from card transactions	119,984	75,544
Accounts payable	73,350	56,828
Liabilities due to short positions	19,107	24,596
Giro clearing accounts	42,172	32,133
Advances received from customers	15,061	12,540
Liabilities from wages and other salary related payments	40,631	34,672
Loans from government	7,473	7,961
Dividend payable	570	207
Other financial liabilities	85,507	82,387
Subtotal	**610,727**	**582,280**

Other non-financial liabilities	**31/12/2023**	**31/12/2022**
Clearing, settlement and pending accounts	31,143	46,800
Liabilities from social security contributions	16,204	11,749
Accrued expenses on other non-financial liabilities	17,577	13,647
Clearing account for advances on housing subsidies	10,824	12,868
Other non-financial liabilities	59,345	40,310
Subtotal	**135,093**	**125,374**
Total	**745,820**	**707,654**

NOTE 24: PROVISIONS AND OTHER LIABILITIES (in HUF mn) [continued]

The provisions are detailed as follows:

	31/12/2023	31/12/2022
Commitments and guarantees given	46,137	63,372
Total provision according to IFRS 9	**46,137**	**63,372**
Pending legal issues and tax litigation	39,351	37,043
Pensions and other retirement benefit obligations	9,336	8,225
Other long-term employee benefits	2,510	1,331
Restructuring	6,206	1,256
Provision due to CHF loans conversion at foreign subsidiaries	363	900
Other provision	17,216	19,494
Total provision according to IAS 37	**74,982**	**68,249**
Total	**121,119**	**131,621**

The movements of provisions according to IFRS 9 can be summarized as follows:

	31/12/2023	31/12/2022
Balance as at 1 January	**63,372**	**51,990**
Provision for the period	104,871	102,928
Release of provision for the period	(124,741)	(96,783)
Use of provision	(59)	(293)
Change due to acquisition	11,439	21
Liabilities held for sale	(4,728)	-
Foreign currency translation differences	(4,017)	5,509
Closing balance	**46,137**	**63,372**

The movements of provisions according to IAS 37 can be summarized as follows:

	31/12/2023	31/12/2022
Balance as at 1 January	**68,249**	**67,809**
Provision for the period	30,927	27,290
Release of provision for the period	(17,433)	(24,846)
Use of provision	(7,354)	(6,878)
Change due to actuarial gains or losses related to employee benefits	350	(1,098)
Change due to acquisition	11,626	57
Unwinding of the discounted amount	88	16
Liabilities held for sale	(8,430)	-
Foreign currency translation differences	(3,041)	5,899
Closing balance	**74,982**	**68,249**

NOTE 25: SUBORDINATED BONDS AND LOANS (in HUF mn)

	31/12/2023	31/12/2022
Within one year		
In HUF	-	-
In foreign currency	19,727	3,395
	19,727	**3,395**
Over one year		
In HUF	-	-
In foreign currency	542,669	298,589
	542,669	**298,589**
Total	**562,396**	**301,984**

Types of subordinated bonds and loans are as follows:

	31/12/2023	31/12/2022
Debt securities issued	19,727	7,798
Loan received	542,669	294,186
Total	**562,396**	**301,984**

Interest rates on subordinated bonds and loans are as follows:

	31/12/2023	31/12/2022
Denominated in HUF	-	-
Denominated in foreign currency	2.90% - 8.75%	2.90% - 5.00%

	31/12/2023	31/12/2022
Average interest rates on subordinated bonds and loans denominated in foreign currency	6.17%	3.10%

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 2023
Subordinated bond	EUR 231 million	07/11/2006	Perpetual	99.375%	Three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	6.97%
Subordinated bond	EUR 497 million	15/07/2019	15/07/2029	99.738%	Fixed 2.875%, annually	2.88%
Subordinated bond	USD 650 million	15/02/2023	15/05/2033	99.417%	Fix 8.75%, annually	8.75%
Subordinated loan	USD 17 million	05/06/2018	30/06/2025	100.00%	Bullet repayment, once at the end of the loan agreement	5.00%
Subordinated bond	EUR 7.46 million	26/12/2023	26/12/2030	100.00%	Fix 4.50%, semi-annually	4.50%
Subordinated bond	EUR 90.4 million	09/10/2019	09/10/2029	100.00%	Fix 4.00%, annually	4.00%

NOTE 25: SUBORDINATED BONDS AND LOANS (in HUF mn) [continued]

Subordinated bonds and loans can be detailed as follows [continued]:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as at 31 December 2023
Subordinated loan	UZS 104,007 million	30/04/2019	10/11/2028	100.00%	Fix 3.00%, quarterly	3.00%
Subordinated loan	UZS 26,857 million	30/04/2019	10/11/2029	100.00%	Fix 3.00%, quarterly	3.00%
Subordinated loan	UZS 118,397 million	30/04/2019	10/11/2030	100.00%	Fix 3.00%, quarterly	3.00%
Subordinated loan	USD 11.89 million	30/03/2023	31/03/2030	100.00%	Fix 0.00%, quarterly	0.00%

NOTE 26: SHARE CAPITAL (in HUF mn)

	31/12/2023	31/12/2022
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 2023 dividend of HUF 84,000 million was paid out from the profit of the year 2022, which meant HUF 300 dividend per share payable to the shareholders. In 2024 dividend of HUF 150,000 million are expected to be proposed by the Management from the profit of the year 2023, which means HUF 535.71 dividend per share payable to the shareholders.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 459,037 million and HUF 774,151 million) and reserves (HUF 3,720,285 million and HUF 2,621,064 million) as at 31 December 2023 and 2022, 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, 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 HUF 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 37,600 million and HUF 237,853 million as at 31 December 2023 and 2022, respectively.

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 that are deducted 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 shareholders' equity is related to SKB Bank, OTP Luxembourg S.à r.l., 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.

	31/12/2023	**31/12/2022**
Retained earnings	459,037	774,151
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	197,294	129,902
Actuarial loss related to employee defined benefits	144	544
Fair value of financial instruments measured at fair value through other comprehensive income	(33,229)	(107,676)
Share-based payment reserve	52,402	49,110
Net investment hedge in foreign operations	(30,113)	(27,405)
Profit after income tax	988,658	346,354
Changes in equity accumulated in the previous year at the subsidiaries and due to consolidation	2,562,945	2,047,798
Foreign currency translation differences	37,600	237,853
Retained earnings and other reserves [1]	**4,179,322**	**3,395,215**

[1]See more details in the Consolidated Statement of Comprehensive Income and in the Consolidated statement of Changes in equity on page 8 and 9.

Fair value adjustment of securities at fair value through other comprehensive income	**31/12/2023**	**31/12/2022**
Balance as at 1 January	**(164,432)**	**(7,653)**
Change of fair value	89,047	(180,981)
Deferred tax related to change of fair value	(12,725)	22,401
Transfer to profit or loss due to derecognition	368	1,040
Deferred tax related to transfer to proft or loss	(54)	(194)
Foreign currency translation difference	1,399	955
Closing balance	**(86,397)**	**(164,432)**

Expected credit loss on securities at fair value through other comprehensive income	**31/12/2023**	**31/12/2022**
Balance as at 1 January	**39,625**	**6,710**
Increase of loss allowance	8,491	40,664
Release of loss allowance	(8,137)	(11,391)
Decrease due to sale, derecognition	(2,527)	(43)
Foreign currency translation difference	(2,879)	3,685
Closing balance	**34,573**	**39,625**

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

Fair value changes of equity instruments at fair value through other comprehensive income	31/12/2023	31/12/2022
Balance as at 1 January	**17,131**	**12,633**
Change of fair value	6,672	5,394
Deferred tax related to change of fair value	(947)	(1,282)
Transfer to retained earnings due to derecognition	(3,978)	-
Foreign currency translation difference	(283)	386
Closing balance	**18,595**	**17,131**

Net investment hedge in foreign operations	31/12/2023	31/12/2022
Balance as at 1 January	**(27,405)**	**(27,405)**
Change of fair value on hedging item	(2,708)	-
Closing balance	**(30,113)**	**(27,405)**

Actuarial loss related to defined employee benefits	31/12/2023	31/12/2022
Balance as at 1 January	**544**	**(471)**
Change of actuarial loss related to employee benefits	(350)	1,097
Deferred tax related to change of actuarial loss related to employee benefits	(8)	(43)
Foreign currency translation difference	(42)	(39)
Closing balance	**144**	**544**

Foreign currency translation difference	31/12/2023	31/12/2022
Balance as at 1 January	**237,853**	**58,164**
Change of foreign currency translation	(200,253)	179,689
Closing balance	**37,600**	**237,853**

NOTE 28: TREASURY SHARES (in HUF mn)

	31/12/2023	31/12/2022
Nominal value (Ordinary shares)	1,267	1,132
Carrying value at acquisition cost	120,489	106,862

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:

	31/12/2023	31/12/2022
Number of shares as at 1 January	**11,318,096**	**10,906,881**
Additions	3,948,338	1,801,256
Disposals	(2,599,664)	(1,390,041)
Closing number of shares	**12,666,770**	**11,318,096**

Change in carrying value:

	31/12/2023	31/12/2022
Balance as at 1 January	**106,862**	**106,941**
Additions	39,818	16,268
Disposals	(26,191)	(16,347)
Closing balance	**120,489**	**106,862**

NOTE 29: NON-CONTROLLING INTEREST (in HUF mn)

	31/12/2023	31/12/2022
Balance as at 1 January	**5,959**	**6,198**
Increase due to business combination	3,149	-
Non-controlling interest included in net profit for the period	1,801	727
Dividend paid to non-controlling interest	(2,118)	-
Purchase of non-controlling interest	(159)	(886)
Foreign currency translation difference	(672)	(80)
Closing balance	**7,960**	**5,959**

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)

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income calculated using the effective interest method from / on		
loans	1,348,528	909,540
securities at amortized cost	242,256	139,445
finance lease receivables	100,749	74,994
securities at fair value through other comprehensive income	55,320	53,078
banks and balances with the National Banks	354,208	62,120
placements with other banks	195,921	161,938
liabilities (negative interest expense)	684	20,483
repo receivables	17,011	4,261
Subtotal	**2,314,677**	**1,425,859**
Income similar to interest income from		
swap deals related to credit institutions	390,648	344,070
loans mandatorily at fair value through profit or loss	92,117	54,036
swap deals related to clients	138,567	68,123
rental income	12,255	9,264
non-trading instruments mandatorily at fair value through profit or loss	-	54
Subtotal	**633,587**	**475,547**
Total interest income and incomes similar to interest income	**2,948,264**	**1,901,406**

	Year ended 31 December 2023	Year ended 31 December 2022
Interest expense due to / from / on		
swaps related to banks, National Governments and to deposits from the National Banks	512,481	369,804
deposits from customers	481,807	254,424
swaps related to deposits from customers	278,907	128,153
banks, National Governments and on deposits from the National Banks	76,465	33,682
issued securities	116,628	27,838
subordinated and supplementary bonds and loans	32,565	8,986
financial assets (negative interest income)	11,443	11,775
depreciation of assets subject to operating lease and investment properties	5,313	5,141
leases	2,970	2,296
repo liabilities	40,398	31,006
other	2,581	1,433
Total interest expense	**1,561,558**	**874,538**

NOTE 31: LOSS ALLOWANCES / IMPAIRMENT / PROVISIONS (in HUF mn)

	Year ended 31 December 2023	Year ended 31 December 2022
Loss allowance on loans		
Loss allowance for the period	714,784	644,137
Release of loss allowance	(561,813)	(457,361)
from this: impairment gain	10,336	9,517
Income from loan recoveries	(39,948)	(65,514)
Income from recoveries exceeding the gross loans	(11,015)	(6,899)
Impairment gain	(20,022)	(50,202)
Income from provisions on loans before OTP acquisition	(816)	(1,581)
Income from recoveries of written-off, but legally existing loans	(8,095)	(6,832)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	91	(13,346)
Loss allowance on finance lease	35,494	48,533
Release of loss allowance on finance lease	(37,150)	(25,020)
	111,458	**131,429**
(Release of loss allowance) / Loss allowance on due from banks, balances with National Banks, on placements and on repo receivables		
Allowance for the period	20,286	46,811
Release of allowance	(22,430)	(46,427)
	(2,144)	**384**
(Release of loss allowance) / Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost		
Allowance for the period	19,366	77,027
Release of allowance	(28,197)	(16,266)
	(8,831)	**60,761**
(Release of impairment) / Provision for impairment of intangible , tangible assets subject to operating lease and of investment properties		
Impairment for the period	62	1,389
Release of impairment	(1,394)	(185)
	(1,332)	**1,204**
(Release of) / Provision for commitments and guarantees given		
Provision for the period	104,871	97,221
Release of provision	(124,741)	(91,304)
	(19,870)	**5,917**
Loss allowances / Impairment and provisions	**79,281**	**199,695**

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions	Year ended 31 December 2023	Year ended 31 December 2022
Fees and commissions related to lending[1]	**45,741**	**41,452**
Deposit and account maintenance fees and commissions	291,530	247,625
Fees and commissions related to the issued bank cards	164,161	132,710
Currency exchange gains and losses	120,693	102,936
Fees related to cash withdrawal	68,826	61,272
Fees and commissions related to security trading	35,545	32,172
Fees and commissions related to fund management	47,445	29,906
Insurance fee income	21,727	19,196
Other	65,641	49,597
Fees and commissions from contracts with customers	**815,568**	**675,414**
Total	**861,309**	**716,866**

[1] Fees and commissions related to lending aren't included in the effective interest rate calculation due to their nature.

Expense from fees and commissions	Year ended 31 December 2023	Year ended 31 December 2022
Fees and commissions related to issued bank cards	66,747	53,983
Interchange fees	36,386	28,385
Fees and commissions paid on loans	9,638	8,865
Fees and commissions related to deposits	10,501	9,445
Cash withdrawal transaction fees	7,824	5,292
Fees and commissions related to security trading	7,004	4,230
Insurance fees	1,737	1,576
Fees and commissions related to collection of loans	705	985
Postal fees	4,965	576
Money market transaction fees and commissions	739	333
Other agent fee	1,684	1,912
Other	21,386	16,793
Total	**169,316**	**132,375**
Net profit from fees and commissions	**691,993**	**584,491**

NOTE 33: GAINS AND LOSSES BY TRANSACTIONS (in HUF mn)

Gains and losses by transactions	Year ended 31 December 2023	Year ended 31 December 2022
Gain by transactions	4,972	6,809
Loss by transactions	(3,629)	(3,254)
Gain from derecognition of loans, finance lease	**1,343**	**3,555**
Gain by transactions	1,110	41
Loss by transactions	(19,635)	(5,169)
Loss from derecognition of securities and other receivables at amortized cost	**(18,525)**	**(5,128)**
Loss from derecognition of financial assets at amortized cost	**(17,182)**	**(1,573)**

Derecognition of financial assets is mainly related to sale transactions both in case of securities and loans due to better investment options related to short-term opportunities on the market.

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	Year ended 31 December 2023	Year ended 31 December 2022
Gain by transactions	18,497	16,477
Loss by transactions	(10,784)	(19,645)
Fx gain / (loss) on securities at fair value through profit or loss	**7,713**	**(3,168)**
Gain by transactions	1,478	-
Loss by transactions	(687)	(323)
Fx gain / (loss) on derecognition of investment in subsidiaries, associates	**791**	**(323)**
Gain by transactions	1,175	4,502
Loss by transactions	(2,396)	(5,516)
Fx loss on securities at fair value through other comprehensive income	**(1,221)**	**(1,014)**
Gain / (Loss) on securities, net	**7,283**	**(4,505)**

Gains and losses by transactions	Year ended 31 December 2023	Year ended 31 December 2022
Gain by transactions	8,875	4,033
Loss by transactions	(635)	(3,768)
Gain on non-trading securities mandatorily at fair value through profit or loss	**8,240**	**265**
Gain by transactions	115,152	50,693
Loss by transactions	(21,571)	(60,234)
Gain / (Loss) on loans mandatorily at fair value through profit or loss (adjustment resulting from change in market factors)	**93,581**	**(9,541)**
Gain by transactions	766	7,809
Loss by transactions	(7,974)	(2,577)
(Loss) / Gain on financial assets and liabilities designated at fair value through profit or loss	**(7,208)**	**5,232**
Fair value adjustment on financial instruments measured at fair value through profit or loss	**94,613**	**(4,044)**

NOTE 33: GAINS AND LOSSES BY TRANSACTIONS (in HUF mn) [continued]

Gains and losses by transactions	Year ended 31 December 2023	Year ended 31 December 2022
Gain by transactions	85,387	138,675
Loss by transactions	(104,061)	(136,366)
(Loss) / Gain from fx swap, swap and option deals	**(18,674)**	**2,309**
Gain by transactions	6,569	4,156
Loss by transactions	(6,554)	(5,082)
Gain / (Loss) from option deals	**15**	**(926)**
Gain by transactions	501,377	148,699
Loss by transactions	(497,715)	(132,968)
Gain from commodities deals	**3,662**	**15,731**
Gain by transactions	2,633	752
Loss by transactions	(396)	(1,506)
Gain / (Loss) from futures deals	**2,237**	**(754)**
Net results on derivative instruments and hedge relationships	**(12,760)**	**16,360**

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	31/12/2023	31/12/2022
Hedged items	(15,433)	6,750
Hedging instrument	2,855	(9,352)
Hedge effectiveness	(12,578)	(2,602)

NOTE 34: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Other operating income	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Income from agricultural activity	72,323	62,809
Income from tourism activity	3,911	23,197
Gains on transactions related to property activities	7,195	5,232
Rental income	2,780	2,175
Income from computer programming	1,563	1,250
Fair value adjustment of biological assets and agricultural produce	(4,874)	(1,939)
Income from written-of receivable	4,163	3,727
Income from air passenger transport	1,958	1,863
Gains on transactions related to insurance activity	1,915	1,369
Non-repayable assets received	531	447
Negative goodwill due to acquisition	198,361	3,784
Other income from non-financial activities	34,441	21,016
Total	**324,267**	**124,930**

Other operating expenses	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Expense related to agricultural activity	47,780	45,612
Provision for off-balance sheet commitments and contingent liabilities	13,494	1,421
Financial support for sport association and organization of public utility	14,475	16,370
Expenses related to tourism activity	-	20,868
Loss allowance and loan losses on other financial assets	8,919	13,065
(Release of impairment) / Impairment on investments[1]	(21)	898
Non-repayable assets contributed	885	1,339
Impairment on tangible and intangible assets	5,620	627
Impairment and loan losses on other non-financial assets and assets measured under IAS 2	1,312	2,001
Operating expenses of assets subject to operating lease and investment property	1,252	883
Other	16,854	22,658
Other expenses from non-financial activities	*6,711*	*5,379*
Other costs	*10,143*	*17,279*
Total	**110,570**	**125,742**

[1] See details in Note 12.

NOTE 34: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

Other administrative expenses	Year ended 31 December 2023	Year ended 31 December 2022
Personnel expenses		
Wages	367,910	288,286
Taxes related to personnel expenses	58,267	48,334
Other personnel expenses	52,519	41,108
Subtotal	**478,696**	**377,728**
Depreciation, amortization of tangible, intangible assets, right-of-use assets [2]	**111,996**	**101,125**
Other administrative expenses		
Taxes, other than income tax [3]	165,632	193,543
Services	182,393	142,259
Professional fees	27,935	21,807
Fees payable to authorities and other fees	58,949	52,631
Advertising	26,067	19,084
Administration expenses	16,685	16,721
Rental fees	5,984	5,118
Subtotal	**483,645**	**451,163**
Total	**1,074,337**	**930,016**

[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 56,572 million for the year ended 31 December 2023 and HUF 99,974 million for the year ended 31 December 2022, recognized as an expense thus decreased the corporate tax base. For the year ended 31 December 2023 financial transaction duty was paid by the Bank in the amount of HUF 97,704 million while for the year ended 31 December 2022 the same duty was HUF 88,642 million.

Ernst & Young Audit Ltd.	Year ended 31 December 2023	Year ended 31 December 2022
	In thousand EUR	
OTP – annual audit – separate financial statements	573	458
OTP – annual audit – consolidated financial statements	923	738
Other audit services based on statutory provisions to OTP Group members	1,184	1,120
Other services providing assurance	1,088	1,805
Other non-audit services	550	426
Total	**4,318**	**4,547**

Ernst & Young Network	Year ended 31 December 2023	Year ended 31 December 2022
	In thousand EUR	
Audit based on statutory provisions	3,648	2,354
Other services providing assurance	-	-
Tax consulting services	88	209
Other non-audit services	945	1,015
Total	**4,681**	**3,578**

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 and Uzbekistan, 25.5% in the Netherlands and 35% in Malta.

The breakdown of the income tax expense is:

	31/12/2023	31/12/2022
Current tax expense	185,055	90,931
Deferred tax income	4,423	(32,331)
Total	**189,478**	**58,600**

A reconciliation of the net deferred tax asset/liability is as follows:

	31/12/2023	31/12/2022
Balance as at 1 January	**35,327**	**(8,936)**
Deferred tax (expense) / income in profit or loss	(4,423)	32,286
Deferred tax (liability) / receivable related to items recognized directly in equity and in Comprehensive Income	(10,072)	14,591
Due to acquisition of subsidiary	12,034	-
Assets held for sale	(394)	-
Foreign currency translation difference	(5,444)	(2,614)
Closing balance	**27,028**	**35,327**

A breakdown of the deferred tax assets are as follows:

	31/12/2023	31/12/2022
Loss allowance on granted loans	46,155	13,244
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	5,145	7,668
Securities at amortized cost	589	8
Difference in depreciation of tangible assets	1,377	1,304
Fair value adjustment of non-trading instruments mandatorily at fair value though profit or loss	92	214
Fair value adjustment of derivative financial instruments	6,904	7,227
Provision on other financial, non-financial liabilities	1,574	564
Difference in accounting for leases	12	430
Fair value adjustment of securities at fair value through other comprehensive income	2,824	7,563
Unused tax allowance	-	12,103
Loss allowance / impairment on other financial, non-financial assets	2,457	159
Tax accrual caused by negative taxable income	24,511	19,744
Difference in depreciation of right-of-use assets	189	564
Loss allowance on investment	74	84
Interbank placements and receivables	90	-
Fair value adjustment of securities at fair value through profit or loss	2,630	4,023
Difference in accounting for investment properties	7	51
Issued securities	38	-
Amounts unenforceable by tax law	43	32
Other	1,204	477
Deferred tax asset	**95,915**	**75,459**

NOTE 35: INCOME TAXES (in HUF mn) [continued]

A breakdown of the deferred tax liabilities are as follows:

	31/12/2023	31/12/2022
Difference in depreciation of tangible assets	(10,873)	(10,944)
Fair value adjustment of securities at fair value through other comprehensive income	(5,189)	(4,586)
Fair value adjustment of securities at fair value through profit or loss	(2)	-
Loss allowance on investment	(1,673)	(1,293)
Fair value adjustment of non-trading instruments mandatorily at fair value though profit or loss	(312)	(25)
Securities at amortized cost	(3,580)	(959)
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	(649)	(639)
Loss allowance on granted loans	(1,487)	(4,383)
Interbank placements and receivables	(1,196)	(1,269)
Unused tax allowance	(1)	-
Loss allowance / impairment on other financial, non-financial assets	(11,011)	(91)
Repurchase agreement and security lending	(36)	(265)
Provision on other financial, non-financial liabilities	(917)	-
Difference in accounting for investment properties	(748)	(204)
Issued securities	(298)	-
Difference in accounting for leases	(1,330)	-
Difference in depreciation of right-of-use assets	(5)	(272)
Other	(29,580)	(15,202)
Deferred tax liabilities	**(68,887)**	**(40,132)**

	31/12/2023	31/12/2022
Net deferred tax asset (amount presented in the consolidated statement of financial position)	**27,028**	**35,327**
Deferred tax assets	**55,691**	**75,421**
Deferred tax liabilities	**(28,663)**	**(40,094)**

Among deferred tax assets the tax accruals are included the following accruals by entities:

Tax accrual caused by negative taxable income	31/12/2023	31/12/2022	Date until it can be used
OTP Bank	-	19,424	31 December 2027
OTP Real Estate Leasing Ltd.	102	142	31 December 2030
Nagisz Ltd.	-	55	31 December 2025
Nagisz Ltd.	-	56	31 December 2026
Nagisz Ltd.	56	67	31 December 2030
Nova KBM	24,353	-	no time limit
	24,511	**19,744**	

Residual tax loss for which the Nova KBM has not made deferred tax assets amounts to HUF 409,628 million, so the unrecognized deferred tax assets amount to HUF 90,118 million as at 31 December 2023. Tax losses can be carried forward indefinitely in accordance with the Slovenian Corporate Income Tax Act.

NOTE 35: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the income tax income / expense is as follows:

	31/12/2023	31/12/2022
Profit before income tax	**1,201,183**	**377,678**
Income tax expense at statutory tax rates	**174,872**	**53,933**
Income tax adjustments due to permanent differences are as follows:		
Deferred use of tax allowance	-	(12,102)
Tax effect of transaction costs related to share-based payment recognized directly in shareholders' equity	312	267
Reversal of statutory general provision	(9)	(5)
Foreign withholding tax	7,218	-
Permanent differences from unused tax losses	(9,073)	(1,894)
Amounts unenforceable by tax law	55	61
Use of tax allowance in the current year	989	(23)
Other	(12,304)	(3,455)
Income tax expense	**162,060**	**36,782**
Effective tax rate	**15.77%**	**15.52%**
Business tax and innovation contribution	**27,418**	**21,818**
Total income tax expense	**189,478**	**58,600**

	31/12/2023	31/12/2022
Net current tax liability (amount presented in the consolidated statement of financial position)	**(62,175)**	**(23,216)**
Current income tax receivables	**7,773**	**5,650**
Current income tax payable	**(69,948)**	**(28,866)**

Global minimum tax

The global minimum tax legislation has been enacted, or substantively enacted, in certain jurisdictions the Group operates, mainly in the EU Member States. The Group is in scope of the global minimum tax legislation. The legislation will be effective for the Group’s financial year beginning 1 January 2024 and introduces a minimum rate of effective taxation of 15%.

From an accounting perspective, it is unclear if the global minimum tax rules create additional temporary differences, whether to remeasure deferred taxes for the global minimum tax rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, IAS 12 ‘Income taxes’ has been amended to introduce a mandatory temporary exception to the requirements of IAS 12. Under the mandatory temporary exception, a company does not recognize or disclose information about deferred tax assets and liabilities related to the global minimum tax rules. The Group applied the temporary exception for the year-ended 31 December 2023.

The Group has performed an assessment of the Group’s potential exposure to top-up tax payable under the global minimum tax rules.

NOTE 35: INCOME TAXES (in HUF mn) [continued]

Global minimum tax [continued]

The assessment of the potential exposure to top-up tax is based on the most recent information available regarding the financial performance of the group entities in the Group. Based on the assessment, the Group has identified potential exposure to top-up tax in respect of profits earned in Bulgaria, Hungary, Moldova and Serbia. The potential exposure comes from the constituent entities in these jurisdictions where the expected global minimum tax effective tax rate might be below 15% based on the currently available information. The global minimum tax rate might be lower in these jurisdictions mainly due to the low statutory domestic tax rate. As for Hungary, the estimation of the global minimum tax effective tax rate is complex for the following reasons. In Hungary, the most relevant taxes determining the global minimum tax effective tax rate are corporate income tax, local business tax and innovation contribution. The taxable income for local business tax and innovation contribution (with a combined statutory tax rate of 2.3%) purposes is significantly higher than the taxable income for corporate income tax purposes due to the scope (and hence, the amount) of deductible expenses under local business tax and innovation contribution being more limited than under corporate income tax. The proportion of taxable income for local business tax and innovation contribution and corporate income tax, respectively, may vary year by year to a significant extent making the estimation of the global minimum tax effective tax rate complex. The global minimum tax rate in Hungary is expected to fluctuate around 15%, in some years potentially being under 15%.
Had the global minimum tax legislation been effective for the current year ending 31 December 2023, the Group's IFRS effective tax rate adjusted to include the estimated top-up taxes would have been approximately 16.93%, 1.16 percentage point higher than the reported effective tax rate under IFRS of 15.77%. The increase in the effective tax rate under IFRS for the Group is driven by top up taxes arising on profits earned in Bulgaria, Hungary, Moldova and Serbia (estimated top-up tax for Bulgaria: HUF 11,100 million, Hungary: HUF 2,000 million, Moldova: HUF 450 million and Serbia: HUF 300 million). In respect of Hungary, the one-off income from the changes in the fair value of the OTP Bank Plc shares held by the OTP Bank Employee Partial Ownership Plan Organization was excluded from the global minimum tax calculation.

NOTE 36: LEASES (in HUF mn)

The Group as a lessee:

Right-of-use assets by class of underlying assets as at 31 December 2023:

31/12/2023	**Property**	**Office equipment and vehicles**	**Total**
Depreciation expense of right-of-use assets	15,094	1,226	**16,320**
Additions to right-of-use assets	33,091	2,656	**35,747**
Carrying amount of right-of-use assets at the end of the reporting period	69,603	5,095	**74,698**

Right-of-use assets by class of underlying assets as at 31 December 2022:

31/12/2022	**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**

The total cash outflow for leases was HUF 40,746 million as at 31 December 2023 and HUF 31,872 million as at 31 December 2022.

The Group mainly leases real estates, 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:

	31/12/2023	**31/12/2022**
Within one year	12,425	13,757
Over one year	63,888	50,021
Total	**76,313**	**63,778**

Lease liabilities by payments:

	31/12/2023	**31/12/2022**
Arising from fixed lease payments	32,119	38,636
Arising from variable lease payments	44,194	25,142
Total	**76,313**	**63,778**

On 31 December 2023 and 2022 HUF 335 million and HUF 44 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 2,868 million as at 31 December 2023 and would have been HUF 4,220 million as at 31 December 2022 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	**31/12/2023**	**31/12/2022**
Interest expense on lease liabilities	2,970	2,296
Expense relating to short-term leases	3,753	3,872
Expense relating to leases of low value assets	1,323	919
Expense relating to variable lease payments not included in the measurement of lease liabilities	4	-
Income from subleasing right-of-use assets	-	6
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, Croatia and Ukraine. 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	**31/12/2023**	**31/12/2022**
In less than 1 year	527,875	438,205
Between 1 and 2 years	379,355	391,229
Between 2 and 3 years	280,865	265,744
Between 3 and 4 years	186,890	175,723
Between 4 and 5 years	117,878	175,420
More than 5 years	65,018	69,877
Total receivables from undiscounted lease payments	**1,557,881**	**1,516,198**
Unguaranteed residual values	68	395
Gross investment in the lease	**1,557,949**	**1,516,593**
Less: unearned finance income	(223,217)	(164,710)
Present value of minimum lease payments receivable	**1,334,732**	**1,351,883**
Loss allowance	(45,020)	(53,131)
Net investment in the lease	**1,289,712**	**1,298,752**

An analysis of the change in the gross values on finance receivables is as follows:

	31/12/2023	**31/12/2022**
Balance as at 1 January	**1,351,883**	**1,212,631**
Additions due to new contracts	678,107	662,694
Additions due to interest income and amortized fees	103,223	82,181
Decrease due to write-off	(115)	(484)
Decrease due to repossession of the asset	(11,259)	(3,616)
Decrease due to sale	(2,456)	(1,697)
Assets held for sale	(66,511)	-
Decrease due to early repayment	(78,856)	(77,500)
Decrease due to regular lease payment	(589,498)	(572,293)
Foreign currency translation difference	(49,786)	49,967
Closing balance	**1,334,732**	**1,351,883**

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:

	31/12/2023	31/12/2022
Balance as at 1 January	**53,131**	**30,003**
Loss allowance for the period	35,494	49,433
Release of loss allowance	(37,150)	(25,020)
Use of loss allowance	(98)	(319)
Partial write-off	(7)	(516)
Decrease due to sale	(545)	(61)
Assets held for sale	(2,906)	-
Foreign currency translation difference	(2,899)	(389)
Closing balance	**45,020**	**53,131**

Result from finance leases	31/12/2023	31/12/2022
Selling profit or loss	-	-
Finance income on the net investment in the lease	100,749	78,262
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	31/12/2023	31/12/2022
In less than 1 year	13,464	6,636
Between 1 and 2 years	8,540	6,177
Between 2 and 3 years	7,500	4,782
Between 3 and 4 years	6,187	3,481
Between 4 and 5 years	3,703	2,644
More than 5 years	1,786	2,173
Total receivables from undiscounted lease payments	**41,180**	**25,893**

Result from operating leases	31/12/2023	31/12/2022
Lease income	15,035	11,439
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 HUF 4,211 million less impairment in Slovenia, while in Romania the HUF 7,310 million impairment release outcome of the review was netted with a post model adjustment resulting neutral overall effect.

During 2023 there were ECL SICR methodological changes in Hungary. The previously used methodology – which was based on rating category changes – was replaced by the advanced, lifetime-based methodology to identify the significant increase in credit risk. The changes resulted HUF 2.8 billion more impairment in 2023. The impact of the SICR methodology changes and parameter updates are presented under Note 11 as part of effect of change in parameters used for loss allowance calculation line item.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.1. Gross values and loss allowance / provision of 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 2023:

		Gross carrying amount / Notional value					Accumulated loss allowance / Provision				
31/12/2023	**Carrying amount / Exposure**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Placements with other banks	**1,566,998**	1,569,167	63	15	-	**1,569,245**	2,182	55	10	-	**2,247**
Repo receivables	**223,884**	224,477	-	-	-	**224,477**	593	-	-	-	**593**
Mortgage loans	**4,083,763**	3,620,661	432,031	93,436	54,751	**4,200,879**	18,097	27,882	46,945	24,192	**117,116**
Loans to medium and large corporates	**7,186,610**	6,052,951	1,157,654	206,352	39,638	**7,456,595**	50,361	82,517	127,352	9,755	**269,985**
Consumer loans	**4,533,639**	4,073,601	524,459	299,390	11,637	**4,909,087**	52,181	89,813	227,238	6,216	**375,448**
Loans to micro and small enterprises	**753,268**	483,993	245,532	93,106	36,449	**859,080**	8,035	30,768	55,620	11,389	**105,812**
Car-finance loans	**641,777**	573,379	71,559	14,946	596	**660,480**	5,050	4,891	8,287	475	**18,703**
Municipal loans	**477,476**	459,343	24,409	691	-	**484,443**	4,068	2,273	626	-	**6,967**
Loans at amortized cost	**17,676,533**	**15,263,928**	**2,455,644**	**707,921**	**143,071**	**18,570,564**	**137,792**	**238,144**	**466,068**	**52,027**	**894,031**
Finance lease receivable	**1,289,712**	1,095,039	176,856	62,799	38	**1,334,732**	5,331	8,342	31,309	38	**45,020**
Interest-bearing securities at fair value through other comprehensive income[1]	**1,540,980**	1,423,021	87,085	30,874	-	**1,540,980**	11,395	258	22,920	-	**34,573**
Securities at amortized cost	**5,249,272**	5,228,599	12,224	41,097	-	**5,281,920**	17,141	755	14,752	-	**32,648**
Financial assets total	**27,547,379**	**24,804,231**	**2,731,872**	**842,706**	**143,109**	**28,521,918**	**174,434**	**247,554**	**535,059**	**52,065**	**1,009,112**
Loan commitments given	**4,755,009**	4,495,101	277,346	11,673	823	**4,784,943**	19,890	7,772	2,007	265	**29,934**
Financial guarantees given	**1,474,285**	1,381,657	92,012	10,222	64	**1,483,955**	6,392	2,012	1,206	60	**9,670**
Other commitments given	**864,718**	829,611	34,112	5,909	1,619	**871,251**	1,860	1,388	2,354	931	**6,533**
Financial liabilities total	**7,094,012**	**6,706,369**	**403,470**	**27,804**	**2,506**	**7,140,149**	**28,142**	**11,172**	**5,567**	**1,256**	**46,137**

[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. Gross values and loss allowance / provision of 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 2022:

		Gross carrying amount / Notional value					Accumulated loss allowance / Provision				
31/12/2022	**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]

37.1.2. Financial instruments under simplified approach by day-past-due categories

31/12/2023	Without delay	< 30 days	31 - 60 days	61 - 90 days	> 91 days	Closing balance
Expected credit loss rate	**2.69%**	**2.69%**	**3.80%**	**6.03%**	**44.49%**	
Gross value	114,764	26,136	2,340	1,029	67,177	211,446
Loss allowance	3,082	703	89	62	29,890	**33,826**
Net carrying amount	**117,846**	**26,839**	**2,429**	**1,091**	**97,067**	**245,272**

31/12/2022	Without delay	< 30 days	31 - 60 days	61 - 90 days	> 91 days	Closing balance
Expected credit loss rate	**1.83%**	**2.16%**	**2.43%**	**3.05%**	**47.32%**	
Gross value	110,040	26,052	2,713	1,674	55,258	**195,737**
Loss allowance	2,011	562	66	51	26,149	**28,839**
Net carrying amount	**112,051**	**26,614**	**2,779**	**1,725**	**81,407**	**224,576**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.3. Movement table of gross values on financial instruments

Movement of gross values of 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 2023:

31/12/2023	Opening balance	Increases due to origination and acquisition	Increase on opening balance	Decreases due to payments and derecognition	Transfers between stages (net)	Changes due to modifications without derecognition (net)	Decrease due to write-offs	Assets held for sale	Foreign exchange and other adjustment	Closing balance
Stage 1	**23,127,980**	**23,356,461**	**3,416,632**	**(22,203,492)**	**(508,278)**	**(306,140)**	**(245)**	**(1,320,012)**	**(758,675)**	**24,804,231**
Placements with other banks	1,354,832	7,416,490	381,963	(7,453,395)	-	-	-	(4,529)	(126,194)	**1,569,167**
Repo receivables	41,250	4,458,449	53,911	(4,337,597)	-	-	-	-	8,464	**224,477**
Loans at amortized cost	14,176,668	8,774,565	2,081,887	(7,499,976)	(496,301)	(306,192)	(245)	(938,176)	(528,302)	**15,263,928**
Finance lease receivables	1,045,688	527,738	214,240	(597,894)	(10,997)	-	-	(52,206)	(31,530)	**1,095,039**
Interest-bearing securities at fair value through other comprehensive income	1,642,481	798,838	55,751	(1,006,842)	-	52	-	(39,100)	(28,159)	**1,423,021**
Securities at amortized cost	4,867,061	1,380,381	628,880	(1,307,788)	(980)	-	-	(286,001)	(52,954)	**5,228,599**
Stage 2	**2,228,626**	**714,891**	**212,807**	**(638,272)**	**441,295**	**34,021**	**(2,212)**	**(172,079)**	**(87,205)**	**2,731,872**
Placements with other banks	63	-	-	-	-	-	-	-	-	**63**
Repo receivables	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost	1,949,320	554,572	176,241	(459,903)	436,755	34,021	(2,212)	(161,009)	(72,141)	**2,455,644**
Finance lease receivables	235,817	72,482	36,313	(148,456)	3,560	-	-	(11,070)	(11,790)	**176,856**
Interest-bearing securities at fair value through other comprehensive income	28,285	83,167	-	(21,461)	-	-	-	-	(2,906)	**87,085**
Securities at amortized cost	15,141	4,670	253	(8,452)	980	-	-	-	(368)	**12,224**
Stage 3	**989,503**	**190,604**	**27,942**	**(252,740)**	**66,975**	**16,888**	**(73,726)**	**(63,427)**	**(59,313)**	**842,706**
Placements with other banks	24	-	75	(84)	-	-	-	-	-	**15**
Repo receivables	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost	837,964	171,781	24,518	(214,793)	59,541	16,888	(73,594)	(60,193)	(54,191)	**707,921**
Finance lease receivables	70,050	15,286	3,349	(25,520)	7,434	-	(132)	(3,234)	(4,434)	**62,799**
Interest-bearing securities at fair value through other comprehensive income	28,680	3,480	-	(1,231)	-	-	-	-	(55)	**30,874**
Securities at amortized cost	52,785	57	-	(11,112)	-	-	-	-	(633)	**41,097**
Financial assets subtotal	**26,346,109**	**24,261,956**	**3,657,381**	**(23,094,504)**	**(8)**	**(255,231)**	**(76,183)**	**(1,555,518)**	**(905,193)**	**28,378,809**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.3. Movement table of gross values on financial instruments [continued]

Movement of gross values of 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 2023 [continued]:

31/12/2023	Opening balance	Increases due to origination and acquisition	Increase on opening balance	Decreases due to payments and derecognition	Transfers between stages (net)	Changes due to modifications without derecognition (net)	Decrease due to write-offs	Assets held for sale	Foreign exchange and other adjustment	Closing balance
POCI	**97,194**	**19,386**	**41,718**	**(2,872)**	**8**	**-**	**(6,616)**	**(4,185)**	**(1,524)**	**143,109**
Placements with other banks	-	-	-	-	-	-	-	-	-	**-**
Repo receivables	-	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	96,866	19,386	41,366	(2,302)	5	-	(6,553)	(4,185)	(1,512)	**143,071**
Finance lease receivables	328	-	352	(570)	3	-	(63)		(12)	**38**
Interest-bearing securities at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	**-**
Securities at amortized cost	-	-	-	-	-	-	-	-	-	**-**
Financial assets total	**26,443,303**	**24,281,342**	**3,699,099**	**(23,097,376)**	**-**	**(255,231)**	**(82,799)**	**(1,559,703)**	**(906,717)**	**28,521,918**
Loan commitments and financial guarantees given - stage 1	5,842,958	3,472,892	53,896,979	(56,158,534)	(152,848)	3,465	-	-	(198,543)	**6,706,369**
Loan commitments and financial guarantees given - stage 2	359,236	178,252	127,132	(382,733)	138,545	1,149	-	-	(18,111)	**403,470**
Loan commitments and financial guarantees given - stage 3	58,980	4,908	910	(48,833)	14,304	14	-	-	(2,479)	**27,804**
Loan commitments and financial guarantees given - poci	202	2,719	566	(972)	(1)	-	-	-	(8)	**2,506**
Financial liabilities total	**6,261,376**	**3,658,771**	**54,025,587**	**(56,591,072)**	**-**	**4,628**	**-**	**-**	**(219,141)**	**7,140,149**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.3. Movement table of gross values on financial instruments [continued]

Movement of gross values of 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:

31/12/2022	Opening balance	Increases due to origination and acquisition	Increase on opening balance	Decreases due to payments and derecognition	Transfers between stages (net)	Changes due to modifications without derecognition (net)	Decrease due to write-offs	Foreign exchange and other adjustment	Closing balance
Stage 1	**20,342,780**	**14,852,553**	**2,438,184**	**(14,606,560)**	**(459,086)**	**(316,164)**	**(1,565)**	**877,838**	**23,127,980**
Placements with other banks	1,587,827	5,090,200	77,646	(5,427,424)	(56)	-	-	26,639	1,354,832
Repo receivables	61,342	739,740	10,235	(772,484)	-	-	-	2,417	41,250
Loans at amortized cost	11,666,666	6,965,634	1,639,278	(6,165,767)	(315,064)	(316,164)	(1,565)	703,650	14,176,668
Finance lease receivables	959,361	647,071	279,937	(821,075)	(40,685)	-	-	21,079	1,045,688
Interest-bearing securities at fair value through other comprehensive income	2,187,835	330,078	(108,639)	(795,353)	(54,819)	-	-	83,379	1,642,481
Securities at amortized cost	3,879,749	1,079,830	539,727	(624,457)	(48,462)	-	-	40,674	4,867,061
Stage 2	**2,053,839**	**839,840**	**220,448**	**(1,133,030)**	**191,126**	**(31,007)**	**(2,921)**	**90,331**	**2,228,626**
Placements with other banks	-	-	-	-	63	-	-	-	63
Repo receivables	-	-	-	-	-	-	-	-	-
Loans at amortized cost	1,820,486	706,756	135,633	(895,423)	133,003	(31,007)	(2,921)	82,793	1,949,320
Finance lease receivables	210,955	130,936	84,815	(229,505)	31,836	-	-	6,780	235,817
Interest-bearing securities at fair value through other comprehensive income	1,699	557	-	(1)	25,896	-	-	134	28,285
Securities at amortized cost	20,699	1,591	-	(8,101)	328	-	-	624	15,141
Stage 3	**800,245**	**99,966**	**104,996**	**(195,411)**	**267,514**	**11,053**	**(126,429)**	**27,569**	**989,503**
Placements with other banks	28	11	-	(14)	(7)	-	(4)	10	24
Repo receivables	-	-	-	-	-	-	-	-	-
Loans at amortized cost	758,273	86,193	73,473	(173,540)	181,635	11,053	(125,059)	25,936	837,964
Finance lease receivables	41,944	9,549	31,085	(21,614)	8,829	-	(1,366)	1,623	70,050
Interest-bearing securities at fair value through other comprehensive income	-	-	-	(243)	28,923	-	-	-	28,680
Securities at amortized cost	-	4,213	438	-	48,134	-	-	-	52,785
Financial assets subtotal	**23,196,864**	**15,792,359**	**2,763,628**	**(15,935,001)**	**(446)**	**(336,118)**	**(130,915)**	**995,738**	**26,346,109**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.3. Movement table of gross values on financial instruments [continued]

Movement of gross values of 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]:

31/12/2022	Opening balance	Increases due to origination and acquisition	Increase on opening balance	Decreases due to payments and derecognition	Transfers between stages (net)	Changes due to modifications without derecognition (net)	Decrease due to write-offs	Foreign exchange and other adjustment	Closing balance
POCI	**100,123**	**5,230**	**2,697**	**(7,353)**	**446**	**22**	**(6,646)**	**2,675**	**97,194**
Placements with other banks	-	-	-	-	-	-	-	-	-
Repo receivables	-	-	-	-	-	-	-	-	-
Loans at amortized cost	99,752	5,184	2,325	(6,865)	426	22	(6,608)	2,630	96,866
Finance lease receivables	371	46	372	(488)	20	-	(38)	45	328
Interest-bearing securities at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Securities at amortized cost	-	-	-	-	-	-	-	-	-
Financial assets total	**23,296,987**	**15,797,589**	**2,766,325**	**(15,942,354)**	**-**	**(336,096)**	**(137,561)**	**998,413**	**26,443,303**
Loan commitments and financial guarantees given - stage 1	5,680,638	2,790,609	14,020,246	(16,759,280)	(164,405)	49,279	-	225,871	5,842,958
Loan commitments and financial guarantees given - stage 2	207,874	178,600	106,136	(288,999)	138,354	5,335	(11)	11,947	359,236
Loan commitments and financial guarantees given - stage 3	27,528	20,161	7,797	(23,934)	26,044	(178)	(1)	1,563	58,980
Loan commitments and financial guarantees given - poci	218	3	9	(67)	7	-	-	32	202
Financial liabilities total	**5,916,258**	**2,989,373**	**14,134,188**	**(17,072,280)**	**-**	**54,436**	**(12)**	**239,413**	**6,261,376**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.4. 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 2023:

31/12/2023	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	Assets held for sale	Foreign exchange and other adjustment	Closing balance
Stage 1	**198,457**	**182,142**	**(50,688)**	**(120,176)**	**(7,185)**	**(3,832)**	**(137)**	**(11,421)**	**(12,726)**	**174,434**
Placements with other banks	3,801	21,893	(10,716)	-	(13,863)	-	-	(12)	1,079	2,182
Repo receivables	241	28,013	(12,536)	-	(15,120)	-	-	-	(5)	593
Loans at amortized cost	152,189	120,934	(24,021)	(118,838)	34,649	(3,832)	(137)	(10,089)	(13,063)	137,792
Finance lease receivables	4,797	2,665	(760)	(1,255)	838	-	-	(683)	(271)	5,331
Interest-bearing securities at fair value through other comprehensive income	13,754	5,346	(2,384)	-	(5,302)	-	-	-	(19)	11,395
Securities at amortized cost	23,675	3,291	(271)	(83)	(8,387)	-	-	(637)	(447)	17,141
Stage 2	**240,869**	**63,850**	**(26,201)**	**59,380**	**(65,542)**	**6,335**	**(1,131)**	**(16,538)**	**(13,468)**	**247,554**
Placements with other banks	12	-	-	-	147	-	-	-	(104)	55
Repo receivables	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost	223,965	56,062	(20,246)	59,297	(57,563)	6,335	(1,131)	(15,806)	(12,769)	238,144
Finance lease receivables	15,241	2,774	(404)	-	(8,052)	-	-	(732)	(485)	8,342
Interest-bearing securities at fair value through other comprehensive income	1,040	4,603	(5,266)	-	(19)	-	-	-	(100)	258
Securities at amortized cost	611	411	(285)	83	(55)	-	-	-	(10)	755
Stage 3	**632,966**	**62,579**	**(65,642)**	**60,796**	**5,297**	**2,207**	**(67,994)**	**(35,475)**	**(59,675)**	**535,059**
Placements with other banks	24	1	-	-	50	-	-	-	(65)	10
Repo receivables	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost	556,473	52,104	(61,111)	59,541	13,856	2,207	(67,862)	(33,984)	(55,156)	466,068
Finance lease receivables	32,875	10,474	(1,507)	1,255	(8,268)	-	(132)	(1,491)	(1,897)	31,309
Interest-bearing securities at fair value through other comprehensive income	24,831	-	(413)	-	(1)	-	-	-	(1,497)	22,920
Securities at amortized cost	18,763	-	(2,611)	-	(340)	-	-	-	(1,060)	**14,752**
Loss allowance on financial assets	**1,072,292**	**308,571**	**(142,531)**	**-**	**(67,430)**	**4,710**	**(69,262)**	**(63,434)**	**(85,869)**	**957,047**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.4. 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 2023 [continued]:

31/12/2023	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	Assets held for sale	Foreign exchange and other adjustment	Closing balance
POCI	**33,951**	**-**	**(2,603)**	**-**	**17,029**	**-**	**(3,702)**	**(1,476)**	**8,866**	**52,065**
Placements with other banks	-	-	-	-	-	-	-	-	-	-
Repo receivables	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost	33,733	-	(2,302)	-	16,825	-	(3,639)	(1,476)	8,886	52,027
Finance lease receivables	218	-	(301)	-	204	-	(63)	-	(20)	38
Interest-bearing securities at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Securities at amortized cost	-	-	-	-	-	-	-	-	-	-
Loss allowance on financial assets total	**1,106,243**	**308,571**	**(145,134)**	**-**	**(50,401)**	**4,710**	**(72,964)**	**(64,910)**	**(77,003)**	**1,009,112**
Loan commitments and financial guarantees given - stage 1	41,557	16,878	(8,107)	(12,482)	(4,418)	4	-	-	(5,290)	28,142
Loan commitments and financial guarantees given - stage 2	15,121	2,686	(4,336)	9,186	(11,278)	307	-	-	(514)	11,172
Loan commitments and financial guarantees given - stage 3	6,665	852	(1,499)	3,296	(3,388)	9	-	-	(368)	5,567
Loan commitments and financial guarantees given - poci	29	832	(34)	-	430	-	-	-	(1)	**1,256**
Provision on financial liabilities total	**63,372**	**21,248**	**(13,976)**	**-**	**(18,654)**	**320**	**-**	**-**	**(6,173)**	**46,137**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.4. 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:

31/12/2022	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	Foreign exchange and other adjustment	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**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.4. 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]:

31/12/2022	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	Foreign exchange and other adjustment	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**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.5. Loan portfolio by internal ratings

31/12/2023	**Gross carrying amount**				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1-4)	10,537,131	886,493	-	4,209	11,427,833
Medium risk grade (5-7)	5,633,057	1,283,637	-	53,680	6,970,374
High risk grade (8-9)	172,435	466,658	-	5,247	644,340
Non-performing	-	-	805,560	57,189	862,749
Total loans at amortized cost and finance lease receivable	**16,342,623**	**2,636,788**	**805,560**	**120,325**	**19,905,296**

31/12/2023	**Accumulated loss allowance**				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1-4)	57,516	67,598	-	257	125,371
Medium risk grade (5-7)	58,691	128,311	-	9,585	196,587
High risk grade (8-9)	7,074	54,521	-	396	61,991
Non-performing	-	-	516,126	38,976	555,102
Total loans at amortized cost and finance lease receivable	**123,281**	**250,430**	**516,126**	**49,214**	**939,051**

31/12/2022	**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**

31/12/2022	**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**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.6. Geographical analysis of the loan portfolio

The geographical 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 is as follows:

	31/12/2023		31/12/2022	
Country	**Gross amount of exposure**	**Loss allowance**	**Gross amount of exposure**	**Loss allowance**
Hungary	5,626,438	242,888	5,955,212	235,946
Bulgaria	3,816,273	121,488	3,537,330	159,412
Croatia	2,345,342	97,746	2,279,085	102,039
Serbia	2,324,130	70,973	2,127,646	70,779
Slovenia	2,774,813	30,370	1,200,735	14,627
Russia	1,435,654	137,714	1,053,208	187,610
Ukraine	408,142	85,631	543,159	124,859
Montenegro	446,091	17,541	454,567	22,421
Uzbekistan	995,010	97,557	-	-
Albania	392,333	18,059	390,856	16,660
Moldova	153,566	7,171	171,616	11,181
Romania	65,234	1,168	1,326,510	65,646
France	167,441	543	272,848	1,171
Germany	128,158	2,849	39,631	525
Belgium	64,906	240	38,855	134
Austria	34,095	104	3,182	31
Slovakia	40,899	930	121,591	545
The Netherlands	153,202	2,787	101,078	1,864
Gibraltar	9,384	57	-	-
Switzerland	5,668	76	63,843	3,138
United Kingdom	29,879	1,794	13,833	1,336
United States of America	146,703	485	45,232	205
Luxembourg	33,109	1,210	3,477	1,085
Poland	27,022	857	34,012	987
Italy	32,403	587	9,330	235
Ireland	4,155	30	5,966	116
Cyprus	36	15	5,311	217
Denmark	127	2	46	7
Subtotal	**21,660,213**	**940,872**	**19,798,159**	**1,022,776**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.6. Geographical analysis of the loan portfolio [continued]

	31/12/2023		31/12/2022	
Country	**Gross amount of exposure**	**Loss allowance**	**Gross amount of exposure**	**Loss allowance**
Czech Republic	1,153	14	739	10
Canada	164	3	74	4
Australia	76	-	58	13
Greece	1,440	123	999	122
Turkey	1,953	51	1,418	63
Spain	20,137	338	1,164	35
Israel	1,080	13	937	13
Bosnia and Herzegovina	1,401	155	673	97
Sweden	374	25	542	30
Norway	4,808	54	107	9
Saudi Arabia	-	-	87	70
United Arab Emirates	28	12	36	26
Egypt	693	11	726	14
Kazakhstan	218	8	224	9
Latvia	44	33	50	30
Other[1]	5,236	179	2,877	248
Subtotal	**38,805**	**1,019**	**10,711**	**793**
Total	**21,699,018**	**941,891**	**19,808,870**	**1,023,569**

[1] Other category as at 31 December 2023 mainly includes e.g.: Japan, North-Macedonia, Portugal, China, Brazil, Lithuania, Republic of South-Africa, Armenia, South Korea, India, Iran, Finland, Syria, Kosovo and other countries.

The geographical analysis of the non-qualified and qualified loan portfolio mandatorily at fair value through profit or loss is as follows**:**

Country	**31/12/2023**	**31/12/2022**
Hungary	1,399,463	1,247,401
United Kingdom	998	-
Slovakia	11	-
Romania	2	-
Others	11	13
Total loans at fair value	**1,400,485**	**1,247,414**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.7. Loan portfolio classification by economic activities

Gross loan at amortized cost and finance lease receivable portfolio by economic activities	**31/12/2023**	**31/12/2022**
Retail	7,735,508	8,575,020
Agriculture, forestry and fishing	796,687	752,497
Manufacturing, mining and quarrying and other industry	2,963,753	2,338,129
Construction	882,237	734,908
Wholesale and retail trade, transportation and storage accommodation and food service activities	3,641,475	2,948,392
Information and communication	276,945	241,809
Financial and insurance activities	825,663	354,235
Real estate activities	1,006,429	841,069
Professional, scientific, technical, administration and support service activities	810,498	657,055
Public administration, defence, education, human health and social work activities	550,186	494,955
Other services	415,915	474,632
Total gross loans and finance lease receivable	**19,905,296**	**18,412,701**

Loss allowance on loans at amortized cost and finance lease receivable by economic activities	**31/12/2023**	**31/12/2022**
Retail	427,342	633,253
Agriculture, forestry and fishing	41,221	39,200
Manufacturing, mining and quarrying and other industry	110,915	94,324
Construction	42,661	26,040
Wholesale and retail trade, transportation and storage accommodation and food service activities	217,283	141,799
Information and communication	8,628	6,293
Financial and insurance activities	10,523	12,373
Real estate activities	36,600	29,500
Professional, scientific, technical, administration and support service activities	26,433	18,079
Public administration, defence, education, human health and social work activities	8,810	7,783
Other services	8,635	10,847
Total loss allowance on loans and finance lease receivable	**939,051**	**1,019,491**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Collateral

The values of collateral received and held by the Group by types are as follows (**total value of the collaterals**). The collateral covers loans as well as off-balance sheet exposures.

Held collaterals on book value by type of collateral

	31/12/2023	31/12/2022
Mortgages	21,549,776	16,332,892
Guarantees and warranties	1,436,170	1,630,318
Guarantees of state or organizations owned by state	1,786,112	1,635,382
Assignments (revenue or other receivables)	263,292	423,098
Securities	235,213	168,941
Cash deposits	285,722	208,487
Other	2,973,138	1,758,802
Total	**28,529,423**	**22,157,920**

Held collaterals on fair value by type of collateral

	31/12/2023	31/12/2022
Mortgages	25,222,164	19,714,476
Guarantees and warranties	1,411,444	1,624,748
Guarantees of state or organizations owned by state	1,659,146	1,373,763
Assignments (revenue or other receivables)	410,643	574,044
Securities	394,575	373,777
Cash deposits	359,261	287,558
Other	3,471,916	2,201,530
Total	**32,929,149**	**26,149,896**

The values of collateral received and held by the Group by types are as follows (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Held collaterals on book value by type of collateral

	31/12/2023	31/12/2022
Mortgages	9,155,801	8,044,836
Guarantees of state or organizations owned by state	1,466,444	1,241,702
Guarantees and warranties	996,758	1,016,672
Assignments (revenue or other receivables)	148,043	220,062
Securities	79,742	99,345
Cash deposits	103,650	80,313
Other	1,286,908	752,241
Total	**13,237,346**	**11,455,171**

The coverage level of the loan portfolio to the total collateral increased from 97.59% to 115.14% and the coverage level to the extent of the exposures increased from 50.45% to 53.42% as at 31 December 2023 comparing with the previous period.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Collateral [continued]

The values of collateral received and held by the Group by the positions of the related exposures are as follows:

31/12/2023	Maximum exposure to credit risk, book value	Fair value of collaterals	Surplus collateral	Net exposure	Associated expected credit loss
On balance items					
Cash, due from banks and balances with the National Banks	7,321,496	1,528	-	7,319,968	(514)
Placements with other banks	1,576,344	10,801	(1,090)	1,566,633	(2,257)
Cash collateral on securities borrowed and reversed repurchase agreements	224,418	17,711	-	206,707	(593)
Financial assets at fair value through profit or loss	1,500,875	918,520	(44,555)	626,910	-
Financial assets at fair value through other comprehensive income	1,416,133	13,646	(597)	1,403,084	-
Securities at amortized cost	5,705,754	45,954	(844)	5,660,644	(36,549)
Loans and undrawn line of credit	24,730,993	30,948,896	(9,314,169)	3,096,266	(902,092)
Derivative financial instruments	195,312	-	-	195,312	-
Total on balance sheet items	**42,671,325**	**31,957,056**	**(9,361,255)**	**20,075,524**	**(942,005)**
Off-balance items					
Financial guarantees	1,421,958	809,462	(253,697)	866,193	(7,923)
Letter of credit	61,997	1,078	(421)	61,340	(335)
Other off-balance sheet commitments	532,165	161,553	(80,478)	451,090	(1,781)
Total off-balance sheet items	**2,016,120**	**972,093**	**(334,596)**	**1,378,623**	**(10,039)**

31/12/2022	Maximum exposure to credit risk, book value	Fair value of collaterals	Surplus collateral	Net exposure	Associated expected credit loss
On balance items					
Cash, due from banks and balances with the National Banks	4,222,158	-	-	4,222,158	(1,701)
Placements with other banks	1,354,390	3,384	1,343	1,349,663	(3,837)
Cash collateral on securities borrowed and reversed repurchase agreements	41,250	43,632	(22,355)	19,973	(241)
Financial assets at fair value through profit or loss	1,374,287	814,544	(80,161)	639,904	-
Financial assets at fair value through other comprehensive income	1,509,880	-	-	1,509,880	-
Securities at amortized cost	5,161,194	-	-	5,161,194	(49,903)
Loans and undrawn line of credit	21,490,677	24,412,642	(7,189,841)	4,267,876	(887,603)
Derivative financial instruments	323,211	90,551	-	232,660	-
Total on balance sheet items	**35,477,047**	**25,364,753**	**(7,291,014)**	**17,403,308**	**(943,285)**
Off-balance items					
Financial guarantees	1,413,014	598,724	(228,574)	1,042,864	(267)
Letter of credit	53,557	1,178	(716)	53,095	(144)
Other off-balance sheet commitments	119,890	185,241	(90,773)	25,422	(1,558)
Total off-balance sheet items	**1,586,461**	**785,143**	**(320,063)**	**1,121,381**	**(1,969)**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Collateral [continued]

Returns from realization of collaterals taken into possession by types of collateral

Types of collateral	31/12/2023	31/12/2022
Real estate	13,944	19,414
from this: real estate taken into possession by OTP group member	2,597	2,025
Guarantee	28,062	32,481
Bail	407	201
Movable property	3,576	3,411
Other	1,138	1,323
Proceeds from enforcement of collaterals	**47,127**	**56,830**

37.1.9. Restructured loans

	31/12/2023		31/12/2022	
	Gross portfolio	Loss allowance	Gross portfolio	Loss allowance
Retail mortgage loans	31,828	(2,570)	89,167	(5,803)
Loans to medium and large corporations	212,158	(24,634)	403,643	(59,453)
Retail consumer loans	45,587	(17,525)	64,268	(21,346)
Loans to micro and small enterprises	33,102	(2,991)	59,096	(4,750)
Municipal	1,134	(52)	-	-
Other loans	1,752	(791)	3,417	(1,361)
Total	**325,561**	**(48,563)**	**619,591**	**(92,713)**

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 sharp decrease of performing forborne exposures can be explained by two main factors.
In Hungary the volume of retail and corporate exposures classified as performing forborne exclusively due to moratoria participation decreased significantly due to the expiration of the probation period. A smaller part of the decrease was the result of exposures exiting performing forborne status (mostly in the medium and large corporate segment) in Ukraine.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.10. Financial instruments by Moody's rating categories

Trading securities as at fair value through profit or loss

31/12/2023	Aaa	Aa2	Aa3	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	Not rated	Total
Government bonds	2,122	14,925	-	532	-	9,531	28,869	910	-	718	-	625	-	**58,232**
Equity instruments and fund units	-	23	52	56	33	17	20	2	39	-	4	-	267	**513**
Corporate bonds	-	-	-	-	-	-	-	40	-	-	-	-	544	**584**
Discounted Treasury bills	-	-	-	-	8	-	3,918	-	-	-	-	-	33	**3,959**
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-	97	**97**
Other interest bearing securities	-	-	-	-	-	-	2,211	-	-	-	-	-	1,641	**3,852**
Other non-interest bearing securities	-	-	-	-	-	-	-	-	-	-	-	-	331	**331**
Total	**2,122**	**14,948**	**52**	**588**	**41**	**9,548**	**35,018**	**952**	**39**	**718**	**4**	**625**	**2,913**	**67,568**

31/12/2022	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	Not rated	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**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.10. Financial instruments by Moody's rating categories [continued]

Non-trading instruments mandatorily at fair value through profit or loss

31/12/2023	Aaa	Aa2	Aa3	A3	Baa2	Not rated	Total
Non-trading equity instruments mandatorily at fair value through profit or loss	11,196	-	-	471	-	52,335	**64,002**
Non-trading debt instruments mandatorily at fair value through profit or loss	1,166	655	6	-	45	1,814	**3,686**
Total	**12,362**	**655**	**6**	**471**	**45**	**54,149**	**67,688**

31/12/2022	Aaa	Aa3	A3	Baa2	Baa3	Not rated	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**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.10. Financial instruments by Moody's rating categories [continued]

Securities at fair value through other comprehensive income

31/12/2023	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	B2	Ca	Not rated	N/A	Total
Government bonds	17,862	2,480	9,863	1,852	15,740	18,033	96,741	107,428	572,598	72,542	-	135,873	95,481	85,428	25,436	30,873	1,288,230
Corporate bonds	-	1,526	751	-	-	-	4,336	-	-	-	3,840	5,504	6,924	-	12,115	-	34,996
Mortgage bonds	-	-	-	-	21,463	-	-	-	-	-	-	-	-	-	8,881	-	30,344
National Bank of Hungary bonds	-	-	-	-	-	-	-	-	114,746	-	-	-	-	-	-	-	114,746
Interest bearing treasury bills	-	-	-	-	-	-	-	-	235	-	-	-	-	-	-	-	235
Other securities	28,404	-	1,541	734	553	2,632	9,171	-	-	-	-	24,424	-	-	4,970	-	72,429
Non-trading equity instruments	8,984	-	-	160	-	-	19,056	3,219	278	-	-	-	-	-	28,784	-	60,481
Total	**55,250**	**4,006**	**12,155**	**2,746**	**37,756**	**20,665**	**129,304**	**110,647**	**687,857**	**72,542**	**3,840**	**165,801**	**102,405**	**85,428**	**80,186**	**30,873**	**1,601,461**

31/12/2022	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**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.10. Financial instruments by Moody's rating categories [continued]

Securities at amortized cost

31/12/2023	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Ca	Not rated	N/A	Total
Government bonds	464,270	75,313	54,311	38,405	11,767	149,424	219,773	295,442	2,558,935	72,024	-	19,625	68,071	35,377	29,321	57,801	-	268,207	-	22,174	**4,440,240**
Corporate bonds	1,802	1,414	13,396	4,471	2,991	5,182	16,084	14,592	17,371	16,064	-	-	-	-	6,427	-	-	-	207,836	-	**307,630**
Bonds of Hungarian National Bank																					**-**
Discounted Treasury bills	6,454	7,234	12,497	10,245	-	-	1,120	-	-	-	-	-	-	-	-	29,407	-	-	54	-	**67,011**
Mortgage bonds					13,019														11,689		**24,708**
Interest bearing Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,462	-	-	-	-	-	**6,462**
Other securities	26,494	-	14,868	61,393	66,831	35,813	50,775	50,481	24,007	17,747	4,244	-	-	-	-	-	1,491	-	49,077	-	**403,221**
Total	**499,020**	**83,961**	**95,072**	**114,514**	**94,608**	**190,419**	**287,752**	**360,515**	**2,600,313**	**105,835**	**4,244**	**19,625**	**68,071**	**35,377**	**42,210**	**87,208**	**1,491**	**268,207**	**268,656**	**22,174**	**5,249,272**

31/12/2022	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**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of financial assets and liabilities

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 2023.

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 financial assets and liabilities [continued]

31/12/2023	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	7,125,535	120	-	-	-	7,125,655
Placements with other banks	1,293,027	14,893	173,595	91,787	1,098	1,574,400
Repo receivables	224,555	-	65	-	-	224,620
Trading securities at fair value through profit or loss	39,807	2,531	17,808	6,673	52	66,871
Non-trading instruments mandatorily at fair value through profit or loss	4,752	-	58	21	49,216	54,047
Securities at fair value through other comprehensive income	216,151	163,292	1,030,583	244,023	117,626	1,771,675
Securities at amortized cost	506,405	281,883	3,028,531	1,622,705	-	5,439,524
Loans at amortized cost	2,184,372	3,423,492	7,381,337	7,325,898	40,988	20,356,087
Finance lease receivable	138,144	326,395	878,914	112,276	-	1,455,729
Loans mandatorily at fair value through profit or loss	38,389	40,227	238,792	1,026,918	-	1,344,326
Associates and other investments	-	-	-	-	105,824	105,824
Other financial assets[1]	273,035	25,755	3,513	10,521	4,179	317,003
TOTAL ASSETS	**12,044,172**	**4,278,588**	**12,753,196**	**10,440,822**	**318,983**	**39,835,761**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	276,875	164,640	1,133,668	518,712	-	2,093,895
Repo liabilities	126,237	-	-	-	-	126,237
Financial liabilities designated at fair value through profit or loss	739	1,077	5,387	62,240	-	69,443
Deposits from customers	26,566,638	1,362,729	391,470	26,550	-	28,347,387
Liabilities from issued securities	143,613	424,469	1,253,504	330,306	-	2,151,892
Leasing liabilities	3,100	10,046	50,179	18,270	-	81,595
Other financial liabilities[1]	562,576	34,753	28,200	2	5,555	631,086
Subordinated bonds and loans	7,273	1,844	14,234	546,893	-	570,244
TOTAL LIABILITIES	**27,687,051**	**1,999,558**	**2,876,642**	**1,502,973**	**5,555**	**34,071,779**
NET POSITION[2]	**(15,642,879)**	**2,279,030**	**9,876,554**	**8,937,849**	**313,428**	**5,763,982**

[1] 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 financial assets and liabilities [continued]

31/12/2023	**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	7,408,699	1,198,261	827,516	21,685	-	9,456,161
Liabilities from derivative financial instruments held for trading	(7,308,301)	(1,210,824)	(886,862)	(24,149)	-	(9,430,136)
Net position of financial instruments held for trading	**100,398**	**(12,563)**	**(59,346)**	**(2,464)**	**-**	**26,025**
Receivables from derivative financial instruments designated as hedge accounting	86,989	283,147	765,793	211,390	-	1,347,319
Liabilities from derivative financial instruments designated as hedge accounting	(84,445)	(296,781)	(1,810,723)	(204,952)	-	(2,396,901)
Net position of financial instruments designated as hedge accounting	**2,544**	**(13,634)**	**(1,044,930)**	**6,438**	**-**	**(1,049,582)**
Net position of derivative financial instruments total	**102,942**	**(26,197)**	**(1,104,276)**	**3,974**	**-**	**(1,023,557)**
Commitments to extend credit	4,148,938	461,161	156,921	39,707	-	4,806,727
Bank guarantees	644,440	313,978	305,642	157,898	-	1,421,958
Confirmed letters of credit	42,990	11,403	7,604	-	-	61,997
Factoring loan commitment	456,411	4,044	-	-	-	460,455
Other commitments	89,821	152,175	128,559	40,241	-	410,796
Off-balance sheet commitments	**5,382,600**	**942,761**	**598,726**	**237,846**	**-**	**7,161,933**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of financial assets and liabilities [continued]

31/12/2022	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 mandatorily 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**

[1] 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 financial assets and liabilities [continued]

31/12/2022	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
Other commitments	70,952	48,831	19,596	5,514	-	144,893
Off-balance sheet commitments	**5,072,526**	**604,489**	**411,249**	**173,112**	**-**	**6,261,376**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.3. Net foreign currency position and foreign currency risk

31/12/2023	**USD**	**EUR**	**CHF**	**Other**	**Total**
Assets	1,425,785	15,568,497	67,915	10,112,894	27,175,091
Liabilities	(1,958,951)	(14,622,216)	(170,709)	(8,299,337)	(25,051,213)
Derivative financial instruments	691,178	1,038,718	156,360	5,047	1,891,303
Net position	**158,012**	**1,984,999**	**53,566**	**1,818,604**	**4,015,181**

31/12/2022	**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**

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, MDL and UZS. 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 2023

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	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	
Cash, amounts due from banks and balances with the National Banks	**2,183,603**	**3,080,965**	**-**	**19,565**	**-**	**20,837**	**-**	**8,464**	**-**	**13,708**	**178,600**	**1,619,307**	**2,362,203**	**4,762,846**	**7,125,049**
fixed rate	15,209	2,935,907	-	-	-	86	-	-	-	2	-	-	15,209	2,935,995	**2,951,204**
variable rate	2,168,394	145,058	-	19,565	-	20,751	-	8,464	-	13,706	-	-	2,168,394	207,544	**2,375,938**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	178,600	1,619,307	178,600	1,619,307	**1,797,907**
Placements with other banks	**349,710**	**746,451**	**94,487**	**46,167**	**14,115**	**31,926**	**-**	**26,306**	**-**	**77,964**	**68,900**	**110,972**	**527,212**	**1,039,786**	**1,566,998**
fixed rate	12,841	728,857	34,723	21,302	-	28,799	-	26,306	-	75,866	-	-	47,564	881,130	**928,694**
variable rate	336,869	17,594	59,764	24,865	14,115	3,127	-	-	-	2,098	-	-	410,748	47,684	**458,432**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	68,900	110,972	68,900	110,972	**179,872**
Repo receivables	**18,263**	**202,272**	**-**	**3,248**	**-**	**-**	**37**	**-**	**-**	**6**	**-**	**58**	**18,300**	**205,584**	**223,884**
fixed rate	18,263	202,272	-	3,248	-	-	37	-	-	6	-	-	18,300	205,526	**223,826**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	58	-	58	**58**
Trading instruments at fair value through profit or loss	**11,732**	**5,548**	**625**	**10,605**	**1,240**	**13,334**	**2,293**	**7,454**	**4,653**	**9,240**	**217**	**627**	**20,760**	**46,808**	**67,568**
fixed rate	11,507	5,515	71	10,605	948	13,155	2,287	7,454	4,653	9,240	-	-	19,466	45,969	**65,435**
variable rate	225	33	554	-	292	179	6	-	-	-	-	-	1,077	212	**1,289**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	217	627	217	627	**844**
Non-trading instruments mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41,130**	**26,558**	**41,130**	**26,558**	**67,688**
fixed rate	-	-	-	-	-	-	-	-	-	-	57	-	57	-	**57**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	41,073	26,558	41,073	26,558	**67,631**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2023 [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	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	
Securities at fair value through other comprehensive income	**222,862**	**711**	**46**	**50,498**	**13,145**	**151,935**	**96,740**	**153,331**	**208,914**	**642,798**	**403**	**60,078**	**542,110**	**1,059,351**	**1,601,461**
fixed rate	210,231	709	44	50,498	13,145	151,481	96,740	149,484	208,914	641,142	-	-	529,074	993,314	**1,522,388**
variable rate	12,631	2	2	-	-	454	-	3,847	-	1,656	-	-	12,633	5,959	**18,592**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	403	60,078	403	60,078	**60,481**
Securities at amortized cost	**1,268**	**329,278**	**-**	**119,709**	**129,361**	**199,108**	**636,997**	**326,501**	**1,689,717**	**1,817,333**	**-**	**-**	**2,457,343**	**2,791,929**	**5,249,272**
fixed rate	1,268	329,278	-	114,865	129,361	197,947	636,997	326,501	1,689,717	1,817,333	-	-	2,457,343	2,785,924	**5,243,267**
variable rate	-	-	-	4,844	-	1,161	-	-	-	-	-	-	-	6,005	**6,005**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost, net of allowance for loan losses	**886,690**	**7,262,799**	**427,155**	**1,870,582**	**127,122**	**1,776,768**	**153,043**	**594,725**	**1,929,709**	**2,418,583**	**116,419**	**112,938**	**3,640,138**	**14,036,395**	**17,676,533**
fixed rate	43,777	1,077,919	16,415	220,298	68,967	732,988	123,176	557,721	1,316,067	2,354,992	-	-	1,568,402	4,943,918	**6,512,320**
variable rate	842,913	6,184,880	410,740	1,650,284	58,155	1,043,780	29,867	37,004	613,642	63,591	-	-	1,955,317	8,979,539	**10,934,856**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	116,419	112,938	116,419	112,938	**229,357**
Finance lease receivables	**41,807**	**293,789**	**5,628**	**136,318**	**24,443**	**151,241**	**43,716**	**109,584**	**260,094**	**218,359**	**231**	**4,502**	**375,919**	**913,793**	**1,289,712**
fixed rate	6,926	175,117	3,360	7,847	24,172	32,945	43,396	40,115	242,904	97,957	-	-	320,758	353,981	**674,739**
variable rate	34,881	118,672	2,268	128,471	271	118,296	320	69,469	17,190	120,402	-	-	54,930	555,310	**610,240**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	231	4,502	231	4,502	**4,733**
Loans mandatorily at fair value through profit or loss	**28,046**	**-**	**9,571**	**-**	**264,085**	**1,711**	**304,546**	**-**	**792,526**	**-**	**-**	**-**	**1,398,774**	**1,711**	**1,400,485**
fixed rate	-	-	-	-	-	1,711	-	-	-	-	-	-	-	1,711	**1,711**
variable rate	28,046	-	9,571	-	264,085	-	304,546	-	792,526	-	-	-	1,398,774	-	**1,398,774**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Fair value adjustment of derivative financial instruments	**718,070**	**2,088,017**	**961,287**	**1,413,898**	**487,263**	**725,487**	**54,251**	**111,275**	**297,986**	**233,911**	**580,115**	**148,516**	**3,098,972**	**4,721,104**	**7,820,076**
fixed rate	610,190	2,025,881	364,434	1,025,262	323,861	444,688	54,251	111,035	297,986	231,517	-	-	1,650,722	3,838,383	**5,489,105**
variable rate	107,880	62,136	596,853	388,636	163,402	280,799	-	240	-	2,394	-	-	868,135	734,205	**1,602,340**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	580,115	148,516	580,115	148,516	**728,631**
Other financial assets	**300**	**22,255**	**2,464**	**7,820**	**38**	**13**	**-**	**683**	**-**	**9,551**	**95,864**	**143,412**	**98,666**	**183,734**	**282,400**
fixed rate	19	19,301	973	7,508	38	5	-	683	-	9,530	-	-	1,030	37,027	**38,057**
variable rate	281	2,954	1,491	312	-	8	-	-	-	21	-	-	1,772	3,295	**5,067**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	95,864	143,412	95,864	143,412	**239,276**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2023 [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	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**76,208**	**156,143**	**25,234**	**132,265**	**147,542**	**151,010**	**371,329**	**88,629**	**241,628**	**434,069**	**55,272**	**61,533**	**917,213**	**1,023,649**	**1,940,862**
fixed rate	18,526	50,694	25,233	28,872	118,910	66,941	371,329	73,820	241,628	395,989	-	-	775,626	616,316	**1,391,942**
variable rate	57,682	105,449	1	103,393	28,632	84,069	-	14,809	-	38,080	-	-	86,315	345,800	**432,115**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	55,272	61,533	55,272	61,533	**116,805**
Repo liabilities	**24,572**	**101,665**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24,572**	**101,665**	**126,237**
fixed rate	24,572	101,665	-	-	-	-	-	-	-	-	-	-	24,572	101,665	**126,237**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Financial liabilities designated at fair value through profit or loss	**19,761**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,481**	**-**	**49,465**	**-**	**70,707**	**-**	**70,707**
fixed rate	-	-	-	-	-	-	-	-	25	-	-	-	25	-	**25**
variable rate	19,761	-	-	-	-	-	-	-	1,456	-	-	-	21,217	-	**21,217**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	49,465	-	49,465	-	**49,465**
Deposits from customers	**7,317,642**	**17,837,998**	**163,141**	**553,995**	**107,810**	**1,023,858**	**31,774**	**173,344**	**189,371**	**258,705**	**19,955**	**654,838**	**7,829,693**	**20,502,738**	**28,332,431**
fixed rate	1,109,775	9,060,538	163,141	552,607	107,810	1,015,265	31,774	172,913	189,371	258,705	-	-	1,601,871	11,060,028	**12,661,899**
variable rate	6,207,867	8,777,460	-	1,388	-	8,593	-	431	-	-	-	-	6,207,867	8,787,872	**14,995,739**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	19,955	654,838	19,955	654,838	**674,793**
Liabilities from issued securities	**249,008**	**-**	**72,641**	**19,182**	**178,027**	**112,356**	**32,371**	**268,667**	**151,014**	**1,004,515**	**1**	**7,766**	**683,062**	**1,412,486**	**2,095,548**
fixed rate	206	-	72,083	19,182	178,027	99,036	32,371	268,667	151,014	1,004,515	-	-	433,701	1,391,400	**1,825,101**
variable rate	248,802	-	558	-	-	13,320	-	-	-	-	-	-	249,360	13,320	**262,680**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1	7,766	1	7,766	**7,767**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2023 [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	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	
Fair value adjustment of derivative financial instruments	**1,822,128**	**1,016,999**	**524,302**	**1,865,964**	**445,921**	**874,989**	**59,172**	**111,700**	**197,826**	**173,012**	**693,221**	**43,633**	**3,742,570**	**4,086,297**	**7,828,867**
fixed rate	1,772,814	881,895	373,167	1,019,236	280,907	500,307	59,172	111,700	197,826	173,012	-	-	2,683,886	2,686,150	**5,370,036**
variable rate	49,314	135,104	151,135	846,728	165,014	374,682	-	-	-	-	-	-	365,463	1,356,514	**1,721,977**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	693,221	43,633	693,221	43,633	**736,854**
Leasing liabilities	**368**	**596**	**1,733**	**3,030**	**523**	**6,284**	**1,208**	**16,417**	**1,758**	**36,875**	**-**	**7,521**	**5,590**	**70,723**	**76,313**
fixed rate	359	465	60	2,074	163	2,226	12	8,345	1,290	8,503	-	-	1,884	21,613	**23,497**
variable rate	9	131	1,673	956	360	4,058	1,196	8,072	468	28,372	-	-	3,706	41,589	**45,295**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	7,521	-	7,521	**7,521**
Other financial liabilities	**2,442**	**61,562**	**678**	**292**	**51**	**1,078**	**-**	**179**	**4**	**46**	**349,062**	**241,470**	**352,237**	**304,627**	**656,864**
fixed rate	2,170	61,551	-	272	51	744	-	86	4	46	-	-	2,225	62,699	**64,924**
variable rate	272	11	678	20	-	334	-	93	-	-	-	-	950	458	**1,408**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	349,062	241,470	349,062	241,470	**590,532**
Subordinated bonds and loans	**-**	**30**	**-**	**89,415**	**-**	**192,337**	**-**	**10,019**	**-**	**270,280**	**-**	**315**	**-**	**562,396**	**562,396**
fixed rate	-	30	-	-	-	443	-	10,019	-	270,280	-	-	-	280,772	**280,772**
variable rate	-	-	-	89,415	-	191,894	-	-	-	-	-	-	-	281,309	**281,309**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	315	-	315	**315**
Net position	**(5,049,778)**	**(5,142,908)**	**713,534**	**1,014,267**	**180,938**	**710,448**	**795,769**	**669,368**	**4,400,517**	**3,263,951**	**(85,097)**	**1,209,892**	**955,883**	**1,725,018**	**2,680,901**

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	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	
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	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	
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	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	
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	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	HUF	Fx	
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]

37.5. 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**	
	31/12/2023	**31/12/2022**
Foreign exchange	10,391	5,896
Interest rate	406	890
Equity instruments	18	42
Diversification	-	-
Total VaR exposure	**10,815**	**6,829**

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	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
1%	(9,947)	(4,746)	(4,201)	(5,604)
5%	(4,586)	(2,542)	(3,150)	(2,992)
25%	(1,041)	(843)	(1,264)	(1,190)
50%	157	(15)	(211)	(235)
25%	1,488	990	928	834
5%	4,740	2,837	2,480	2,415
1%	7,333	4,245	4,116	4,767

Note:
(1) Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 31 December 2022 and 31 December 2023.

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 decreases gradually by 500 bps over the next year (probable scenario)
(2) BUBOR increases gradually by 100 bps over the next year (alternative scenario)

The net interest income in a one-year period after 1 January 2024 would be decreased by HUF (2,800) million (probable scenario) and increased by HUF 296 million (alternative scenario) as a result of these simulation. A similar simulation indicated HUF (9,002) million decrease (probable scenario) and HUF 4,306 million (alternative scenario) increase in the Net interest income in a one-year period after 1 January 2023.
This effect is further enhanced by capital results HUF 429 million (for probable scenario) and HUF (104) million (for alternative scenario) as at 31 December 2023, the comparative results were (HUF (350) million for probable scenario, HUF 181 million for alternative scenario as at 31 December 2022) 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 of unfavorable shocks can be summarized as follows (in HUF million):

	31/12/2023		31/12/2022	
Description	**Effects to the net interest income**	**Effects to capital**	**Effects to the net interest income**	**Effects to capital**
HUF (0.1%) parallel shift	(298)	14	1,669	36
HUF 0.1% parallel shift	298	(14)	(1,667)	(36)
EUR (0.1%) parallel shift	(4,409)	-	(3,661)	-
EUR 0.1% parallel shift	3,933	-	4,423	
USD (0.1%) parallel shift	(102)	-	119	-
USD 0.1% parallel shift	112	-	(290)	-

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	31/12/2023	31/12/2022
VaR (99%, one day, HUF million)	10	15
Stress test (HUF million)	(103)	(26)

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.

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 both in the year ended 31 December 2023 and 31 December 2022.

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 18.9%, the Regulatory capital was HUF 4,475,381 million and the Total regulatory capital requirement was HUF 1,896,022 million as at 31 December 2023. The same ratios calculated as at 31 December 2022 were the following: 17.8%, HUF 3,671,106 million and HUF 1,648,616 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)	**31/12/2023**	**31/12/2022**
Core capital (Tier 1) = Common Equity Tier 1 (CET 1)	**3,945,571**	**3,383,162**
Issued capital	28,000	28,000
Reserves[1]	3,992,843	3,149,251
Fair value adjustments	(64,033)	(135,905)
Other capital components	92,443	288,531
Non-controlling interests	28,542	2,464
Treasury shares	(13,226)	(15,000)
Goodwill and other intangible assets	(188,894)	(164,642)
Other adjustments	69,896	230,463
Additional Tier 1 (AT1)	-	-
Supplementary capital (Tier 2)	**529,810**	**287,944**
Subordinated bonds and loans	500,555	287,362
Other issued capital components	-	-
Components recognized in T2 capital issued by subsidiaries	29,255	582
Regulatory capital	**4,475,381**	**3,671,106**
Credit risk capital requirement	1,702,000	1,494,358
Market risk capital requirement	29,346	29,322
Operational risk capital requirement	164,676	124,936
Total requirement regulatory capital	**1,896,022**	**1,648,616**
Surplus capital	**2,579,359**	**2,022,490**
CET 1 ratio	16.60%	16.40%
Tier 1 ratio	16.60%	16.40%
Capital adequacy ratio	**18.90%**	**17.80%**

[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.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.6. Capital management [continued]

Resolution strategy of OTP Group

In line with Section 7 of the Resolution Act (XXXVII of 2014 on the further development of the system of institutions strengthening the security of the individual players of the financial intermediary system) implementing Article 12 of BRRD ("Bank Recovery and Resolution Directive") (2014/59 EU Directive) the National Bank of Hungary (NBH) as the group-level resolution authority of OTP Group draw up the group resolution plan for OTP Group in close cooperation with the national resolution authorities of the EU and the equivalent third country subsidiaries. According to the group-resolution plan the resolution strategy for OTP Group is the multiple point of entry approach ("MPE") which determines two intervention points in the Group in case of resolution: OTP Bank and NKBM Bank.

Having regard to the acquisition of the Slovenian Nova KBM d.d. (NKBM) and its subsidiary (together NKBM Group) in February 2023, the SPE (single point of entry) strategy formerly determined for OTP Group as the preferred resolution strategy has been altered as a result of the update of the resolution plan in October 2023. NKBM Group was considered by the resolution authorities financially and operationally independent from the rest of the OTP Group, therefore the MPE approach has been selected as the most suitable resolution strategy in respect of OTP Group. Nevertheless, the MPE resolution strategy will be reviewed in the next update of the group-level resolution plan and for this reason the resolution authorities monitor the degree of integration of the NKBM Group into the OTP Group as a result of the integration project.

OTP Bank's Resolution Group covers entities included in the prudential scope of consolidation of OTP Bank (without Ipoteka Bank and NKBM Bank and their subsidiaries) and NKBM Resolution Group covers Nova KBM and its subsidiary (Aleja d.o.o) which is equivalent to the prudential scope of consolidation. For both resolution groups the preferred resolution tool is the application of open-bank bail-in at the level of each of the resolution entities – OTP Bank Plc. and NKBM Group.

Minimum requirement for own funds and eligible liabilities requirement of OTP Bank

Pursuant to Section 62 (1) of the Resolution Act OTP Bank shall meet the minimum requirement for own funds and eligible liabilities ("MREL") on a consolidated basis at the level of the resolution group. The NBH establishes and updates annually the MREL requirement on the basis of the Joint Decision of the Resolution College, which is operated jointly with the resolution authorities of OTP Bank's subsidiaries.

The consolidated MREL requirement of OTP Bank applicable in 2023 was 16.69% of the total risk exposure amount / risk-weighted assets ("TREA"/"RWA") and 5.74% of the total exposure measure ("TEM") of OTP Bank's Resolution Group. The consolidated MREL ratio was 25.10% on 31 December 2023. From 1 January 2024, OTP Bank's consolidated MREL requirement is 18.94% of the TREA/RWA and 5.78% of the TEM of OTP Bank's Resolution Group. Subordination requirements are applicable to OTP Bank from 16 December 2024 that are set at 13.5% of TREA/RWA, 5% of TEM and 8% of TLOF (total liabilities and own funds) of OTP Bank's Resolution Group which shall be met with own funds and subordinated eligible instruments. OTP Bank shall meet the combined buffer requirement in addition to the consolidated MREL RWA requirement / MREL RWA subordination requirement.

OTP Bank's Resolution Group consists of entities included in the prudential scope of consolidation of OTP Bank without NKBM and Ipoteka Bank and their subsidiaries.

The MREL requirement of NKBM Resolution Group at consolidated level in 2023 was 20.88% of RWA, and 5.90% of TEM of NKBM Group. The MREL requirement applicable from 1 January 2024 is 22.44% of RWA and 5.90% of TEM of NKBM Group. No bank-specific subordination target has been set for NKBM Group. NKBM Group shall also meet the combined buffer requirement in addition to the consolidated MREL RWA requirement.

Expected changes in 2024

In 2024 SKB is expected to exit OTP's resolution group and join that of NKBM by the planned legal merge of the two Slovenian banks. Furthermore, a decision is expected on Ipoteka Bank (acquired in June 2023) whether NBH will include it in the resolution group of OTP Bank based on Section 7 of the Resolution Act.

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 31/12/2023		Carrying amount 31/12/2022	
Financial assets at amortized cost				
Debt securities	213,166	197,315	332,082	282,227
Loans and advances	8,785	1,134	3,534	1,647
Total	**221,951**	**198,449**	**335,616**	**283,874**
Total	**221,951**	**198,449**	**335,616**	**283,874**

As at 31 December 2023 and 2022, respectively, the Group had an obligation from repurchase agreements (repo liability) of HUF 126,237 million and HUF 217,264 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 2023 or as at 31 December 2022.

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	**31/12/2023**	**31/12/2022**
Commitments to extend credit	4,784,943	4,230,289
Guarantees arising from banking activities	1,421,958	1,413,017
Factoring loan commitment	460,455	419,620
Confirmed letters of credit	61,997	53,557
Other	410,796	144,893
Contingent liabilities and commitments total in accordance with IFRS 9	**7,140,149**	**6,261,376**
Legal disputes (disputed value)	88,750	86,137
Underwriting guarantees	29,915	1,397
Other	2,990	5,393
Contingent liabilities and commitments total in accordance with IAS 37	**121,655**	**92,927**
Total	**7,261,804**	**6,354,303**

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 39,351 million as at 31 December 2023 and HUF 37,043 million as at 31 December 2022, 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 2018-2020 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 2018				**for the year 2019**			**for the year 2020**	
2019	10,413	4,000	12,413	-	-	-	-	-	-
2020	10,413	4,000	12,413	9,553	4,000	11,553	-	-	-
2021	10,413	4,000	12,413	9,553	4,000	11,553	12,644	9,000	16,644
2022	10,913	4,000	12,413	9,553	4,000	11,553	12,644	8,000	16,644
2023	10,913	4,000	12,413	9,553	4,000	11,553	13,644	8,000	16,644
2024	10,913	4,000	12,413	9,553	4,000	11,553	13,644	8,000	16,644
2025	10,913	4,000	12,413	9,553	4,000	11,553	13,644	8,000	16,644
2026	-	-	-	9,553	4,000	11,553	13,644	8,000	16,644
2027	-	-	-	-	-	-	13,644	8,000	16,644

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

The parameters for the share-based payment relating to ongoing years 2021-2022 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 2021			for the year 2022		
2022	5,912	6,000	8,912	-	-	-
2023	6,912	7,000	8,912	7,773	6,000	10,773
2024	6,912	8,000	8,912	8,773	7,000	10,773
2025	6,912	9,000	8,912	8,773	8,000	10,773
2026	6,912	10,000	8,912	8,773	9,000	10,773
2027	6,912	10,000	8,912	8,773	10,000	10,773
2028	6,912	10,000	8,912	8,773	10,000	10,773
2029	-	-	-	8,773	10,000	10,773

[1]Parameters of benefits for year after 2021 due in 2029 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%
2023	10,773	33.30%	13.20%	9.20%	8.20%	7.70%	7.30%	7.10%	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
2023	300	330	363	399	439	483	531	Binomial

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board relating to the year **2018** effective pieces are as follows as at 31 December 2023:

	Approved pieces of shares	Exercised until 31 December 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2023
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	77,425	14,605	9,031	-
Remuneration exchanged to share provided in 2022	13,858	13,858	8,529	-	-
Share purchasing period started in 2023	45,155	45,155	14,736	-	-
Remuneration exchanged to share provided in 2023	3,217	3,217	11,820	-	-
Remuneration exchanged to share applying in 2024	-	-	-	-	864
Remuneration exchanged to share applying in 2025	-	-	-	-	432

Based on parameters accepted by Supervisory Board relating to the year **2019** effective pieces are as follows as at 31 December 2023:

	Approved pieces of shares	Exercised until 31 December 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2023
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	101,897	13,771	1,344	4,519
Remuneration exchanged to share provided in 2022	10,564	10,564	8,529	-	-
Share purchasing period started in 2023	117,437	114,063	13,893	-	3,374
Remuneration exchanged to share provided in 2023	13,427	13,427	11,674	-	-
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

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board relating to the year **2020** effective pieces are as follows as at 31 December 2023:

	Approved pieces of shares	Exercised until 31 December 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2023
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	3,536	14,193	1,288	78,864
Remuneration exchanged to share provided in 2022	15,232	15,111	8,529	121	-
Share purchasing period started in 2023	47,275	-	-	-	47,275
Remuneration exchanged to share provided in 2023	8,562	8,562	11,659	-	-
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

Based on parameters accepted by Supervisory Board relating to the year **2021** effective pieces are as follows as at 31 December 2023:

	Approved pieces of shares	Exercised until 31 December 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2023
Share purchasing period started in 2022	60,018	59,776	10,122	242	-
Remuneration exchanged to share provided in 2022	11,028	11,028	8,691	-	-
Share purchasing period started in 2023	117,276	117,276	13,672	-	-
Remuneration exchanged to share provided in 2023	10,824	10,824	11,534	-	-
Share purchasing period starting in 2024	-	-	-	-	50,771
Remuneration exchanged to share applying in 2024	-	-	-	-	4,942
Share purchasing period starting in 2025	-	-	-	-	54,262
Remuneration exchanged to share applying in 2025	-	-	-	-	4,942
Share purchasing period starting in 2026	-	-	-	-	58,155
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

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board relating to the year **2022** effective pieces are as follows as at 31 December 2023:

	Approved pieces of shares	Exercised until 31 December 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2023
Share purchasing period started in 2023	57,412	57,364	13,484	-	48
Remuneration exchanged to share provided in 2023	8,726	8,590	11,629	-	136
Share purchasing period starting in 2024	-	-	-	-	103,450
Remuneration exchanged to share applying in 2024	-	-	-	-	8,494
Share purchasing period starting in 2025	-	-	-	-	42,814
Remuneration exchanged to share applying in 2025	-	-	-	-	3,993
Share purchasing period starting in 2026	-	-	-	-	43,714
Remuneration exchanged to share applying in 2026	-	-	-	-	3,993
Share purchasing period starting in 2027	-	-	-	-	44,701
Remuneration exchanged to share applying in 2027	-	-	-	-	3,993
Share purchasing period starting in 2028	-	-	-	-	19,756
Remuneration exchanged to share applying in 2028	-	-	-	-	-

Effective pieces relating to the periods starting in 2024-2028 settled during valuation of performance of year 2019-2022, 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 2023 based on performance assessment accounted as equity-settled share-based transactions, HUF 3,292 million and HUF 2,948 million was recognized as expense for the year ended 31 December 2023 and 2022, 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:

	31/12/2023	31/12/2022
Balance as at 1 January	**4,728**	**5,264**
Increase due to acquisition	1,621	-
Current service cost	369	432
Interest cost	322	105
Actuarial gains from changes in demographic assumptions	(497)	(110)
Actuarial loss / (gains) from changes in financial assumptions	844	(1,179)
Benefits paid	(279)	(271)
Past service cost	-	47
Other decreases	(322)	(19)
Revaluation difference	(202)	459
Closing balance	**6,584**	**4,728**

Amounts recognized in profit and loss	**31/12/2023**	**31/12/2022**
Current service cost	369	432
Net interest expense	322	105
Past service cost	-	47
Actuarial losses / (gains)	11	(288)
Other income	(340)	(129)
Total	**362**	**167**

Maturity analysis of the present value of defined benefit obligations	**31/12/2023**	**31/12/2022**
Within one year	609	575
Within 5 years and over one year	2,015	1,285
Within 10 years and over 5 years	2,107	1,470
Over 10 years	1,853	1,398
Total present value	**6,584**	**4,728**

Actuarial assumptions	**31/12/2023**	**31/12/2022**
Discount rate	2.88% - 6.25%	1.80% - 6.00%
Future salary increases	1.28% - 8.50%	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 2023 and 2022, respectively.

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	31/12/2023	31/12/2022
Short-term employee benefits	9,974	9,020
Share-based payment	2,173	2,632
Other long-term employee benefits	556	474
Termination benefits	126	293
Post-employment benefits	-	1
Total	**12,829**	**12,420**

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:

	31/12/2023	31/12/2022
Members of Board of Directors	3,225	2,539
Members of Supervisory Board	432	348
Total	**3,657**	**2,887**

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:

	31/12/2023				31/12/2022			
Assets	**Other related parties**	**Associated companies**	**Other companies**	**Total**	**Other related parties**	**Associated companies**	**Other companies**	**Total**
Securities (net value)	608	52	-	**660**	601	-	-	**601**
Fair value adjustment of derivative financial instruments	-	164	-	**164**	-	-	-	**-**
Loans at amortized cost (net value)	70,091	22,048	2,459	**94,598**	75,704	23,554	4,067	**103,325**
Finance lease receivable (net value)	-	47	-	**47**	-	22	-	**22**
Loans mandatorily at fair value through profit or loss	200	1,711	-	**1,911**	164	-	-	**164**
Total assets	**70,899**	**24,022**	**2,459**	**97,380**	**76,469**	**23,576**	**4,067**	**104,112**
Liabilities								
Deposits from customers and loan liabilities	87,857	22,042	1,373	**111,272**	54,002	12,490	2,104	**68,596**
Fair value adjustment of derivative financial instruments	-	-	-	**-**	-	46	-	**46**
Total liabilities	**87,857**	**22,042**	**1,373**	**111,272**	**54,002**	**12,536**	**2,104**	**68,642**

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]:

Off-balance sheet items	31/12/2023 Other related parties	Associated companies	Other companies	Total	31/12/2022 Other related parties	Associated companies	Other companies	Total
Undrawn line of credit	64,900	50	1,910	66,860	47,522	322	2,209	50,053
Bank Guarantee	11,080	1,914	2,491	15,485	8,455	-	2,652	11,107
Commitments and guarantees given	40	-	-	40	24	-	-	24
Total off-balance sheet items	**76,020**	**1,964**	**4,401**	**82,385**	**56,001**	**322**	**4,861**	**61,184**

Statement of profit or loss (turnover during the current period)	31/12/2023	31/12/2022
Interest income	2,448	860
Fees and commissions	164	117
Interest expense	(514)	(243)
Fees and commission expenses	(2,094)	(7)
Loss allowance / Provision on loans, placements, for commitments and guarantees given	(86)	(29)
Operational costs	(4,093)	(1,852)
Net income from sale of assets	-	-

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)

Acquisition 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.

In line with the sale and purchase agreement (two-step structure of 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 Ipoteka Bank acquisition was completed on 13 June 2023. Consequently, OTP Bank became the majority shareholder of Ipoteka Bank by acquiring a 73.71% stake and became indirect shareholder of Ipoteka Bank's wholly-owned subsidiaries. In the second step of the transaction, the shares that remained in the ownership of the Ministry will be bought three years after the first step by purchasing further 25% of the shares owned by the seller. On the basis of contractual conditions, different purchase price modifying factors can modify the second instalment of the purchase price. In this regard, the amount of HUF 15,757 million compensation assets presented in the consolidated financial statement, which comes from the fact that the former owners of the acquired company are contractually indemnifying the acquiring OTP Bank due to the acquired uncertainties.
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.

On 31 May 2021, OTP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of OTP Luxembourg S.a.r.l. and its subsidiaries - Nova KBM d.d. and Aleja Finance d.o.o., (hereinafter "NKBM group") 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 acquisition of the bank is the most significant acquisition in the history of OTP Group.

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.

On 27 September, 2023, Aranykalász Group became with 100% ownership the member of OTP Group through Portfolion Zöld Magántőkealap. Aranykalász Group contains Aranykalász 1955. Mezőgazdasági Ltd., Aranymező 2001. Mezőgazdasági Ltd., Agromag-Plusz Mezőgazdasági Ltd.

On 7 November 2023, Szekszárd Group engaged in agricultural activities became 100% owned by OTP Group through Portfolion Zöld Magántőkealap. Szekszárd Group contains Szekszárdi Mezőgazdasági Plc. and Szajki Mezőgazdasági Plc.

On 10 October 2022 OTP Fund Management Company and OTP banka Srbija a.d. signed a share sale and purchase agreement on purchasing 100% shareholding of Ilirika DZU AD Beograd, a Serbian asset management company, with the Slovenian companies Ilirika Fintrade d.o.o., Ilirika svetovanje d.o.o. and Ilirika d.d. The ownership proportion is 75 – 25%, de total consideration for the purchase of the shares was 93,8 million RSD. The financial closing of the transaction took place on 11 July 2023.
In October 2023 the Subsidiary changed its name to OTP Invest AD Beograd. Through this acquisition OTP Group entered the Serbian asset management market with only a few market competitors.

NOTE 42: ACQUISITION (in HUF mn) [continued]

The fair value of the assets and liabilities acquired is as follows [continued]:

The fair value of the assets and liabilities acquired is as follows:

	JSCMB 'Ipoteka Bank' (June 2023)	NKBM group (February 2023)	Aranykalasz group (August 2023)	Szekszard group (November 2023)	OTP Invest (July 2023)	Total (2023)	Alpha Bank SH.A. (July 2022)
Cash amounts and due from banks and balances with the National Banks	(98,886)	(887,441)	(925)	(585)	(57)	(987,894)	(58,880)
Placements with other banks, repo receivables	(50,298)	(11,605)	-	-	-	(61,903)	(26,500)
Financial assets at fair value through profit or loss	-	(11,167)	-	-	-	(11,167)	-
Securities at fair value through other comprehensive income	(154)	(136,612)	-	-	-	(136,766)	(46,003)
Loans at amortized cost	(875,037)	(2,037,656)	-	-	-	(2,912,693)	(101,642)
Loans mandatorily at fair value through profit or loss	-	-	-	-	-	-	-
Associates and other investments	(981)	(4,891)	(12)	(2,279)	-	(8,163)	-
Securities at amortized cost	(136,267)	(788,383)	-	-	-	(924,650)	(3,038)
Property and equipment	(27,187)	(20,199)	(2,852)	(1,434)	(1)	(51,673)	(1,063)
Intangible assets	(1,200)	(17,171)	-	(3)	(110)	(18,484)	(1,391)
Right-of-use assets	(1,920)	(1,941)	-	-	-	(3,861)	(3,209)
Investment properties	-	(9,910)	-	-	-	(9,910)	-
Derivative financial assets designated as hedge accounting	-	(1,842)	-	-	-	(1,842)	-
Other assets	(31,533)	(50,941)	(11,294)	(10,502)	(6)	(104,276)	(6,852)
Total assets	**(1,223,463)**	**(3,979,759)**	**(15,083)**	**(14,803)**	**(174)**	**(5,233,282)**	**(248,579)**

NOTE 42: ACQUISITION (in HUF mn) [continued]

The fair value of the assets and liabilities acquired is as follows [continued]:

	JSCMB 'Ipoteka Bank' (June 2023)	NKBM group (February 2023)	Aranykalasz group (August 2023)	Szekszard group (November 2023)	OTP Invest (July 2023)	Total (2023)	Alpha Bank SH.A. (July 2022)
Amounts due to the banks, the National Governments, deposits from the National Banks and other banks and repo liabilities	571,792	69,398	300	990	-	642,480	1,969
Deposits from customers	309,898	3,250,141	-	-	188	3,560,227	213,400
Liabilities from issued securities	118,897	169,071	-	-	-	287,968	-
Derivative financial liabilities held for trading	-	-	-	-	-	-	-
Derivative financial liabilities designated as hedge accounting	-	2,982	-	-	-	2,982	-
Leasing liabilities	-	1,967	-	-	-	1,967	3,346
Other liabilities	27,681	51,157	1,415	768	7	81,028	6,089
Subordinated bonds and loans	12,098	32,916	-	-	-	45,014	-
Total liabilities	**1,040,366**	**3,577,632**	**1,715**	**1,758**	**195**	**4,621,666**	**224,804**
Net assets	**(183,097)**	**(402,127)**	**(13,368)**	**(13,045)**	**21**	**(611,616)**	**(23,775)**

	JSCMB 'Ipoteka Bank' (June 2023)	NKBM group (February 2023)	Aranykalasz group (August 2023)	Szekszard group (November 2023)	OTP Invest (July 2023)	Total (2023)	Alpha Bank SH.A. (July 2022)
Net assets total	**(183,097)**	**(402,127)**	**(13,368)**	**(13,045)**	**21**	**(611,616)**	**(23,775)**
Non-controlling interest[1]	3,149	-	-	-	-	3,149	-
Negative goodwill / (Goodwill)	93,891	104,470	-	-	(324)	198,037	3,784
Net cash	**(86,057)**	**(297,657)**	**(13,368)**	**(13,045)**	**(303)**	**(410,430)**	**(19,991)**
Cash acquired on purchase	98,886	887,441	925	585	57	987,894	58,880
Net cash paid for acquisition	**12,829**	**589,784**	**(12,443)**	**(12,460)**	**(246)**	**577,464**	**38,889**
Purchase price - part one	(83,347)						
Purchase price - part two	(2,710)						
Total	**(86,057)**						

[1]Non-controlling interest was measured at its proportionate share of net assets of the acquiree.

NOTE 42: ACQUISITION (in HUF mn) [continued]

The fair value of the assets and liabilities acquired is as follows [continued]:

Breakdown of the acquired entity's income, profit / loss from the date of the acquisition:

	Interest income	Net result	One-off expense[2]
JSCMB 'Ipoteka Bank'	96,490	(52,760)	(40,060)
NKBM group	156,314	77,804	(10,010)
Aranykalász group	-	-	-
Szekszárd group	-	-	-
OTP Invest	1	(37)	-
Total	**252,805**	**25,007**	**(50,070)**

[2]The net result was decreased by the loss allowance on loans in accordance with IFRS 9 after the first day of the acquisition (Day 1).

Breakdown of the acquired entity's income, profit / loss if the Group would have acquired from the beginning of year 2023:

	Interest income	Net result	One-off expense[2]
JSCMB 'Ipoteka Bank'	175,815	(70,215)	(40,060)
NKBM group	166,772	79,338	(10,010)
Aranykalász group	-	1,607	-
Szekszárd group	-	2,904	-
OTP Invest	2	(89)	-
Total	**342,589**	**13,545**	**(50,070)**

[2]The net result was decreased by the loss allowance on loans in accordance with IFRS 9 after the first day of the acquisition (Day 1).

With the acquisition the following shares were purchased:

	Number of shares	Type	Voting rights
JSCMB 'Ipoteka Bank'	2,203,591,374,374	Common stock	73.7090%
JSCMB 'Ipoteka Bank'	59,197,658	Preferred dividend	0.0020%
Ipoteka Leasing LLC	60,000,000,000	Common stock	100.00%
IMKON Sugurta JSC	45,000,000,000	Business share	100.00%
Mortgage refinancing Company of Uzbekistan	20,000,000	Common stock	20.00%
OTP Luxembourg s.á.r.l.	2,771,440	Business share	100.00%
Nova Kreditna Banka Maribor d.d.	10,000,000	Common stock	100.00%
Telekom Slovenije, d.d.	11,938	Common stock	0.18%
Elektro Maribor d.d.	76,715	Common stock	0.23%
Pivka Perutninarstvo d.d.	486	Common stock	0.04%
Skupina Prva, Zavarovalniški Holding, d.d.	4,764	Preferred dividend	2.35%
Sava d.d.	496,851	Common stock	1.71%
VISA Inc. C	3,688	Preferred dividend	0.00%
VISA Inc. A	369	Preferred dividend	0.00%
Bodočnost Maribor d.o.o.	1	Business share	1.00%
Sklad Za Reševanje Bank	50,003,264	Business share	26.17%
SWIFT SCRL La Hulpe, Belgija	32	Business share	0.03%
Bankart d.o.o.	584,424	Business share	29.22%
Aleja Finance d.o.o.	500,000	Business share	100.00%

NOTE 42: ACQUISITION (in HUF mn) [continued]

With the acquisition the following shares were purchased [continued]:

	Number of shares	Type	Voting rights
Aranykalász 1955. Mezőgazdasági Ltd.	41,670,000	Business share	100.00%
Dél-borsodi Gazdák Ltd.	3,703,260	Business share	40.82%
"Egertej" Ltd.	4,274,600	Business share	28.12%
Aranymező 2001. Mezőgazdasági Ltd.	2,250,000	Business share	100.00%
Agromag-Plusz Mezőgazdasági Ltd.	28,650,000	Business share	98.34%
Szekszárdi Mezőgazdasági Plc.	52	Common stock	100.00%
Szajki Mezőgazdasági Plc.	659,859	Common stock	100.00%
Újberek Ltd.	4,800,000	Business share	100.00%
Sióvölgye Ltd.	156,580,000	Business share	100.00%
Orbánhegyi Szőlőbirtok Limited partnership	25,000	Business share	76.92%
Szekszárdi Liszt Pincészet Ltd.	30,000,000	Business share	100.00%
Iphygénia Ltd.	51,000,000	Business share	100.00%
ZA-Gamma Agro Ltd.	2,250,000	Business share	99.00%
GM Agrár Ltd.	3,000,000	Business share	100.00%
Szajkmenti Gazda Limited partnership	95,000	Business share	100.00%
Sióparti Gazda Limited partnership	5,000	Business share	87.50%
OTP invest AD Beograd	177,032	Common stock	100.00%

I. NOTE 43: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn)

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.

Significant subsidiaries

Name	Ownership (Direct and Indirect)		Activity
	31/12/2023	31/12/2022	
DSK Bank AD (Bulgaria)	99.92%	99.92%	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
Nova Kreditna Banka Maribor d.d. (Slovenia)	100.00%	-	commercial banking services
JSCMB 'Ipoteka Bank' (Uzbekistan)	79.58%	-	commercial banking services
OTP Financing Malta Company Ltd. (Malta)	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 2023 is as follows:

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
Edrone spółka z ograniczoną odpowiedzialnością	848	23.54%	(342)	Poland / Krakow	Computer programming activities
NovaKid Inc.	2,009	4.07%	(231)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc	4	17.42%	267	Hungary /Budapest	Computer programming activities
CodeCool Ltd	1,310	7.26%	(731)	Hungary /Budapest	Other education
Pepita.hu Closed Co. Plc	2,679	38.75%	(580)	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd	8,070	19.26%	(1,210)	UK / London	Computer programming activities
VCC Live Group Closed Co. Plc	1,632	24.72%	(220)	Hungary /Budapest	Computer programming activities
Cursor Insight Ltd	73	6.75%	(51)	UK / London	Computer programming activities
OneSoil Ag.	6	3.72%	(819)	Switzerland / Zurich	Computer programming activities
Packhelp Spółka Akcyjna	899	3.14%	(2,725)	Poland / Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
Phoenix Play Invest Closed Co. Plc	6,368	21.68%	151	Hungary /Budapest	Activities of holding companies
Algorithmiq Invest Closed Co. Plc	5,185	21.68%	(8,907)	Hungary /Budapest	Activities of holding companies
Deligo Vision Technologies Ltd	302	8.70%	(215)	Hungary /Budapest	Other information service activities
Shopper Park Plus Closed Co. Plc.[1]	5,237	2.80%	3,175	Hungary /Budapest	Sale and purchase of own real estate
New Frontier Technology Invest SARL	3,624	14.00%	103	Luxemburg / Luxembourg	Activities of holding companies
Mindgram sp. z.o.o	206	2.38%	(1,083)	Poland / Warsaw	Other human health activities
Tine Limited	-	0.00%	(1,086)	Great Britain / London	Child day-care services
Renewabl Ltd.	102	5.01%	(269)	Great Britain / London	Other information technology services
Giganci Programowania sp. z.o.o.	514	5.03%	(149)	Poland / Warsaw	Other education
FlowX.Ai., Inc	2,252	9.50%	(1,786)	USA / Camano Park	Computer programming activities
Commsignia Inc.	1,763	3.17%	(1,438)	USA / Santa Clara	Retail sale of computers, peripheral units and software in specialized stores
Deskbird AG	1,079	8.46%	(1,944)	St. Gallen / Switzerland	Computer programming activities
Subtotal (Investments through funds)	**44,162**		**(20,090)**		
OTP Risk Fund I.	611	44.12%	158	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	280	22.00%	308	Hungary /Budapest	Trusts, funds and similar financial entities
D-ÉG Thermoset Ltd 'u.l.'	-	46.99%	n.a.	Hungary / Dunaújváros	Wholesale of hardware, plumbing and heating equipment and supplies
Company for Cash Services AD	392	25.00%	337	Bulgaria / Sofia	Other financial service activities, except insurance and pension funding
Fabetker Ltd	3	20.00%	119	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
NGY Propertiers Investment SRL	11,637	14.54%	6,903	Romania / Bucharest	Renting and operating of own or leased real estate
Fintech CEE Software Invest Ltd	408	20.04%	(7)	Hungary /Budapest	Activities of holding companies
Bankart Procesiranje Placilnih Instrumentov d.o.o.	7,219	43.06%	(1,733)	Ljubjana / Slovenia	Data processing, web hosting services
Mortgage refinancing Company of Uzbekistan	1,030	20.00%	(615)	Tashkent / Uzbekistan	Refinancing mortgage loans
Dél-borsodi Gazdák Ltd.	4	40.92%	(4)	Hungary / Mezőkeresztes	Wholesale of grain, tobacco, seeds and animal feeds.
"Egertej"Ltd.	8	28.12%	78	Hungary / Eger	Manufacture of dairy products.
Orbánhegyi Szőlőbirtok	-	25.00%	28	Hungary / Budapest	Viticulture
Subtotal	**21,592**		**5,572**		
Total	**65,754**		**(14,518)**		

[1]Previously known as: GRADUW Invest Closed Co. Plc

NOTE 43: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Significant associates and joint ventures [continued]

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
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
CodeCool 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
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
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
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
Subtotal (Investments through funds)	**42,558**		**(9,363)**		
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
Fabetker Ltd	1	20.48%	135	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
NGY Propertiers Investment SRL	11,735	14.54%	(22,567)	Romania / Bucharest	Renting and operating of own or leased real estate
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
Subtotal	**13,548**		**(22,288)**		
Total	**56,106**		**(31,651)**		

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.

	31/12/2023	**31/12/2022**
The amount of loans managed by the Group as a trustee	37,402	37,714

NOTE 45: CONCENTRATION OF ASSETS AND LIABILITIES

	31/12/2023	31/12/2022
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	13.32%	14.75%

There were no other significant concentrations of the assets or liabilities of the Group either as at 31 December 2023 or as at 31 December 2022.

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	**31/12/2023**	**31/12/2022**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	988,658	346,354
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	267,591,265	268,790,272
Basic Earnings per share (in HUF)	**3,695**	**1,289**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	988,658	346,354
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	267,737,358	268,873,185
Diluted Earnings per share (in HUF)	**3,693**	**1,288**

Earnings per share from continuing operations	**31/12/2023**	**31/12/2022**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	1,009,904	318,351
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	267,591,265	268,790,272
Basic Earnings per share (in HUF)	**3,774**	**1,184**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	1,009,904	318,351
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	267,737,358	268,873,185
Diluted Earnings per share (in HUF)	**3,772**	**1,184**

Earnings per share from discontinued operations	**31/12/2023**	**31/12/2022**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	(21,246)	28,003
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	267,591,265	268,790,272
Basic Earnings per share (in HUF)	**(79)**	**104**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	(21,246)	28,003
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	267,737,358	268,873,185
Diluted Earnings per share (in HUF)	**(79)**	**104**

NOTE 46: EARNINGS PER SHARE [continued]

	31/12/2023	31/12/2022
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	12,408,745	11,209,738
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**267,591,265**	**268,790,272**
Dilutive effects of options issued in accordance with the remuneration policy and convertible into ordinary shares[1]	146,093	82,913
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**267,737,358**	**268,873,185**

[1] Both in the year 2023 and 2022 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)

31/12/2023	Net interest / similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	354,208	-	1,060	-
Placements with other banks	187,436	-	1,455	-
Repo receivables	17,011	-	(371)	-
Securities at amortized cost	242,256	(18,716)	9,185	-
Loans at amortized cost	1,345,570	34,335	(149,822)	-
Finance lease receivables	100,749	-	1,656	-
Other financial assets[2]	6,942	-	1,333	-
Financial assets at amortized cost total	**2,254,172**	**15,619**	**(135,504)**	**-**
Trading securities at fair value through profit or loss	-	7,713	-	-
Non-trading instruments mandatorily at fair value through profit or loss	-	8,240	-	-
Interest-bearing securities at fair value through other comprehensive income[1]	55,320	(1,221)	(354)	76,954
Non-interest-bearing instruments at fair value through other comprehensive income	-	430	-	1,465
Loans mandatorily at fair value through profit or loss	92,117	96,082	(91)	-
Financial assets at fair value total	**147,437**	**111,244**	**(445)**	**78,419**
Total result on financial assets	**2,401,609**	**126,863**	**(135,949)**	**78,419**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(74,338)	-	-	-
Repo liabilities	(40,398)	-	-	-
Deposits from customers	(484,398)	386,823	-	-
Liabilities from issued securities	(116,628)	-	-	-
Leasing liabilities	(2,970)	-	-	-
Subordinated bonds and loans	(32,565)	-	-	-
Financial liabilities at amortized cost total	**(751,297)**	**386,823**	**-**	**-**
Financial liabilities designated at fair value through profit or loss	**(1,433)**	**(4,542)**	**-**	**-**
Total result on financial liabilities	**(752,730)**	**382,281**	**-**	**-**
Derivative financial instruments[2]	**(262,173)**	**(12,760)**	**-**	**-**
Total result on financial instruments	**1,386,706**	**496,384**	**(135,949)**	**78,419**

[1] For the year 2023 HUF (1,221) million net non-interest loss 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.

Current year change of derivative financial assets and liabilities held-for-trading and designated as hedge accounting by types of results in the profit or loss

31/12/2023	Held-for-trading	Hedge accounting
Balance as at 1 January	**(109,265)**	**20,298**
Change in current period through p/l	**106,994**	**(44,576)**
on interest income/interest expense	(27,506)	86,915
on net results on derivative instruments	66,774	(26,714)
on revaluation difference	67,726	(104,777)
Realized result on closed deals /matured deals	13,088	494
Increase due to acquisition	104	1,842
Assets held for sale	1,216	-
Foreign currency translation difference	1,004	10
Closing balance	**13,141**	**(21,932)**

NOTE 47: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn) [continued]

31/12/2022	Net interest / similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	62,120	-	(440)	-
Placements with other banks	153,692	-	(19)	-
Repo receivables	4,261	-	50	-
Securities at amortized cost	139,445	(4,636)	(31,471)	-
Loans at amortized cost	906,011	31,144	(168,406)	-
Finance lease receivables	74,994	-	(23,513)	-
Other financial assets[2]	4,123	-	(1,204)	-
Financial assets at amortized cost total	**1,344,646**	**26,508**	**(225,003)**	**-**
Trading securities at fair value through profit or loss	-	(3,168)	-	-
Non-trading instruments mandatorily at fair value through profit or loss	54	265	-	-
Interest-bearing securities at fair value through other comprehensive income[1]	53,078	(1,022)	(29,290)	(123,874)
Non-interest-bearing instruments at fair value through other comprehensive income	-	8	-	4,497
Loans mandatorily at fair value through profit or loss	54,036	(5,951)	13,346	-
Financial assets at fair value total	**107,168**	**(9,868)**	**(15,944)**	**(119,377)**
Total result on financial assets	**1,451,814**	**16,640**	**(240,947)**	**(119,377)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(14,885)	-	-	-
Repo liabilities	(31,006)	-	-	-
Deposits from customers	(253,609)	338,952	-	-
Liabilities from issued securities	(27,838)	-	-	-
Leasing liabilities	(2,296)	-	-	-
Subordinated bonds and loans	(8,986)	-	-	-
Financial liabilities at amortized cost total	**(338,620)**	**338,952**	**-**	**-**
Financial liabilities designated at fair value through profit or loss	**(562)**	**1,932**	**-**	**-**
Total result on financial liabilities	**(339,182)**	**340,884**	**-**	**-**
Derivative financial instruments[2]	**(85,764)**	**16,360**	**-**	**-**
Total result on financial instruments	**1,026,868**	**373,884**	**(240,947)**	**(119,377)**

[1] For the year of 2022 HUF (1,022) million net non-interest loss 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.

Current year change of derivative financial assets and liabilities held for trading and designated as hedge accounting by types of results in the profit or loss

31/12/2022	Held-for-trading	Hedge accounting
Balance as at 1 January	**(18,232)**	**7,529**
Change in current period through p/l	**(57,689)**	**1,555**
on interest income/interest expense	(56,775)	(1,152)
on net results on derivative instruments	(77,886)	48,429
on revaluation difference	76,972	(45,722)
Realized result on closed deals /matured deals	(31,820)	11,219
Foreign currency translation difference	(1,524)	(5)
Closing balance	**(109,265)**	**20,298**

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.

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.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Asset held for sale is valued at fair value less cost to sell, that is in this case equal to the sales price and would be classified as Level 3 fair value.

Use of modified yield curve

During the year ended 31 December 2023 and 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.

For the year ended 31 December 2023 and 2022 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 at amortized cost by level of the fair value hierarchy and their carrying amount

31/12/2023	Carrying amount	Fair value	Level 1	Level 2	Level 3
Cash, amounts due from banks and balances with the National Banks	7,125,049	7,125,049	6,005,164	1,119,885	-
Placements with other banks	1,566,998	1,448,684	1,059,696	375,266	13,722
Repo receivables	223,884	223,884	-	223,884	-
Securities at amortized cost	5,249,272	5,184,729	4,478,411	640,591	65,727
Loans at amortized cost	17,676,533	17,723,130	-	1,219	17,721,911
Finance lease receivables	1,289,712	1,504,439	189,830	91,948	1,222,661
Other financial assets	282,400	282,400	-	-	282,400
Total financial assets at amortized cost	**33,413,848**	**33,492,315**	**11,733,101**	**2,452,793**	**19,306,421**
Amounts due to the National Governments, to the National Banks and other banks	1,940,862	1,974,503	458,700	690,452	825,351
Repo liabilities	126,237	126,237	-	126,237	-
Deposits from customers	28,332,431	28,295,214	-	10,459,658	17,835,556
Liabilities from issued securities	2,095,548	2,118,233	1,770,138	19,629	328,466
Leasing liabilities	76,313	76,313	-	-	76,313
Other financial liabilities	656,864	656,864	-	-	656,864
Subordinated bonds and loans	562,396	452,595	410,495	-	42,100
Total financial liabilities at amortized cost	**33,790,651**	**33,699,959**	**2,639,333**	**11,295,976**	**19,764,650**

31/12/2022	Carrying amount	Fair value	Level 1	Level 2	Level 3
Cash, amounts due from banks and balances with the National Banks	4,221,392	4,221,392	3,557,491	663,901	-
Placements with other banks	1,351,082	1,322,560	967,438	342,595	12,527
Repo receivables	41,009	42,993	-	42,993	-
Securities at amortized cost	4,891,938	4,048,877	3,063,237	764,096	221,544
Loans at amortized cost	16,094,458	15,557,928	-	1,757,358	13,800,570
Finance lease receivables	1,298,752	1,320,286	-	264,057	1,056,229
Other financial assets	262,981	262,981	-	-	262,981
Total financial assets at amortized cost	**28,161,612**	**26,777,017**	**7,588,166**	**3,835,000**	**15,353,851**
Amounts due to the National Governments, to the National Banks and other banks	1,463,158	1,109,924	42,544	123,662	943,718
Repo liabilities	217,369	227,669	-	227,669	-
Deposits from customers	25,188,805	25,056,412	-	12,452,761	12,603,651
Liabilities from issued securities	870,682	743,907	545,677	15,454	182,776
Leasing liabilities	63,778	63,791	-	-	63,791
Other financial liabilities	645,652	645,652	-	-	645,652
Subordinated bonds and loans	301,984	268,911	229,121	-	39,790
Total financial liabilities at amortized cost	**28,751,428**	**28,116,266**	**817,342**	**12,819,546**	**14,479,378**

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]

			31/12/2023					31/12/2022		
	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	134,599	(117,778)	110,939	23,660	(6,839)	165,478	(171,706)	155,468	10,010	(16,238)
Cross currency interest rate swaps	8,644	(6,544)	-	8,644	(6,544)	11,332	(12,139)	-	11,332	(12,139)
OTC options	2,024	(2,033)	-	2,024	(2,033)	1,074	(1,069)	-	1,074	(1,069)
Forward rate agreement	-	(214)	-	-	(214)	505	(3)	505	-	502
Total interest rate derivatives (OTC derivatives)	**145,267**	**(126,569)**	**110,939**	**34,328**	**(15,630)**	**178,389**	**(184,917)**	**155,973**	**22,416**	**(28,944)**
Foreign exchange derivatives										
Foreign exchange swaps	31,397	(32,382)	-	31,397	(32,382)	76,881	(72,959)	-	76,881	(72,959)
Foreign exchange forward contracts	7,101	(11,061)	-	7,101	(11,061)	13,085	(13,740)	-	13,085	(13,740)
OTC options	1,016	(871)	-	1,016	(871)	1,048	(822)	-	1,048	(822)
Foreign exchange spot conversion	170	(319)	-	170	(319)	177	(177)	-	177	(177)
Total foreign exchange derivatives (OTC derivatives)	**39,684**	**(44,633)**	**-**	**39,684**	**(44,633)**	**91,191**	**(87,698)**	**-**	**91,191**	**(87,698)**
Equity stock and index derivatives										
Commodity Swaps	32,336	(31,661)	-	32,336	(31,661)	33,693	(31,632)	-	33,693	(31,632)
Equity swaps	126	(3,826)	-	126	(3,826)	54	(702)	-	54	(702)
OTC derivatives total	**32,462**	**(35,487)**	**-**	**32,462**	**(35,487)**	**33,747**	**(32,334)**	**-**	**33,747**	**(32,334)**
Exchange traded futures and options	433	(451)	-	433	(451)	214	(1,887)	-	214	(1,887)
Total equity stock and index derivatives	**32,895**	**(35,938)**	**-**	**32,895**	**(35,938)**	**33,961**	**(34,221)**	**-**	**33,961**	**(34,221)**
Derivatives held for risk management not designated in hedge										
Interest rate swaps	64,288	(44,577)	22,237	42,051	(22,340)	136,164	(239,975)	18,944	117,220	(221,031)
Foreign exchange swaps	4,671	(19,546)	-	4,671	(19,546)	2,514	(10,190)	-	2,514	(10,190)
Foreign exchange spot	-	-	-	-	-	-	(43)	-	-	(43)
Forward contracts	-	-	-	-	-	-	-	-	-	-
Cross currency interest rate swaps	-	(2,401)	-	-	(2,401)	9,180	(3,620)	-	9,180	(3,620)
Total derivatives held for risk management not designated in hedge	**68,959**	**(66,524)**	**22,237**	**46,722**	**(44,287)**	**147,858**	**(253,828)**	**18,944**	**128,914**	**(234,884)**
Total held for trading derivative financial instruments	**286,805**	**(273,664)**	**133,176**	**153,629**	**(140,488)**	**451,399**	**(560,664)**	**174,917**	**276,482**	**(385,747)**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.2. Fair value of derivative instruments [continued]

	31/12/2023 Before netting Assets	31/12/2023 Before netting Liabilities	31/12/2023 Netting	31/12/2023 After netting Assets	31/12/2023 After netting Liabilities	31/12/2022 Before netting Assets	31/12/2022 Before netting Liabilities	31/12/2022 Netting	31/12/2022 After netting Assets	31/12/2022 After netting Liabilities
Derivative financial instruments designated as hedge accounting										
Derivatives designated in cash flow hedges										
Interest rate swaps	1,066	(1,066)	1,066	-	-	2,651	(2,651)	2,651	-	-
Total derivatives designated in cash flow hedges	**1,066**	**(1,066)**	**1,066**	**-**	**-**	**2,651**	**(2,651)**	**2,651**	**-**	**-**
Derivatives designated in fair value hedges										
Interest rate swaps	42,347	(79,069)	25,130	17,217	(53,939)	56,757	(37,290)	30,938	25,819	(6,352)
Cross currency interest rate swaps	24,750	(10,009)	-	24,750	(10,009)	20,732	(5,398)	-	20,732	(5,398)
Foreign exchange swaps	-	-	-	-	-	1,696	(16,199)	-	1,696	(16,199)
Interest rate swaps	168	(119)	168	-	49	-	-	-	-	-
Total derivatives designated in fair value hedges	**67,265**	**(89,197)**	**25,298**	**41,967**	**(63,899)**	**79,185**	**(58,887)**	**30,938**	**48,247**	**(27,949)**
Total derivatives held for risk management (OTC derivatives)	**68,331**	**(90,263)**	**26,364**	**41,967**	**(63,899)**	**81,836**	**(61,538)**	**33,589**	**48,247**	**(27,949)**

Financial assets subject to offsetting, netting arrangement as at 31 December 2023

31/12/2023	Offsetting recognised on the balance sheet: Gross assets before offset	Offsetting recognised on the balance sheet: Offsetting with gross liabilities	Offsetting recognised on the balance sheet: Net assets recognized on the statement of financial position	Netting potential not recognised on the balance sheet: Financial liabilities	Netting potential not recognised on the balance sheet: Collateral received	Netting potential not recognised on the balance sheet: Assets after consideration of netting potential	Assets not subject to netting arrangements: Assets recognized on the statement of financial position	Total assets: Recognized in the statement of financial position	Maximum exposure to risk: After consideration of netting potential
Derivative financial instruments	324,446	(158,844)	165,602	(60,721)	(76,853)	28,028	29,994	195,596	58,022

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.2. Fair value of derivative instruments [continued]

Financial liabilities subject to offsetting, netting arrangement as at 31 December 2023

31/12/2023	Offsetting recognised on the balance sheet			Netting potential not recognised on the balance sheet			Liabilities not subject to netting arrangements	Total liabilities	Maximum exposure to risk
	Gross liabilities before offset	Offsetting with gross assets	Net liabilities recognized on the statement of financial position	Financial assets	Collateral pledged	Liabilities after consideration of netting potential	Liabilities recognized on the statement of financial position	Recognized in the statement of financial position	After consideration of netting potential
Derivative financial instruments	347,414	(158,844)	188,570	(60,721)	(103,563)	24,286	15,817	204,387	40,103

Financial assets subject to offsetting, netting arrangement as at 31 December 2022

31/12/2022	Offsetting recognised on the balance sheet			Netting potential not recognised on the balance sheet			Assets not subject to netting arrangements	Total assets	Maximum exposure to risk
	Gross assets before offset	Offsetting with gross liabilities	Net assets recognized on the statement of financial position	Financial liabilities	Collateral received	Assets after consideration of netting potential	Assets recognized on the statement of financial position	Recognized in the statement of financial position	After consideration of netting potential
Derivative financial instruments	441,413	(208,506)	232,907	(90,551)	(103,014)	39,342	91,822	324,729	131,164

Financial liabilities subject to offsetting, netting arrangement as at 31 December 2022

31/12/2022	Offsetting recognised on the balance sheet			Netting potential not recognised on the balance sheet			Liabilities not subject to netting arrangements	Total liabilities	Maximum exposure to risk
	Gross liabilities before offset	Offsetting with gross assets	Net liabilities recognized on the statement of financial position	Financial assets	Collateral pledged	Liabilities after consideration of netting potential	Liabilities recognized on the statement of financial position	Recognized in the statement of financial position	After consideration of netting potential
Derivative financial instruments	580,572	(208,506)	372,066	(90,551)	(240,661)	40,854	41,630	413,696	82,484

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 2023 (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	-	-	(121,675)	(218,683)	(51,700)	**(392,058)**
		Average Interest Rate (%)	-	-	5.10%	(3.24%)	4.72%	
		EUR						
		Notional	-	-	65	(461)	180	**(216)**
		Average Interest Rate (%)	-	-	2.64%	4.80%	-	
		USD						
		Notional	30	45	-	(1,013)	47	**(891)**
		Average Interest Rate (%)	2.10%	2.13%	-	3.77%	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	8	10	**21**
		Average Interest Rate (%)	(1.65%)	(1.69%)	(1.68%)	(1.73%)	(1.82%)	
		Average FX Rate	310.23	310.02	310.10	309.36	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 2023 (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	-	175	250	1,167	500	**2,092**
		Average FX Rate	363.88	356.12	359.11	383.36	381.11	
		RON/HUF						
		Notional	-	-	575	1,950	-	**2,525**
		Average FX Rate	-	-	73.75	73.98	-	
		RUB/HUF						
		Notional	-	-	4,000	7,870	-	**11,870**
		Average FX Rate	-	-	3.65	3.73	-	
		JPY/HUF						
		Notional	-	-	-	4,500	-	**4,500**
		Average FX Rate	-	-	-	2.43	-	
		USD/HUF						
		Notional	-	-	143	-	-	**143**
		Average FX Rate	-	357.16	357.16	-	-	
	Other	**Interest rate swap**						
		HUF						
		Notional	-	-	778	-	-	**778**
	Interest rate risk	**Interest rate swap**						
		EUR						
		Notional	-	-	(60)	(240)	(120)	**(420)**
		Average Interest Rate (%)	-	-	3.54%	2.61%	2.42%	

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]

As at 31 December 2023 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 2023					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 2023
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge	IRS	Interest rate risk	2,448,226	43,305	(79,238)	26,196	17,109	(53,042)	Derivative financial instruments designated as hedge accounting	10,642
	CCIRS	FX & IR risk	6,394	-	(1,418)	-	-	(1,418)	Derivative financial instruments designated as hedge accounting	(668)
	CCIRS	FX risk	1,009,180	24,750	(9,488)	-	24,750	(9,488)	Derivative financial instruments designated as hedge accounting	38,146
	IRS	Other	778	108	-	-	108	-	Derivative financial instruments designated as hedge accounting	1
	IRS	Interest rate risk	160,768	168	(119)	168	-	49	Derivative financial instruments designated as hedge accounting	32
Fair value hedges total			**3,625,346**	**68,331**	**(90,263)**	**26,364**	**41,967**	**(63,899)**		**48,153**

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 year 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 2023 is as follows:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2023		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 2023		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	26,839	-	(3,178)	-	Loans at amortized cost
Loans	Interest rate risk	-	143,857	-	(11,249)	Amounts due to banks, the National Governments, deposits from the National Banks and other banks
Government bonds	Interest rate risk	164,229	-	7,808	-	Securities at amortized cost
Government bonds	Interest rate risk	806,018	-	28,001	-	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	3,828	-	203	-	Securities at fair value through other comprehensive income
Other bonds	Interest rate risk	-	730,971	-	31,398	Liabilities from issued securities
Other bonds	Interest rate risk	-	219,989	-	(157)	Subordinated bonds and loans
Loans	Foreign exchange & Interest rate risk	3,266	-	(96)	-	Loans at amortized cost
Loans	Foreign exchange risk	949,447	-	-	-	Loans at amortized cost
Refinanced loans	Interest rate risk	-	213,864	-	13,460	Amounts due to banks, the National Governments, deposits from the National Banks and other banks
Government bonds	Foreign exchange risk	10,986	-	-	-	Securities at fair value through other comprehensive income
Government bonds	Foreign exchange risk	49,378	-	-	-	Securities at amortized cost
Other securities	Other risk	-	897	-	(39)	Liabilities from issued securities
Customer deposits	Interest rate risk	-	157,543	-	84	Deposit from customers
Fair value hedges total		**2,013,991**	**1,467,121**	**32,738**	**33,497**	

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 at amortized cost
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 at amortized cost
Loans	Foreign exchange risk	716,841	-	-	-	Loans at amortized cost
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]

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 2023	Change in the items recognized in other comprehensive income for the year 2023	Line item in the consolidated statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	949,447	-	167	530	Loans at amortised cost
FX risk	10,986	-	(69)	-	Securities at fair value through other comprehensive income
Total	**960,433**	**-**	**98**	**530**	

Type of risk	Carrying amount of the hedged item		Items recognised in the consolidated other comprehensive income for the year 2022	Change in the items recognized in other comprehensive income for the year 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**	

On Group level there weren’t any cash-flow hedges for the year ended 31 December 2023 and 2022, respectively.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

31/12/2023	Change in fair value of hedged item for ineffectiveness assessment	Translation difference	Balances remaining in the Translation difference for hedge accounting is no longer applied
Net assets of subsidiaries where the investment is in EUR	-	69,188	(31,588)

31/12/2023	Carrying amount		Changes in fair value of hedging instruments used for measuring hedge ineffectiveness			
	Notional amount	Liabilities	Total	Effective part recognized in other comprehensive income	Hedge ineffectiveness recognized in statement of profit or loss	Reclassification into statement of profit or loss
Eur issued bonds	382,780	382,780	(2,707)	(2,707)	-	-

31/12/2023	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Eur issued bonds	-	-	-	382,780	-	**382,780**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31/12/2023	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	**288,885**	**96,816**	**179,786**	**12,283**
Trading securities at fair value through profit or loss	*67,568*	*48,016*	*19,552*	-
Positive fair value of derivative financial assets held for trading	*153,629*	*433*	*153,196*	-
Non-trading instruments mandatorily at fair value through profit or loss[1]	*67,688*	*48,367*	*7,038*	*12,283*
Interest-bearing securities at fair value through other comprehensive income[2]	1,540,980	800,168	634,396	106,416
Non-interest bearing instruments at fair value through other comprehensive income	60,481	23,809	30,029	6,643
Loans mandatorily at fair value through profit or loss	1,400,485	-	-	1,400,485
Equity instruments measured at fair value[3]	44,162	-	-	44,162
Positive fair value of derivative financial assets designated as fair value hedge	41,967	-	41,967	-
Financial assets measured at fair value total	**3,376,960**	**920,793**	**886,178**	**1,569,989**
Financial liabilities designated at fair value through profit or loss	70,707	-	-	70,707
Negative fair value of held-for-trading derivative financial liabilities	140,488	517	136,263	3,708
Negative fair value of derivative financial liabilities designated as fair value hedge	63,899	-	63,899	-
Financial liabilities measured at fair value total	**275,094**	**517**	**200,162**	**74,415**

[1] The portfolio in level 3 includes Visa C shares, East West Venture Capital Fund and TCEE Fund III.
[2] The portfolio in level 3 includes HUF 78,355 million Ukrainian and HUF 22,452 million Russian government bonds.
[3] The detailed list of equity investments measured at fair value categorized in level 3 is presented in Note 43.

The fair value of investment properties is presented in Note 14 and they are categorized in level 3.

Asset held for sale is valued at fair value less cost to sell, that is in this case equal to the sales price and would be classified as Level 3 fair value.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31/12/2022	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*
Interest-bearing securities at fair value through other comprehensive income[2]	1,699,446	541,910	1,092,841	64,695
Non-interest bearing instruments at fair value through other comprehensive income	40,157	20,171	10,241	9,745
Loans mandatorily at fair value through profit or loss	1,247,414	-	-	1,247,414
Equity instruments measured at fair value[3]	42,558	-	-	42,558
Positive fair value of derivative financial assets designated as fair value hedge	48,247	-	48,247	-
Financial assets measured at fair value total	**3,514,209**	**647,420**	**1,490,389**	**1,376,400**
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**

[1] 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.
[3] The detailed list of equity investments measured at fair value categorized in level 3 is presented in Note 43.

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:

31/12/2023	Opening balance	Purchase / Issuance / Disbursement (+)	Settlement / Close / Sale (-)	FVA (+/-)	Transfer (+/-)	Fx effect / Revaluation	Other	Closing balance
Non-trading securities mandatorily at fair value through profit or loss	11,988	-	(3)	(359)	39	(116)	734	**12,283**
Interest-bearing securities at fair value through other comprehensive income2	64,695	78,411	(21,594)	3,458	(2,143)	(2,838)	(13,573)	**106,416**
Non-interest-bearing instruments at fair value through other comprehensive income	9,745	-	(2)	-	(2,704)	(541)	145	**6,643**
Loans mandatorily at fair value through profit or loss[1]	1,247,414	154,902	(96,390)	91,575	394	11	2,579	**1,400,485**
Equity instruments measured at fair value	42,558	5,782	(4,769)	498	-	93	-	**44,162**
Financial assets measured at fair value total	**1,376,400**	**239,095**	**(122,758)**	**95,172**	**(4,414)**	**(3,391)**	**(10,115)**	**1,569,989**
Financial liabilities designated at fair value through profit or loss	54,191	-	(1,332)	4,543	-	-	13,305	**70,707**
Negative fair value of held-for-trading derivative financial liabilities	650	-	-	3,050	-	-	8	**3,708**
Financial liabilities designated at fair value total	**54,841**	**-**	**(1,332)**	**7,593**	**-**	**-**	**13,313**	**74,415**

[1] HUF (91) million fair value adjustment resulting from risk factors and HUF 93,581 million adjustment resulting from market factors.are included into FVA change for the current period 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:

31/12/2022	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**
Interest-bearing securities at fair value through other comprehensive income2	55,476	540	(32,866)	15,310	19,678	(3,870)	10,427	**64,695**
Non-interest-bearing instruments at fair value through other comprehensive income	7,877	441	(422)	-	-	2,819	(970)	**9,745**
Loans mandatorily at fair value through profit or loss[1]	1,067,830	258,658	(83,254)	3,885	-	(11)	306	**1,247,414**
Equity instruments measured at fair value	40,064	18,097	(27,360)	11,064	-	693	-	**42,558**
Financial assets measured at fair value total	**1,194,614**	**278,907**	**(143,902)**	**18,344**	**19,678**	**113**	**8,646**	**1,376,400**
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 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 previous 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]

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	Presentation in the Statement of Financial Position	Valuation technique	Significant unobservable input	Range of estimates for unobservable input
VISA C shares	Financial assets at fair value through profit or loss	Market approach combined with expert judgement.	Illiquidity	+ 12% / (12%)
MFB refinanced loans	Loans mandatorily at fair value through profit or loss	Discounted cash flow model	Probability of default	+ 20% / (20)%
Subsidized personal loans	Loans mandatorily at fair value through profit or loss	Discounted cash flow model	Probability of default	+ 20% / (20)%
Subsidized personal loans	Loans mandatorily at fair value through profit or loss	Discounted cash flow model	Operational costs	+20% / (20)%
Subsidized personal loans	Loans mandatorily at fair value through profit or loss	Discounted cash flow model	Demography	Change in the cash flow estimation + 5% /(5)%
Ministry of Finance of Russia	Securities at fair value through other comprehensive income	Discounted cash flow model	Credit risk	+15% / (15)%
Ministry of Finance of Ukraine	Securities at fair value through other comprehensive income	Discounted cash flow model	Credit risk	+1% / (1)%
Subsidized mortgage loan for families "CSOK"	Loans mandatorily at fair value through profit or loss	Discounted cash flow model	Probability of default	+20% / (20)%
Subsidized mortgage loan for families "CSOK"	Loans mandatorily at fair value through profit or loss	Discounted cash flow model	Operational costs	+20% / (20)%

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.

31/12/2023	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	Financial assets at fair value through profit or loss	Illiquidity	10,301	11,538	9,065	1,237	(1,236)
MFB refinanced loans	Loans mandatorily at fair value through profit or loss	Probability of default	19,154	19,499	18,809	345	(345)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Probability of default	911,190	913,292	909,097	2,102	(2,093)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Operational costs	911,190	916,712	905,728	5,522	(5,462)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Demography	911,190	911,939	910,577	749	(613)
Russian government bonds	Securities at fair value through other comprehensive income	Credit risk	22,452	27,909	16,995	5,457	(5,457)
Ukrainian government bonds	Securities at fair value through other comprehensive income	Credit risk	78,355	79,138	77,572	783	(783)
Subsidized mortgage loan for families "CSOK"	Loans mandatorily at fair value through profit or loss	Probability of default	463,926	464,170	463,682	244	(244)
Subsidized mortgage loan for families "CSOK"	Loans mandatorily at fair value through profit or loss	Operational costs	463,926	470,864	457,215	6,938	(6,711)
Total			**3,791,684**	**3,815,061**	**3,768,741**	**23,376**	**(22,944)**

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]

31/12/2022	Presentation in the Statement of Financial Position	Unobservable	Book value	Fair values		Effect on profit and loss	
				Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Financial assets at fair value through profit or loss	Illiquidity	2,951	3,430	2,472	479	(479)
MFB refinanced loans	Loans mandatorily 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	Securities at fair value through other comprehensive income	Credit risk	37,580	50,468	24,692	12,888	(12,888)
Ukrainian government bonds	Securities at fair value through other comprehensive income	Credit risk	26,571	26,571	26,571	-	-
Subsidized mortgage loan for families "CSOK"	Loans mandatorily at fair value through profit or loss	Probability of default	454,164	454,383	453,945	219	(219)
Subsidized mortgage loan for families "CSOK"	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)**

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 2023 and 2022, 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 2023 and 2022, 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, Uzbekistan, Merkantil Group, Asset Management subsidiaries and Other subsidiaries. Although Romanian segment is classified as discontinued operation from 2023 in these consolidated financial statements, segment reporting still contains it as a separate segment because – in line with the structure of the financial statements monitored by the management (Stock Exchange Report) – the Romanian operation was presented in a way as if it was still classified as continuing operation.

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. it was eliminated from the first quarter of 2023) from the first quarter of 2020 and OTP Home Solutions Ltd. was included from the second quarter of 2021. The consolidated results of these companies were segmented into OTP Core and Corporate Centre until the end of 2022. According to the new methodology applied from the first quarter of 2023, Corporate Centre is no longer carved out of OTP Core. In the tables of Note 49, the 2022 base periods were presented under the new segment definitions.

Until the end of 2022 Corporate Centre acted 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 was 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 was to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre were 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. Starting from 2023 Corporate Centre is no longer carved out of OTP Core.

The balance sheet of Ipoteka Bank in Uzbekistan was consolidated from June 2023. The adjusted profit contribution of Ipoteka Bank was recognized in the consolidated profit or loss from the third quarter of 2023.

The results of foreign factoring companies (OTP Factoring Ukraine LLC, OTP Factoring Bulgaria LLC (it was merged into DSK Bank EAD in the second quarter of 2023), 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

Effect of acquisitions (after income tax):

In 2023 altogether HUF 64.9 billion positive amount appeared on the effect of acquisitions adjustment line (after tax):

- This was partially related to the badwill realized on the two acquisitions closed during the first six months of 2023, and the related initial risk costs:
  - The badwill impact of the Slovenian Nova KBM acquisition completed in February comprised +HUF 100 billion, and the initial risk cost represented HUF (12.6) billion (after tax).
  - In June 2023 the first step of the Ipoteka Bank transaction was finalized in Uzbekistan, entailing a one-off consolidation impact of +HUF 59.8 billion (after tax) in 2023 as a whole, through two major items: the adjusted badwill amounted to +HUF 93.9 billion, whereas the initial risk cost represented HUF (34) billion after tax.
- OTP Bank on 9 February 2024 concluded a share sale and purchase agreement to sell its Romanian entities. The selling price is EUR 347.5 million which is smaller than the net asset value of the to be sold subsidiaries recognized in the consolidated accounts, accordingly the transaction resulted in a negative P&L impact of HUF 59.5 billion (after tax) on consolidated level, which was booked in 4Q 2023.
- The remaining amount presented on this adjustment line comprised integration costs and other direct effects related to acquisitions (such as customer base value amortization).

Special taxes on financial institutions (after income tax):

In 2023 HUF (62.6) billion special taxes on financial institutions weighed on earnings (after tax) which incorporates both the old banking tax in Hungary (HUF (25.2) billion after tax) and the windfall tax on extra profits (HUF (37.4) billion after tax).

Interest rate cap in Hungary and in Serbia:

In 2023 altogether HUF (32.9) billion (after tax) amount was recognized in relation to the expected negative impact of the rate cap scheme in Hungary ((25.8) billion after tax effect) and the temporary rate cap on certain outstanding and newly disbursed mortgage loans in Serbia between October 2023 and the end of 2024 ((7.1) billion after tax effect). According to the effective regulation, in Hungary the interest rate caps on the affected Hungarian mortgage loans was extended until 30 June 2024, and until 1 April 2024 in the case of MSE loans.

Effect of the liquidation of Sberbank Hungary:

In 2023 HUF 10.4 billion (after tax) recovery was accounted for in the wake of the winding up of Sberbank Hungary, as the National Bank of Hungary and the Hungarian Deposit Insurance Fund professionally managed the issue. In 2022 a similar negative amount was booked.

Result of the treasury share swap agreement (after tax):

In 2023 HUF 10.7 billion after tax result was recorded in relation to the OTP-MOL treasury share swap agreement, which contains both the dividends paid by MOL Plc. and the net present value change of the structure.

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 arise 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 Investment Fund Management and PortfoLion Funds.

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 2023

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	**990,459**		**990,459**
Profit after income tax for the year from discontinued operations	**(21,246)**	**21,246**	**-**
Profit after income tax for the year from continued operations	**1,011,705**	**21,246**	**990,459**
Adjustments (total)		**(18,123)**	**(18,123)**
Dividends and net cash transfers (after income tax)		(1,911)	(1,911)
Goodwill /investment impairment (after income tax)		(3,919)	(3,919)
Special tax on financial institutions (after income tax)		(62,551)	(62,551)
Effect of acquisition (after income tax)		64,887	64,887
Result of the treasury share swap agreement at OTP Core (after income tax)		10,680	10,680
Loss allowance on Russian government bonds at OTP Core and DSK Bank (after income tax)		(2,799)	(2,799)
Effect of the winding up of Sberbank Hungary (after income tax)		10,388	10,388
Expected one-off effect of the extension of the interest rate cap for certain retail loans in Hungary (after income tax)		(32,898)	(32,898)

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 2023 [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	**1,011,705**	**(3,123)**	**1,008,582**	**364,621**	**404,779**	**238,565**	**617**
Profit before income tax	**1,201,183**	**21,145**	**1,222,328**	**437,074**	**450,536**	**333,369**	**1,349**
Adjusted operating profit	**1,365,111**	**(85,737)**	**1,279,374**	**432,460**	**445,671**	**400,279**	**964**
Adjusted total income	**2,439,448**	**(196,339)**	**2,243,109**	**903,559**	**730,860**	**622,761**	**(14,071)**
Adjusted net interest income	1,386,706	72,988	1,459,694	474,616	543,257	439,685	2,136
Adjusted net profit					-	-	
from fees and commissions	691,993	(213,847)	478,146	240,942	149,074	89,263	(1,133)
Adjusted other net non-interest income	360,749	(55,480)	305,269	188,001	38,529	93,813	(15,074)
Adjusted other administrative expenses	**(1,074,337)**	**110,602**	**(963,735)**	**(471,099)**	**(285,189)**	**(222,482)**	**15,035**
Personnel expenses	(478,696)	(25,263)	(503,959)	(229,992)	(149,674)	(125,163)	870
Depreciation and amortization	(111,996)	16,435	(95,561)	(52,017)	(22,271)	(20,738)	(535)
Other general expenses	(483,645)	119,430	(364,215)	(189,090)	(113,244)	(76,581)	14,700
Gains from derecognition of							
financial assets at amortized cost	**(17,182)**	**6,624**	**(10,558)**	**(20,137)**	**8,261**	**1,572**	**(254)**
Modification loss	**(38,141)**	**36,909**	**(1,232)**	**(27)**	**-**	**(1,209)**	**4**
Total risk costs	**(108,605)**	**63,349**	**(45,256)**	**24,778**	**(3,396)**	**(67,273)**	**635**
Adjusted loss allowance on							
financial assets and liabilities							
(without the effect of revaluation of FX)	(79,281)	37,766	(41,515)	16,023	(4,475)	(53,493)	430
Goodwill impairment	-	-	-	-	-	-	-
Other impairment (adjustment)	(29,324)	25,583	(3,741)	8,755	1,079	(13,780)	205
from this: Adjusted impairment under IAS 36	(5,216)	3,566	(1,650)	(452)	(1,037)	(130)	(31)
Income tax	**(189,478)**	**(24,268)**	**(213,746)**	**(72,453)**	**(45,757)**	**(94,804)**	**(732)**
				-	-	-	
Total Assets	**38,075,811**	**1,533,333**	**39,609,144**	**20,253,197**	**17,227,907**	**8,331,503**	**(6,203,463)**
Total Liabilities	**34,374,431**	**1,139,920**	**35,514,351**	**17,276,859**	**15,071,959**	**7,128,153**	**(3,962,620)**

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 2023 [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
	2=6+…+9	6	7	8	9
Consolidated adjusted profit after income tax for the year	**364,621**	**302,936**	**10,266**	**19,860**	**31,559**
Profit before income tax	**437,074**	**366,502**	**11,949**	**22,376**	**36,247**
Adjusted operating profit	**432,460**	**360,132**	**14,382**	**22,425**	**35,521**
Adjusted total income	**903,559**	**771,037**	**27,428**	**29,051**	**76,043**
Adjusted net interest income	474,616	432,651	26,257	52	15,656
Adjusted net profit from fees and commissions	240,942	197,104	759	27,056	16,023
Adjusted other net non-interest income	188,001	141,282	412	1,943	44,364
Adjusted other administrative expenses	**(471,099)**	**(410,905)**	**(13,046)**	**(6,626)**	**(40,522)**
Personnel expenses	(229,992)	(205,223)	(6,658)	(4,437)	(13,674)
Depreciation and amortization	(52,017)	(44,745)	(1,648)	(195)	(5,429)
Other general expenses	(189,090)	(160,937)	(4,740)	(1,994)	(21,419)
Gains from derecognition of financial assets at amortized cost	**(20,137)**	**(20,690)**	**553**	**-**	**-**
Modification loss	**(27)**	**-**	**(27)**	**-**	**-**
Total risk costs	**24,778**	**27,060**	**(2,959)**	**(49)**	**726**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	16,023	16,977	(2,756)	(39)	1,841
Goodwill impairment	-	-	-	-	-
Other impairment (adjustment)	8,755	10,083	(203)	(10)	(1,115)
from this: Adjusted impairment under IAS 36	(452)	(1,816)	(4)	-	1,368
Income tax	**(72,453)**	**(63,566)**	**(1,683)**	**(2,516)**	**(4,688)**
Total Assets	**20,253,197**	**18,459,423**	**930,761**	**42,031**	**820,982**
Total Liabilities	**17,276,859**	**16,087,459**	**869,524**	**11,609**	**308,267**

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 2023 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	**Foreign banks in EU subtotal (without adjustments) 3=10+…+13**	DSK Bank AD (Bulgaria) 10	OTP banka d.d. (Croatia) 11	SKB Banka and Nova KBM d.d. (Slovenia) 12	OTP Bank Romania S.A. (Romania) 13
Consolidated adjusted profit after income tax for the year	**404,779**	**201,991**	**53,960**	**128,729**	**20,099**
Profit before income tax	**450,536**	**223,731**	**65,746**	**137,401**	**23,658**
Adjusted operating profit	**445,671**	**217,238**	**66,743**	**140,717**	**20,973**
Adjusted total income	**730,860**	**315,980**	**122,952**	**223,315**	**68,613**
Adjusted net interest income	543,257	226,693	90,996	171,703	53,865
Adjusted net profit from fees and commissions	149,074	72,366	25,661	46,028	5,019
Adjusted other net non-interest income	38,529	16,921	6,295	5,584	9,729
Adjusted other administrative expenses	**(285,189)**	**(98,742)**	**(56,209)**	**(82,598)**	**(47,640)**
Personnel expenses	(149,674)	(47,720)	(29,235)	(46,411)	(26,308)
Depreciation and amortization	(22,271)	(7,855)	(4,785)	(5,602)	(4,029)
Other general expenses	(113,244)	(43,167)	(22,189)	(30,585)	(17,303)
Gains from derecognition of financial assets at amortized cost	**8,261**	**1,638**	**-**	**-**	**6,623**
Modification loss	**-**	**-**	**-**	**-**	**-**
Total risk costs	**(3,396)**	**4,855**	**(997)**	**(3,316)**	**(3,938)**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(4,475)	1,141	721	(2,485)	(3,852)
Goodwill impairment	-	-	-	-	-
Other impairment (adjustment)	1,079	3,714	(1,718)	(831)	(86)
from this: Adjusted impairment under IAS 36	(1,037)	(838)	(25)	-	(174)
Income tax	**(45,757)**	**(21,740)**	**(11,786)**	**(8,672)**	**(3,559)**
Total Assets	**17,227,907**	**6,456,668**	**3,278,199**	**5,892,803**	**1,600,237**
Total Liabilities	**15,071,959**	**5,566,481**	**2,874,712**	**5,223,180**	**1,407,586**

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 2023 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	**Foreign banks not in EU subtotal (without adjustments) 4=14+…+20**	OTP banka Srbija a.d. (Serbia) 14	OTP Bank JSC (Ukraine) 15	JSC "OTP Bank" (Russia) and Touch Bank 16	Crnogorska komercijalna banka a.d. (Montenegro) 17	Banka OTP Albania SHA (Albania) 18	OTP Bank S.A. (Moldova) 19	JSCMB Ipoteka Bank (Uzbekistan) 20
Consolidated adjusted profit after income tax for the year	**238,565**	**68,025**	**45,184**	**95,666**	**21,814**	**15,033**	**14,700**	**(21,857)**
Profit before income tax	**333,369**	**78,646**	**82,358**	**130,172**	**25,737**	**18,173**	**16,759**	**(18,476)**
Adjusted operating profit	**400,279**	**83,734**	**78,294**	**149,298**	**23,536**	**18,269**	**13,440**	**33,708**
Adjusted total income	**622,761**	**133,591**	**108,854**	**223,645**	**38,362**	**33,387**	**25,268**	**59,654**
Adjusted net interest income	439,685	104,050	93,450	122,084	29,717	27,912	16,349	46,123
Adjusted net profit from fees and commissions	89,263	18,419	10,837	40,831	7,797	3,729	2,389	5,261
Adjusted other net non-interest income	93,813	11,122	4,567	60,730	848	1,746	6,530	8,270
Adjusted other administrative expenses	**(222,482)**	**(49,857)**	**(30,560)**	**(74,347)**	**(14,826)**	**(15,118)**	**(11,828)**	**(25,946)**
Personnel expenses	(125,163)	(25,710)	(18,046)	(45,063)	(6,910)	(5,798)	(7,013)	(16,623)
Depreciation and amortization	(20,738)	(3,661)	(2,472)	(8,660)	(1,645)	(1,494)	(1,234)	(1,572)
Other general expenses	(76,581)	(20,486)	(10,042)	(20,624)	(6,271)	(7,826)	(3,581)	(7,751)
Gains from derecognition of financial assets at amortized cost	**1,572**	**53**	**328**	**1,487**	**932**	**(219)**	**(1,009)**	**-**
Modification loss	**(1,209)**	**-**	**(1,239)**	**-**	**30**	**-**	**-**	**-**
Total risk costs	**(67,273)**	**(5,141)**	**4,975**	**(20,613)**	**1,239**	**123**	**4,328**	**(52,184)**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(53,493)	(2,348)	11,565	(17,765)	1,967	327	4,115	(51,354)
Goodwill impairment	-	-	-	-	-	-	-	-
Other impairment (adjustment)	(13,780)	(2,793)	(6,590)	(2,848)	(728)	(204)	213	(830)
from this: Adjusted impairment under IAS 36	(130)	(93)	-	-	-	-	(37)	-
Income tax	**(94,804)**	**(10,621)**	**(37,174)**	**(34,506)**	**(3,923)**	**(3,140)**	**(2,059)**	**(3,381)**
Total Assets	**8,331,503**	**2,874,794**	**1,036,912**	**1,470,796**	**663,676**	**669,765**	**428,192**	**1,187,368**
Total Liabilities	**7,128,153**	**2,506,449**	**879,824**	**1,196,279**	**550,672**	**588,663**	**364,839**	**1,041,427**

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

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 held-for-sale operation	**11,444**	**(11,444)**	**-**
Profit after income tax for the year from discontinued operations	**16,559**	**(16,559)**	**-**
Profit after income tax for the year from continued operations	**319,078**	**(28,003)**	**347,081**
Adjustments (total)		**(245,467)**	**(245,467)**
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)		(10,388)	(10,388)
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)

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	**319,078**	**273,470**	**592,548**	**304,293**	**189,617**	**92,869**	**5,769**
Profit before income tax	**377,678**	**312,344**	**690,022**	**353,561**	**217,950**	**110,918**	**7,593**
Adjusted operating profit	**704,670**	**168,945**	**873,615**	**361,426**	**232,797**	**278,563**	**829**
Adjusted total income	**1,634,686**	**27,013**	**1,661,699**	**759,142**	**446,844**	**470,700**	**(14,987)**
Adjusted net interest income	1,026,868	66,711	1,093,579	448,001	303,256	341,577	745
Adjusted net profit from fees and commissions	584,491	(187,373)	397,118	207,941	113,606	78,675	(3,104)
Adjusted other net non-interest income	23,327	147,675	171,002	103,200	29,982	50,448	(12,628)
Adjusted other administrative expenses	**(930,016)**	**141,932**	**(788,084)**	**(397,716)**	**(214,047)**	**(192,137)**	**15,816**
Personnel expenses	(377,728)	(18,576)	(396,304)	(179,651)	(108,850)	(108,716)	913
Depreciation and amortization	(101,125)	16,462	(84,663)	(46,891)	(18,928)	(18,482)	(362)
Other general expenses	(451,163)	144,046	(307,117)	(171,174)	(86,269)	(64,939)	15,265
Gains from derecognition of financial assets at amortized cost	**(1,573)**	**(82)**	**(1,655)**	**(7,342)**	**1,746**	**3,933**	**8**
Modification loss	**(39,997)**	**40,822**	**825**	**-**	**20**	**805**	**-**
Total risk costs	**(285,422)**	**102,659**	**(182,763)**	**(523)**	**(16,613)**	**(172,383)**	**6,756**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(199,695)	60,166	(139,529)	34,015	(9,672)	(163,792)	(80)
Goodwill impairment	(67,715)	67,715	-	-	-	-	-
Other impairment (adjustment)	(18,012)	(25,222)	(43,234)	(34,538)	(6,941)	(8,591)	6,836
from this: adjusted impairment under IAS 36	(3,652)	355	(3,297)	(1,356)	(774)	(1,166)	(1)
Income tax	**(58,600)**	**(38,874)**	**(97,474)**	**(49,268)**	**(28,333)**	**(18,049)**	**(1,824)**
Total Assets	**32,804,210**	**-**	**32,804,210**	**19,265,918**	**12,650,295**	**6,452,844**	**(5,564,847)**
Total Liabilities	**29,481,898**	**-**	**29,481,898**	**16,775,703**	**11,104,567**	**5,452,540**	**(3,850,912)**

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) 2=6+…+9**	OTP CORE (Hungary) 6	Merkantil Group (Hungary) 7	Asset Management subsidiaries 8	Other subsidiaries 9
Consolidated adjusted profit after income tax for the year	**304,293**	**256,198**	**10,971**	**9,619**	**27,505**
Profit before income tax	**353,561**	**300,093**	**12,616**	**10,870**	**29,982**
Adjusted operating profit	**361,426**	**302,801**	**13,945**	**10,955**	**33,725**
Adjusted total income	**759,142**	**647,642**	**24,780**	**15,799**	**70,921**
Adjusted net interest income	448,001	417,662	22,537	32	7,770
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)**	**(344,841)**	**(10,835)**	**(4,844)**	**(37,196)**
Personnel expenses	(179,651)	(157,623)	(5,371)	(2,905)	(13,752)
Depreciation and amortization	(46,891)	(40,538)	(1,462)	(251)	(4,640)
Other general expenses	(171,174)	(146,680)	(4,002)	(1,688)	(18,804)
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)**	**(43,895)**	**(1,645)**	**(1,251)**	**(2,477)**
Total Assets	**19,265,918**	**17,596,639**	**948,735**	**29,916**	**690,628**
Total Liabilities	**16,775,703**	**15,580,210**	**891,144**	**11,180**	**293,169**

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=10+…+13**	DSK Bank AD (Bulgaria) 10	OTP banka d.d. (Croatia) 11	SKB Banka and Nova KBM d.d. (Slovenia) 12	OTP Bank Romania S.A. (Romania) 13
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**

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=14+…+19	OTP banka Srbija a.d. (Serbia) 14	OTP Bank JSC (Ukraine) 15	JSC "OTP Bank" (Russia) and Touch Bank 16	Crnogorska komercijalna banka a.d. (Montenegro) 17	Banka OTP Albania SHA (Albania) 18	OTP Bank S.A. (Moldova) 19
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**

NOTE 50: ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (in HUF mn)

Discontinued operation

On 9 February 2024 OTP Bank announced the signing of the share sale and purchase agreement to sell its Romanian operation. As a result of this, according to IFRS 5, as at the end of 2023 the Romanian operation was presented as assets /liabilities held for sale in the consolidated statement of financial position and as discontinued operation in the consolidated profit or loss. With regards to the consolidated financial position, all Romanian assets and liabilities were shown on a separate line in the 2023 closing financial position. As for the consolidated profit or loss, the Romanian contribution for both 2022 and 2023 was shown separately from the result of continuing operation, on the "Net (loss) / gain from discontinued operations" line, that is the particular profit or loss lines in the 'continuing operations' section of the profit or loss don't incorporate the contribution from the Romanian subsidiaries.
The selling price is EUR 347.5 million which is smaller than the net asset value of the to be sold subsidiaries recognized in the consolidated accounts, accordingly the transaction resulted in a negative profit or loss impact of HUF 55.9 billion (before tax) on consolidated level, which has already been booked in the fourth quarter of 2023.
On 31 December 2023, the Romanian segment of the Group which was classified as discontinued operation includes the following companies: OTP Bank Romania S.A., OTP Asset Management SAI S.A., OTP Leasing Romania IFN S.A., OTP Factoring SRL, SC Favo Consultanta SRL, SC Aloha Buzz SRL, SC Tezaur Cont SRL.

The major classes of assets and liabilities comprising the assets classified as held for sale and liabilities directly associated with assets classified as held for sale are as follows:

	31/12/2023
Cash, amounts due from banks and balances with the National Banks	199,587
Placements with other banks	8,147
Repo receivables	-
Financial assets at fair value through profit or loss	734
Securities at fair value through other comprehensive income	39,430
Securities at amortized cost	226,427
Loans at amortized cost	1,013,582
Loans mandatorily at fair value through profit or loss	1,356
Finance lease receivables	67,068
Associates and other investments	236
Property and equipment	10,313
Intangible assets and goodwill	3,848
Right-of-use assets	4,299
Investment properties	40
Derivative financial assets designated as hedge accounting	-
Deferred tax assets	224
Current income tax receivables	55
Other assets	13,927
TOTAL ASSETS	**1,589,273**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1,764
Repo liabilities	-
Financial liabilities designated at fair value through profit or loss	-
Deposits from customers	1,095,853
Liabilities from issued securities	-
Derivative financial liabilities held for trading	311
Derivative financial liabilities designated as hedge accounting	-
Leasing liabilities	4,348
Deferred tax liabilities	912
Current income tax payable	1,865
Provisions	9,006
Other liabilities	25,861
TOTAL LIABILITIES	**1,139,920**

NOTE 50: ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (in HUF mn) [continued]

Discontinued operation [continued]

The results of discontinued operations, which have been separated on line "Net (Loss) /Gain from discontinued operations" in the consolidated statement of profit or loss, were as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income calculated using the effective interest method	103,321	82,191
Income similar to interest income	15,252	20,426
Interest income and income similar to interest income	**118,573**	**102,617**
Interest expense	**(50,513)**	**(38,171)**
NET INTEREST INCOME	**68,060**	**64,446**
Loss allowance on loans, placements, amounts due from banks and on repo receivables	(6,779)	(10,522)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	-	-
Release of loss allowance / (Loss allowance) on securities at fair value through other comprehensive income and on securities at amortized cost	235	(13)
Release of provision / (Provision) for commitments and guarantees given	2,931	(228)
Release of impairment / (Impairment) of assets subject to operating lease and of investment properties	-	-
Risk cost total	**(3,613)**	**(10,763)**
NET INTEREST INCOME AFTER RISK COST	**64,447**	**53,683**
Loss from derecognition of financial assets at amortized cost	**6,624**	**(82)**
Modification loss	**-**	**-**
Income from fees and commissions	22,351	22,710
Expense from fees and commissions	(7,036)	(6,841)
Net profit from fees and commissions	**15,315**	**15,869**
Foreign exchange result, net	(11,397)	1,313
Gain / (Loss) on securities, net	37	17
Fair value adjustment on financial instruments measured at fair value through profit or loss	157	(120)
Net results on derivative instruments and hedge relationships	11,526	(5,802)
Profit from associates	22	22
Goodwill impairment	-	-
Other operating income	409	485
Other operating expenses	(1,105)	(3,043)
Net operating income / (expense)	**(351)**	**(7,128)**
Personnel expenses	(26,571)	(24,835)
Depreciation and amortization	(5,998)	(6,463)
Other general expenses	(15,197)	(13,834)
Other administrative expenses	**(47,766)**	**(45,132)**
PROFIT BEFORE INCOME TAX	**38,269**	**17,210**
Income tax expense	(3,575)	(651)
PROFIT AFTER INCOME TAX FOR THE PERIOD	**34,694**	**16,559**

During the year 2023, the Romanian subsidiaries contributed to the Group's operating activity with HUF 137,550 million, to the Group's investing activity with HUF 58,328 million, and in respect of the Group's financing activity with HUF (9,002) million which were modified by the eliminations during the consolidation by HUF (198,270) million.

NOTE 50: ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (in HUF mn) [continued]

Discontinued operation [continued]

The Group intends to increase its market share with new acquisitions and organic increase in the Middle East European Region and although during the near 20 years attendance on the Romanian market followed this strategy, the Group hasn’t managed to reach the optimal share market, the management decided to sell this member of the Group. As a result this allows of the Group to focus on those markets where it can reach significant market share and to strengthen its position in those countries where it has already operated.

Assets 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 was presented in the Other income.

NOTE 51: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2023

1) Term Note Program

See details in Note 21.

2) Financial closing of acquisitions in 2023

For more information about the acquisition of Uzbek Ipoteka Bank, Nova KBM, Aranykalász group, Szekszárdi Group and OTP invest AD please see details in Note 42 Acquisition.

3) OTP Bank is selling its Romanian operations

On 9 February 2024, OTP Bank Plc. has 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. 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 Banca Transilvania S.A under the transaction. See details in Note 50 Assets classified as held for sale and discontinued operations.

4) Significant regulatory changes in Hungary

About the prolongation of deadline of interest rate cap, voluntary interest rate cap on newly granted loans, amending the previously laid down methodology of windfall tax calculation, the changes in savings and government bond markets, family support schemes, capital regulation and mandatory minimum reserve requirements please see details in Note 4.

5) 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.

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.

NOTE 51: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2023 [continued]

5) 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[1]	SARON
EONIA	€STR

[1] 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 2023

Reference rate	Type of the contract	Nominal value of the contract	Pieces of contracts
USD LIBOR	Loan	48,615	1,616
USD LIBOR	Deposit	533	1
Other LIBOR	Loan	14,534	1,090
Other LIBOR	Bonds (assets)	4,853	1
Total		**68,535**	**2,708**

The above LIBOR-based amounts outstanding as at 31 December 2023 will be managed at the next first interest period therefore they do not cause a risk to the Group or to the customers.

6) 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 going forward 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

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.

Moldova

- On 4 February 2024 the central bank cut the base rate by 50 bps to 4.25%.

Slovenia

- In Slovenia banking tax is obliged to pay based on The Act on Reconstruction. It is temporarily for calendar years 2024 to 2028. As the calculation is not based on the taxable profit but on the average total assets, the banking tax is considered as other administrative expense, not as income tax. The tax rate is 0,2%. The liability for banking tax is reduced by the difference between the amount of corporate income tax of the previous financial year, calculated at the introduced temporarily higher rate of 22% and at the statutory rate of 19%. Tax is not relevant for year 2023 and these taxes are classified as levies according to IFRS rules.

OTHER INFORMATIONS

CORPORATE GOVERNANCE

Senior officers, strategic employees and their shareholding of OTP shares as at 31 December 2023

Type[1]	Name	Position	Commencement date of the term	Expiration/termination of the term	Number of shares
IG	dr. Sándor Csányi [2]	Chairman and CEO	15/05/1992	2026	12,000
IG	Tamás Erdei	Deputy Chairman	27/04/2012	2026	53,885
IG	Gabriella Balogh	member	16/04/2021	2026	17,793
IG	Mihály Baumstark	member	29/04/1999	2026	59,200
IG	Péter Csányi	member, Deputy CEO	16/04/2021	2026	25,939
IG	dr. István Gresa	member	27/04/2012	2026	192,458
IG	Antal Kovács[3]	member	15/04/2016	2026	126,584
IG	György Nagy[4]	member	16/04/2021	2026	44,400
IG	dr. Márton Gellért Vági	member	16/04/2021	2026	15,800
IG	dr. József Vörös	member	15/05/1992	2026	196,314
IG	László Wolf	member, Deputy CEO	15/04/2016	2026	544,502
FB	Tibor Tolnay	Chairman	15/05/1992	2026	54
FB	dr. Gábor Horváth	Deputy Chairman	19/05/1995	2026	0
FB	Klára Bella	member	12/04/2019	2026	0
FB	dr. Tamás Gudra	member	16/04/2021	2026	0
FB	András Michnai	member	25/04/2008	2026	1,410
FB	Olivier Péqueux	member	13/04/2018	2026	0
SP	András Becsei	Deputy CEO			7,199
SP	László Bencsik	Deputy CEO			15,462
SP	György Kiss-Haypál	Deputy CEO			15,160
SP	Imre Bertalan	MC member			0
SP	Dr. Bálint Csere	MC member			10,555
TOTAL No. of shares held by management					**1,338,715**

[1] Board Member (IG), Supervisory Board Member (FB), Employee in strategic position (SP)
[2] Number of OTP shares owned by Dr. Sándor Csányi, Chairman and CEO, directly or indirectly: 4.712.949
[3] Number of OTP shares owned by Antal Kovács, Member of Board of Directors, directly or indirectly: 130.884
[4] Number of OTP shares owned by György Nagy, Member of Board of Directors, directly or indirectly: 1.068.855

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 from the Karl Marx University of Economic (now: Corvinus University) in 1980 with a master's degree in economics and finance, where he also obtained a doctorate in finance between 1981-1983. He is a chartered accountant – certified by the Ministry of Finance in 1982. After graduating he worked at the Tax Revenue Directorate and then at the Secretariat (Banking Supervision Section) of the Ministry of Finance. From 1983 to 1986, he was Head of Department at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he was a senior department head at the Hungarian Credit Bank (MHB). From 1989 to 1992 he was Deputy CEO of K&H Bank.

He has been the Chairman and 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.

In 2022, he founded Unity Asset Management Foundation, which acts as his family office, by contributing 100% of the shares of Bonitás 2002 Zrt. and Hungerit Zrt. as well as HUF 700 million in cash.

Bonitás 2002 Zrt. is the holding company that oversees his investments in agriculture, the food industry, real estate and asset management, which comprise some 240 directly or indirectly owned companies.

Bonitás 2002 Zrt. is one of the largest investors in agriculture and food industry in the CEE region through Bonafarm Group, Hungerit Zrt. and KITE Zrt. generating a total annual revenue of EUR 2.5 billion with more than 9.500 employees and with a total of 40.000 hectares of cultivated farmland. The Bonafarm Group is vertically integrated with agricultural companies producing the raw materials for food processors. Bonitás 2002 Zrt. has significant investments in venture capital and real estate through the Bonitás Venture Capital and Real Estate Fund. The size of venture capital fund is EUR 20 million and the average VC investment is between EUR 900.000 and EUR 2 million, while the size of the real estate fund is EUR 70 million.

He has been President of the Hungarian Football Federation (MLSZ) since 2010. He has been a member of the UEFA Finance Committee and a member of the FIFA Council since 2017, and Vice President of the FIFA Council since 2018.

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.
He has been the Vice President of the Board of Trustees of the International Children's Safety Service since 1995, and Chairman of the Board of Trustees of the Prima Primissima Foundation since 2003. In 2005, he established the Csányi Foundation for Children with his own funds. 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 the Chairman of the Board of Trustees of the Hungarian University of Agriculture and Life Sciences (MATE) Foundation.

As of 31 December 2023 he held 12.000 ordinary OTP shares (while the total number of OTP shares held directly and indirectly by him was 4.712.949).

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 part-time on corporate finance projects for financial institutions while attending university as well.

From 2007 to 2011, he was an analyst in Deutsche Bank's London office and then a financial advisor in the field of corporate finance (for Central and Eastern European corporate customers).

From 2011-2016, he worked for McKinsey & Company Inc. as a senior consultant 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 wasthe head of the Daily Banking Tribe.
Since March 2021, he has been 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 and the vice president responsible for digital transformation of IVSZ IT Association of Hungary.

He has been a member of OTP Bank's Board of Directors since 16 April 2021.

As of 31 December 2023 he held 25,939 ordinary OTP share.

László Wolf
member of the BoD
Deputy CEO
Commercial Banking Division

He graduated from the Karl Marx University of Economic Sciences (now: Corvinus University) 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 of OTP Bank Plc.

Since 2003 he has been a member of DSK Bank’s Supervisory Board.

He has been a member of OTP Bank's Board of Directors since 15 April 2016.
Since 13 June 2023 he has been the Chairman of Supervisory Board of Ipoteka Bank.

As of 31 December 2023 he held 544,502 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, 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 2023 he held 53,885 ordinary OTP shares.

Gabriella Balogh
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 the managing director of GoodStep Consulting Kft. since 2008. She fulfilled group management tasks as a member of the Board of Directors 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 FootballFederation. She is the

Chairwoman of the Supervisory Board of Művészetek Palotája Ltd. Since 2023 she has been the Member of the Board of Directors of Richter Gedeon Plc.

She has been a member of OTP Bank's Board of Directors since 16 April 2021.

As of 31 December 2023 she held 17,793 ordinary OTP shares.

Mihály Baumstark
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 Sciences (now: Corvinus University) (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 2023 he held 59,200 ordinary OTP shares.

Dr. István Gresa
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 (now: Corvinus University) in 1980. He earned a PhD from the University of Economic Sciences in 1983.

He has been working 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 OTP Bank Plc., the Head 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 2023 he held 192,458 ordinary OTP shares.

Antal György Kovács
MSc Economics

He graduated from the Karl Marx University of Economic Sciences (now: Corvinus University) 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.
From 1 July 2007 to 31 December 2022 he was the head of Retail Division as OTP Bank's Deputy CEO.

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 was a member of OTP Bank's Supervisory Board from 2004 to 14 April 2016.

Between 15 April 2016 and 27 April 2023 he was a member of OTP Bank's Board of Directors, on 28 April 2023 the General Meeting of OTP Bank elected him as non-executive member of the Board of Directors..

As of 31 December 2023 he held 126,584 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 130,884).

György Nagy
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 2023 he held 44,400 OTP shares (while the total number of OTP shares held by him directly and indirectly was 1,068,885).

Dr. Márton Gellért Vági
General Secretary
Hungarian Football Association

He graduated in 1987 from the department of foreign economics at the Karl Marx University of Economic Sciences (now: Corvinus University).

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 the 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 Federation.
He was a member of UEFA's HatTrick Financial Assistance Committee between 2011 and 2023. He has been a member of FIFA's Financial Committee since 2017 and since 2023 he has been a member of the UEFA National Teams Competition Committee

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 2023 he held 15,800 OTP shares.

Dr. József Zoltán Vörös
Professor emeritus, academician
University of Pécs

He earned a degree in economics from the Karl Marx University of Economic Sciences (now: Corvinus University) 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 the 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 the 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 2023 he held 196,314 ordinary OTP shares.

Supervisory Board
Supervisory Board members are elected by the General Meeting for a term of three years.

<u>**Independent members:**</u>

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 the director of State Construction Company No. 21. From 1994 to 2015 he was the Chairman & CEO of the already privatized Magyar Építő Joint Stock Company.
He has been the managing director of Érték Ltd. since 1994.
From 2018 to 2021 he was the 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 2023 he held 54 ordinary OTP shares.

Dr. József Gábor Horváth
Deputy Chairman of the SB
Retired 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 from 1990 to 2023 he run his own law firm, which was specialised 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 2023 he held no ordinary OTP shares.

Dr. Tamás Gudra
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 Federation 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 2023 he held no ordinary OTP shares.

Olivier Péqueux
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 2023 he held no ordinary OTP shares.

Employee delegates:

Klára Bella
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 2023 she held no ordinary OTP shares.

András Michnai
President of OTP Bank's Employees' Trade Union

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 President of OTP Bank's Employees' Trade Union since December 2011.

As of 31 December 2023 he held 1,410 ordinary OTP shares.

Members of OTP Bank Plc.'s senior management:

Dr. Sándor Csányi
Chairman & CEO

András Becsei
Deputy CEO
Retail Division

In 2001, he graduated with a master's degree in Finance from the Budapest University of Economic Sciences and Public Administration. During his studies he was awarded a scholarship at the University of Southern California in Los Angeles. He went on to get a second master's degree in International Management from the University of Cologne (2002) and an MBA from INSEAD (2005-2006).

His career started as a Mergers & Acquisitions analyst at MOL in 2000, before moving to Ruhrgas in Essen (2001-2002).

Between 2002-2009, he worked as a Consultant and a Project Manager at McKinsey & Company.

Since 2009, he has worked at OTP Bank in various roles including Managing Director of the Retail Subsidiary Management and Business Development Directorate (2009-2012), CEO of OTP Mortgage Bank and OTP Building Society (from 2014), Director of Retail Product Development (2012-2016), and Managing Director of Budapest Region (2017-2022).

Alongside his primary role at OTP, he has performed other duties as a member of the Supervisory Board of OTP Bank Ukraine - JSC OTP Bank (2010-2014) and as the Vice President of the Hungarian Banking Association since 2014. He temporary served as President for 9 months since July 2019.

Since the beginning of 2023, he has been appointed to Deputy CEO at OTP leading the Retail Banking Division.

As of 31 December 2023 he held 7,199 ordinary OTP shares.

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 2023 he held 15,462 ordinary OTP shares.

Péter Csányi
Member of the Board of Directors, Deputy CEO
Digital Division

György Kiss-Haypál
Deputy CEO
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 was 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 then was appointed acting head of the Division.
Since 3 May 2017, he has been deputy CEO of OTP Bank Plc, the head of Credit Approval and Risk Management Division. As of 1 January 2024 Risk Management Division.

As of 31 December 2023 he held 15,160 ordinary OTP shares.

László Wolf
Member of the Board of Directors, Deputy CEO
Commercial Banking Division

ANNEX TO SUSTAINABILITY REPORT

Employee data

GRI 2-7 Employees under permanent versus temporary contracts by country, 31.12.2023

	Permanent		Temporary	
	%	persons	%	persons
Hungary	97.9	13,533	2.1	288
Bulgaria	95.8	5,033	4.2	218
Slovenia	98.2	2,457	1.8	44
Croatia	92.0	2,384	8.0	206
Serbia	96.6	2,743	3.4	97
Albania	95.7	716	4.3	32
Montenegro	85.1	468	14.9	82
Uzbekistan	99.7	4,329	0.3	15
Russia	97.5	6,679	2.5	174
Ukraine	99.2	2,258	0.8	18
Romania	95.5	1,737	4.5	81
Moldova	86.7	755	13.3	116
Malta	80.0	4	20.0	1
OTP Group	**96.9**	**43,096**	**3.1**	**1,372**

GRI 2-7 Full-time and part-time employees by country, 31.12.2023

	Full time employees		Part-time employees	
	%	persons	%	persons
Hungary	91.9	12,700	8.1	1,121
Bulgaria	95.2	5,000	4.8	251
Slovenia	96.2	2,405	3.8	96
Croatia	98.3	2,547	1.7	43
Serbia	99.4	2,824	0.6	16
Albania	100.0	748	0.0	0
Montenegro	99.1	545	0.9	5
Uzbekistan	98.8	4,292	1.2	52
Russia	92.8	6,361	7.2	492
Ukraine	96.9	2,206	3.1	70
Romania	95.7	1,740	4.3	78
Moldova	99.3	865	0.7	6
Malta	60.0	3	40.0	2
OTP Group	**95.0**	**42,236**	**5.0**	**2,232**

GRI 401-1 **Employees left, employees hired, 2023**		
	Left	**New hires**
OTP Bank	*1,294*	*1,777*
Per country – OTP Group		
Hungary	1,886	2,552
Bulgaria	896	1,058
Slovenia	155	178
Croatia	195	232
Serbia	408	445
Albania	262	239
Montenegro	44	57
Uzbekistan	425	532
Russia	3,798	3,058
Ukraine	676	444
Romania	369	329
Moldova	138	110
Malta	1	1
By gender – OTP Group		
Men	2,500	3,235
Women	6,753	6,000
By age group – OTP Group		
Under 30 years	3,702	4,488
Between 30–49 years	4,459	4,224
Over 50 years	1,092	523
Total – OTP Group	*9,253*	*9,235*

GRI 205-2 **Distribution of employees by position, number of employees, 31.12.2023**	**OTP Bank**	**OTP Group**
Senior manager	6	110
Middle manager	1,313	3,725
Employees	9,396	40,633

GRI 402-1 **Minimum notice periods** regarding significant operational changes that could substantially affect employees		
	Minimum notice periods	**Are minimum notice periods and provisions for consultation and negotiation set out in the collective agreement?**
OTP Bank and Hungarian subsidiaries with collective bargaining agreements	15 days	yes
Additional Hungarian subsidiaries	15 days	no
DSK Bank	45 days	yes
SKB Bank	30 days	yes
NKBM	not specified	no
OTP Croatia	8 days	yes
OTP Bank Serbia	8 days	yes
OTP Bank Albania	30–90 days	no
CKB	8 days	no
Ipoteka Bank	60 days	no
OTP Bank Russia	60 days	no
OTP Bank Ukraine	60 days	no
OTP Bank Romania	20 working days	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 not available
If the organisation provides severance pay, does it take into account the employee’s age	Yes	Typically not
If the organisation provides severance pay, does it take into account the number of the employee’s years of service	Yes	Typically yes

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
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 Taxation by country

Country	Revenue from sales to third parties	Revenue from transactions within the Group and between countries	Profit / loss before tax (+) gain / (-) loss	Tangible assets and inventories	Income tax on a cash flow basis	Income tax liabilities recognised against profit after tax (IAS12) without deferred tax	Statutory corporate tax rate	Effective tax rate without deferred tax
	1.	2.	3.	4.	5.	6.	7.	8=6/3
	HUF million						%	
Albania	38.28	1.56	14.07	13.56	2.47	2.44	15%	17.3%
Bulgaria	338.17	29.29	226.89	63.97	20.09	21.52	10%	9.5%
Cyprus	0.00	0.00	3.48	0.00	0.00	0.00	12.5%	-
Croatia	230.04	1.12	66.16	30.26	14.88	11.94	18%	18.1%
Hungary	2,472.94	122.60	842.69	306.33	38.22	50.34	9%	6.0%
Malta	0.23	39.31	4.77	0.02	0.84	0.08	35%	1.6%
Moldova	41.60	0.26	16.67	6.39	1.92	2.05	12%	12.3%
Montenegro	44.63	2.70	25.22	7.90	2.12	3.87	9%	15.3%
Russia	276.41	8.85	132.51	11.38	33.07	27.29	20%	20.6%
Romania	141.79	25.58	31.13	10.45	1.78	1.01	16%	3.3%
Serbia	207.49	5.86	63.14	37.14	8.79	9.18	15%	14.5%
Slovenia	292.27	11.90	108.02	30.42	10.26	15.43	19%	14.3%
Ukraine	163.59	4.62	82.18	5.88	12.36	37.36	50%*	45.5%
Uzbekistan	109.67	0.00	-57.08	24.75	5.41	1.56	20%*	-2.7%
Total	**4,357.11**	**253.63**	**1,559.85**	**548.44**	**152.20**	**184.06**	**-**	**11.8%**

*The tax rate shown for Ukraine and Uzbekistan refers to the banks

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 follo wing:

- 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. 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	
Statement of use	OTP Bank Plc. has reported in accordance with GRI Standards for the period between 01.01.2023 and 31.12.2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	-
Entities covered	OTP Group: OTP Bank Plc. and subsidiaries consolidated under the IFRS
Date of publication	26 April 2024
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. 227-229, website, GRI index,	OTP Group is present in 17 countries, of which it has banks in 12 (where it performs monetary intermediary activities), engaging in significant operations.
2-2	Entities included in the organisation's sustainability reporting	pp. 227-229, p. 647, 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. In the case of acquisitions, from 2023, the principle is that we report on the new member company in the year in which it becomes a member of the OTP Group. GHG emissions data are reported for the full year even if the acquisition took place during the year. The sustainability disclosures do not cover the companies Szajki Mezőgazdasági Zrt., Szekszárdi Mezőgazdasági Zrt., ARANYMEZŐ 2001. Mezőgazdasági Termékelőállító, Kereskedelmi és Szolgáltató Kft., AGROMAG-PLUSZ Mezőgazdasági Termékelőállító, Kereskedelmi és Szolgáltató Kft., ZA Gamma HoldCo Kft., ZA Invest Gamma Kft., ZA-Invest Kappa Kft., Club Hotel Füred Szálloda Kft., DSK Trans Security EAD, OTP Factoring Bulgaria EAD, because their consolidation started in the fourth quarter of the year and it was technically no longer possible to include them in the sustainability data collection. The sustainability disclosures are part of the deconsolidation until the date of deconsolidation, which ceased to be consolidated in the fourth quarter (DSK Tours EOOD). The scope of companies belonging to the OTP Group has changed compared to the 2022 report, the biggest change being the acquisition of NKBM in Slovenia and Ipoteka Bank in Uzbekistan, which limits the comparability of the data presented with previous years, and the material changes related to the acquisitions are indicated in the text of the report. Other changes are not significant in relation to the size of the group and do not affect comparability.
2-3	Reporting period, frequency and contact point	p. 647	
2-4	Restatements of information	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. There have been no new additions to this report.
2-5	External assurance	GRI index, p. 647	The external assurance provider is independent of OTP Group. Interview with the Vice-Chair of the ESG Committee during the certification.
Activities and employees			
2-6	Activities, value chain and other business relationships	p. 85., pp. 144-145, p. 153, GRI index, website	In addition to providing financial services, several 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 2022.
2-7	Employees	p. 85, pp. 176–177, p. 644	
2-8	Workers who are not employees	p. 177	

[1] OTP Core is the business entity measuring the core activities of OTP Group Hungary, comprising, members in 2023: 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
Management			
2-9	Governance structure and composition	FTJ: 1.2–1.4; p. 88, p. 89	
2-10	Nomination and selection of the highest governance body	FTJ: 1.2.2, 1.4, 1.13, pp. 180-181 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 work council from the Company's employees.
2-11	Chair of the highest governance body	GRI index, FTJ: 1.2.2	The Chairman of the Supervisory Board is independent.
2-12	Role of the highest governance body in overseeing the management of impacts	p. 88	
2-13	Delegation of responsibility for managing impacts	p. 88, pp. 89–91, p. 142, p. 158, p. 164, p. 167, pp. 201-202	
2-14	The role of the highest governance body in sustainability reporting	p. 86, GRI index	The sustainability disclosure is approved by the Board of Directors as part of the business report.
2-15	Conflict of interest	p. 160, GRI index, Code of Ethics, Compliance Pol., FTJ: 1.2.2, 1.12,	Code of Ethics: II.II.10.; Compliance Policy extract III.1.2 All employees must be familiar with the Conflict-of-Interest Regulation. The Conflict-of-Interest Regulation 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	pp. 88–89	
2-17	Collective knowledge of the highest governance body	p. 88	
2-18	Evaluation of the performance of the highest governance body	FTJ: 1.12	
2-19	Remuneration policies	p. 88, p. 185-186, website	
2-20	Process to determine remuneration	p. 185, website1 website2	
2-21	Annual total renumeration ratio	GRI Index	The indicator is currently not reported. 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 engagements	p. 90, p. 160, 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.
2-24	Embedding policy engagements	p. 160	
2-25	Processes to remediate negative impacts	pp. 164-165, website	
2-26	Mechanisms for seeking advice and raising concerns	p. 160	
2-27	Compliance with laws and regulations	p. 163	
2-28	Membership in associations	website	
Inclusion of stakeholders			
2-29	Approach to stakeholder engagement	p. 150, pp. 97-98, website	@Stakeholder relations

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
2-30	Collective bargaining agreements	p. 182, GRI index	
GRI 3: Material topics 2021			
3-1	Process to determine material topics	pp. 86–87	
3-2	List of material topics	p. 87	
3-3	Management of material topics	GRI Index	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, indirect economic impacts of financial products (ST1)			
3-3	Management of material topics	p. 92, p. 135-136, p. 139	
203-2	Significant indirect economic impacts	p. 92, p. 135, pp. 137-138, 139-140, website	The OTP Group does not have a general approach and targets for the social, indirect economic impacts of financial products, but certain impacts are managed strategically. In relation to indirect economic impacts as well, we always act in accordance with the principle of ethical business behaviour.
G4 FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector	p. 85, pp. 144–145, GRI index	The report is not comprehensive as regards risk ratings (FS6 2.4).
SASB FN-CB-410a.1.	Commercial and industrial credit exposure, by industry	pp. 144–145, GRI index	We present assets by sector. (Partial compliance.)
Tax payment (GRI 207 2019)			
3-3	Management of material topics	pp. 172-173	
207-1	Approach to tax payment	pp. 172–173, 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	pp. 172–173, 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, 207-4 are audited as part of the sustainability disclosures.
207-3	Stakeholder engagement and management of concerns related to tax	pp. 172-173, website	
207-4	Country-by-country reporting	p. 146, p. 646	
Contribution to economic stability (ST2)			
3-3	Management of material topics	pp. 173-174, website	
201-4	Financial assistance received from government	p. 174	
own indicator	EBA stress test result	p. 174	
own indicator	CET1 rate	p. 174	
Environmental impact and GHG emissions of financial products (ST3)			
3-3	Management of material topics	p. 92, p. 93 website	
305-3	Other indirect (Scope 3) GHG emissions	pp. 142-143, GRI index	The indicator is applied only to the Scope 3 emissions of lending. The necessary quality of information is not available for reporting, it will be disclosed first in 2025 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. The necessary quality of information is not available for reporting, it will be disclosed first in 2025 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	pp. 142-143, GRI index	The indicator is applied only to the Scope 3 emissions of lending. The necessary quality of information is not available for reporting, 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. 95-97, pp. 135-136, pp. 141-143	
SASB FN-MF-450a.3.	Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting climate change	pp. 141-143	Partially reported.
SASB FN-CB-410a.2.	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	pp. 141-143	Partially reported.
SASB FN-IB-410a.3	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities	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.

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
Green products (ST4)			
3-3	Management of material topics	p. 83, p. 93, p. 95, pp. 135-136	
own indicator	Disclosure according to the Taxonomy Regulation	pp. 97-133	
own indicator	Proportion of products according to Articles 8 and 9 of the SFDR	pp. 135-136	
GHG emissions of operation (GRI 305 2016)			
3-3	Management of material topics	p. 83, pp. 201-204 website	
302-1	Energy consumption within the organisation	p. 203	
305-1	Direct (Scope 1) GHG emissions	p. 204, GRI index	We do not apply a base year. Consolidation approach: operational management.
305-2	Energy indirect (Scope 2) GHG emissions	p. 204, GRI index	We do not apply a base year. Consolidation approach: operational management.
Access to finance (ST5)			
3-3	Management of material topics	pp. 146-147, p. 152, pp. 154-155	
own indicator	Number of branches by country	p. 71	
G4 FS13	Access points in low populated or economically disadvantaged areas by type	p. 152, pp. 154-155	
own indicator	Accessibility for the disabled	pp. 154-156	
Financial welfare conditions (ST6)			
3-3	Management of material topics	p. 146, p. 149	
417-2	Incidents of non-compliance concerning product and service information and labelling	p. 163, GRI index	In 2023, 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. 163, GRI index	In 2023, there was no non-compliance with voluntarily accepted codes regarding marketing communications.
own indicator	Number of complaints related to product structure transparency	p. 166	
own indicator	Percentage of overdue loans over 90 days in the retail segment	p. 150	
Compliance (ST7)			
3-3	Management of material topics	p. 157	
205-1	Operations assessed for risk related to corruption	p. 162	
205-2	Communication and training about anti-corruption policies and procedures	pp. 160-162, p. 177, p. 179, p. 645, GRI index	We consider suppliers and commissioned agents as our business partners.
205-3	Confirmed incidents of corruption and actions taken	p. 162	
415-1	Political contributions	GRI Index	OTP Group does not sponsor such persons or organisations, there was no such support in 2023.
206-1	Legal proceedings for anti-competitive behaviour, anti-trust, and monopoly practices	p. 163	
2-27	Compliance with laws and regulations	p. 163	
406-1	Incidents of discrimination and corrective actions taken	p. 161	
410-1	Security personnel trained in human rights policies or procedures	p. 161, website	
Responsible employment (GRI 401 2016, 404 2016)			
3-3	Management of material topics	p. 150, pp. 177-179, website	
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.
401-1	New employee hires and employee turnover	pp. 177-179, p. 645	
401-3	Parental leave	p. 189	
402-1	Minimum notice periods regarding operational changes	p. 182, p. 645	
404-1	Average hours of training per year per employee	p. 188	
404-2	Programmes for upgrading employee skills and transition assistance programmes	pp. 186-187, p. 645	

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
404-3	Percentage of employees receiving regular performance and career development reviews	pp. 184-185	
403-9	Work-related injuries	p. 191	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	pp. 189-190	
own indicator	Employee engagement	p. 180, pp. 182-183	
Equality of opportunities for employees (GRI 405 2016)			
3-3	Management of material topics	p. 175, p. 180, p. 188, website, GRI index	
202-2	Proportion of senior management hired from the local community	p. 181, GRI Index	OTP Group has no comprehensive policy for giving preference to local residents in respect of employees and senior management. 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. 185	Significant locations of operations: OTP Bank and foreign subsidiaries.
405-1	Diversity of governance bodies and employees	p. 179-180, 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. 186	
Strengthening of financial awareness in vulnerable groups (ST8)			
3-3	Management of material topics	p. 192	
SASB FN-CB-240a.4.	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	pp. 192-193	Partially reported
own indicator	Education for socially disadvantaged children	pp. 192-196	
own indicator	Financial literacy for people in disadvantaged areas	pp. 192-196	
Customer data and information security (GRI 418 2016)			
3-3	Management of material topics	pp. 157-158, website	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 172	
SASB FN-CF-230a.2.	Card–related fraud losses from (1) card-not-present fraud and (2) card-present and other fraud	p. 169	Partially reported
own indicator	Ratio of bank card fraud to turnover	p. 169	
own indicator	Amount of prevented bank card fraud	p. 169	
Financing of high social risk sectors (ST9)			
3-3	Management of material topics	p. 93, pp. 141-142	
own indicator	Exclusion and restrictive policies	pp. 141-142	

TCFD indicators[2]		
Indicator description	Chapters[3]	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., 2.7	
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, Climate-related risks and opportunities identified by the organisation in the short, medium and long term	ESG strategic directions, 2.2, 2.5, 2.7	Utilisation of the opportunities relating to climate is targeted by green financing, which is a dominant element of the ESG strategy.

[2] In 2023, OTP Bank reports on the indicators included in the TCFD indicators from the IFRS S1 and IFRS S2 indicators, so we use the TCFD notation.

[3] The chapters are the chapters of the OTP Group's Sustainability Activities for 2023 and Environmental Policy, Environmental Protection Measures (pp. 82-207)

TCFD indicators[2]		
b, Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	ESG strategic directions, 2.2, 2.5, 2.7	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.
c, The resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	2.7	
III. Risk Management The way of the identification, assessment and management of climate risks		
a, The organisation's procedures for identifying and assessing climate-related risks	2.5, 2.7	
b, The organisation's processes for managing climate related risks	2.5, 2.7	
c, How processes for identifying, assessing, and managing climate related risks are integrated into the organisation's overall risk management	2.5, 2.7	
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	ESG strategic directions, 2.2, 2.5, 2.7	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, 2.5, 2.7	
c, Targets used by the organisation to manage climate related risks and opportunities and performance against targets	ESG strategic directions, 2.2, 7.	

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 banking groups in Central and Eastern Europe, with unique knowledge of the region and a lasting commitment to it. With more than 41,000 employees in now 12 countries of the CEE and Central Asian region, the Group provides universal financial services to 17 million customers.
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 11 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, Nova KBM d.d.), in Ukraine (Joint-Stock Company OTP Bank), in Moldova (OTP Bank S.A.), in Montenegro (Crnogorska Komercijalna Banka AD Podgorica), in Russia (Joint Stock Company "OTP Bank") and in Uzbekistan (Ipoteka 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/home

https://www.otpgroup.info/about/group-members

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes

☐ No

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: --------------------

Principle 1: Alignment
☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: ------------------------ ☐ None of the above
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. https://www.otpgroup.info/static/sw/file/OTPGroup_ESG_approach.pdf https://www.otpgroup.info/static/portal/sw/file/contribution_SDG.pdf

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.

- **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[1] and fulfil the following requirements/elements (a-d)[2]:

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 financing, 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.

Integrated report 2023

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[3] 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.

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
- Inclusive&Healthy economies
- Education
- Justice&Equality
- Strong Institutions, peace&Stability

Based on the Impact Analysis, the areas of climate change and financial inclusion are among the most significant ones.

[1] 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.
[2] Further guidance can be found in the Interactive Guidance on impact analysis and target setting.
[3] 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Principle 2: Impact and Target Setting

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?[4] 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.

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.

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)5? Please disclose.

Climate Change

Financial Health&Inclusion

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 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 Group'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.
OTP Group has become a signatory of Partnership for Carbon Accounting Financials (PCAF) in June 2023. This means that in the financed emission calculation, we are not only following PCAF methodology, but we are also using its emission factor database for calculation. We have estimated financed emission for 2021 and 2022, estimation for 2023 is still in progress. However, the results have not yet been made public, the first disclosure of our estimated financed emission is planned in early 2025.

Though the coverage slightly varied between the years, we included 75-80% of our total asset into the calculations. All economic sectors are included, the remaining 20-25% is mainly composed of unsecured residential loans due to lack of methodology. In accordance with PCAF guidance, we cover 4 segments: business loans, mortgages, commercial real estate and motor vehicle loans.
In the last two years, OTP Bank has established the basis for a methodologically and data-quality-wise sound financed emission calculation of banking group portfolio: we have developed an in-house automated calculation engine to estimate financed emission, however, it is still in a pilot stage. It makes the financed emission calculation replicable, accurate and transparent. We strive to further refine the results of our financed emissions by expanding the range of data reported and improving the quality used and incorporate additional data. This not only requires collaboration between group members, but also engagement with our clients in all countries and sectors of the OTP Group.

[4] Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

[5] 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.

Principle 2: Impact and Target Setting
Currently, setting climate targets is in progress under a so-called ‘decarbonization project’. By the end of 2024, we aim to set targets in the most carbon intensive sectors, according to the up-to-date professional standards, in the majority of countries where OTP is present. By the broad involvement of several key departments both in the headquarter and subsidiaries, we are also making significant efforts to involve all areas of bank's business and risk areas in defining and to understand what is needed to steer our portfolio to be aligned with the Paris Climate Change Agreement. 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, 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?[6]

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)*

[6] 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.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets7 have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) ***Alignment:*** which international, regional or national policy frameworks to align your bank's portfolio with[8] have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.
You can build upon the context items under 2.1.

Once setting our decarbonization targets – which is an ongoing project in 2024 – we strive to align our portfolio with climate scenarios defined in the Paris Agreement. At the same time, we want to ensure that the sector-by-sector decarbonization approaches are realistic, implementable, and supported by society, and in line with the strategic priorities we have set ourselves according to the UN Sustainable Development Goals.

Financial Literacy and Financial Health remain a main limitation of the wellbeing of many in the region. For several years, OTP Group has made it a priority to contribute to the improvement of the financial literacy of the population, in addition to providing correct information to customers and the calculators and guides available on our website.

We take responsibility for educating young people and adults with basic financial literacy and responsible decision-making skills. Our aim is to create and spread financial literacy on a broad scale, with this initiative we are contributing to the EU goal of reducing poverty by 2030 as well as to progress on the UN SDGs.

https://www.otpgroup.info/sustainability/responsible-social-actor

https://www.otpgroup.info/static/sw/file/OTPGroup_ESG_approach.pdf

b) ***Baseline:*** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.
You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	*Indicator code*	*Response*
Climate change mitigation	*climate strategy?*	
	Paris Alignment target?	
	Climate policy?	
	Portfolio analysis?	*only for internal use*
	Financed emission?	*only for internal use*

Impact area	*Indicator code*	*Response*
Financial health & inclusion	*participants of adult training programs*	*IR page 193*
	participants of students training programs	
	…	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

c) ***SMART targets*** (incl. key performance indicators (KPIs)[9]): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

To align our portfolio with the Paris Agreement objectives and to reach net-zero financed emissions by 2050, we are in the process to set decarbonization targets in the most carbon intensive sectors. The first interim targets will be set for 2030 with 5 years milestones until reaching net-zero by 2050.

The OK Educational and Innovation Centre and the OTP Fáy András Foundation provide free finance and economics courses in Hungary, Romania and Moldova, helping thousands of students and adults every year to expand their knowledge.

SMART targets are being developed and will be reported in the next report.

d) ***Action plan:*** which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

under development

[7] Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

[8] Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

[9] Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your areas of most significant impact.

	Climate Change	Financial Health&Inclusion
Alignment	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No
Baseline	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No
SMART targets	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No
Action plan	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

We are currently working on the finalization of the goals and the targets will be shown in our next report.

Links and references

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers[1] in place to encourage sustainable practices?

☐ Yes ☐ In progress ☒ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☐ Yes ☐ In progress ☒ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities[2]). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

With its products and service provision methods, the Banking Group can contribute to the financial welfare of its clients and enable them to make the responsible financial decisions best suited to their particular life situations. The group's practices influence the extent to which responsible cash handling options are available or unavailable to customers in different financial and social circumstances. Financial products and services are often complex, and the information provided by the Banking Group is essential to understanding them.

We are committed to promoting our customers' financial welfare and we offer them products that are aligned with their real needs and possibilities. We always aim to make sure that our communication and customer service is fair, clear and straightforward. Our objectives are also presented in our Responsible Marketing Policy and Consumer Protection Compliance Program

https://www.otpgroup.info/static/sw/file/SRMP_Statement_20230630.pdf

https://www.otpgroup.info/static/sw/file/PAI_Statement_20210331__1_.pdf

https://www.otpgroup.info/static/sw/file/OTP_Partneri_EtikaiKodex_EN.pdf

@Responsible Marketing Policy

@Consumer Protection Compliance Program

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

OTP Group aims to service all customer segments. All our products and services are designed to comply with the principles of ethical business conduct and legal requirements. Environmental considerations are becoming an increasingly important factor in economic and investment decisions, helping to achieve sustainable growth. OTP Group intensively supports the financing of renewable energy projects, including solar park, windfarm, hydropower and energy efficiency investment projects.

We strive to ensure the availability of state and international preferential funding for both our retail and corporate customers. These funds typically support important social and environmental objectives. Schemes promoting energy efficiency and the use of renewable energy sources have recently become emphatic in this area.

https://www.otpgroup.info/static/sw/file/Sustainable_Finance_Framework_ENG.pdf

https://www.otpbank.hu/static/portal/sw/file/Green_loan_framework_ENG.pdf

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups[1]) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Memberships*: Within the PCAF (Partnership for Carbon Accounting Financial) we participate on further developing methodologies and validating the database of emission factors for the CEE region.*

Clients*: OTP Group regularly performs surveys among the population in our core markets. Some of these specifically address ESG factors and how important they are perceived as being by our clients.*

We support some regional events on specific ESG relevant topics

Employees*: We inform and engage with employees on ESG topics via online learning platform. We announced an Idea competition to give employees the chance to participate in and actively contribute to sustainability projects in our offices and beyond.*

Management and supervisory board*: Our management is engaged in all ESG related strategy decisions and target achievements.*

[1] Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

The fulfilment of our PRB commitment as well as our ESG strategy lies with the

ESG Committee, consisting of Board members and senior managers. ESG Committee meetings are held four times a year.

https://www.otpgroup.info/static/sw/file/OTPGroup_ESG_approach.pdf

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

To create awareness for the importance of sustainability in our daily business ESG trainings and events are mandatory for all employees to provide information themselves about ESG strategy and ongoing initiatives.

The members of the Banking Group have launched numerous programmes, awareness-raising campaigns and involved employees to promote environmental awareness and the protection of natural values.

OTP Bank has launched the Green Challenge idea contest among its employees to come up with solutions that support the reduction of the bank's carbon footprint and that can be easily implemented in everyday practice. To start the competition, we launched a series of articles on six topics on the intranet. We rewarded the employees who answered the quiz questions at the end of each article the fastest.

Links and references

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?[1] Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Our ESG policies are available at otpgroup.info.

https://www.otpgroup.info/sustainability/policies

[1] Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Self-assessment summary
Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?
☒ Yes ☐ No
Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?
☒ Yes ☐ No
Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?
☒ Yes ☐ In progress ☐ No

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☐ Partially ☒ No

If applicable, please include the link or description of the assurance statement.

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

☒ GRI

☒ SASB

☒ CDP

☐ IFRS Sustainability Disclosure Standards (to be published)

☒ TCFD

☐ Other: ….

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis[1], target setting[2] and governance structure for implementing the PRB)? Please describe briefly.

In the next 12 months we plan to complete the following steps:

- decarbonization strategy
- decarbonization targets for our portfolio
- Financial literacy strategy
- Financial health and inclusion indicators in target setting

Links and references

Principle 6: Transparency & Accountability

[1] For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement
[2] For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

☐ Embedding PRB oversight into governance

☐ Gaining or maintaining momentum in the bank

☐ Getting started: where to start and what to focus on in the beginning

☐ Conducting an impact analysis

☐ Assessing negative environmental and social impacts

☒ Choosing the right performance measurement methodology/ies

☐ Setting targets

☐ Other: …

☒ Customer engagement

☐ Stakeholder engagement

☒ Data availability

☒ Data quality

☐ Access to resources

☒ Reporting

☐ Assurance

☐ Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these:

INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT ON SUSTAINABILITY REPORTING

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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

We have been engaged by OTP Bank Plc. (hereinafter 'the Company', or 'OTP') to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, hereafter referred to as the engagement on the 'Sustainability Activity of OTP Group of 2023', the 'Annex to the Sustainability Report' and the 'GRI Content Index' ('Sustainability Report') prepared by OTP Bank for the financial year beginning 1 January 2023 and ending 31 December 2023 (the 'Subject of the Engagement'), in accordance with the Global Reporting Initiative Standards 2021 ("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:
  - 2-7 Employees
  - 2-30 Collective bargaining agreements
  - 205-3 Confirmed incidents of corruption and actions taken
  - 305-2 Energy indirect (Scope 2) GHG emissions
  - 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data
- 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.

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 14 February 2024.

1

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Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be 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 Management

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 2023 to 31 December 2023.
- 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.: number and gender of temporary and permanent employees working full or part time; percentage of employees covered by collective agreements; report of ethic hotline cases; energy consumption data; number of verified complaint cases investigated.

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, 16 April 2024

(The original Hungarian version has been signed.)

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